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

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**FORM 20-F**

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(Mark One)

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, 2019

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

Date of event requiring shell company report \_\_\_\_\_

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number  
001-33311

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**Navios Maritime Holdings Inc.**

(Exact name of Registrant as specified in its charter)

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Not Applicable  
(Translation of Registrant's Name into English)

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

7 Avenue de Grande Bretagne, Office 11B2  
Monte Carlo, MC 98000 Monaco  
(Address of principal executive offices)

Mark Hayek  
Fried, Frank, Harris, Shriver & Jacobson LLP  
One New York Plaza  
New York, New York 10004  
Tel: (212) 859-8000  
Fax: (212) 859-4000

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

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

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.0001 per share	NM	The New York Stock Exchange
8.75% Series G Cumulative Redeemable Perpetual Preferred Stock, par value \$0.0001 per share ("Series G")		The New York Stock Exchange*
American Depositary Shares, each representing 1/100 <sup>th</sup> of a Share of Series G	NM-PG	The New York Stock Exchange
8.625% Series H Cumulative Redeemable Perpetual Preferred Stock, par value \$0.0001 per share ("Series H")		The New York Stock Exchange *
American Depositary Shares, each representing 1/100 <sup>th</sup> of a Share of Series H	NM-PH	The New York Stock Exchange

\* Not for trading, but in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission

**Securities registered or to be registered pursuant to Section 12(g) of the Act. None**

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act. None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

13,360,356 shares of common stock, 5,350 shares of Series G and 17,682 shares of Series H as of December 31, 2019

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

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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 definition of “accelerated filer” and “large 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<sup>†</sup> provided pursuant to Section 13(a) of the Exchange Act.

<sup>†</sup> The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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

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

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

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

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Please note in this Annual Report, “we”, “us”, “our”, the “Company” and “Navios Holdings” all refer to Navios Maritime Holdings Inc. and its consolidated subsidiaries, except as otherwise indicated or where the context otherwise requires.

### **FORWARD-LOOKING STATEMENTS**

*This Annual Report should be read in conjunction with the consolidated financial statements and accompanying notes included in this report.*

Navios Maritime Holdings Inc. desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. This document and any other written or oral statements made by us or on our behalf may include forward-looking statements, which reflect our current views with respect to future events and financial performance. The words “may,” “could,” “should,” “would,” “expect,” “plan,” “anticipate,” “intend,” “forecast,” “believe,” “estimate,” “predict,” “propose,” “potential,” “continue” and similar expressions identify forward-looking statements.

The forward-looking statements in this document and in other written or oral statements we make from time to time are based upon current assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management’s examination of historical operating trends, data contained in our records, and other data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections.

In addition to these important factors and matters discussed elsewhere herein, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include, but are not limited to, the strength of world economies, fluctuations in currencies and interest rates, general market conditions, including fluctuations in charter hire rates and vessel values, number of newbuildings and changes to the orderbook, changes in demand in the dry cargo shipping industry, changes in the Company’s operating expenses, including crew wages, provisions, port expenses, bunker and lube oil prices, drydocking, insurance costs, the aging of our fleet, repairs, maintenance and general and administrative expenses, expectations of dividends and distributions from affiliates, the Company’s ability to maintain compliance with the continued listing standards of the New York Stock Exchange (the “NYSE”), changes in governmental rules and regulations or actions taken by regulatory authorities, as well as regulations imposed by our clients, potential liability from pending or future litigation, the adequacy of our insurance arrangements, general domestic and international political conditions including wars, pandemics, terrorism and piracy, potential disruption of shipping routes due to accidents or political events, the value of our publicly traded subsidiaries, public health threats, such as COVID-19, influenza and other highly contagious diseases or viruses, changes in the availability and costs of funding, and other important factors described from time to time in the reports we file with the Securities and Exchange Commission (the “SEC”). See also “Risk Factors” below.

We undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by law. New factors emerge from time to time, and it is not possible for us to predict all of these factors. Further, we cannot assess the impact of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement.

### **PART I**

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

Not Applicable.

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

Not Applicable.

### Item 3. Key Information

#### A. Selected Financial Data

Navios Holdings' selected historical financial information and operating results for the years ended December 31, 2019, 2018, 2017, 2016, and 2015 are derived from the consolidated financial statements of Navios Holdings, adjusted to reflect the Reverse Stock Split (as defined herein) and the adoption of ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. In August 2019, Navios Holdings sold its ship management division, and the general partnership interests in Navios Partners (except for the incentive distribution rights) and Navios Containers GP LLC (the "Transaction") to N Shipmanagement Acquisition Corp. and related entities ("NSM" or the "Manager") affiliated with Company's Chairman and Chief Executive Officer, Angeliki Frangou. The Company entered into five-year service agreements under which NSM provides technical and commercial management services at a fixed rate of \$3,700 per day per vessel for a two-year period and administrative services, reimbursed at allocable cost. See also "Item 7.B Related party transactions". Following the sale of Navios Containers' general partnership interest, Navios Holdings lost control and deconsolidated Navios Containers from that date onwards. The results of operations of Navios Containers for the period consolidated under Navios Holdings have been reported as discontinued operations for all the periods presented. The selected consolidated statement of comprehensive (loss)/income data for the years ended December 31, 2019, 2018, and 2017 and the selected consolidated balance sheet data as of December 31, 2019 and 2018 have been derived from our audited consolidated financial statements included elsewhere in this Annual Report. The selected consolidated financial data should be read in conjunction with "Item 5. Operating and Financial Review and Prospects", the consolidated financial statements, related notes and other financial information included elsewhere in this Annual Report. The historical data included below and elsewhere in this Annual Report is not necessarily indicative of our future performance.

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
(Expressed in thousands of U.S. dollars —except share and per share data)					
<b>Statement of Comprehensive (Loss)/income Data</b>					
Revenue	\$ 482,449	\$ 505,686	\$ 463,049	\$ 419,782	\$ 480,820
Administrative fee revenue from affiliates	16,991	28,393	23,667	21,799	16,177
Time charter, voyage and logistics business expenses	(177,216)	(205,787)	(213,929)	(175,072)	(247,882)
Direct vessel expenses	(101,467)	(96,261)	(116,713)	(127,396)	(128,168)
General and administrative expenses incurred on behalf of affiliates	(16,991)	(28,393)	(23,667)	(21,799)	(16,177)
General and administrative expenses	(36,194)	(26,640)	(27,521)	(25,295)	(34,183)
Depreciation and amortization	(81,723)	(99,779)	(104,112)	(113,825)	(120,310)
Provision for losses on accounts receivable	(999)	(575)	(269)	(1,304)	(59)
Interest income	10,662	8,748	6,831	4,947	2,370
Interest expense and finance cost	(133,479)	(137,916)	(121,611)	(113,639)	(113,151)
Impairment loss/ loss on sale of vessels, net	(156,106)	(200,657)	(50,565)	—	—
Gain/(loss) on bond and debt extinguishment	47,430	6,464	(981)	29,187	—
Gain on sale of assets	—	28	1,064	—	—
Gain on sale of business	9,802	—	—	—	—
(Loss on loss of control)/Bargain gain upon obtaining control	(61,741)	58,313	—	—	—
Other income	44,750	14,500	6,140	18,175	4,840
Other expense	(15,842)	(13,290)	(13,761)	(11,665)	(34,982)
<b>Loss before equity in net earnings of affiliated companies</b>	<b>\$ (169,674)</b>	<b>\$ (187,166)</b>	<b>\$ (172,378)</b>	<b>\$ (96,105)</b>	<b>\$ (190,705)</b>
Equity in net (losses)/earnings of affiliated companies	(9,185)	(80,205)	4,399	(202,779)	61,484
<b>Loss before taxes</b>	<b>\$ (178,859)</b>	<b>\$ (267,371)</b>	<b>\$ (167,979)</b>	<b>\$ (298,884)</b>	<b>\$ (129,221)</b>
Income tax (expense)/benefit	(1,475)	1,108	3,192	(1,265)	3,154
<b>Net loss from continuing operations</b>	<b>\$ (180,334)</b>	<b>\$ (266,263)</b>	<b>\$ (164,787)</b>	<b>\$ (300,149)</b>	<b>\$ (126,067)</b>
Net (loss)/income from discontinued operations	(4,118)	752	—	—	—
<b>Net loss</b>	<b>\$ (184,452)</b>	<b>\$ (265,511)</b>	<b>\$ (164,787)</b>	<b>\$ (300,149)</b>	<b>\$ (126,067)</b>
Less: Net income attributable to the noncontrolling interest	(7,658)	(3,207)	(1,123)	(3,674)	(8,045)
<b>Net loss attributable to Navios Holdings common stockholders</b>	<b>\$ (192,110)</b>	<b>\$ (268,718)</b>	<b>\$ (165,910)</b>	<b>\$ (303,823)</b>	<b>\$ (134,112)</b>
<b>Loss attributable to Navios Holdings common stockholders, basic and diluted from continuing operations</b>	<b>(149,490)</b>	<b>(279,711)</b>	<b>(175,298)</b>	<b>(273,105)</b>	<b>(150,314)</b>
<b>(Loss)/Income attributable to Navios Holdings common stockholders, basic and diluted from discontinued operations</b>	<b>(4,118)</b>	<b>752</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Loss attributable to Navios Holdings common stockholders, basic and diluted</b>	<b>\$ (153,608)</b>	<b>\$ (278,959)</b>	<b>\$ (175,298)</b>	<b>\$ (273,105)</b>	<b>\$ (150,314)</b>
<b>Basic and diluted loss per share attributable to Navios Holdings common stockholders from continuing operations</b>	<b>(12.10)</b>	<b>(23.39)</b>	<b>(15.02)</b>	<b>(25.44)</b>	<b>(14.19)</b>
<b>Basic and diluted (loss)/earnings per share attributable to Navios Holdings common stockholders from discontinued operations</b>	<b>(0.33)</b>	<b>0.06</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Basic and diluted loss per share attributable to Navios Holdings common stockholders</b>	<b>\$ (12.43)</b>	<b>\$ (23.33)</b>	<b>\$ (15.02)</b>	<b>\$ (25.44)</b>	<b>\$ (14.19)</b>
<b>Weighted average number of shares, basic and diluted</b>	<b>12,356,024</b>	<b>11,958,959</b>	<b>11,667,346</b>	<b>10,736,678</b>	<b>10,589,623</b>

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	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
<b>Balance Sheet Data (at period end)</b>					
Current assets, including cash and restricted cash	\$ 168,001	\$ 298,710	\$ 256,076	\$ 273,140	\$ 302,959
Total assets	2,142,855	2,682,496	2,629,981	2,752,895	2,958,813
Total long-term debt, net including current portion	1,563,247	1,816,007	1,682,488	1,651,095	1,581,308
Navios Holdings' stockholders' equity	\$ 43,850	\$ 251,933	\$ 516,098	\$ 678,287	\$ 988,960

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
(Expressed in thousands of U.S. dollars —except per share data)					
<b>Other Financial Data</b>					
Net cash provided by operating activities	\$ 96,112	\$ 55,637	\$ 48,117	\$ 39,826	\$ 43,280
Net cash (used in)/ provided by investing activities	(56,467)	27,863	(42,365)	(150,565)	(36,499)
Net cash (used in)/ provided by financing activities	(111,692)	(66,916)	(12,940)	75,225	(80,009)
Book value per common share	3.28	19.62	42.87	57.91	89.52
Cash dividends per common share	—	—	—	—	1.75
Cash dividends per preferred share	—	—	—	74.4	216.7
Cash paid for common stock dividend declared	—	—	—	—	19,325
Cash paid for preferred stock dividend declared	—	—	—	3,681	16,025
Adjusted EBITDA <sup>(1)</sup>	\$ 61,881	\$ (18,231)	\$ 68,813	\$ (62,827)	\$ 112,756

- (1) EBITDA represents net (loss)/income attributable to Navios Holdings' common stockholders before interest and finance costs, before depreciation and amortization and before income taxes. Adjusted EBITDA represents EBITDA before stock-based compensation. We use Adjusted EBITDA as liquidity measure and reconcile Adjusted EBITDA to net cash provided by operating activities, the most comparable U.S. GAAP liquidity measure. Adjusted EBITDA is calculated as follows: net cash provided by operating activities adding back, when applicable and as the case may be, the effect of (i) net increase/(decrease) in operating assets, (ii) net (increase)/decrease in operating liabilities, (iii) net interest cost, (iv) deferred finance charges and gains/(losses) on bond and debt extinguishment, (v) (provision)/recovery for losses on accounts receivable, (vi) equity in affiliates, net of dividends received, (vii) payments for drydock and special survey costs, (viii) noncontrolling interest, (ix) gain/ (loss) on sale of assets/subsidiaries/businesses, on loss of control and bargain gain, (x) unrealized (loss)/gain on derivatives, and (xi) loss on sale and reclassification to earnings of available-for-sale securities and impairment charges. Navios Holdings believes that Adjusted EBITDA is a basis upon which liquidity can be assessed and represents useful information to investors regarding Navios Holdings' ability to service and/or incur indebtedness, pay capital expenditures, meet working capital requirements and pay dividends. Navios Holdings also believes that Adjusted EBITDA is used (i) by prospective and current lessors as well as potential lenders to evaluate potential transactions; (ii) to evaluate and price potential acquisition candidates; and (iii) by securities analysts, investors and other interested parties in the evaluation of companies in our industry.

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Adjusted EBITDA has limitations as an analytical tool, and therefore, should not be considered in isolation or as a substitute for the analysis of Navios Holdings' results as reported under U.S. GAAP. Some of these limitations are: (i) Adjusted EBITDA does not reflect changes in, or cash requirements for, working capital needs; (ii) Adjusted EBITDA does not reflect the amounts necessary to service interest or principal payments on our debt and other financing arrangements; and (iii) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future. Adjusted EBITDA does not reflect any cash requirements for such capital expenditures. Because of these limitations, among others, Adjusted EBITDA should not be considered as a principal indicator of Navios Holdings' performance. Furthermore, our calculation of Adjusted EBITDA may not be comparable to that reported by other companies due to differences in methods of calculation.

The following table reconciles net cash provided by operating activities, as reflected in the consolidated statements of cash flows, to Adjusted EBITDA:

### Adjusted EBITDA Reconciliation from Cash from Operations

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
	(Expressed in thousands of U.S. dollars —except per share data)				
Net cash provided by operating activities	\$ 96,112	\$ 55,637	\$ 48,117	\$ 39,826	\$ 43,280
Net (decrease)/increase in operating assets	(6,249)	25,632	(22,385)	17,693	(42,844)
Net decrease/(increase) in operating liabilities	6,812	(6,662)	(20,814)	(38,928)	(39,288)
Payments for drydock and special survey costs	23,106	7,755	10,824	11,096	24,840
Net interest cost	125,094	122,492	108,389	103,039	106,257
Provision for losses on accounts receivable	(999)	(575)	(269)	(1,304)	(59)
Impairment losses	(156,106)	(200,657)	(50,565)	—	—
Gain on sale of assets	—	894	1,064	—	—
Gain on sale of business	9,802	—	—	—	—
Gain on bond and debt extinguishment	47,430	6,464	185	29,187	—
(Losses)/earnings in affiliates and joint ventures, net of dividends received	(13,722)	(84,317)	(4,610)	(219,417)	30,398
(Loss on loss of control)/Bargain gain upon obtaining control	(61,741)	58,313	—	—	—
Reclassification to earnings of available-for-sale securities	—	—	—	(345)	(1,783)
Noncontrolling interest	(7,658)	(3,207)	(1,123)	(3,674)	(8,045)
<b>Adjusted EBITDA</b>	<b>\$ 61,881</b>	<b>\$ (18,231)</b>	<b>\$ 68,813</b>	<b>\$ (62,827)</b>	<b>\$ 112,756</b>

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

Not applicable.

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

Not applicable.

### **D. Risk Factors**

Some of the following risks relate principally to the industry in which we operate and our business in general. Other risks relate principally to the securities market and ownership of our common stock. You should carefully consider each of the following risks together with the other information incorporated into this Annual Report when evaluating the Company's business and its prospects. The risks and uncertainties described below are not the only ones the Company faces. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair the Company's business operations. If any of the following risks relating to our business and operations actually occur, our business, financial condition and results of operations could be materially and adversely affected and in that case, the trading price of our common stock could decline, and you could lose all or part of your investment.

#### **Risks Associated with the Shipping Industry and Our Operations**

***The cyclical nature of the shipping industry may lead to decreases in charter rates and lower vessel values, which could adversely affect our and our affiliates' results of operations and financial condition. In particular, charter rates in the dry cargo market have recently been near historical lows and certain of our vessels may operate below operating cost.***

The shipping business, including the dry cargo market, is cyclical in varying degrees, experiencing severe fluctuations in charter rates, profitability and, consequently, vessel values. For example, during the period from January 1, 2018 to April 1, 2020, the Baltic Exchange's Panamax time charter average (P4TC) daily rates experienced a low of \$3,345 and a high of \$18,116. Additionally, during the period from January 1, 2018 to April 1, 2020, the Baltic Exchange's Capesize time charter average (BCI-5TCA) daily rates experienced a low of \$2,172 and a high of \$38,012 and the Baltic Dry Index (BDI) experienced a low of 411 points and a high of 2,518 points. Those ranges are above the recent all-time lows set in February and March 2016 of \$2,260 for the Baltic Exchange's Panamax time charter average, \$1,985 for the Baltic Exchange's Capesize time charter average and 290 for the BDI. There can be no assurance that the dry bulk charter market will not fluctuate or hit new lows or highs. We anticipate that the future demand for our dry bulk carriers and dry bulk charter rates will be dependent upon demand for imported commodities, economic growth in the emerging markets, including the Asia Pacific region, India, Brazil and Russia. Seasonal and regional changes in demand and changes to the capacity of the world fleet will also affect dry bulk rates. Adverse economic, political, social or other developments can decrease demand and prospects for growth in the shipping industry and thereby could reduce our revenue significantly. A decline in demand for commodities transported in dry bulk carriers including disruptions due to pandemics (such as COVID-19), trade, regulatory or tariff actions) or an increase in supply of dry bulk vessels could cause a further decline in charter rates, which could materially adversely affect our results of operations and financial condition.

Demand for container shipments declined significantly from 2008 to 2009 in the aftermath of the global financial crisis but has increased each year from 2009 to 2019. In 2018, total container trade grew by 4.3%, led by strong volumes going to the U.S. in spite of increased tariffs as well as increases in intra-regional trade. In 2019, total container trade is estimated to have gained 1.9%, a demand increase in spite of the tariffs and the decrease in container ship availability as scrubbers were retrofit in advance of the IMO 2020 low sulphur fuel requirements. Containership supply growth was more than demand growth during 2019 as deliveries significantly outpaced scrapping but rates rose during the year due to the reduced capacity of the fleet due to IMO 2020 scrubber retrofits. For example, short term (6—12 month) daily time charter rates for 4,400 TEU container ships rose 57% to an average of \$13,654 for the second half of 2019 from \$8,674 in the first half as scrubber retrofits took significantly longer than expected reducing effective ship capacity. Through March 2020 rates on these ships have averaged \$12,870. Additional orders for large and very large containerships continue to be placed during 2019, both increasing the expected future supply of larger vessels and having a spillover effect on the market segment for smaller vessels. The containership orderbook did decline on a total TEU basis from 2.76 million TEU at the end 2018 to 2.35 million TEU at the beginning of April 2020. The recent global economic slowdown due in large part to the COVID-19 pandemic and disruptions in the trade and credit markets significantly reduced demand for products shipped in containers and has had an adverse effect on our and our affiliates' results of operations and financial condition. The ongoing trade war, tariff changes and the global COVID-19 pandemic may have a similar effect as trade readjusts to any new trade deals among bilateral trading partners or changes in the location of finished goods manufacture or decrease in consumer activity.

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The continuation of such containership oversupply, particularly after containerships with retrofitted scrubbers reenter the market, or any declines in container freight rates could negatively affect the liner companies to which our affiliates seek to charter their containerships.

Historically, the tanker markets have been volatile as a result of the many conditions and factors that can affect the price, supply and demand for tanker capacity. Demand for crude oil and product tankers is historically well correlated with the growth or contraction of the world economy. The past several years were marked by a major economic slowdown, which has had, and continues to have, a significant impact on world trade, including the oil trade. Global economic conditions remain unsettled with significant uncertainty with respect to both short and long-term economic growth. Energy prices sharply declined from mid-2014 to the end of March 2016 primarily as a result of increased oil production worldwide. In response to this increased production, demand for tankers to move oil and refined petroleum products increased significantly and average spot and period charter rates for product and crude tankers rose, but declined thereafter. Keys to this demand growth have been steady increases in Chinese and Indian crude oil imports since 2001 and a steady increase in U.S. oil production, which has led to a steady decline in U.S. crude oil imports since 2005. Oil products shipments have increased due to refinery closures in Europe, Japan and Australia with oil products being shipped to those regions from China, India, the Middle East and the U.S. With the increase in U.S. crude oil production, the U.S. became a net exporter of oil products since 2011 adding to the seaborne movement of oil products. As inventory levels moderated in 2019, rates rose to high levels in the second half of 2019 as fuel suppliers adjust inventories worldwide in advance of the coming IMO 2020 conversion of all shipping fuel to a maximum of 0.5% sulphur content. An attack on Saudi production facilities, a U.S. embargo on VLCCs carrying crude and additional U.S. crude oil exports, particularly on long haul voyages, helped raise VLCC rates to record levels in 2019. The Organization of Petroleum Exporting Countries (“OPEC”) and Russia are currently producing and shipping oil at very high levels, after they failed to maintain production cuts in March 2020 in response to the global COVID-19 pandemic. Energy prices again sharply declined and demand for tankers to move and store oil and petroleum products have increased raising tanker rates particularly for VLCCs. Should OPEC significantly reduce oil production or should there be significant declines in non-OPEC oil production, or should China or other emerging market countries suffer significant economic slowdowns or raise trade barriers or should the IMO 2020 implementation take longer than expected, that may result in a protracted period of reduced oil shipments and a decreased demand for our affiliated tanker vessels and lower charter rates, which could have a material adverse effect on our results of operations and financial condition.

The percentage of the total tanker fleet on order as a percent of the total fleet declined from 20% at the end of 2015 to 8% at the beginning of April 2020. An over-supply of tanker capacity may result in a reduction of charter hire rates. If a reduction in charter rates occurs, our affiliates may only be able to charter their tanker vessels at unprofitable rates or may not be able to charter these vessels at all, which could lead to a material adverse effect on our results of operations.

Fluctuations in charter rates result from changes in the supply and demand for vessel capacity and changes in the supply and demand for the major commodities carried by water internationally. Because the factors affecting the supply and demand for vessels are outside of our control and are unpredictable, the nature, timing, direction and degree of changes in charter rates are also unpredictable.

The demand for dry cargo vessels, containerships and tanker capacity has generally been influenced by, among other factors:

- global and regional economic and political conditions;
- disruptions and developments in international trade, including the effects of currency exchange rate changes;
- changes in seaborne and other transportation patterns, such as port congestion and canal closures or expansions;
- changes in seaborne and other transportation patterns, including changes in distances over which cargo is transported due to geographic changes in where oil is produced, refined and used;
- supply and demand for drybulk products, energy resources, commodities, semi-finished and finished consumer and industrial products, and liquid cargoes, including petroleum and petroleum products;
- changes in the exploration or production of energy resources, commodities, semi-finished and finished consumer and industrial products;
- changes in global production of raw materials, or products transported by containerships;
- the distance dry bulk cargo, containers, chemicals, petroleum and petroleum products are to be moved by sea;
- the globalization of manufacturing;
- fuel prices for the bunker fuel used aboard ships;

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- whether the vessel is equipped with scrubbers or not;
- carrier alliances, vessel sharing or container slot sharing that seek to allocate container ship capacity on routes;
- weather and crop yields;
- armed conflicts, wars and terrorist activities, including piracy;
- natural or man-made disasters (including global pandemics);
- political, environmental and other regulatory developments, including but not limited to governmental macroeconomic policy changes, import and export restrictions, trade wars, central bank policies and pollution conventions or protocols;
- embargoes and strikes;
- technical advances in ship design and construction;
- waiting days in ports;
- changes in oil production and refining capacity and regional availability of petroleum refining capacity;
- international sanctions, embargoes, nationalizations; and
- competition from alternative sources of energy.

The supply of vessel capacity has generally been influenced by, among other factors:

- the number of vessels that are in or out of service (including any held in quarantine or waiting for crew changes due to health related or any other restrictions), namely those that are laid-up, drydocked, awaiting or undergoing repairs or otherwise not available for hire;
- the scrapping rate of older vessels;
- port and canal traffic and congestion, including canal improvements that can affect employment of ships designed for older canals;
- the number of newbuilding deliveries;
- vessel casualties;
- the availability of shipyard capacity;
- the economics of slow steaming;
- the number of vessels that are used for storage or as floating storage vessels;
- the conversion of tankers to other uses, including conversion of vessels from transporting oil and oil products to carrying dry bulk cargo and the reverse conversion;
- availability of financing for new vessels or for facilitating ship sale and purchase transactions;
- the phasing out of single-hull tankers due to legislation and environmental concerns;
- the price of steel, fuel and other raw materials;
- changes in national or international environmental or other regulations and standards that may effectively cause reductions in the carrying capacity of vessels, early obsolescence of tonnage, or other measures that limit the profitability, operations or useful lives of vessels; and
- environmental concerns and regulations.

These and other factors influencing the supply of and demand for shipping capacity are outside of our control, and we may not be able to correctly assess the nature, timing and degree of changes in industry conditions which may affect our business, results of operations and financial condition.



***The oversupply of drybulk vessel capacity may continue to prolong or further depress the current low charter rates, which has and may continue to limit our ability to operate our drybulk vessels profitably.***

The market supply of drybulk carriers has been increasing as a result of the delivery of numerous newbuilding orders over the last few years. Newbuildings have been delivered in significant numbers over the last few years and, as of February 1, 2020, newbuilding orders had been placed for an aggregate of about 9% of the existing global drybulk fleet, with deliveries expected during the next three years. Due to lack of financing, many analysts expect significant cancellations and/or slippage of newbuilding orders. While vessel supply will continue to be affected by the delivery of new vessels and the removal of vessels from the global fleet, either through scrapping or accidental losses, an over-supply of drybulk carrier capacity could exacerbate decreases in charter rates or prolong the period during which low charter rates prevail which may have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

***Our growth depends on continued growth in demand for dry bulk commodities and the shipping of dry bulk cargoes.***

Our growth strategy focuses on expansion in the dry bulk shipping sector. Accordingly, our growth depends on continued growth in worldwide and regional demand for dry bulk commodities and the shipping of dry bulk cargoes, which could be negatively affected by a number of factors, such as declines in prices for dry bulk commodities, or general political, regulatory and economic conditions.

Reduced demand for dry bulk commodities and the shipping of dry bulk cargoes would have a material adverse effect on our future growth and could harm our business, results of operations and financial condition. In past years, China and India have had two of the world's fastest growing economies in terms of gross domestic product and have been the main driving force behind increases in marine drybulk trade and the demand for drybulk vessels. If economic growth declines in China, Japan, India and other countries in the Asia Pacific region, we may face decreases in the drybulk shipping trade and demand. For example, recent slowdowns of the Chinese economy have adversely affected demand for Capesize bulk carriers and, as a result, spot and period rates, as well as asset values, are currently at low levels. A slowdown in the economies of the United States or the European Union, or certain other Asian countries may also adversely affect economic growth in the Asia Pacific region and India. A negative change in the economic conditions (including any negative changes resulting from any pandemic) of any of these countries, may have a material adverse effect on our business, financial condition and results of operations, as well as our future prospects, by reducing demand and resultant charter rates.

***Economic conditions throughout the world, global pandemics, renewed terrorist activity, trade wars and protectionist policies, could have a material adverse effect on our business, financial condition and results of operations.***

The global economy is subject to downside economic risks stemming from factors like global pandemics, fiscal fragility in advanced economies, high sovereign and private debt levels, highly accommodative macroeconomic policies, the significant fall in the price of crude oil and other commodities and persistent difficulties in access to credit and equity financing as well as political risks such as the continuing war in Syria, renewed terrorist attacks around the world and the emergence of populist and protectionist political movements in advanced economies.

Concerns regarding terrorist threats from groups in Europe and the refugee crisis may advance protectionist policies and may negatively impact globalization and global economic growth, which could disrupt financial markets, and may lead to weaker consumer demand in the EU, the U.S., and other parts of the world which could have a material adverse effect on our business. The deterioration in the global economy has caused, and may continue to cause, a decrease in worldwide demand for dry cargoes.

In recent years, China has been one of the world's fastest growing economies in terms of gross domestic product, which has had a significant impact on shipping demand. However, if China's growth in gross domestic product declines and other countries in the Asia Pacific region experience slower or negative economic growth in the future, this may negatively affect the fragile recovery of the economies of the U.S. and the EU, and thus, may negatively impact the shipping industry. For example, the possibility of the introduction of impediments to trade within the EU member countries in response to increasing terrorist activities, and the possibility of market reforms to float the Chinese renminbi, either of which development could weaken the Euro against the Chinese renminbi, could adversely affect consumer demand in the EU. Moreover, the revaluation of the renminbi may negatively impact the U.S.' demand for imported goods, many of which are shipped from China. Political events such as a global trade war between the U.S. and China, or any moves by either China, the U.S. or the EU to levy additional tariffs on imported goods as part of protectionist measures or otherwise could decrease shipping demand. Such weak economic conditions or protectionist measures could have a material adverse effect on our business, results of operations and financial condition, as well as our cash flows.



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***Disruptions in global financial markets from terrorist attacks, regional armed conflicts, general political unrest, the emergence of a pandemic crisis and the resulting governmental action could have a material adverse impact our ability to obtain financing required to acquire vessels or new businesses. Furthermore, such a disruption would adversely affect our results of operations, financial condition and cash flows and could cause the market price of our shares to decline.***

Terrorist attacks in certain parts of the world and the continuing response of the United States and other countries to these attacks, as well as the threat of future terrorist attacks, continue to cause uncertainty and volatility in the world financial markets and may affect our business, results of operations and financial condition. The continuing refugee crisis in the EU, the continuing war in Syria and the presence of terrorist organizations in the Middle East, conflicts and turmoil in Iraq, Yemen, Afghanistan and Iran, general political unrest in Ukraine, political tension, continuing concerns relating to Brexit (as defined herein), concerns regarding the recent emergence of COVID-19, and its spread throughout the world, and other viral outbreaks or conflicts in the Asia Pacific Region such as in the South China Sea and North Korea have led to increased volatility in global credit and equity markets. Further, as a result of the ongoing political and economic turmoil in Greece resulting from the sovereign debt crisis and the influx of refugees from Syria and other areas, the operations of our managers located in Greece may be subjected to new regulations and potential shift in government policies that may require us to incur new or additional compliance or other administrative costs and may require the payment of new taxes or other fees. We also face the risk that strikes, work stoppages, civil unrest and violence within Greece may disrupt the shoreside operations of our managers located in Greece.

In addition, global financial markets and economic conditions have been severely disrupted and volatile in recent years and remain subject to significant vulnerabilities, such as the deterioration of fiscal balances and the rapid accumulation of public debt, continued deleveraging in the banking sector and a limited supply of credit. Credit markets as well as the debt and equity capital markets were exceedingly distressed during 2008 and 2009 and have been volatile since that time. The resulting uncertainty and volatility in the global financial markets may accordingly affect our business, results of operations and financial condition. These uncertainties, as well as future hostilities or other political instability in regions where our vessels trade, could also affect trade volumes and patterns and adversely affect our operations, and otherwise have a material adverse effect on our business, results of operations and financial condition, as well as our cash flows.

Specifically, 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 have refused to refinance existing debt 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. Additional tightening of capital requirements and the resulting policies adopted by lenders, could further reduce lending activities. We may experience difficulties obtaining financing commitments or be unable to fully draw on the capacity under our committed term loans in the future, 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. If financing is not available when needed, or is available only on unfavorable terms, we may be unable to meet our future obligations as they come due. Our failure to obtain such funds could have a material adverse effect on our business, results of operations and financial condition, as well as our cash flows. In the absence of available financing, we also may be unable to take advantage of business opportunities or respond to competitive pressures.

Furthermore, our operations may be adversely affected by changing or adverse political and governmental conditions in the countries where our vessels are flagged or registered and in the regions where we otherwise engage in business. Any disruption caused by these factors may interfere with the operation of our vessels, which could harm our business, financial condition and results of operations. Our operations may also be adversely affected by expropriation of vessels, taxes, regulation, tariffs, trade embargoes, economic sanctions or a disruption of or limit to trading activities, or other adverse events or circumstances in or affecting the countries and regions where we operate or where we may operate in the future. Adverse economic, political, social or other developments can decrease demand and prospects for growth in the shipping industry and thereby could reduce revenue significantly.

***An increase in trade protectionism and the unraveling of multilateral trade agreements could have a material adverse impact on our charterers' business and, in turn, could cause a material adverse impact on our results of operations, financial condition and cash flows.***

Our operations expose us to the risk that increased trade protectionism will adversely affect our business. Recently, government leaders have declared that their countries may turn to trade barriers to protect or revive their domestic industries in the face of foreign imports, thereby depressing the demand for shipping. On January 31, 2020, the United Kingdom withdrew from the European Union ("Brexit"), opening a standstill transition period that is currently set to last until December 31, 2020. The ongoing negotiations surrounding Brexit have yet to provide clarity on what the outcome will be for the United Kingdom or Europe, which

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could significantly disrupt the free movement of goods, services, and people between the United Kingdom and the European Union. In the United States, the current administration has created significant uncertainty about the future relationship between the United States and other exporting countries, including with respect to trade policies, treaties, government regulations and tariffs. The U.S. presidential administration has stated that it rejects multilateral trade agreements in favor of bilateral relations and purports to seek more favorable terms in its dealings with its trade partners. The U.S. administration has indicated that it may resort to aggressive tactics, such as the imposition of punitive tariffs, in order to secure achieve these goals in addition to those already implemented.

Restrictions on imports, including in the form of tariffs, could have a major impact on global trade and demand for shipping. Specifically, increasing trade protectionism in the markets that our charterers serve may cause an increase in (i) the cost of goods exported from exporting countries, (ii) the length of time required to deliver goods from exporting countries, (iii) the costs of such delivery and (iv) the risks associated with exporting goods. These factors may result in a decrease in the quantity of goods to be shipped and the distances those goods travel. Protectionist developments, or the perception they may occur, may have a material adverse effect on global economic conditions, and may significantly reduce global trade, including trade between the United States and China. These developments would have an adverse impact on our charterers' business, operating results and financial condition. This could, in turn, affect our charterers' ability to make timely charter hire payments to us and impair our ability to renew charters and grow our business. This could have a material adverse effect on our business, results of operations and financial condition, as well as our cash flows.

***A decrease in the level of China's imports of raw materials or a decrease in trade globally could have a material adverse impact on our charterers' business and, in turn, could cause a material adverse impact on our results of operations, financial condition and cash flows.***

China imports significant quantities of raw materials, and exports significant amounts of finished or semi-finished goods. For example, in 2019, China imported 1.047 billion tons of iron out of a total of 1.455 billion tons shipped globally accounting for about 72% of the global seaborne iron ore trade. While it only accounted for about 20% of seaborne coal movements of coal in 2019 according to current estimates (254 million tons imported compared to 1.291 billion tons of seaborne coal traded globally), that is a decline from over 22% in 2013 (264 million tons imported compared to 1.183 billion tons of seaborne coal traded globally). Our dry bulk vessels are deployed by our charterers on routes involving dry bulk trade in and out of emerging markets, and our charterers' dry bulk shipping and business revenue may be derived from the shipment of goods within and to the Asia Pacific region from various overseas export markets. Any reduction in or hindrance to China-based importers could have a material adverse effect on the growth rate of China's imports and on our charterers' business. For instance, the government of China has implemented economic policies aimed at reducing pollution, increasing consumption of domestically produced Chinese coal, promoting the export of such coal or increasing consumption of natural gas or increasing the production of electricity from renewable resources, and raising tariffs on imported bulk cargoes from certain countries including the United States. This may have the effect of reducing the demand for imported raw materials and may, in turn, result in a decrease in demand for dry bulk shipping. Additionally, though in China there is an increasing level of autonomy and a gradual shift in emphasis to a "market economy" and enterprise reform, many of the reforms, particularly some limited price reforms that result in the prices for certain commodities being principally determined by market forces, are unprecedented or experimental and may be subject to revision, change or abolition. The level of imports to and exports from China could be adversely affected by changes to these economic reforms by the Chinese government, as well as by changes in political, economic and social conditions or other relevant policies of the Chinese government. The ongoing global trade war between the U.S. and China may contribute to an economic slowdown in China.

Our operations expose us to the risk that increased trade protectionism from China or other nations will adversely affect our business. If the global recovery is undermined by downside risks and the recent economic downturn returns, governments may turn to trade barriers to protect their domestic industries against foreign imports, thereby depressing the demand for shipping. Specifically, increasing trade protectionism in the markets that our charterers serve may cause (i) a decrease in cargoes available to our charterers in favor of Chinese charterers and Chinese owned ships and (ii) an increase in the risks associated with importing goods to China. Any increased trade barriers or restrictions on trade, especially trade with China, would have an adverse impact on our charterers' business, operating results and financial condition and could thereby affect their ability to make timely charter hire payments to us and to renew and increase the number of their time charters with us. This could have a material adverse effect on our business, results of operations, financial condition and our ability to pay cash distributions to our stockholders.

China has enacted a new tax for non-resident international transportation enterprises engaged in the provision of services of passengers or cargo, among other items, in and out of China using their own, chartered or leased vessels, including any stevedore, warehousing and other services connected with the transportation. The regulation broadens the range of international transportation companies who may find themselves liable for Chinese enterprise income tax on profits generated from international transportation services passing through Chinese ports. This tax or similar regulations by China may reduce our operating results and may also result in an increase in the cost of goods exported from China and the risks associated with exporting goods from China, as well as a decrease in the quantity of goods to be shipped from or through China, which would have an adverse impact on our charterers' business, operating results and financial condition and could thereby affect their ability to make timely charter hire payments to us and to renew and increase the number of their time charters with us.

***When our contracts expire, we may not be able to successfully replace them. Our growth and our capacity to replace them depends on our ability to expand relationships with existing customers and obtain new customers, for which we will face substantial competition from new entrants and established companies with significant resources.***

Time-charter contracts provide income at pre-determined rates over short or more extended periods of time. However, the process for obtaining new time charters especially longer term time charters is highly competitive and generally involves a lengthy, intensive and continuous screening and vetting process and the submission of competitive bids. In addition to the quality, age and suitability of the vessel, longer term shipping contracts tend to be awarded based upon a variety of other factors relating to the vessel operator, including:

- the operator's environmental, health and safety record;
- compliance with the IMO standards and regulatory industry standards;
- shipping industry relationships, reputation for customer service, technical and operating expertise;
- shipping experience and quality of ship operations, including cost-effectiveness;
- quality, experience and technical capability of crews;
- the ability to finance vessels at competitive rates and overall financial stability;
- relationships with shipyards and the ability to obtain suitable berths;
- construction management experience, including the ability to procure on-time delivery of new vessels according to customer specifications;
- willingness to accept operational risks pursuant to the charter, such as allowing termination of the charter for force majeure events; and
- competitiveness of the bid in terms of overall price.

It is likely that we will face substantial competition for long-term charter business from a number of experienced companies. We may not be able to compete profitably as we expand our business into new geographic regions or provide new services. New markets may require different skills, knowledge or strategies than we use in our current markets. Many of these competitors have significantly greater financial resources than we do. It is also likely that we will face increased numbers of competitors entering into our transportation sectors. Many of these competitors have strong reputations and extensive resources and experience. Increased competition may cause greater price competition, especially for long-term charters, as well as for the acquisition of high-quality secondhand vessels and newbuilding vessels. Further, since the charter rate is generally considered to be one of the principal factors in a charterer's decision to charter a vessel, the rates offered by our competitors can place downward pressure on rates throughout the charter market.

As a result of these factors, we may be unable to expand our relationships with existing customers or obtain new customers for our charters on a profitable basis, if at all, therefore, when our contracts including our long-term charters expire, we cannot assure you that we will be able to replace them promptly or at all or at rates sufficient to allow us to operate our business profitably, to meet our obligations, including payment of debt service to our lenders, or to pay dividends. Our ability to renew the charter contracts on our vessels on the expiration or termination of our current charters, or, on vessels that we may acquire in the future, the charter rates payable under any replacement charter contracts, will depend upon, among other things, economic conditions in the sectors in which our vessels operate at that time, changes in the supply and demand for vessel capacity and changes in the supply and demand for the transportation of commodities. During periods of market distress when long-term charters may be renewed at rates at or below operating costs, we may not choose to charter our vessels for longer terms particularly if doing so would create an ongoing negative cash flow during the period of the charter. We may instead choose or be forced to idle our vessels or lay them up or scrap them depending on market conditions and outlook at the time those vessels become available for charter.

However, if we are successful in employing our vessels under longer-term time charters, our vessels will not be available for trading in the spot market during an upturn in the market cycle, when spot trading may be more profitable. If we cannot successfully employ our vessels in profitable charter contracts, our results of operations and operating cash flow could be materially adversely affected.

***We may employ vessels on the spot market and thus expose ourselves to risk of losses based on short-term decreases in shipping rates.***

We periodically employ some of our vessels on a spot basis. The spot charter market is highly competitive and freight rates within this market are highly volatile, while longer-term charter contracts provide income at pre-determined rates over more extended periods of time. We cannot assure you that we will be successful in keeping our vessels fully employed in these short-term markets, or that future spot rates will be sufficient to enable such vessels to be operated profitably. A significant decrease in spot market rates or our inability to fully employ our vessels by taking advantage of the spot market would result in a reduction of the incremental revenue received from spot chartering and adversely affect our results of operations, including our profitability and cash flows, with the result that our ability to pay debt service and dividends could be impaired.

Additionally, if spot market rates or short-term time charter rates become significantly lower than the time charter equivalent rates that some of our charterers are obligated to pay us under our existing charters, the charterers may have incentive to default under that charter or attempt to renegotiate the charter. If our charterers fail to pay their obligations, we would have to attempt to re-charter our vessels at lower charter rates, which would affect our ability to comply with our loan covenants and operate our vessels profitably. If we are not able to comply with our loan covenants and our lenders choose to accelerate our indebtedness and foreclose their liens, we could be required to sell vessels in our fleet and our ability to continue to conduct our business would be impaired.

***We depend upon significant customers for part of our revenues. The loss of one or more of these customers or a decline in the financial capability of our customers could materially adversely affect our financial performance.***

We derive a significant part of our revenue from a small number of charterers. During the years ended December 31, 2019, 2018, and 2017, we derived approximately 44.8%, 36.7% and 31.1%, respectively, of our gross revenues from continuing operations from four customers. For the year ended December 31, 2019, two customers accounted for 17.1% and 14.4%, respectively, of our revenue from continuing operations and are the same customers who accounted for 13.1% and 11.6%, respectively, of our revenue from continuing operations for the year ended December 31, 2018. For the year ended December 31, 2017, no customers accounted for more than 10% of our revenue.

We could lose a customer or the benefits of a time charter for many different reasons, including if the customer is unable or unwilling to make charter hire or other payments to us because of a deterioration in its financial condition, disagreements with us or if the charterer exercises certain termination rights or otherwise. Our customers may terminate a charter because we fail to deliver the vessel within a fixed period of time, the vessel is lost or damaged beyond repair, there are serious deficiencies in the vessel or prolonged periods of off-hire, or we default under the charter. The customer may terminate the charter because the vessel has been subject to seizure for more than a specified number of days. Charterers may also go bankrupt or fail to perform their obligations under the contracts, they may delay payments or suspend payments altogether, they may terminate the contracts prior to the agreed-upon expiration date or they may attempt to renegotiate the terms of the contracts.

From time to time, we may have charters at above-market rates, such that any loss of such charter may require us to recharter the vessel at lower rates. Additionally, our charterers from time to time have sought to renegotiate their charter rates with us. We do not maintain insurance against the risk of default by our customers.

The combination of any surplus of vessel capacity, the expected entry into service of new technologically advanced vessels, and the expected increase in the size of the world fleet over the next few years may make it difficult to secure substitute employment for any of our vessels if our counterparties fail to perform their obligations under the currently arranged time charters, and any new charter arrangements we are able to secure may be at lower rates. Furthermore, the surplus of capacity available at lower charter rates and lack of demand for our customers' could negatively affect our charterers' willingness to perform their obligations under our time charters, which in many cases provide for charter rates significantly above current market rates.

If one or more of our customers terminate its charters, chooses not to re-charter our ships after charters expire or is unable to perform under one or more charters with us and we are not able to find a replacement charter on similar terms or are unable to re-charter our ships at all, or if a charterer exercises certain rights to terminate the charter, or if a charterer is unable to make its charter payments in whole or in part, we could suffer a loss of revenues that could materially adversely affect our business, financial condition and results of operations. Accordingly, we may have to grant concessions to our charterers in the form of lower charter rates for the remaining duration of the relevant charter or part thereof, or to agree to re-charter vessels coming off charter at reduced rates compared to the charter then ended.

***We are subject to certain credit risks with respect to our counterparties on contracts, and the failure of such counterparties to meet their obligations could cause us to suffer losses on such contracts and thereby decrease revenues.***

We charter-out our vessels to other parties who pay us a daily rate of hire. We also enter into contracts of affreightment (“COAs”) pursuant to which we agree to carry cargoes, typically for industrial customers, who export or import dry bulk cargoes. We also enter into spot market voyage contracts, where we are paid a rate per ton to carry a specified cargo on a specified route. These contracts and arrangements subject us to counterparty credit risks at various levels. If the counterparties fail to meet their obligations, we could suffer losses on such contracts, which could materially adversely affect our financial condition and results of operations. In addition, if a charterer defaults on a time charter, we may only be able to enter into new contracts at lower rates. It is also possible that we would be unable to secure a charter at all. If we re-charter the vessel at lower rates or not at all, our financial condition and results of operations could be materially adversely affected.

***Trading and complementary hedging activities in freight and tonnage subject us to trading risks, and we may suffer trading losses, which could adversely affect our financial condition and results of operations.***

Due to dry bulk shipping market volatility, success in this shipping industry requires constant adjustment of the balance between chartering-out vessels for long periods of time and trading them on a spot basis. A long-term contract to charter a vessel might lock us into a profitable or unprofitable situation depending on the direction of freight rates over the term of the contract. We may seek to manage and mitigate that risk through trading and complementary hedging activities in freight and tonnage. There can be no assurance that we will be able at all times to successfully protect ourselves from volatility in the shipping market. We may not successfully mitigate our risks, leaving us exposed to unprofitable contracts, and may suffer trading losses resulting from these hedging activities.

***We are subject to certain operating risks, including vessel breakdowns or accidents, that could result in a loss of revenue from the chartered-in vessels and which in turn could have an adverse effect on our results of operations or financial condition.***

Our exposure to operating risks of vessel breakdown and accidents mainly arises in the context of our owned vessels. The rest of our core fleet is chartered-in under time charters and, as a result, most operating risks relating to these time chartered vessels remain with their owners. If we pay hire on a chartered-in vessel at a lower rate than the rate of hire it receives from a sub-charterer to whom we have chartered out the vessel, a breakdown or loss of the vessel due to an operating risk suffered by the owner will, in all likelihood, result in our loss of the positive spread between the two rates of hire. Although we maintain insurance policies (subject to deductibles and exclusions) to cover us against the loss of such spread through the sinking or other loss of a chartered-in vessel, we cannot assure you that we will be covered under all circumstances or that such policies will be available in the future on commercially reasonable terms. Breakdowns or accidents involving our vessels and losses relating to chartered vessels, which are not covered by insurance, would result in a loss of revenue from the affected vessels adversely affecting our financial condition and results of operations.

***The operation of ocean-going vessels entails the possibility of marine disasters including damage or destruction of the vessel due to accident, the loss of a vessel due to piracy or terrorism, damage or destruction of cargo and similar events that may cause a loss of revenue from affected vessels and damage our business reputation, which may in turn lead to loss of business, which could adversely affect our expenses, net income, cash flow and the price of our common stock.***

The operation of ocean-going vessels in international trade is inherently risky. The operation of drybulk carriers has certain unique risks. With a drybulk carrier, the cargo itself and its interaction with the vessel can be an operational risk. By their nature, certain drybulk cargoes are often heavy, dense, easily shifted, and may react badly to water exposure. In addition, drybulk carriers are often subjected to battering treatment during unloading operations with grabs, jackhammers (to pry encrusted cargoes out of the hold), and small bulldozers. This treatment may cause damage to the vessel. Vessels damaged due to harsh treatment during unloading procedures may be more susceptible to breach at sea. Hull breaches in drybulk carriers may lead to the flooding of the vessels’ holds. For example, if a drybulk carrier suffers flooding in its forward holds, the bulk cargo may become so dense and waterlogged that its pressure may buckle the vessel’s bulkheads leading to the loss of a vessel. We have procedures and policies in place to ameliorate these risks, including a robust inspection system.

The ownership and operation of ocean-going vessels in international trade is affected by a number of inherent risks, including mechanical failure, human error, personal injury, vessel and cargo loss or damage, business interruption due to political conditions in foreign countries, unexpected port closures, hostilities, disease and quarantine, piracy, war, terrorism, labor strikes and/or boycotts, adverse weather conditions and catastrophic marine disaster, including environmental accidents and collisions.

All of these risks could result in, death or injury to persons, loss of property or environmental damage, delays in the delivery of cargo, loss of revenues from or termination of charter contracts, governmental fines, penalties or restrictions on conducting business, litigation with our employees, customers third parties, or other liabilities, higher insurance rates, increased costs and damage

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to our reputation and customer relationships generally. Although we maintain hull and machinery and war risks insurance, as well as protection and indemnity insurance, which may cover certain risks of loss resulting from such occurrences, our insurance coverage may be subject to caps or not cover such losses and any of these circumstances or events could increase our costs or lower our revenues. The involvement of our vessels in an environmental disaster may harm our reputation as a safe and reliable vessel owner and operator. Any of these results could have a material adverse effect on business, results of operations and financial condition, as well as our cash flows.

The total loss or damage of any of our vessels or cargoes could harm our reputation as a safe and reliable vessel owner and operator. Any extended vessel off-hire, due to an accident or otherwise, or strikes, could have a materially adverse effect on our business. If we are unable to adequately maintain or safeguard our vessels, we may be unable to prevent any such damage, costs, or loss that could negatively impact our business, financial condition, results of operations, cash flows and ability to pay distributions.

***We are subject to various laws, regulations, and international conventions, particularly environmental and safety laws, that could require significant expenditures both to maintain compliance with such laws and to pay for any uninsured environmental liabilities, including any resulting from a spill or other environmental incident, which could affect our expenses, net income, cash flow and the price of our common stock.***

Vessel owners and operators are subject to government regulation in the form of international conventions, and national, state, and local laws and regulations in the jurisdictions in which their vessels operate, in international waters, as well as in the country or countries where their vessels are registered. Such laws and regulations include those governing the management and disposal of hazardous substances and wastes, the cleanup of oil spills and other contamination, air emissions, discharges of operational and other wastes into the water, and ballast water management. In particular, ballast water management requirements will likely result in compliance costs relating to the installation of equipment on our vessels to treat ballast water before it is discharged and other additional ballast water management and reporting requirements. Investments in ballast water treatment may have a material adverse effect on our future performance, results of operations, cash flows and financial position.

Port State regulation significantly affects the operation of vessels, as it commonly is more stringent than international rules and standards. This is the case particularly in the United States and, increasingly, in Europe. Non-compliance with such laws and regulations can give rise to civil or criminal liability, and/or vessel delays and detentions in the jurisdictions in which we operate.

Our vessels are subject to scheduled and unscheduled inspections by regulatory and enforcement authorities, as well as private maritime industry entities. This includes inspections by Port State Control authorities, including the U.S. Coast Guard, harbor masters or equivalent entities, classification societies, flag Administrations (country in which the vessel is registered), charterers, and terminal operators. Certain of these entities require vessel owners to obtain permits, licenses, and certificates for the operation of their vessels. Failure to maintain necessary permits or approvals could require a vessel owner to incur substantial costs or temporarily suspend operation of one or more of its vessels.

Heightened levels of environmental and quality concerns among insurance underwriters, regulators, and charterers continue to lead 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 stricter environmental standards. Vessel owners are required to maintain operating standards for all vessels that will emphasize operational safety, quality maintenance, continuous training of officers and crews, and compliance with U.S. and international regulations.

The legal requirements and maritime industry standards to which we and our vessels are subject are set forth below, along with the risks associated therewith. We may be required to make substantial capital and other expenditures to ensure that we remain in compliance with these requirements and standards, as well as with standards imposed by our customers, including costs for ship modifications and changes in operating procedures. We also maintain insurance coverage against pollution liability risks for all of our vessels in the amount of \$1.0 billion in the aggregate for any one event. The insured risks include penalties and fines, as well as civil liabilities and expenses resulting from accidental pollution. However, this insurance coverage is subject to exclusions, deductibles, and other terms and conditions. And, claims relating to pollution incidents for knowing violations of U.S. environmental laws or the International Convention for the Prevention of Pollution from Ships may be considered by our protection and indemnity associations on a discretionary basis only. If any liabilities or expenses fall within an exclusion from coverage, or if damages from a catastrophic incident exceed the aggregate liability of \$1.0 billion for any one event, our cash flow, profitability and financial position would be adversely impacted.

Because international conventions, laws, regulations, and other requirements are often revised, we cannot predict the ultimate cost of compliance or the impact on the fair market price or useful life of our vessels. Nor can we assure that our vessels will be able to attain and maintain certifications of compliance with various regulatory requirements.

Comparably, governmental regulation of the shipping industry, particularly in the areas of safety and environmental requirements, can be expected to become stricter in the future. We believe that the heightened environmental, quality, and security



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concerns of insurance underwriters, regulators, and charterers will lead to additional requirements, including enhanced risk assessment and security requirements, greater inspection and safety requirements, and heightened due diligence obligations. We also may be required to take certain of our vessels out of service for extended periods of time to address changing legal requirements, which would result in lost revenue. In the future, market conditions may not justify these expenditures or enable us to operate our vessels, particularly older vessels, profitably during the remainder of their economic lives. This could lead to significant asset write-downs.

Specific examples of expected changes that could have a significant, and potentially material, impact on our business include:

- Limitations on sulfur oxide and nitrogen oxide emissions from ships could cause increased demand and higher prices for low sulfur fuel due to supply constraints, as well as significant cost increases due to the implementations of measures such as fuel switching, vessel modifications such as adding distillate fuel storage capacity, or installation of exhaust gas cleaning systems or scrubbers;
- Environmental requirements can affect the resale value or useful lives of our vessels, require a reduction in cargo capacity, vessel modifications or operational changes or restrictions, lead to decreased availability of, or more costly insurance coverage for, environmental matters or result in the denial of access to certain jurisdictional waters or ports.
- Under local and national laws, as well as international treaties and conventions, we could incur material liabilities, including cleanup obligations and claims for natural resource damages, personal injury and/or property damages in the event that there is a release of petroleum or other hazardous materials from our vessels or otherwise in connection with our operations.

### ***Climate change and government laws and regulations related to climate change could negatively impact our financial condition.***

We are and will be, directly and indirectly, subject to the effects of climate change and may, directly or indirectly, be affected by local and national laws, as well as international treaties and conventions, and implementing regulations related to climate change. Any passage of climate control treaties, legislation, or other regulatory initiatives by the IMO, the European Union, the United States or other countries where we operate that restrict emissions of greenhouse gases (“GHGs”) could require us to make significant financial expenditures that we cannot predict with certainty at this time. This could include, for example, the adoption of regulatory frameworks to reduce GHG emissions, such as carbon dioxide, methane and nitrogen oxides. The climate change efforts undertaken to date are detailed below.

We cannot predict with any degree of certainty what effect, if any, possible climate change and legal requirements relating to climate change will have on our operations. However, we believe that climate change, including the possible increases in severe weather events, and legal requirements relating to climate change may affect, directly or indirectly, (i) the cost of the vessels we may acquire in the future, (ii) our ability to continue to operate as we have in the past, (iii) the cost of operating our vessels, and (iv) insurance premiums and deductibles, and the availability of insurance coverage. As a result, our financial condition could be materially impacted by climate change and related legal requirements.

### ***We are subject to vessel security regulations and will incur costs to comply with recently adopted regulations and we may be subject to costs to comply with similar regulations that may be adopted in the future in response to terrorism.***

We are subject to local and national laws, including in the United States, as well as international treaties and conventions, intended to enhance and ensure vessel security. These laws are detailed below. Navios has and will continue to implement the various security measures addressed by all applicable laws and will take measures for our vessels or vessels that we charter to attain compliance with all applicable security requirements within the prescribed time periods. Although management does not believe that these additional requirements will have a material financial impact on our operations, there can be no assurance that there will not be an interruption in operations to bring vessels into compliance with the applicable requirements and any such interruption could cause a decrease in charter revenues. Furthermore, additional security measures could be required in the future that could have significant financial impact on us.

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

Acts of piracy have historically affected ocean-going vessels trading in certain regions of the world, such as the South China Sea and the Gulf of Aden off the coast of Somalia. Piracy continues to occur in the Gulf of Aden off the coast of Somalia and increasingly in the Gulf of Guinea. Other areas where piracy has affected shipping include the Indian Ocean, the Strait of Malacca, the

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Arabian Sea, the Mozambique Channel and the Gulf of Guinea. Acts of piracy are a material risk to the shipping industry. Our vessels regularly travel through regions where pirates are active. Piracy not only increases our risk of loss of property and the cost of delay or detention, but it may also increase our risk of liability for death or personal injury. We may incur increased insurance premiums for “war risk” coverage or, if such insurance is unavailable, we may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on our results of operations, financial condition and ability to make distributions. While we believe the charterer remains liable for charter payments when a vessel is seized by pirates, the charterer may dispute this and withhold charter hire until the vessel is released. Crew and security costs, could also increase in such circumstances. A charterer may also claim that a vessel seized by pirates was not “on-hire” for a certain number of days and it is therefore entitled to cancel the charter party, a claim that we would dispute. We may not be adequately insured to cover losses from acts of terrorism, piracy, regional conflicts and other armed actions, which could have a material adverse effect on our results of operations, financial condition and ability to make distributions. Crew costs could also increase in such circumstances.

### ***Our financial and operating performance may be adversely affected by the recent novel coronavirus outbreak.***

Our business could be materially and adversely affected by the outbreak of the recent COVID-19. The coronavirus or other epidemics or pandemics could potentially result in delayed deliveries of our vessels under construction, disrupt our operations and significantly affect global markets, affecting the demand for our services, global demand for dry bulk vessels as well as the price of international freights and hires. If the effect of the coronavirus is ongoing, we may be unable to charter our vessels at the rates or for the length of time we currently expect. The effects of the coronavirus remain uncertain, and should customers be under financial pressure this could negatively affect our charterers’ willingness to perform their obligations under our time charters. The loss or termination of any of our time charters or a decline in payments under our time charters, could have a material adverse effect on our business, results of operations and financial condition, as well as our cash flows, including cash available for distributions.

In addition, certain countries have introduced travel restrictions and adopted certain hygiene measures, including quarantining. European countries and the United States have recently adopted more stringent measures to contain the spread of the virus. Any prolonged measure may affect our normal operations and those of our Manager. All these measures have further affected the process of construction and repair of vessels, as well as the presence of workers in shipyards, of administrative personnel in their offices, and of seafarers. Any prolonged restrictive measures in order to control the novel coronavirus or other adverse global public health developments may have a material and adverse effect on our business operations and demand for our vessels generally.

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

A government of the jurisdiction where one or more of our vessels are registered could requisition one or more of our vessels for title or for hire. Requisition for title occurs when a government takes control of a vessel and becomes its owner, while requisition for hire occurs when a government takes control of a vessel and effectively becomes its charterer at dictated charter rates. Generally, requisitions occur during periods of war or emergency, although governments may elect to requisition vessels in other circumstances. Although we may be entitled to compensation in the event of a requisition of one or more of our vessels, the amount and timing of payment would be uncertain. Government requisition of one or more of our vessels may cause us to breach covenants in certain of our credit facilities, and could have a material adverse effect on our business, financial condition, cash flows, and results of operations.

### ***The smuggling of drugs or other contraband onto our vessels may lead to governmental claims against us.***

We expect that our vessels will call in ports where smugglers may attempt to hide drugs and other contraband on vessels, with or without the knowledge of crew members. To the extent our vessels are found with contraband, whether inside or attached to the hull of our vessel and whether with or without the knowledge of any of our crew, we may face reputational damage and governmental or other regulatory claims or penalties which could have an adverse effect on our business, results of operations, cash flows and financial condition, as well as our ability to maintain cash flows, including cash available for distributions to pay dividends to our stakeholders. Under some jurisdictions, vessels used for the conveyance of illegal drugs could subject result in forfeiture of the vessel to forfeiture to the government of such jurisdiction.

### ***A failure to pass inspection by classification societies could result in one or more vessels being unemployable unless and until they pass inspection, resulting in a loss of revenues from such vessels for that period and a corresponding decrease in operating cash flows.***

The hull and machinery of every commercial vessel must be inspected and approved by a classification society authorized by its country of registry. The classification society certifies that a vessel has been built and maintained, is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and with SOLAS. Our owned fleet is currently enrolled with Nippon Kaiji Kiokai, Bureau Veritas, Lloyd’s Register and American Bureau of Shipping.



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A vessel must undergo an annual survey, an intermediate survey and a special survey. 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 drydocked every two to three years for inspection of the underwater parts of such vessel.

If any vessel fails any annual survey, intermediate survey or special survey, the vessel may be unable to trade between ports and, therefore, would be unemployable, potentially causing a negative impact on our revenues due to the loss of revenues from such vessel until she is able to trade again. Further, if any vessel fails a classification survey and the condition giving rise to the failure is not cured within a reasonable time, the vessel may lose coverage under various insurance programs, including hull and machinery insurance and/or protection and indemnity insurance, which would result in a breach of relevant covenants under our financing arrangements. Failure to maintain the class of one or more of our vessels could have a material adverse effect on our financial condition and results of operations, as well as our cash flows.

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

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

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

### ***We may not have adequate insurance to compensate us if we lose our vessels or to compensate third parties.***

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

There are also liabilities arising from owning and operating vessels in international trade. We procure insurance for our fleet in relation to risks commonly insured against by vessel owners and operators. Our current insurance includes (i) hull and machinery and war risk insurance covering damage to our vessels' hulls and machinery from, among other things, collisions and contact with fixed and floating objects, (ii) war risks insurance covering losses associated with the outbreak or escalation of hostilities and (iii) protection and indemnity insurance (which includes environmental damage) covering, among other things, third-party and crew liabilities such as expenses resulting from the injury or death of crew members, passengers and other third parties, the loss or damage to cargo, third-party claims arising from collisions with other vessels, damage to other third-party property and pollution arising from oil or other substances, and salvage, towing and other related costs, including wreck removal.

We do not currently maintain strike or off-hire insurance, which would cover the loss of revenue during extended vessel off-hire periods, such as those that occur during an unscheduled drydocking due to damage to the vessel from accidents except in cases of loss of hire up to a limited number of days due to war or a piracy event. Other events that may lead to off-hire periods include natural or man-made disasters that result in the closure of certain waterways and prevent vessels from entering or leaving certain ports. Accordingly, any extended vessel off-hire, due to an accident or otherwise, could have a material adverse effect on our business and our results of operations and operating cash flow.

We can give no assurance that we are adequately insured against all risks or that our insurers will pay a particular claim. Even if our insurance coverage is adequate to cover our losses, we may not be able to obtain a timely replacement vessel in the event of a vessel loss. Under the terms of our credit facilities, we are subject to restrictions on the use of any proceeds we may receive from claims under our insurance policies.

Because we obtain some of our insurance through protection and indemnity associations, we may also be subject to calls, or premiums, in amounts based not only on our own claim records, but also the claim records of all other members of the protection and indemnity associations. There is no cap on our liability exposure for such calls or premiums payable to our protection and indemnity association. Our payment of these calls could result in significant expenses to us, which could have a material adverse effect on our business, results of operations and financial condition. In addition, we cannot assure you that we will be able to renew our insurance policies on the same or commercially reasonable terms, or at all, in the future. For example, more stringent

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environmental regulations have led in the past to increased costs for, and in the future may result in the lack of availability of, protection and indemnity insurance against risks of environmental damage or pollution. Any uninsured or underinsured loss could harm our business, financial condition, cash flows and results of operations. In addition, our insurance may be voidable by the insurers as a result of certain of our actions, such as our vessels failing to maintain certification with applicable maritime self-regulatory organizations. Further, we cannot assure you that our insurance policies will cover all losses that we incur, or that disputes over insurance claims will not arise with our insurance carriers. Any claims covered by insurance would be subject to deductibles, and since it is possible that a large number of claims may be brought, the aggregate amount of these deductibles could be material. In addition, our insurance policies are subject to limitations and exclusions, which may increase our costs or lower our revenues, and could have a material adverse effect on our business, financial condition, cash flows and results of operations. A catastrophic oil spill or marine disaster could exceed our insurance coverage, which could have a material adverse effect on our business, results of operations and financial condition and our ability to make distributions to our unit holders. Any uninsured or underinsured loss could harm our business and financial condition. In addition, the insurance may be voidable by the insurers as a result of certain actions, such as vessels failing to maintain required certification.

Our charterers may in the future engage in legally permitted trading in locations or with persons which may still be subject to restrictions due to sanctions or boycott. However, no vessels in our fleet have called on ports in sanctioned countries or countries designated as state sponsors of terrorism by the U.S. State Department, including Iran, Syria, or Sudan. Our insurers may be contractually or by operation of law prohibited from honoring our insurance contract for such trading on such locations or countries or trading with such persons, which could result in reduced insurance coverage for losses incurred by the related vessels. Changes in the insurance markets attributable to the risk of terrorism in certain locations around the world could make it difficult for us to obtain certain types of coverage. In addition, the insurance that may be available to us may be significantly more expensive than our existing coverage. Furthermore, our insurers and we may be prohibited from posting or otherwise be unable to post security in respect of any incident in such locations or countries or as a result of trading with such persons, resulting in the loss of use of the relevant vessel and negative publicity for our Company which could negatively impact our business, results of operations, cash flows and stock price.

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

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

In the past, class action litigation has often been brought against companies following periods of volatility in the market price of those companies' common stock. We may become involved in this type of litigation in the future. Litigation is often expensive and diverts management's attention and company resources and could have a material effect on our business, financial condition and operating results.

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

Crew members, suppliers of goods and services to a vessel, shippers or receivers of cargo and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages, including, in some jurisdictions, for debts incurred by previous owners. In many jurisdictions, a maritime lien-holder may enforce its lien by arresting a vessel. The arrest or attachment of one or more of our vessels, if such arrest or attachment is not timely discharged, could cause us to default on a charter or breach covenants in certain of our credit facilities, could interrupt our cash flows and could require us to pay large sums of money to have the arrest or attachment lifted. Any of these occurrences could have a material adverse effect on our business, results of operations and financial condition as well as our cash flows.

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

***The risks and costs associated with vessels increase as the vessels age or the aging of our vessels may result in increased operating costs in the future, which could adversely affect our earnings.***

The costs to operate and maintain a vessel in operation increase with the age of the vessel. As our fleet ages, we will incur increased costs. The average age of the vessels in our fleet is 7.7 years, basis fully delivered fleet, and most dry bulk vessels have an expected life of approximately 25 years. We may acquire older vessels in the future. In some instances, charterers prefer newer vessels that are more fuel efficient than older vessels. Cargo insurance rates also increase with the age of a vessel, making older vessels less desirable to charterers as well. Therefore, as vessels age it can be more difficult to employ them on profitable time charters, particularly during periods of decreased demand in the charter market. Accordingly, we may find it difficult to continue to find profitable employment for our vessels as they age. Governmental regulations, safety or other equipment standards related to the age of the vessels may require expenditures for alterations or the addition of new equipment to our vessels and may restrict the type of activities in which these vessels may engage. Older vessels may require longer and more expensive drydockings, resulting in more off-hire days and reduced revenue. We cannot assure you that, as our vessels age, market conditions will justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives. If we sell vessels, we may have to sell them at a loss, and if charterers no longer charter-out vessels due to their age, our earnings could be materially adversely affected.

***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, loading and discharging speed and personnel required to operate. The potential introduction of remote controlled or autonomous vessels, which would significantly reduce or eliminate the costs of crew and victuals, could put our vessels at an efficiency disadvantage. 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 vessels 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 upon expiration of their current charters and the resale value of our vessels could significantly decrease. This could adversely affect our revenues and cash flows, our results of operations and financial condition and our ability to service our debt.

***A number of owners have ordered so-called "eco-type" vessel designs or have retrofitted scrubbers to remove sulphur from exhaust gases, which may offer substantial bunker savings as compared to older designs or vessels without exhaust gas scrubbers. Increased demand for and supply of "eco-type" or scrubber retrofitted vessels could reduce demand for our vessels that are not classified as such and expose us to lower vessel utilization and/or decreased charter rates.***

New eco-type vessel designs or scrubber retrofits purport to offer material bunker savings compared to older designs, including certain of our vessels. Fitting scrubbers will allow a ship to consume high sulphur fuel oil ("HSFO") which is expected to be cheaper than the low sulphur fuel oil ("LSFO") that ships without scrubbers must consume to comply with the IMO 2020 low sulphur emission requirements. Such savings could result in a substantial reduction of bunker cost for charterers compared to such vessels of our fleet which may not have scrubbers. As the supply of such "eco-type" or scrubber retrofitted vessels increases, if the differential between the cost of HSFO and LSFO remains high, or if charterers prefer such vessels over our vessels that are not classified as such, this may reduce demand for our non-"eco-type", non-scrubber retrofitted vessels, impair our ability to re-charter such vessels at competitive rates and have a material adverse effect on our business, financial condition, cash flows and results of operations.

***Fuel price fluctuations may have an adverse effect on our profits.***

The cost of fuel is a significant factor in negotiating charter rates and can affect us in both direct and indirect ways. This cost will be borne by us when our vessels are not employed or are employed on voyage charters or contracts of affreightment so an increase in the price of fuel beyond our expectations may adversely affect our profitability. Even where the cost of fuel is borne by the charterer, which is the case with all of our existing time charters that cost may affect the level of charter rates that charterers are prepared to pay. Rising costs of fuel will make our older and less fuel efficient vessels less competitive compared to the more fuel efficient newer vessels or compared with vessels which can utilize less expensive fuel and may reduce their charter hire, limit their employment opportunities and force us to employ them at a discount compared to the charter rates commanded by more fuel efficient vessels or not at all.

Falling costs of fuel may lead our charterers to abandon slow steaming, thereby releasing additional capacity into the market and exerting downward pressure on charter rates or may lead our charterers to employ older, less fuel efficient vessels which may drive down charter rates and make it more difficult for us to secure employment for our newer vessels.

The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geo-political developments, supply and demand for oil, actions by members of the OPEC and other oil and gas producers, economic or other sanctions levied against oil and gas producing countries, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns and regulations.

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***If we fail to manage our planned growth properly, we may not be able to expand our fleet successfully, which may adversely affect our overall financial position.***

We intend to seek to grow our fleet, either through purchases, ordering newbuilt vessels, the increase of the number of chartered-in vessels or through the acquisitions of businesses. The addition of vessels to our fleet or the acquisition of new businesses will impose significant additional responsibilities on our management. We will also have to increase our customer base to provide continued employment for the new vessels. Our growth will depend on:

- ongoing and anticipated economic conditions and charter rates;
- locating and acquiring suitable vessels;
- identifying reputable shipyards with available capacity and contracting with them for the construction of new vessels at reasonable prices;
- consummating acquisitions or joint ventures;
- integrating any acquired vessels successfully with our existing operations;
- enhancing our customer base;
- managing our expansion; and
- obtaining required financing, which could include debt, equity or combinations thereof.

During periods in which charter rates are high, vessel values are generally high as well, and it may be difficult to consummate ship acquisitions or potentially enter into shipbuilding contracts in the future at favorable prices. During periods in which charter rates are low and employment is scarce, vessel values are low and any vessel acquired without time charter attached will automatically incur additional expenses to operate, insure, maintain and finance the vessel thereby significantly increasing the acquisition cost. In addition, any vessel acquisition may not be profitable at or after the time of acquisition and may not generate cash flows sufficient to justify the investment. We may not be successful in executing any future growth plans and we cannot give any assurance that we will not incur significant expenses and losses in connection with such growth efforts.

Growing any business by acquisition presents numerous risks such as undisclosed liabilities and obligations, difficulty in obtaining additional qualified personnel, continuing to meet technical and safety performance standards, managing relationships with customers and suppliers, dealing with potential delays in deliveries of newbuilding vessels and integrating newly acquired operations into existing infrastructures. We may not be successful in executing our growth plans. We may incur significant expenses and losses in connection therewith or that our acquisitions will perform as expected, which could materially adversely affect our results of operations and financial condition.

***We may be unable to make or realize expected benefits from acquisitions, and implementing our growth strategy through acquisitions may harm our business, financial condition and operating results.***

Our growth strategy focuses on a gradual expansion of our fleet. Any acquisition of a vessel may not be profitable to us at or after the time we acquire it and may not generate cash flow sufficient to justify our investment. We may also fail to realize anticipated benefits of our growth, such as new customer relationships, cost-savings or cash flow enhancements, or we may be unable to hire, train or retain qualified shore and seafaring personnel to manage and operate our growing business and fleet.

Our growth strategy could decrease our liquidity by using a significant portion of our available cash or borrowing capacity to finance acquisitions. To the extent that we incur additional debt to finance acquisitions, it could significantly increase our interest expense or financial leverage. We may also incur other significant charges, such as impairment of goodwill or other intangible assets, asset devaluation or restructuring charges.

Additionally, the marine transportation and logistics industries are capital intensive, traditionally using substantial amounts of indebtedness to finance vessel acquisitions, capital expenditures and working capital needs. If we finance the purchase of our vessels through the issuance of debt securities, it could result in:

- default and foreclosure on our assets if our operating cash flow after a business combination or asset acquisition were insufficient to pay our debt obligations;

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- acceleration of our obligations to repay the indebtedness even if we have made all principal and interest payments when due if the debt security contained covenants that required the maintenance of certain financial ratios or reserves and any such covenant was breached without a waiver or renegotiation of that covenant;
- our immediate payment of all principal and accrued interest, if any, if the debt security was payable on demand; and
- our inability to obtain additional financing, if necessary, if the debt security contained covenants restricting our ability to obtain additional financing while such security was outstanding.

In addition, our business plan and strategy is predicated on buying vessels at what we believe is near the low end of the cycle in what has typically been a cyclical industry. However, there is no assurance that shipping rates and vessels asset values will not sink lower, or that there will be an upswing in shipping costs or vessel asset values in the near-term or at all, in which case our business plan and strategy may not succeed in the near-term or at all. Growing any business by acquisition presents numerous risks such as undisclosed liabilities and obligations, difficulty experienced in obtaining additional qualified personnel and managing relationships with customers and suppliers and integrating newly acquired operations into existing infrastructures. We may not be successful in growing and may incur significant expenses and losses.

### ***Delays in deliveries of secondhand vessels, our decision to cancel an order for purchase of a vessel or our inability to otherwise complete the acquisitions of additional vessels for our fleet, could harm our business, financial condition and results of operations.***

We expect to purchase secondhand vessels from time to time. The delivery of these vessels could be delayed, not completed or cancelled, which would delay or eliminate our expected receipt of revenues from the employment of these vessels. The seller could fail to deliver these vessels to us as agreed, or we could cancel a purchase contract because the seller has not met its obligations. The ability and willingness of each of our counterparties to perform its obligations under a contract with us will depend upon a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the dry market and charter hire rates.

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

### ***If we purchase any newbuilding vessels, delays, cancellations or non-completion of deliveries of newbuilding vessels could harm our operating results.***

If we purchase any newbuilding vessels, the shipbuilder could fail to deliver the newbuilding vessel as agreed or their counterparty could cancel the purchase contract if the shipbuilder fails to meet its obligations. In addition, under charters we may enter into that are related to a newbuilding, if our delivery of the newbuilding to our customer is delayed, we may be required to pay liquidated damages during such delay. For prolonged delays, the customer may terminate the charter and, in addition to the resulting loss of revenues, we may be responsible for additional, substantial liquidated damages. We do not derive any revenue from a vessel until after its delivery and are required to pay substantial sums as progress payments during construction of a newbuilding. While we expect to have refund guarantees from financial institutions with respect to such progress payments in the event the vessel is not delivered by the shipyard or is otherwise not accepted by us, there is the potential that we may not be able to collect all portions of such refund guarantees, in which case we would lose the amounts we have advanced to the shipyards for such progress payments.

The completion and delivery of newbuildings could be delayed, cancelled or otherwise not completed because of:

- quality or engineering problems;
- changes in governmental regulations or maritime self-regulatory organization standards;
- work stoppages or other labor disturbances at the shipyard;
- bankruptcy or other financial crisis of the shipbuilder;
- a backlog of orders at the shipyard;
- epidemics, pandemics, natural or man-made disasters;
- political or economic disturbances;
- weather interference or catastrophic event, such as a major earthquake or fire;

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- requests for changes to the original vessel specifications;
- shortages of or delays in the receipt of necessary construction materials, such as steel;
- inability to finance the construction or conversion of the vessels; or
- inability to obtain requisite permits or approvals.

If delivery of a vessel is materially delayed, it could materially adversely affect our results of operations and financial condition and our ability to make cash distributions.

***If we expand the size of our fleet in the future, we generally will be required to make significant installment payments for acquisitions of vessels even prior to their delivery and generation of revenue. Depending on whether we finance our expenditures through cash from operations or by issuing debt or equity securities, our ability to make cash distributions, to the extent we are making distributions, may be diminished or our financial leverage could increase or our stockholders could be diluted.***

The actual cost of a vessel varies significantly depending on the market price, the size and specifications of the vessel, governmental regulations and maritime self-regulatory organization standards. If we purchase additional vessels in the future, we generally will be required to make installment payments prior to their delivery. If we finance these acquisition costs by issuing debt or equity securities, we will increase the aggregate amount of interest payments or distributions, to the extent we are making distributions, prior to generating cash from the operation of the vessel.

To fund the remaining portion of these and other capital expenditures, we will be required to use cash from operations or raise capital through the sale of debt or additional equity securities. Use of cash from operations may reduce or eliminate cash available for distributions to stockholders. Our ability to obtain bank financing or to access the capital markets for future offerings may be limited by our financial condition at the time of any such financing or offering as well as by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond our control. Our failure to obtain the funds for necessary future capital expenditures could have a material adverse effect on our business, results of operations and financial condition and on our ability to make cash distributions. Even if we successfully obtain necessary funds, the terms of such financings could limit our ability to pay cash distributions to stockholders. In addition, incurring additional debt may significantly increase our interest expense and financial leverage, and issuing additional preferred and common equity securities may result in significant stockholder dilution and would increase the aggregate amount of cash required to make distributions to our stockholders, to the extent we are making distributions, which could have a material adverse effect on our ability to make cash distributions.

***The market values of our vessels, may fluctuate significantly. If vessel value are low at a time when we are attempting to dispose of a vessel, we could incur a loss***

Factors that influence vessel values include:

- the number of newbuilding deliveries;
- prevailing economic conditions in the markets in which drybulk or containerships operate;
- reduced demand for drybulk or containerships, including as a result of a substantial or extended decline in world trade;
- the number of vessels scrapped or otherwise removed from the total fleet;
- changes in environmental and other regulations that may limit the useful life of vessels;
- changes in global dry cargo commodity supply or sources and destinations of containerized cargoes;
- types, sizes and age of vessels;
- advances in efficiency, such as the introduction of remote or autonomous vessels;
- the development of an increase in use of other modes of transportation;
- where the ship was built and as-built specification;
- lifetime maintenance record;

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- the cost of vessel acquisitions;
- governmental or other regulations (including the application of any IMO rules);
- prevailing level of charter rates;
- the availability of financing, or lack thereof, for ordering newbuildings or for facilitating ship sale and purchase transactions;
- general economic and market conditions affecting the shipping industry; and
- the cost of retrofitting or modifying existing ships to respond to technological advances in vessel design or equipment, changes in applicable environmental or other regulations or standards, or otherwise.

As vessels grow older, they generally decline in value. We will review our vessels for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. We review certain indicators of potential impairment, such as undiscounted projected operating cash flows expected from the future operation of the vessels, which can be volatile for vessels employed on short-term charters or in the spot market. Our inability to dispose of a vessel at the book value would result in a loss on its sale. If the book value of a vessel is impaired due to unfavorable market conditions, or a vessel is sold at a price below its book value, we would incur a loss, which would negatively affect our financial condition and results of operations.

***Although we have long-standing relationships with certain Japanese shipowners that provide us access to competitive contracts and financing, we cannot assure you that we will always be able to maintain such relationships or that such contracts will continue to be available in the future.***

We have long-standing relationships with certain Japanese shipowners that give us access to financing, time and bareboat charters at favorable rates and that, in some cases, include options to purchase the vessels at favorable prices relative to the current market. We cannot assure you that we will have such relationships indefinitely. In addition, there is no assurance that Japanese shipowners will generally make contracts available on the same or substantially similar terms in the future.

***Our vessels may be subject to unbudgeted periods of off-hire, which could materially adversely affect our business, financial condition and results of operations.***

Under the terms of the charter agreements under which our vessels operate, or are expected to operate in the case of a newbuilding, when a vessel is “off-hire,” or not available for service or otherwise deficient in its condition or performance, the charterer generally is not required to pay the hire rate, and we will be responsible for all costs (including the cost of bunker fuel) unless the charterer is responsible for the circumstances giving rise to the lack of availability.

As we do not maintain off-hire insurance except in cases of loss of hire up to a limited number of days due to war or piracy events any extended off-hire period could have a material adverse effect on our results of operations, cash flows and financial condition.

For more information on “off-hire” see Item 4. Information on the Company B. Business Overview Off-hire.

***Vessels may suffer damage and we may face unexpected drydocking costs, which could affect our cash flow and financial condition.***

If our vessels suffer damages they may need to be repaired at a drydocking facility. The costs of drydock repairs are unpredictable and can be substantial. We may have to pay drydocking costs that 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, could decrease our revenues and earnings substantially, particularly if a number of vessels are damaged or drydocked at the same time. Under the terms of the Management Agreement with the Manager, the costs of drydocking repairs are not included in the daily management fee, but are to be reimbursed at cost upon occurrence.

In addition, we often purchase secondhand vessels that, unlike newbuilt vessels, typically do not carry warranties as to their condition, and our vessel inspections would not normally provide us with as much knowledge of a vessel’s condition as we would possess if it had been built for us and operated by us during its life. Repairs and maintenance costs for secondhand vessels are difficult to predict and may be substantially higher than for vessels we have operated since they were built. These costs could decrease our cash flows, liquidity and our ability to pay dividends to our stakeholders.



***We must make substantial capital expenditures to maintain the operating capacity of our fleet, which will reduce our cash available for distribution.***

We must make substantial capital expenditures to maintain and replace, over the long term, the operating capacity of our fleet. We generally expect to finance these maintenance capital expenditures with cash balances or credit facilities. These maintenance and replacement capital expenditures include capital expenditures associated with drydocking a vessel, modifying an existing vessel or acquiring a new vessel to the extent these expenditures are incurred to maintain the operating capacity of our fleet. These expenditures could increase as a result of changes in the cost of our labor and materials, the cost of suitable replacement vessels, customer/market requirements, increases in the size of our fleet, the length of charters, governmental regulations and maritime self-regulatory organization standards relating to safety, security or the environment, competitive standards, and the age of our ships. In addition, we will need to make substantial capital expenditures to acquire vessels in accordance with our growth strategy. The inability to replace the vessels in our fleet upon the expiration of their useful lives could have a material adverse effect on our business, results of operations and financial condition, as well as our cash flows, including cash available for distributions to our stakeholders.

Our significant maintenance and replacement capital expenditures, including without limitation the management fees paid to the Manager pursuant to the Management Agreement, to maintain and replace, over the long-term, the operating capacity of our fleet, as well as to comply with environmental and safety regulations, may reduce or eliminate the amount of cash we have available for distribution to our stakeholders.

***Our international activities increase the compliance risks associated with economic and trade sanctions imposed by the United States, the European Union and other jurisdictions/authorities.***

Our international operations and activities could expose us to risks associated with trade and economic sanctions prohibitions or other restrictions imposed by the U.S. or other governments or organizations, including the United Nations, the EU and its member countries, as described in this report. Under economic and trade sanctions laws, governments may seek to impose modifications to, prohibitions/restrictions on business practices and activities, and modifications to compliance programs, which may increase compliance costs, and, in the event of a violation, may subject us to fines and other penalties. To reduce the risk of violating economic sanctions, we have a policy of compliance with applicable economic sanctions laws and have implemented and continue to implement and diligently follow compliance procedures to avoid economic sanctions violations.

Considering U.S. as well as EU sanctions and the nature of our business, there is a constant sanctions-related risk for us due to the worldwide trade of our vessels, which we seek to minimize by the implementation of our corporate Economic Sanctions Compliance Policy and Procedures and our compliance with all applicable sanctions and embargo laws and regulations. Although we intend to maintain such Economic Sanctions Compliance Policy and Procedures, there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations, and the law may change. Moreover, despite, for example, relevant provisions in charter parties forbidding the use of our vessels in trade that would violate economic sanctions, our charterers may nevertheless violate applicable sanctions and embargo laws and regulations and those violations could in turn negatively affect our reputation and be imputed to us.

We constantly monitor developments in the U.S., the E.U. and other jurisdictions that maintain economic sanctions against Iran, Russian entities, Venezuela, other countries, and other sanctions targets, including developments in implementation and enforcement of such sanctions programs. Expansion of sanctions programs, embargoes and other restrictions in the future (including additional designations of countries and persons subject to sanctions), or modifications in how existing sanctions are interpreted or enforced, could prevent our vessels from calling in ports in sanctioned countries or could limit their cargoes.

In addition, given our relationship with Navios Acquisition, Navios Containers and Navios Partners, we cannot give any assurance that an adverse finding against them by a governmental or legal authority or others, with respect to sanction matters or any future matter related to regulatory compliance by Navios Acquisition, Navios Containers and/or Navios Partners will not have a material adverse impact on our business, reputation or the market price or trading of our common stock.

If any of the risks described herein materializes, it could have a material adverse impact on our business and results of operations.

For a description of the economic and trade sanctions and other compliance requirements under which we operate please see “Item 4. Information on the Company. B. Business Overview—Sanction and Compliance”

***Security breaches and disruptions to our information technology infrastructure could interfere with our operations and expose us to liability which could have a material adverse effect on our business, financial condition, cash flows and results of operations.***

In the ordinary course of business, we rely on information technology networks and systems to process, transmit, and store electronic information, and to manage or support a variety of business processes and activities. Additionally, we collect and store



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certain data, including proprietary business information and customer and employee data, and may have access to other confidential information in the ordinary course of our business. Despite our cybersecurity measures, which includes active monitoring, training, reporting and other activities designed to protect and secure our data, our information technology networks and infrastructure may be vulnerable to damage, disruptions, or shutdowns due to attack by hackers or breaches, employee error or malfeasance, data leakage, power outages, computer viruses and malware, telecommunication or utility failures, systems failures, natural disasters, or other catastrophic events. Any such events could result in legal claims or proceedings, liability or penalties under privacy or other laws, disruption in operations, and damage to our reputation, which could have a material adverse effect on our business, financial condition, cash flows and results of operations.

In addition, some of our technology networks and systems are managed by third-party service providers (including cloud-service providers) for a variety of reasons, and such providers also may have access to proprietary business information and customer and employee data, and may have access to confidential information on the conduct of our business. Like us, these third-party providers are subject to risks imposed by data breaches and disruptions to their technology infrastructure. A cyber-attack could defeat one or more of our third-party service providers' security measures, allowing an attacker access to proprietary information from our company including our employees', customers' and suppliers' data. Any such security breach or disruption to our third-party service providers could result in a disruption in operations and damage to our reputation and liability claims, which could have a material adverse effect on our business, financial condition, cash flows and results of operations.

### ***Changing laws and evolving reporting requirements could have an adverse effect on our business.***

Changing laws, regulations and standards relating to reporting requirements, including the European Union General Data Protection Regulation ("GDPR"), may create additional compliance requirements for us. To maintain high standards of corporate governance and public disclosure, we have invested in, and intend to continue to invest in, reasonably necessary resources to comply with evolving standards.

GDPR broadens the scope of personal privacy laws to protect the rights of European Union citizens and requires organizations to report on data breaches within 72 hours and be bound by more stringent rules for obtaining the consent of individuals on how their data can be used. GDPR has become enforceable on May 25, 2018 and non-compliance may expose entities to significant fines or other regulatory claims, which could have an adverse effect on our business, financial conditions, results of operations and cash flows.

### ***We could be materially adversely affected by violations of the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and anti-corruption laws in other applicable jurisdictions.***

As an international shipping company, we may operate in countries known to have a reputation for corruption. The U.S. Foreign Corrupt Practices Act of 1977 (the "FCPA") and other anti-corruption laws and regulations in applicable jurisdictions generally prohibit companies registered with the SEC and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business. Under the FCPA, U.S. companies may be held liable for some actions taken by strategic or local partners or representatives. Legislation in other countries includes the U.K. Bribery Act 2010 (the "U.K. Bribery Act") which is broader in scope than the FCPA because it does not contain an exception for facilitation payments. We and our customers may be subject to these and similar anti-corruption laws in other applicable jurisdictions. Failure to comply with legal requirements could expose us to civil and/or criminal penalties, including fines, prosecution and significant reputational damage, all of which could materially and adversely affect our business and the results of operations, including our relationships with our customers, and our financial results. Compliance with the FCPA, the U.K. Bribery Act and other applicable anti-corruption laws and related regulations and policies imposes potentially significant costs and operational burdens on us. Moreover, the compliance and monitoring mechanisms that we have in place including our Code of Ethics and our anti-bribery and anti-corruption policy, may not adequately prevent or detect all possible violations under applicable anti-bribery and anti-corruption legislation. However, we believe that the procedures we have in place to prevent bribery are adequate and that they should provide a defense in most circumstances to a violation or a mitigation of applicable penalties, at least under the U.K.'s Bribery Act.

### ***We depend on the Manager to assist us in operating and expanding our business.***

Pursuant to the Management Agreement entered into with the Manager, the Manager provides to us significant commercial and technical management services (including the commercial and technical management of our vessels, vessel maintenance and crewing, purchasing and insurance and shipyard supervision). In addition, pursuant to the Administrative Services Agreement between us and the Manager, the Manager provides us significant administrative, financial and other support services. Our operational success and ability to execute our growth strategy will depend significantly upon the Manager's satisfactory performance of these services. Our business will be harmed if the Manager fails to perform these services satisfactorily, if the Manager cancels either of these agreements, or if the Manager stops providing these services to us.

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Our ability to enter into new charters and expand our customer relationships will depend largely on the Manager and its reputation and relationships in the shipping industry. If the Manager suffers material damage to its reputation or relationships, it may harm our ability to:

- renew existing charters upon their expiration;
- obtain new charters;
- successfully interact with shipyards during periods of shipyard construction constraints;
- obtain financing on commercially acceptable terms; or
- maintain satisfactory relationships with suppliers and other third parties.

If our ability to do any of the things described above is impaired, it could have a material adverse effect on our business, results of operations and financial condition.

***The Manager may be unable to attract and retain qualified, skilled employees or crew necessary to operate our vessels and business or may have to pay increased costs for our employees and crew and other vessel operating costs.***

Our success will depend in part on our Manager's ability to attract, hire, train and retain highly skilled and qualified personnel. In crewing our vessels, we require technically skilled employees with specialized training who can perform physically demanding work. Competition to attract, hire, train and retain qualified crew members is intense. In addition, recently, the limited supply of, and increased demand for, well-qualified crew members, due to the increase in the size of global shipping fleet, has created upward pressure on crewing costs. If we are not able to increase our hire rates to compensate for any crew cost increases, our business, financial condition and results of operations may be adversely affected. Any inability we experience in the future to attract, hire, train and retain a sufficient number of qualified employees could impair our ability to manage, maintain and grow our business.

***Our Chairman and Chief Executive Officer holds approximately 30.1% of our common stock and will be able to exert considerable influence over our actions.***

Our Chairman and Chief Executive Officer, Ms. Angeliki Frangou, owns approximately 30.1% of the outstanding shares of our common stock directly or through her affiliates, and has previously filed an amended Schedule 13D indicating that she intends, subject to market conditions, to purchase up to \$20.0 million of our common stock (as of April 6, 2020, she had purchased approximately \$10.0 million of the total \$20.0 million in value of our common stock). As the Chairman, Chief Executive Officer and a significant stockholder, she has the power to exert considerable influence over our actions and the outcome of matters on which our stockholders are entitled to vote including the election of directors and other significant corporate actions. This concentration of ownership may delay, deter or prevent acts that would be favored by our other stockholders or deprive stockholders of an opportunity to receive a premium for their shares as part of a sale of our business, and it is possible that the interests of the controlling stockholders may in some cases conflict with our stockholders. The interests of our principal stockholder may be different from your interests.

***The loss of key members of our senior management team could disrupt the management of our business.***

We believe that our success depends on the continued contributions of the members of our senior management team, including our Chairman, Chief Executive Officer and principal stockholder. The loss of the services of our Chairman and Chief Executive Officer or one of our other executive officers or senior management members could impair our ability to identify and secure new charter contracts, to maintain good customer relations and to otherwise manage our business, which could have a material adverse effect on our financial performance and our ability to compete.

***Our officers, certain of our directors and stockholders are affiliated with entities engaged in business activities similar to those conducted by us, which may compete directly with us, causing such persons to have conflicts of interest and conflicts in the allocation of their time to our business.***

Our executive officers, certain of our directors and principal stockholders also serve as executive officers and/or directors in Navios Acquisition, Navios Partners, and Navios Containers. Certain of our directors are also directors of other shipping companies and they may enter similar businesses in the future. These other affiliations and business activities may give rise to certain conflicts of interest in the course of such individuals' affiliation with us. Although we do not prevent our directors, officers and principal stockholders from having such affiliations, we use our best efforts to cause such individuals to comply with all applicable laws and regulations in addressing such conflicts of interest. If the separate activities are significantly greater than our activities, there will be material competition for the time and effort of our officers who also provide services to Navios Acquisition, Navios Partners, Navios

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Containers and their respective affiliates. Our officers are not required to work full-time on our affairs and, in the future, we may have additional officers that also provide services to these entities. As such, these individuals have fiduciary duties to Navios Partners, Navios Containers, and Navios Acquisition, which may cause them to pursue business strategies that disproportionately benefit Navios Partners, Navios Containers, or Navios Acquisition or which otherwise are not in our best interests or those of our stockholders. Conflicts of interest may arise between Navios Partners, Navios Containers, or Navios Acquisition, on the one hand, and us and our stockholders on the other hand. Based solely on the anticipated relative sizes of our fleet and the fleet owned by the Navios Partners, Navios Containers, and Navios Acquisition, over the next twelve months, we estimate that certain our officers may spend a substantial portion of their monthly business time dedicated to the business activities of the Navios Partners, Navios Containers, Navios Acquisition and their affiliates. However, the actual allocation of time could vary significantly from time to time depending on various circumstances and needs of the businesses, such as the relative levels of strategic activities of the businesses.

***Fees and cost reimbursements, which the Manager determines for services provided to us, represent significant percentage of our revenues, are payable regardless of profitability and reduce our cash available for distributions.***

A large portion of the management, staffing and administrative services that we require to operate our business are provided to us by the Manager. We pay the Manager, a commercial and technical management fee under the management agreement, as well as an administrative services fee under the Administrative Agreement.

Pursuant to a management agreement, dated August 29, 2019, the Manager provides commercial and technical management services to our vessels at fixed fees until August 29, 2021. The term of the Management Agreement expires on August 29, 2024. During the remaining years of the term of the management agreement, we will reimburse the Manager for all of the actual operating costs and expenses it incurs in connection with the management of our fleet.

In addition, the Manager will provide us with administrative services, pursuant to the Administrative Agreement dated August 29, 2019, expiring on August 29, 2024, and we will reimburse the Manager for all costs and expenses reasonably incurred by it in connection with the provision of those services. The exact amount of these future costs and expenses are unquantifiable at this time and they are payable regardless of our profitability.

If we desire to terminate either of these agreements before its scheduled expiration, we must pay a termination fee to the Manager as per management agreement. As a result, our ability to make short-term adjustments to manage our costs by terminating one or both these agreements may be limited which could cause our results of operations and ability to pay cash distributions to be materially and adversely affected.

For detailed information on the amount of management fees owed under the Management Agreement, please see the section entitled, "Item 7. Major Shareholders and Related Party Transactions – B. Related Party Transactions– Management fees".

***Because we generate substantially all of our revenues in U.S. dollars but incur a portion of our expenses in other currencies, exchange rate fluctuations could cause us to suffer exchange rate losses, thereby increasing expenses and reducing income.***

We engage in worldwide commerce with a variety of entities. Although our operations may expose us to certain levels of foreign currency risk, our transactions are predominantly U.S. dollar-denominated at the present. Additionally, our South American subsidiaries transact a nominal amount of their operations in Uruguayan pesos, Paraguayan Guaranies, Argentinean pesos and Brazilian Reales; however, all of the subsidiaries' primary cash flows are U.S. dollar-denominated. In 2019, approximately 61.2% of our expenses from continuing operations were incurred in currencies other than U.S. dollars. Transactions in currencies other than the functional currency are translated at the exchange rate in effect at the date of each transaction. Expenses incurred in foreign currencies against which the U.S. dollar falls in value can increase, thereby decreasing our income. A change in exchange rates between the U.S. dollar and each of the foreign currencies listed above of 1.00% would change our net loss from continuing operations for the year ended December 31, 2019 by \$1.2 million.

For example, as of December 31, 2019, the value of the U.S. dollar as compared to the Euro increased by approximately 2.0% compared with the respective value as of December 31, 2018. A greater percentage of our transactions and expenses in the future may be denominated in currencies other than U.S. dollar. As part of our overall risk management policy, we attempt to hedge these risks in exchange rate fluctuations from time to time. We may not always be successful in such hedging activities and, as a result, our operating results could suffer as a result of non-hedged losses incurred as a result of exchange rate fluctuations.

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

We are a holding company and our subsidiaries conduct all of our operations and own all of our operating assets, including our ships. We have no significant assets other than the equity interests in our subsidiaries. As a result, our ability to pay our

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obligations and to make distributions depends entirely on our subsidiaries and their ability to distribute funds to us. The ability of a subsidiary to make these distributions could be affected by a claim or other action by a third party, including a creditor, or by the law of their respective jurisdiction of incorporation which regulates the payment of distributions. If we are unable to obtain funds from our subsidiaries, our Board of Directors may not exercise its discretion not to declare or make distributions.

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

Our corporate affairs are governed by our amended and restated articles of incorporation and by-laws and by the Marshall Islands Business Corporations Act (“BCA”). The provisions of the BCA are intended to resemble provisions of the corporation laws of a number of states in the U.S. 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. 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, and the BCA is interpreted and construed by Delaware laws and the laws of other States with substantially similar legislative provisions. Accordingly, you may have more difficulty protecting your interests in the face of actions by management, directors or controlling stockholders than you would in the case of a corporation incorporated in the State of Delaware or other U.S. jurisdictions.

### ***Because we are incorporated under the laws of the Marshall Islands and our business is operated primarily from our office in Monaco, it may be difficult to serve us with legal process or enforce judgments against us, our directors or our management.***

We are a corporation organized under the laws of the Republic of the Marshall Islands, and all of our assets are located outside of the U.S. Our business is operated primarily from our office in Monaco. In addition, the majority of our directors and officers are residents of non-U.S. jurisdictions, substantial portions of the assets of these persons are located outside of the United States. Thus, it may be difficult or not be possible for investors to affect service of process upon us, or our non-U.S. directors or officers, or to enforce any judgment obtained against these persons in U.S. courts. In addition, it may not be possible to enforce U.S. securities laws or judgments obtained in U.S. courts against these persons in a non-U.S. jurisdiction. Even if you are successful in bringing an action of this kind, the laws of the Marshall Islands, the Monaco and other jurisdictions may prevent or restrict you from enforcing a judgment against our assets or the assets of our directors or officers.

### ***Being a foreign private issuer exempts us from certain SEC and NYSE requirements.***

We are a foreign private issuer within the meaning of rules promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). As such, we are exempt from certain provisions applicable to U.S. public companies including:

- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q or current reports on Form 8-K;
- the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act;
- the provisions of Regulation FD aimed at preventing issuers from making selective disclosures of material information;
- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and establishing insider liability for profits realized from any “short-swing” trading transaction (i.e., a purchase and sale, or sale and purchase, of the issuer’s equity securities within less than six months); and
- the obligation to obtain shareholder approval in connection with the approval of, and material revisions to, equity compensation plans.

Because of these exemptions, investors are not afforded the same protections or information generally available to investors holding shares in public companies organized in the U.S.

## **Risks Relating to Our Common Stock**

### ***Our stock price may be volatile, and investors in our common stock could lose all or part of their investment.***

The following factors could cause the price of our common stock in the public market to fluctuate significantly:

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- variations in our quarterly and annual operating results, and shortfalls from levels forecasted by securities analysts;
- changes in market valuations of companies in our industry;
- fluctuations in the seaborne transportation industry;
- dividend distributions or lack thereof;
- fluctuations in stock market prices and volumes;
- changes in governmental regulations or maritime self-regulatory organization standards;
- general economic conditions;
- terrorist acts;
- investors' perceptions of us;
- the general state of the securities markets;
- issuance of common stock or other securities in the future;
- the addition or departure of key personnel;
- announcements by us or our competitors of new business or trade routes, acquisitions or mergers and strategic alliances in the shipping industry; and
- the other factors discussed elsewhere in this Annual Report.

Securities markets worldwide are experiencing significant price and volume fluctuations. The market price for our securities may also be volatile. This market volatility, as well as general economic, market or political conditions, could reduce the market price of our securities in spite of our operating performance. Consequently, this may prevent investors from being able to sell their common stock at or above the price an investor pays for our common stock in an offering.

### ***The New York Stock Exchange may delist our securities from quotation on its exchange, which could limit your ability to trade our securities and subject us to additional trading restrictions.***

Our securities are listed on the New York Stock Exchange (the "NYSE"), a national securities exchange. The NYSE minimum listing standards require that we meet certain requirements relating to stockholders' equity, number of round-lot holders, market capitalization, aggregate market value of publicly held shares and distribution requirements. For example, on April 18, 2018, we were notified by the NYSE that we were no longer in compliance with the NYSE's continued listing standards because the average closing price of our common stock over a consecutive 30 trading-day period was less than \$1.00 per common share. Although we regained compliance on January 3, 2019, following a reverse split of our stock, we cannot assure you that our securities will continue to be listed on NYSE in the future. If NYSE delists our securities from trading on its exchange, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our securities;
- a limited amount of news and analyst coverage for us;
- a decreased ability for us to issue additional securities or obtain additional financing in the future;
- limited liquidity for our stockholders due to thin trading; and
- loss of our tax exemption under Section 883 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), loss of preferential capital gain tax rates for certain dividends received by certain non-corporate U.S. holders and loss of "mark-to-market" election by U.S. holders in the event we are treated as a passive foreign investment company ("PFIC").

### **Risks Relating to Our Series G and Series H and the Depositary Shares**

***Our Series G and Series H are subordinated to our debt obligations, and a holder's interests could be diluted by the issuance of additional shares, including additional Series G, Series H and by other transactions.***

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Our Series G, with a liquidation preference of \$2,500.00 per share and our Series H, with a liquidation preference of \$2,500.00 per share (the Series G and the Series H together referred to as the “Series G and H”), both represented by American Depositary Shares (the “Depositary Shares”), are subordinated to all of our existing and future indebtedness. As of December 31, 2019, our total debt was \$1,581.8 million. We may incur substantial additional debt from time to time in the future, and the terms of the Series G and H do not limit the amount of indebtedness we may incur. In February 2016, we announced the suspension of payment of quarterly dividends on our common stock and on the Series G and Series H. The payment of principal and interest on our debt reduces cash available for distribution to us and on our shares, including the Series G and H and the Depositary Shares, should such dividends be reinstated. We currently have no plans or intention to pay dividends on the Series G or Series H.

The issuance of additional preferred stock on a parity with or senior to our Series G and H would dilute the interests of the holders of our Series G and H, and any issuance of any preferred stock senior to or on parity with our Series G and H or additional indebtedness could affect our ability to pay dividends on, redeem or pay the liquidation preference on our Series G and H. No provisions relating to our Series G and H protect the holders of our Series G and H in the event of a highly leveraged or other transaction, including a merger or the sale, lease or conveyance of all or substantially all our assets or business, which might adversely affect the holders of our Series G and H.

Our Series G and H will rank pari passu with any other class or series of our capital stock established after the original issue date of the Series G and H that is not expressly subordinated or senior to the Series G and H (“Parity Securities”) as to the payment of dividends and amounts payable upon liquidation or reorganization. If less than all dividends payable with respect to the Series G and H and any Parity Securities are paid, any partial payment shall be made pro rata with respect to shares of Series G and H and any Parity Securities entitled to a dividend payment at such time in proportion to the aggregate amounts remaining due in respect of such shares at such time.

***We may not have sufficient cash from our operations to enable us to pay dividends on or to redeem our Series G and H, and accordingly the Depositary Shares, as the case may be, following the payment of expenses and the establishment of any reserves.***

In February 2016, we announced the suspension of payment of quarterly dividends on the Series G and Series H, and have not paid a quarterly dividend payments on the Series G or Series H since then, and as a result the respective dividend rates increased by 0.25%. We will reinstate and pay quarterly dividends on the Series G and H, and accordingly the Depositary Shares, only from funds legally available for such purpose when, as and if declared by our board of directors. We may not have sufficient cash available to reinstate such dividend or to pay dividends each quarter if and when reinstated. We currently have no plans or intention to pay dividends on the Series G or Series H. In addition, we may have insufficient cash available to redeem the Series G and H, and accordingly the Depositary Shares. The amount of cash we can use to pay dividends or redeem our Series G and H and the Depositary Shares depends upon the amount of cash we generate from our operations, which may fluctuate significantly, and other factors, including the following:

- changes in our operating cash flow, capital expenditure requirements, working capital requirements and other cash needs;
- the amount of any cash reserves established by our board of directors;
- restrictions under our credit facilities and other instruments and agreements governing our existing and future debt, including restrictions under our existing credit facilities and indentures governing our debt securities (other than the indenture governing the newly issued 9.75% Senior Notes due 2024 (the “2024 Notes”)) on our ability to pay dividends if an event of default has occurred and is continuing, or if the payment of the dividend would result in an event of default, and on our ability to redeem equity securities;
- restrictions under Marshall Islands law as described below; and
- our overall financial and operating performance, which, in turn, is subject to prevailing economic and competitive conditions and to the risks associated with the shipping industry, our dry bulk operations and the other factors described herein, many of which are beyond our control.

The amount of cash we generate from our operations may differ materially from our net income or loss for the period, which will be affected by noncash items, and our board of directors in its discretion may elect not to declare any dividends. We may incur other expenses or liabilities that could reduce or eliminate the cash available for distribution as dividends. As a result of these and the other factors mentioned above, we may pay dividends during periods when we record losses and may not pay dividends during periods when we record net income.



***Our ability to pay dividends on and to redeem our Series G and H, and therefore holders' ability to receive payments on the Depositary Shares, is limited by the requirements of Marshall Islands law.***

If we reinstate the payment of dividends, Marshall Islands law provides that we may pay dividends on and redeem the Series G and H only to the extent that assets are legally available for such purposes. Legally available assets generally are limited to our surplus, which essentially represents our retained earnings and the excess of consideration received by us for the sale of shares above the par value of the shares. In addition, under Marshall Islands law we may not pay dividends on or redeem Series G and H if we are insolvent or would be rendered insolvent by the payment of such a dividend or the making of such redemption.

***The Series G and H represent perpetual equity interests.***

The Series G and H represent perpetual equity interests in us and, unlike our indebtedness, will not give rise to a claim for payment of a principal amount at a particular date. As a result, holders of the Series G and H (and accordingly the Depositary Shares) may be required to bear the financial risks of an investment in the Series G and H (and accordingly the Depositary Shares) for an indefinite period of time. In addition, the Series G and H will rank junior to all our indebtedness and other liabilities, and any other senior securities we may issue in the future with respect to assets available to satisfy claims against us.

***Holders of Depositary Shares have extremely limited voting rights, will have even more limited rights than holders of the Series G and H and may encounter difficulties in exercising some of such rights.***

Voting rights of holders of Depositary Shares will be extremely limited. Our common stock is the only class of stock carrying full voting rights. Holders of the Series G and H, and accordingly holders of the Depositary Shares, generally have no voting rights. In February 2016, we announced the suspension of payment of quarterly dividends on the Series G and Series H. As such, (i) we have used commercially reasonable efforts to obtain an amendment to our articles of incorporation to effectuate any and all such changes thereto as may be necessary to permit either the Series G Preferred Shareholders or the Series H Preferred Shareholders, as the case may be, to exercise the voting rights described in the following clause (ii)(x), and (ii) if and when dividends payable on either the Series G or the Series H, as the case may be, are in arrears for six or more quarterly periods, whether or not consecutive (and whether or not such dividends shall have been declared and whether or not there are profits, surplus, or other funds legally available for the payment of dividends), then (x) if our articles of incorporation have been amended as described in the preceding clause (i), the holders of Series G or the holders of Series H, as the case may be, will have the right (voting together as a class with all other classes or series of parity securities upon which like voting rights have been conferred and are exercisable), to elect one additional director to serve on our board of directors, and the size of our board of directors will be increased as needed to accommodate such change (unless the size of our board of directors already has been increased by reason of the election of a director by holders of securities on parity with either the Series G or Series H, as the case may be, upon which like voting rights have been conferred and with which the Series G and H voted as a class for the election of such director), and (y) if our articles of incorporation have not been amended as described in the preceding clause (i), then, until such amendment is fully approved and effective, the dividend rate on the Series G or the Series H, as the case may be, shall increase by 25 basis points. At our respective Annual Meeting of stockholders held on December 15, 2016, December 15, 2017 and December 21, 2018, the Company proposed an amendment to our articles of incorporation to effectuate any and all such changes as were necessary to permit the Series G and/or Series H holders the ability to exercise the certain voting rights described above. These proposals failed to receive the affirmative vote of holders of two-thirds of the Company's issued and outstanding common stock entitled to vote at the respective Annual Meeting, which was required to approve the proposal. Therefore, since the proposals failed and the dividends for the Series G and Series H are in arrears for six or more quarterly periods the dividend rate on the Series G and Series H have increased by 25 basis points respectively. There can be no assurance that any such further proposal to our stockholders to amend our articles of incorporation will be approved by our common stockholders.

Furthermore, holders of the Depositary Shares may encounter difficulties in exercising any voting rights acquired by the Series G or the Series H for as long as they hold the Depositary Shares rather than the Series G or the Series H. For example, holders of the Depositary Shares will not be entitled to vote at meetings of holders of Series G or of the Series H, and they will only be able to exercise their limited voting rights by giving timely instructions to The Bank of New York Mellon (the "Depositary") in advance of any meeting of holders of Series G or the Series H, as the case may be. The Depositary will be the holder of the Series G or the Series H underlying the Depositary Shares and holders may exercise voting rights with respect to the Series G or the Series H represented by the Depositary Shares only in accordance with the deposit agreement (the "Deposit Agreement") relating to the Depositary Shares. To the limited extent permitted by the Deposit Agreement, the holders of the Depositary Shares should be able to direct the Depositary to vote the underlying Series G or the Series H, as the case may be, in accordance with their individual instructions. Nevertheless, holders of Depositary Shares may not receive voting materials in time to instruct the Depositary to vote the Series G or the Series H, as the case may be, underlying their Depositary Shares. In addition, the Depositary and its agents are not responsible for failing to carry out voting instructions of the holders of Depositary Shares or for the manner of carrying out such instructions. Accordingly, holders of Depositary Shares may not be able to exercise voting rights, and they will have little, if any, recourse if the underlying Series G or the Series H, as the case may be, is not voted as requested.

***The Depositary Shares lack a well-developed trading market. Various factors may adversely affect the price of the Depositary Shares.***

Even though the Depositary Shares are listed on the NYSE, there may be little or no secondary market for the Depositary Shares, in which case the trading price of the Depositary Shares could be adversely affected and a holder's ability to transfer its securities will be limited. The Depositary Shares may trade at prices lower than the offering price and the secondary market may not provide sufficient liquidity. In addition, since the Series G and Series H do not have a stated maturity date, investors seeking liquidity in the Depositary Shares will be limited to selling their Depositary Shares in the secondary market absent redemption by us. We do not expect that there will be any other trading market for the Series G and Series H except as represented by the Depositary Shares.

Other factors, some of which are beyond our control, will also influence the market prices of the Depositary Shares. Factors that might influence the market prices of the Depositary Shares include:

- whether we are able to reinstate dividends on the Series G and Series H;
- the market for similar securities;
- our issuance of debt or preferred equity securities;
- our creditworthiness;
- our financial condition, results of operations and prospects; and
- economic, financial, geopolitical, regulatory or judicial events that affect us or the financial markets generally.

Accordingly, the Depositary Shares that an investor purchases may trade at a discount to their purchase price.

***Depositary Shares became less liquid following the Exchange Offer.***

During March and April 2019, Navios Holdings exchanged cash and/or 2024 Notes for 10,930 Series H and 8,841 Series G, respectively. Following consummation of the Exchange Offer, the number of Depositary Shares that are publicly traded has been reduced and the trading market for the remaining outstanding Depositary Shares may be less liquid and market prices may fluctuate significantly depending on the volume of trading in the Depositary Shares. Therefore, holders whose Depositary Shares were not repurchased will own a greater percentage interest in the remaining outstanding Depositary Shares following consummation of the Exchange Offer. This reduced the volume of trading and make it more difficult to buy or sell significant amounts of Depositary Shares without affecting the market price. Decreased liquidity may make it more difficult for holders of Depositary Shares to sell their Depositary Shares.

***The Series G and H represented by the Depositary Shares have not been rated, and ratings of any other of our securities may affect the trading price of the Depositary Shares.***

We have not sought to obtain a rating for the Series G and H, and both stocks may never be rated. It is possible, however, that one or more rating agencies might independently determine to assign a rating to either the Series G or the Series H or that we may elect to obtain a rating of either our Series G or the Series H in the future. In addition, we have issued securities that are rated and may elect to issue other securities for which we may seek to obtain a rating. Any ratings that are assigned to the Series G or the Series H in the future, that have been issued on our outstanding securities or that may be issued on our other securities, if they are lower than market expectations or are subsequently lowered or withdrawn, could imply a lower relative value for the Series G or the Series H and could adversely affect the market for or the market value of the Depositary Shares of the Series G and H Preferred Shares respectively. Ratings only reflect the views of the issuing rating agency or agencies and such ratings could at any time be revised downward or withdrawn entirely at the discretion of the issuing rating agency. A rating is not a recommendation to purchase, sell or hold any particular security, including the Series G and H and the Depositary Shares. Ratings do not reflect market prices or suitability of a security for a particular investor and any future rating of the Series G and H and the Depositary Shares may not reflect all risks related to us and our business, or the structure or market value of the Series G and H and the Depositary Shares.

***The amount of the liquidation preference of our Series G and H is fixed and holders will have no right to receive any greater payment regardless of the circumstances.***

The payment due upon liquidation for both our Series G and H is fixed at the liquidation preference of \$2,500.00 per share (equivalent to \$25.00 per Depositary Share) plus accumulated and unpaid dividends to the date of liquidation (whether or not declared). If in the case of our liquidation, there are remaining assets to be distributed after payment of this amount, holders will have



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no right to receive or to participate in these amounts. Furthermore, if the market price for the Series G or the Series H, as the case may be, is greater than the liquidation preference, holders will have no right to receive the market price from us upon our liquidation.

***The Series G and H are only redeemable at our option and investors should not expect us to redeem either the Series G or the Series H on the dates they respectively become redeemable or on any particular date afterwards.***

We may redeem, at our option, all or from time to time part of the Series G or the Series H. If we redeem the Series G, holders of the Series G will be entitled to receive a redemption price equal to \$2,500.00 per share (equivalent to \$25.00 per Depositary Share) plus accumulated and unpaid dividends to the date of redemption (whether or not declared). If we redeem the Series H, holders of the Series H will be entitled to receive a redemption price equal to \$2,500.00 per share (equivalent to \$25.00 per Depositary Share) plus accumulated and unpaid dividends to the date of redemption (whether or not declared). Any decision we may make at any time to propose redemption of either the Series G or the Series H will depend upon, among other things, our evaluation of our capital position, the composition of our shareholders' equity and general market conditions at that time. In addition, investors might not be able to reinvest the money they receive upon redemption of the Series G or the Series H, as the case may be, in a similar security or at similar rates. We may elect to exercise our partial redemption right on multiple occasions.

***Holders of Depositary Shares may be subject to additional risks related to holding Depositary Shares rather than shares.***

Because holders of Depositary Shares do not hold their shares directly, they are subject to the following additional risks, among others:

- a holder of Depositary Shares will not be treated as one of our direct shareholders and may not be able to exercise shareholder rights;
- distributions on the Series G and H represented by the Depositary Shares will be paid to the Depositary, and before the Depositary makes a distribution to holder on behalf of the Depositary Shares, withholding taxes or other governmental charges, if any, that must be paid will be deducted;
- we and the Depositary may amend or terminate the Deposit Agreement without the consent of holders of the Depositary Shares in a manner that could prejudice holders of Depositary Shares or that could affect their ability to transfer Depositary Shares, among others; and
- the Depositary may take other actions inconsistent with the best interests of holders of Depositary Shares.

## **Risks Relating to Our Debt**

***We have substantial debt and may incur substantial additional debt, including secured debt, which could adversely affect our financial health and our ability to obtain financing in the future, react to changes in our business and make payments under the notes.***

As of December 31, 2019, we had \$1,581.8 million in aggregate principal amount of debt outstanding, of which \$397.5 million was unsecured.

Our substantial debt could have important consequences to holders of our common stock. Because of our substantial debt:

- our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, vessel or other acquisitions or general corporate purposes and our ability to satisfy our obligations with respect to our debt may be impaired in the future;
- if new debt is added to our debt levels after the vessel acquisition, the related risks that we now face would increase and we may not be able to meet all of our debt obligations;
- a substantial portion of our cash flow from operations must be dedicated to the payment of principal and interest on our indebtedness, thereby reducing the funds available to us for other purposes, and there can be no assurance that our operations will generate sufficient cash flow to service this indebtedness;
- we will be exposed to the risk of increased interest rates because our borrowings under our senior secured credit facilities will be at variable rates of interest;

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- it may be more difficult for us to satisfy our obligations to our lenders, resulting in possible defaults on and acceleration of such indebtedness;
- we may be more vulnerable to general adverse economic and industry conditions;
- we may be at a competitive disadvantage compared to our competitors with less debt or comparable debt at more favorable interest rates and, as a result, we may not be better positioned to withstand economic downturns;
- our ability to refinance indebtedness may be limited or the associated costs may increase; and
- our flexibility to adjust to changing market conditions and ability to withstand competitive pressures could be limited, or we may be prevented from carrying out capital expenditures that are necessary or important to our growth strategy and efforts to improve operating margins or our business.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future as the terms of the indenture governing our 11.25% Senior Secured Notes due 2022 (the “2022 Senior Secured Notes”) and the indenture governing our 7.375% First Priority Ship Mortgage Notes due 2022 (the “2022 Notes”) do not fully prohibit us or our subsidiaries from doing so. The terms of the indenture governing the 7.25% Senior Notes due 2022 (the “2022 Logistics Senior Notes”) of Navios South American Logistics (“Navios Logistics”), the agreements governing the terms of Term Loan B Facility (the “Term Loan B Facility”) and the agreements governing the terms of the other indebtedness of Navios Logistics also permit Navios Logistics to incur substantial additional indebtedness in accordance with the terms of such agreements. If new debt is added to our current debt levels, the related risks that we now face would increase and we may not be able to meet all of our debt obligations.

***The agreements and instruments governing our debt, other than the 2024 Notes, contain restrictions and limitations that could significantly impact our ability to operate our business.***

Our secured credit facilities and our indentures, other than the indenture governing the 2024 Notes, impose certain operating and financial restrictions on us. These restrictions limit our ability to:

- incur or guarantee additional indebtedness;
- create liens on our assets;
- make new investments;
- engage in mergers and acquisitions;
- pay dividends or redeem capital stock;
- make capital expenditures;
- change the flag, class or commercial and technical management of our vessels;
- enter into long-term charter arrangements without the consent of the lender; and
- sell any of our vessels.

The agreements governing the terms of Navios Logistics’ indebtedness impose similar restrictions upon Navios Logistics.

Therefore, we and Navios Logistics will need to seek permission from our respective lenders in order to engage in some corporate and commercial actions that believe would be in the best interest of our respective business, and a denial of permission may make it difficult for us or Navios Logistics to successfully execute our business strategy or effectively compete with companies that are not similarly restricted. The interests of our and Navios Logistics’ lenders may be different from our respective interests or those of our holders of common stock, and we cannot guarantee that we, or Navios Logistics will be able to obtain the permission of lenders when needed. This may prevent us, or Navios Logistics from taking actions that are in our, our stockholders’, or Navios Logistics’ best interests. Any future debt agreements may include similar or more restrictive restrictions.

***Our ability to generate the significant amount of cash needed to pay interest and principal and otherwise service our debt and our ability to refinance all or a portion of our indebtedness or obtain additional financing depend on multiple factors, many of which may be beyond our control.***

Our ability and that of Navios Logistics to make scheduled payments on or to refinance our respective debt obligations will depend on our respective financial and operating performance, which, in turn, will be subject to prevailing economic and competitive conditions and to the financial and business factors, many of which may be beyond our or Navios Logistics’ control.

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The principal and interest on such debt will be paid in cash. The payments under our and Navios Logistics' debt will limit funds otherwise available for our respective working capital, capital expenditures, vessel acquisitions and other purposes. As a result of these obligations, our and Navios Logistics' current liabilities may exceed our respective current assets. We or Navios Logistics may need to take on additional debt as we expand our respective fleets or other operations, which could increase our respective ratio of debt to equity. The need to service our respective debt may limit funds available for other purposes, and our or Navios Logistics' inability to service debt in the future could lead to acceleration of such debt, the foreclosure on assets such as owned vessels or otherwise negatively affect us.

***We may be unable to raise funds necessary to finance the change of control repurchase offer required by the indentures governing our outstanding notes, other than the 2024 Notes, and our secured credit facilities.***

The indenture governing the 2022 Senior Secured Notes, the indenture governing the 2022 Notes, the indentures governing the 2022 Logistics Senior Notes and our and Navios Logistics' secured credit facilities contain certain change of control provisions. If we or Navios Logistics experience specified changes of control under our respective notes, we or Navios Logistics, as the case may be, will be required to make an offer to repurchase all of our respective outstanding notes (unless otherwise redeemed), other than the 2024 Notes, at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the repurchase date. The occurrence of specified events that would constitute a change of control may constitute a default under our and Navios Logistics' secured credit facilities. In the event of a change of control under these debt agreements, we cannot assure you that we would have sufficient assets to satisfy all of our obligations under these debt agreements, including but not limited to, repaying all indebtedness outstanding under the applicable secured credit facilities or repurchasing the applicable notes.

***The market value of our vessels may fluctuate significantly, which could cause us to breach covenants in our credit facilities and result in foreclosure on our mortgaged vessels.***

If the market values of our owned vessels decrease, we may breach covenants contained in our secured credit facilities. If we breach such covenants and are unable to remedy any relevant breach, our lenders could accelerate our debt and foreclose on the collateral, including our vessels. Any loss of vessels would significantly decrease our ability to generate positive cash flow from operations and, therefore, service our debt. In addition, if the book value of a vessel is impaired due to unfavorable market conditions, or a vessel is sold at a price below its book value, we would incur a loss. Navios Logistics and Navios Containers may be subject to similar ramifications under its credit facilities if the market values of its owned vessels decrease.

***We are exposed to volatility in the London Interbank Offered Rate, or LIBOR, which can affect our profitability, earnings and cash flow.***

The loans under our credit facilities are generally advanced at a floating rate based on LIBOR, which was volatile in prior years and has been steadily increasing in recent years. LIBOR can affect the amount of interest payable on our debt, which, in turn, could have an adverse effect on our earnings and cash flow. In addition, although in recent years LIBOR has been at relatively low levels, LIBOR increased during 2016 and may continue to rise in the future as the current low interest rate environment comes to an end.

Our financial condition could be materially adversely affected as we have not entered into interest rate hedging arrangements to hedge our exposure to the interest rates applicable to our credit facilities and may not enter into interest rate hedging arrangements for these or any other financing arrangements we may enter into in the future, including those we may enter into to finance a portion of the amounts payable with respect to newbuildings or acquisitions.

We may enter into derivative contracts to hedge our overall exposure to interest rate risk. Entering into swaps and other derivatives transactions is inherently risky and presents possibilities for incurring significant expenses. The derivatives strategies that we may employ may not be successful or effective, and we could, as a result, incur substantial additional interest and breakage costs.

***Changes in the method of determining LIBOR, or the replacement of LIBOR with an alternative reference rate, may adversely affect interest expense related to outstanding debt.***

Some of our outstanding debt bears interest rates in relation to LIBOR. On July 27, 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. It is unclear if at that time whether or not LIBOR will cease to exist or if new methods of calculating LIBOR will be established such that it continues to exist after 2021. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee

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comprised of large U.S. financial institutions, is considering replacing U.S. dollar LIBOR with a new index calculated by short-term repurchase agreements, backed by Treasury securities (“SOFR”). SOFR is observed and backward looking, which stands in contrast with LIBOR under the current methodology, which is an estimated forward-looking rate and relies, to some degree, on the expert judgment of submitting panel members. Whether or not SOFR attains market traction as a LIBOR replacement tool remains in question. As such, the future of LIBOR at this time is uncertain. If LIBOR ceases to exist, we may need to renegotiate our credit agreements that utilize LIBOR as a factor in determining the interest rate.

In addition, lenders have recently insisted on provisions that entitle the lenders, in their discretion, to replace published LIBOR as the base for the interest calculation with their cost-of-funds rate. Such provisions could significantly increase our lending costs, which would have an adverse effect on our profitability, earnings and cash flow.

### ***We may require additional financing to acquire vessels or business or to exercise vessel purchase options, and such financing may not be available.***

In the future, we may be required to make substantial cash outlays to exercise options or to acquire vessels or business and will need additional financing to cover all or a portion of the purchase prices. We intend to cover the cost of such items with new debt collateralized by the vessels to be acquired, if applicable, but there can be no assurance that we will generate sufficient cash or that debt financing will be available. Moreover, the covenants in our senior secured credit facility, the indentures or other debt, may make it more difficult to obtain such financing by imposing restrictions on what we can offer as collateral.

Furthermore, our ability to borrow against the ships in our existing fleet and any ships we may acquire in the future largely depends on the existence of time charter employment of the ship and on the value of the ships, which in turn depends in part on charter hire rates and the creditworthiness of our charterers. The actual or perceived credit quality of our charterers, any defaults by them, any decline in the market value of our fleet and a lack of long-term employment of our ships may materially affect our ability to obtain the additional capital resources that we will require to purchase additional vessels or may significantly increase our costs of obtaining such capital. Our inability to obtain additional financing or committing to financing on unattractive terms could have a material adverse effect on our business, results of operations and financial condition, as well as our cash flows.

### ***We have substantial equity investments in five companies, four of which are not consolidated in our financial results, and our investment in such companies is subject to the risks related to their respective businesses.***

As of December 31, 2019, we had a 63.8% ownership interest in Navios Logistics, and, as a result, Navios Logistics is a consolidated subsidiary. As such, the income and losses relating to Navios Logistics and the indebtedness and other liabilities of Navios Logistics are shown in our consolidated financial statements. On February 21, 2020, Navios Logistics paid a dividend in the aggregate amount of \$27.5 million, out of which the amount of \$17.6 million was paid to Navios Holdings.

On June 8, 2017, Navios Maritime Containers Inc. completed a private placement in which Navios Holdings invested \$5.0 million. Navios Maritime Containers Inc. registered its shares on the Norwegian Over-The-Counter Market (N-OTC) on June 12, 2017 under the ticker “NMCI”. On November 30, 2018, Navios Maritime Containers Inc. was converted into a limited partnership. In connection with the conversion, Navios Maritime Containers GP LLC, a Republic of the Marshall Islands limited liability company and wholly-owned subsidiary of Navios Holdings, was admitted as Navios Containers’ general partner and holds a non-economic interest that does not provide the holder with any rights to profits or losses of, or distribution by, the partnership. As a result of holding the general partner interest, control was obtained by Navios Holdings. As of that date, Navios Holdings obtained control over Navios Containers and consequently the results of operations of Navios Containers were consolidated under Navios Holdings. As such, the income and losses relating to Navios Containers for the period from November 30, 2018 (date of obtaining control) to December 31, 2018 and the indebtedness and other liabilities of Navios Containers for the year ended December 31, 2018 are shown in our consolidated financial statements. Following the sale of Navios Containers’ general partnership interest effected on August 30, 2019, referred to in Note 3 included elsewhere in this Annual Report, Navios Holdings lost control and deconsolidated Navios Containers from that date onwards. The results of operations of Navios Containers for the period consolidated under Navios Holdings have been reported as discontinued operations for all the periods presented. As a result, from August 30, 2019, Navios Containers is not a controlled subsidiary of Navios Holdings and the investment in Navios Containers is accounted for under the equity method due to Navios Holdings’ significant influence over Navios Containers. As of December 31, 2019, Navios Holdings had a 3.7% ownership interest in Navios Containers and the carrying value of its investment in Navios Containers amounted to \$2.7 million.

We also have substantial equity investments in two public companies that are accounted for under the equity method — Navios Acquisition and Navios Partners. As of December 31, 2019, we held 30.6% of the voting stock and 31.0% of the economic interest of Navios Acquisition and 18.5% of the equity interest in Navios Partners. As of such date, the carrying value of our investments in these two affiliated companies amounted to \$55.0 million.

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In addition to the value of our investment, we receive dividend payments relating to our investments. As a result of our investment, in fiscal year 2019, we received \$4.4 million in dividends from Navios Acquisition and \$2.7 million dividends from Navios Partners. Furthermore, we received management and general and administrative fees from Navios Acquisition and Navios Partners, which amounted to \$80.1 million and \$51.1 million, respectively, for the period from January 1, 2019 to August 30, 2019, the date of sale of the management division (refer to in Note 3 included elsewhere in this Annual Report).

On October 9, 2013, Navios Holdings, Navios Acquisition and Navios Partners established Navios Europe Inc. (“Navios Europe I”) and had economic interests of 47.5%, 47.5% and 5.0%, respectively and 50%, 50% and 0%, voting interests, respectively. On November 22, 2019, an agreement was reached to liquidate Navios Europe I. As of December 31, 2019, the Company received in cash all balances relating to Navios Europe I following the liquidation of the structure. As of December 31, 2019 and subsequent to the liquidation, Navios Holdings’ portion of the Navios Term Loans I (as defined herein) relating to Navios Europe I was \$0 million.

On February 18, 2015, Navios Holdings, Navios Acquisition and Navios Partners established Navios Europe (II) Inc. (“Navios Europe II”) and had economic interests of 47.5%, 47.5% and 5.0%, respectively and voting interests of 50%, 50% and 0%, respectively. As of December 31, 2019, Navios Holdings’ portion of the Navios Term Loans II (as defined herein) relating to Navios Europe II was \$6.7 million.

Our ownership interest in Navios Logistics, Navios Containers, Navios Acquisition, Navios Partners and Navios Europe II, and the reflection of such companies (or the investment relating thereto) on our balance sheets and any income generated from or related to such companies are subject to a variety of risks, including risks relating to the respective business of Navios Logistics, Navios Containers, Navios Acquisition, Navios Partners and Navios Europe II as disclosed in their respective public filings with the SEC or management reports. The occurrence of any such risks may negatively affect our financial condition.

We evaluate our investments in Navios Acquisition, Navios Partners, Navios Europe II and Navios Containers (following the loss of control over Navios Containers’ on August 30, 2019, refer to in Note 3 included elsewhere in this Annual Report) for “other-than-temporary impairment” (“OTTI”) on a quarterly basis. Consideration is given to (i) the length of time and the extent to which the fair value has been less than the carrying value, (ii) their financial condition and near term prospects, and (iii) our intent and ability to retain our investment in these companies, for a period of time sufficient to allow for any anticipated recovery in fair value.

As of June 30, 2019, the Company considered the decline in fair value of its investment in Navios Acquisition as “other-than-temporary” and therefore recognized a loss of \$13.5 million in the accompanying consolidated statement of comprehensive (loss)/income. As of December 31, 2019, the Company did not recognize any OTTI loss relating to its investment in Navios Partners.

As of December 31, 2018, the Company considered the decline in fair value of its investment in Navios Partners as “other-than-temporary” and therefore recognized a loss of \$55.5 million in the accompanying consolidated statement of comprehensive (loss)/income. As of December 31, 2018, the Company did not recognize any OTTI loss relating to its investment in Navios Acquisition.

During the year ended December 31, 2017, we did not recognize any impairment loss in earnings.

During the year ended December 31, 2016, the Company considered the decline in fair value of its investment in Navios Partners and Navios Acquisition as “other-than-temporary” and therefore, recognized a loss of \$228.0 million in the accompanying consolidated statement of comprehensive (loss)/income.

***Our Chairman and Chief Executive Officer holds approximately 30.1% of our common stock. Her failure to own a significant amount of our common stock or to be our Chief Executive Officer would constitute a default under our secured credit facilities.***

Should Ms. Frangou cease to hold a minimum of 20% of our common stock, or cease to be our Chief Executive Officer we will be in default under certain of our secured credit facilities.

### **Risks Relating to Navios Logistics**

***Navios Logistics’ grain port business has seasonal components linked to the grain harvests in the region. At times throughout the year, the capacity of its grain port, including the loading and unloading operations, as well as the space in silos is exceeded, which could materially adversely affect its operations and revenues.***

A significant portion of Navios Logistics’ grain port business is derived from handling and storage of soybeans and other agricultural products produced in a region of navigable waters in South America on the Parana, Paraguay and Uruguay Rivers and part

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of the River Plate (the “Hidrovia Region”), which flow through Brazil, Bolivia, Uruguay, Paraguay and Argentina covering the entire length of the Parana River south of the Itaipu Dam, the entire length of the Paraguay River south of Corumba, the Uruguay River and the River Plate west of Buenos Aires, mainly during the season between April and September. This seasonal effect could, in turn, increase the inflow and outflow of barges and vessels in its dry port and cause the space in its silos to be exceeded, which in turn would affect its timely operations or its ability to satisfy the increased demand. Inability to provide services in a timely manner may have a negative impact on its clients’ satisfaction and result in loss of existing contracts or inability to obtain new contracts.

***Navios Logistics is subject to certain operating risks in its port terminals and its vessels that could affect the performance of its contractual commitments which could result in a loss of revenue, and which in turn could have a material adverse effect on its results of operations or financial condition.***

Navios Logistics operations are subject to a number of risks affecting its port facilities. These risks include, but are not limited to, mechanical and electrical failure, accidents, personal injury, loss or theft of cargo, or damage, fires, explosions, business interruption, political conditions and hostilities, labor strikes, adverse weather conditions such as floods, natural disasters, accidents on waterways or in coastal routes or accidents in its loading or unloading terminals, including environmental accidents and collisions, each of which could potentially result in damages, penalties, fines, indemnities or costs payable to third parties and other claims against Navios Logistics. Navios Logistics’ exposure to these operating risks in its port terminals may adversely affect its capacity to duly perform its contractual obligations under its take-or-pay contracts. The costs of repairing equipment, including but not limited to cranes, conveyor belts, stacker-reclaimer, shiploaders, or piers are unpredictable and can be substantial. The loss of earnings while these damages are being repaired, as well as the actual cost of these repairs, could decrease Navios Logistics’ revenues and earnings substantially, particularly if this leads to a default under its contracts, which would materially affect its financial condition and results of operations.

Navios Logistics’ exposure to operating risks of vessel breakdown mean that if any of the vessels in its fleet suffers damage, it may need to be repaired at a drydocking facility. The costs of drydocking are unpredictable and can be substantial. The loss of earnings while these vessels, barges and pushboats are being repaired and repositioned, as well as the actual cost of these repairs, could decrease its revenues and earnings substantially, particularly if a number of vessels, barges and pushboats are damaged or drydocked at the same time. Breakdowns, accidents or drydocking costs and losses relating to chartered vessels that are not covered by insurance would result in a loss of revenue from the affected vessels, which may materially adversely affect Navios Logistics’ financial condition and results of operations.

***Navios Logistics depends on a few significant customers for a large part of its revenues and the loss of one or more of these customers could materially and adversely affect its revenues.***

In each of Navios Logistics’ businesses, a significant part of its revenues derives from a small number of customers. Navios Logistics expects that a small number of customers will continue to generate a substantial portion of its revenues for the foreseeable future. For the year ended December 31, 2019, its largest customer, Vale International S.A. (“Vale”), accounted for 36.2% of its revenues, respectively, and its five largest customers accounted for approximately 64.2% of its revenues. For the year ended December 31, 2018, its three largest customers, Vale, Cammesa S.A. (“Cammesa”) and Axion Energy Paraguay S.A. (“Axion Energy”), accounted for 32.0%, 10.8% and 10.2% of its revenues, respectively, and its five largest customers accounted for approximately 65.4% of its revenues. For the year ended December 31, 2017, Navios Logistics’ three largest customers, Vale, YPF S.A. (“YPF”) and Axion Energy, accounted for 20.3%, 13.7% and 12.7% of its revenues, respectively, and its five largest customers accounted for approximately 61.9% of its revenues. In addition, some of Navios Logistics’ customers, including many of its most significant customers, operate their own vessels and/or barges as well as port terminals. These customers may decide to cease or reduce the use of its services for various reasons, including employment of their own vessels or port terminals as applicable. The loss of any of its significant customers, including its large take-or-pay customers or the change of the contractual terms of any one of its most significant take-or-pay contracts or any significant dispute with one of these customers could materially adversely affect its financial condition and our results of operations.

If one or more of Navios Logistics’ customers does not perform under one or more contracts with it and Navios Logistics is not able to find a replacement contract, or if a customer exercises certain rights to terminate the contract, Navios Logistics could suffer a loss of revenues that could materially adversely affect its business, financial condition and results of operations.

Navios Logistics could lose a customer or the benefits of a contract if, among other things:

- the customer fails to make payments because of its financial inability, the curtailment or cessation of its operations, disagreements with Navios Logistics or otherwise;



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- the customer terminates the contract because Navios Logistics fails to meet their contracted storage needs and/or the contracted operational performance;
- the customer terminates the contract because Navios Logistics fails to deliver the vessel within a fixed period of time, the vessel is lost or damaged beyond repair, there are serious deficiencies in the vessel or prolonged off-hire, default under the contract; or
- the customer terminates the contract because the vessel has been subject to seizure for more than a specified number of days.

Navios Logistics could also become involved in legal disputes with customers, including but not limited to Navios Logistics' long-term take-or pay customers, relating to its contracts, be it through litigation, arbitration or otherwise, which could lead to delays in, or suspension or termination of its take-or-pay contracts or others and result in time-consuming, disruptive and expensive litigation or arbitration. If such contracts are suspended for an extended period of time, or if a number of Navios Logistics' material contracts are terminated or renegotiated, its financial condition and results of operations could be materially adversely affected. Even if Navios Logistics prevail in legal disputes relating to its customer contracts, which could entitle it to compensation, Navios Logistics cannot assure you that it would receive such compensation on a timely basis or in an amount that would fully compensate Navios Logistics for its losses.

***Vale represents a significant portion of Navios Logistics' revenue, and the fulfilment of their obligations under the in-force agreements with Navios Logistics, and Vale's inability or unwillingness to honor these obligations could significantly reduce Navios Logistics' revenues and cash flow.***

Vale's payments to Navios Logistics represent a significant source of Navios Logistics revenue. Reductions in the demand for or the oversupply of iron ore would place Vale under financial pressure and may increase the likelihood of Vale being unable or unwilling to pay Navios Logistics contracted rates or renew contracts upon termination.

If Vale were to terminate or not renew one of their contracts, Navios Logistics may be unable to enter into new contracts under similarly favorable terms or at all. Also, Navios Logistics will not receive any revenues from such vessels while they are un-chartered, but will still be required to pay expenses necessary to maintain and insure the pushboat and barges.

The loss of any of Navios Logistics' charterers, time charters or vessels, or a decline in payments under its time charters, could have a material adverse effect on Navios Logistics business, results of operations and financial condition, as well as its cash flows, including cash available for distributions to Navios Logistics' shareholders, or its ability to continue to service Navios Logistics' indebtedness.

In addition, the ability and willingness of Vale to perform its obligations under the agreements with charter parties and the iron ore port service contract will depend upon a number of factors that are beyond Navios Logistics' control and may include, among other things, general economic conditions, the state of the capital markets, the condition of the commodities industry and charter hire rates. Should Vale fail to honor its obligations under the agreements with Navios Logistics, Navios Logistics could sustain significant losses, which in turn could have a material adverse effect on Navios Logistics' business, results of operations and financial condition, as well as its cash flows. Notwithstanding the foregoing, Navios Logistics' contracts have dispute resolution clauses and protections that it may seek to enforce in such events. For example, on June 10, 2016, Navios Logistics initiated arbitration proceedings against Vale pursuant to the dispute resolution provisions of the service contract relating to the iron ore port facility in Nueva Palmira. On December 20, 2016, the arbitration tribunal ruled that the Vale port contract remains in full force and effect, and if Vale were to further repudiate or renounce the contract, Navios Logistics may elect to terminate the contract and be entitled to damages calculated by reference to guaranteed volumes and agreed tariffs for the remaining period of the contract. As of the date hereof, no further claim has been made or received from Vale. Any litigation or arbitration proceeding would be costly and time consuming and may result in the deterioration of Navios Logistics' commercial relationships with Vale.



***Navios Logistics' business can be affected by adverse weather conditions, effects of climate change and other factors beyond its control, that can affect production of the goods it transports and stores as well as the navigability of the river system on which it operates.***

A significant portion of Navios Logistics' business is derived from the transportation, handling and storage of iron ore, soybeans and other agricultural products produced in the Hidrovia region. Any drought or other adverse weather conditions, such as floods, could result in a decline in production of these products, which would likely result in a reduction in demand for the services offered by Navios Logistics. This would, in turn, negatively impact its results of operations and financial condition. Furthermore, Navios Logistics' fleet operates in the Parana and Paraguay Rivers, and any changes adversely affecting navigability of either of these rivers, such as changes in the depth of the water or the width of the navigable channel, could, in the short-term, reduce or limit its ability to effectively transport cargo on the rivers. The possible effects of climate change, such as floods, droughts or increased storm activity, could similarly affect the demand for its services or its operations.

A prolonged drought, the possible effects of climate change, or other turn of events that is perceived by the market to have an impact on the region, the navigability of the Parana or Paraguay Rivers or Navios Logistics' business in general may, in the short-term, result in a reduction in the market value of its ports, barges and pushboats that operate in the region. These barges and pushboats are designed to operate in wide and relatively calm rivers, of which there are only a few in the world. If it becomes difficult or impossible to operate profitably Navios Logistics' barges and pushboats in the Hidrovia and Navios Logistics is forced to sell them to a third party located outside of the region, there is a limited market in which it would be able to sell these vessels, and accordingly it may be forced to sell them at a substantial loss.

***Navios Logistics may be unable to obtain financing for its growth or to fund its future capital expenditures, which could materially adversely affect its results of operations and financial condition.***

Navios Logistics' capital expenditures during 2017, 2018 and 2019 were \$46.5 million, \$19.6 million and \$7.9 million, respectively, mainly used to acquire and/or pay installments for among others one newbuilding estuary tanker vessel, three pushboats and to expand Navios Logistics' port terminal operations through the construction of an iron ore port terminal facility and the development of a new upriver terminal. In order to follow its current strategy for growth, Navios Logistics will need to fund future asset or business acquisitions, increase working capital levels and increase capital expenditures.

In the future, Navios Logistics will also need to make capital expenditures required to maintain its current ports, fleet and infrastructure. Cash generated from its earnings may not be sufficient to fund all of these measures. Accordingly, Navios Logistics may need to raise capital through borrowings or the sale of debt or equity securities. Navios Logistics' ability to obtain bank financing or to access the capital markets for future offerings may be limited by its financial condition at the time of any such financing or offering, as well as by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond its control. If Navios Logistics fails to obtain the funds necessary for capital expenditures required to maintain its ports, fleet and infrastructure, it may be forced to take vessels out of service or curtail operations, which could materially harm its revenues and profitability. If Navios Logistics fails to obtain the funds that might be necessary to acquire new vessels, expand its existing infrastructure, or increase its working capital or capital expenditures, Navios Logistics might not be able to grow its business and its earnings could suffer. Furthermore, despite covenants under the indenture governing the 2022 Logistics Senior Notes and Term Loan B Facility and the agreements governing its other indebtedness, Navios Logistics will be permitted to incur additional indebtedness, which would limit cash available for working capital, and to service its indebtedness.

***Navios Logistics owns and operates an up-river port terminal in San Antonio, Paraguay that it believes is well-positioned to become a hub for industrial development based upon the depth of the river in the area and the convergence between land and river transportation. If the port does not become a hub for industrial development, its future prospects could be materially and adversely affected.***

Navios Logistics owns and operates an up-river port terminal with tank storage for refined petroleum products, oil and gas in San Antonio, Paraguay. Navios Logistics believes that the port's location south of the city of Asuncion, the depth of the river in the area and the convergence between land and river transportation make this port well-positioned to become a hub for industrial development. However, if the location is not deemed to be advantageous, or the use of the river or its convergence with the land is not fully utilized for transportation, then the port would not become a hub for industrial development, and its future prospects could be materially and adversely affected.

***Failure to receive required approvals for or timely complete construction and commence full operation or secure satisfactory commercial contracts of the planned Port Murtinho port terminal facility could negatively affect Navios Logistics' business operations.***

Navios Logistics is currently developing a multipurpose upriver port terminal in Port Murtinho in the State of Mato Grosso do Sul, Brazil for exports of agricultural commodities and imports of fertilizers and fuel products. In 2018, Navios Logistics purchased approximately 3.5 hectares of undeveloped, river-front land located in Port Murtinho in which the new terminal is expected to be constructed. A master plan for the new terminal has been developed and the licensing process has commenced. Navios Logistics expects to begin construction in 2020.

While Navios Logistics has available land in Brazil where it plans to develop the new terminal, it needs to receive the required authorizations from several governmental authorities. If these authorities deny the authorization requests, or if the existing authorizations are revoked, Navios Logistics will not be able to proceed with the construction. If Navios Logistics fails to secure commercial agreements with prospective clients to its satisfaction, it may decide to delay or not proceed with this investment. Further, there can be no assurance that the expected development of the new terminal will be completed as scheduled or without cost overrun. Even if construction is completed on a timely basis, there can be no assurance that full operation or the new terminal will commence as expected. In addition, Navios Logistics may not be able to attract a sufficient number of skilled workers to meet the needs of the new terminal. If delays in construction or commencement of the operations are experienced, increased costs or lack of skilled labor or other unforeseen events occur, its business, financial condition and results of operations could be materially adversely affected.

***The risks and costs associated with ports as well as vessels increase as the operational port equipment and vessels age.***

The costs to operate and maintain a port or a vessel increase with the age of the port equipment or the vessel. Governmental regulations, safety or other equipment standards related to the age of the operational port equipment or vessels may require expenditures for alterations or the addition of new equipment to Navios Logistics' port equipment or vessels and may restrict the type of activities in which these ports or vessels may engage. The failure to make capital expenditures to alter or add new equipment to its barges, pushboats or, vessels and/or ports may restrict the type of activities in which these barges, pushboats and, vessels and/or ports may engage and may decrease their operational efficiency and increase Navios Logistics' costs. As charterers prefer newer vessels that are more fuel efficient than older vessels, the age of some of Navios Logistics' vessels, barges and pushboats may make them less attractive to charterers. Cargo insurance rates also increase with the age of a vessel, making older vessels less desirable to charterers as well.

Navios Logistics cannot assure you that, as its operational port equipment and vessels barges and pushboats age, market conditions will justify those expenditures or enable Navios Logistics to operate them profitably during the remainder of their useful lives. If Navios Logistics sells such assets, it may have to sell them at a loss, or opt to scrap its assets, and if clients no longer use its ports or charter-out its vessels due to their age, its results of operations could be materially adversely affected.

***Spare parts or other key equipment needed for the operation of Navios Logistics' ports and fleet may not be available off the shelf and, as a result, it may face substantial delays, which could result in loss of revenues while waiting for those spare parts to be produced and delivered to Navios Logistics.***

Navios Logistics' ports and its fleet may need spare parts to be provided in order to replace old or damaged parts in the normal course of its operations. Given the increased activity in the maritime industry and the industry that supplies it, the manufacturers of key equipment for Navios Logistics' vessels and its ports (such as engine makers, propulsion systems makers, control system makers and others) may not have the spare parts needed available immediately (or off the shelf) and may have to produce them when required. If this was the case, Navios Logistics vessels and ports may be unable to operate while waiting for such spare parts to be produced, delivered, installed and tested, resulting in a substantial loss of revenues for Navios Logistics.

***As Navios Logistics expands its business, it may have difficulty managing its growth, including the need to improve its operations and financial systems, staff and crew or to receive required approvals to implement its expansion projects. If Navios Logistics cannot improve these systems, recruit suitable employees or obtain required approvals, it may not be able to effectively control its operations.***

Navios Logistics intends to grow its port terminal, barge and cabotage businesses, either through land acquisition and expansion of its port facilities, through purchases of additional vessels, through chartered-in vessels or acquisitions of other logistics and related or complementary businesses. The expansion and acquisition of new land or addition of vessels to its fleet will impose significant additional responsibilities on its management and staff, and may require Navios Logistics to increase the number of its personnel. Navios Logistics will also have to increase its customer base to provide continued activity for the new businesses.

In addition, approval of governmental, regulatory and other authorities may be needed to implement any acquisitions or expansions. For example, Navios Logistics has available land in Brazil, and Uruguay where it plans to develop or expand its port facilities. In order to complete these projects, however, Navios Logistics needs to receive required authorization from several authorities. If these authorities deny its request for authorization, or if existing authorizations are revoked, Navios Logistics will not be able to proceed with these projects.

Growing any business by acquisition presents numerous risks. Acquisitions expose Navios Logistics to the risk of successor liability relating to actions involving an acquired company, its management or contingent liabilities incurred before the acquisition. The due diligence Navios Logistics conducts in connection with an acquisition, and any contractual guarantees or indemnities that it receives from the sellers of acquired companies or assets may not be sufficient to protect it from, or compensate it for, actual liabilities. Any material liability associated with an acquisition could adversely affect Navios Logistics' reputation and results of operations and reduce the benefits of the acquisition. Other risks presented include difficulty in obtaining additional qualified personnel, managing relationships with customers and suppliers and integrating newly acquired assets or operations into existing infrastructures.

Management is unable to predict whether or when any prospective acquisition will occur, or the likelihood of a certain transaction being completed on favorable terms and conditions. Navios Logistics' ability to expand its business through acquisitions depends on many factors, including its ability to identify acquisitions or access capital markets at an acceptable cost and negotiate favorable transaction terms. Navios Logistics cannot give any assurance that it will be successful in executing its growth plans or that it will not incur significant expenses and losses in connection therewith or that its acquisitions will perform as expected, which could materially adversely affect its results of operations and financial condition. Furthermore, because the volume of cargo Navios Logistics ships is at or near the capacity of its existing barges during the typical peak harvest season, its ability to increase volumes shipped is limited by its ability to acquire or charter-in additional barges.

With respect to Navios Logistics' existing infrastructure, its initial operating and financial systems may not be adequate as Navios Logistics implements its plan to expand, and its attempts to improve these systems may be ineffective. If Navios Logistics is unable to operate its financial and operations systems effectively or to recruit suitable employees as it expands its operations, it may be unable to effectively control and manage the substantially larger operation. Although it is impossible to predict what errors might occur as the result of inadequate controls, it is generally harder to manage a larger operation than a smaller one and, accordingly, more likely that errors will occur as operations grow. Additional management infrastructure and systems will be required in connection with such growth to attempt to avoid such errors.

***Rising crew costs, fuel prices and other cost increases may adversely affect Navios Logistics' profits.***

At December 31, 2019, Navios Logistics employed 401 land-based employees and 548 seafarers as crew on its vessels. Crew costs are a significant expense for Navios Logistics. Recently, the limited supply of and increased demand for well-qualified crew, due to the increase in the size of the global shipping fleet, has created upward pressure on crewing costs, which Navios Logistics generally bears under its time and spot contracts. Additionally, labor union activity in the Hidrovia may create pressure for Navios Logistics to pay higher crew salaries and wages. In addition, fuel is one of the largest operating expenses in Navios Logistics' barge and cabotage businesses, when the revenue is contracted mainly by ton per cargo shipped. The prices for and availability of fuel may be subject to rapid change or curtailment, respectively, due to, among other things, new laws or regulations, interruptions in production by suppliers, imposition of restrictions on energy supply by government, worldwide price levels and market conditions. Currently, most of Navios Logistics' long-term contracts provide for the adjustment of freight rates based on changes in the fuel prices and crew costs. Navios Logistics may be unable to include similar provisions in these contracts when they are renewed or in future contracts with new customers. To the extent Navios Logistics' contracts do not pass-through changes in fuel prices to its clients, Navios Logistics will be forced to bear the cost of fuel price increases. Navios Logistics may hedge in the futures market all or part of its exposure to fuel price variations. Navios Logistics cannot assure you that it will be successful in hedging its exposure. In the event of a default by Navios Logistics' contractual counterparties or other circumstance affecting their performance under a contract, Navios Logistics may be subject to exposure under, and may incur losses in connection with, its hedging instruments, if any. In certain jurisdictions, the price of fuel is affected by high local taxes and may become more expensive than prevailing international prices. Navios Logistics may not be able to pass onto its customers the additional cost of such taxes and may suffer losses as a consequence of such inability. Such increases in crew and fuel costs may materially adversely affect Navios Logistics' results of operations.

***Navios Logistics' industry is highly competitive, and it may not be able to compete successfully for services with new companies with greater resources.***

Navios Logistics provides services through its ports and employs its fleet in highly competitive markets. The river and sea coastal logistics market is international in scope and Navios Logistics competes with many different companies, including other port or vessel owners and major oil companies.

Navios Logistics' competitors may be able to offer their customers lower prices, higher quality service and greater name recognition than Navios Logistics does. Accordingly, Navios Logistics may be unable to retain its current customers or to attract new customers. (See also Item 4.D. "B. Business overview – Competition – Navios Logistics").

***If Navios Logistics fails to fulfill the oil majors' vetting processes, it could materially adversely affect the employment of its tanker vessels in the spot and period markets, and consequently its results of operations.***

While numerous factors are considered and evaluated prior to a commercial decision, the oil majors, through their association, OCIMF, have developed and are implementing two basic tools: (a) the Ship Inspection Report Program ("SIRE") and (b) the Tanker Management and Self Assessment ("TMSA") program. The former is a ship inspection based upon a thorough Vessel Inspection Questionnaire and performed by OCIMF-accredited inspectors, resulting in a report being logged on SIRE. The report is an important element of the ship evaluation undertaken by any oil major when a commercial need exists.

Based upon commercial needs, there are three levels of assessment used by the oil majors: (a) terminal use, which will clear a vessel to call at one of the oil major's terminals, (b) voyage charter, which will clear the vessel for a single voyage and (c) term charter, which will clear the vessel for use for an extended period of time. While for terminal use and voyage charter relationships, a ship inspection and the operator's TMSA will be sufficient for the evaluation to be undertaken, a term charter relationship also requires a thorough office audit. An operator's request for such an audit is by no means a guarantee one will be performed; it will take a long record of proven excellent safety and environmental protection on the operator's part as well as high commercial interest on the part of the oil major to have an office audit performed. If Navios Logistics fails to clear the vetting processes of the oil majors, it could have a material adverse effect on the employment of our vessels, and, consequently, on its results of operations.

***Navios Logistics may employ its fleet on the spot market and thus expose itself to risk of losses based on short-term decreases in shipping rates.***

Navios Logistics periodically employs some of its fleet on a spot basis. As of December 31, 2019, 80% of its cabotage fleet and 22% of its barge fleet on a dwt tons basis was employed under time charter or COA contracts. The remaining percentage of its barge fleet and cabotage fleet were employed in the spot market. The spot charter market can be competitive and freight rates within this market may be volatile with the timing and amount of fluctuations in spot rates being difficult to determine. Longer-term contracts provide income at pre-determined rates over more extended periods of time. The cycles in its target markets have not yet been clearly determined but Navios Logistics expects them to exhibit significant volatility as the South American markets mature. Navios Logistics cannot assure you that it will be successful in keeping its fleet fully employed in these short-term markets, or that future spot rates will be sufficient to enable such fleet to be operated profitably, as spot rates may decline below the operating cost of vessels. A significant decrease in spot market rates or its inability to fully employ its fleet by taking advantage of the spot market would result in a reduction of the incremental revenue received from spot chartering and could materially adversely affect its results of operations, and operating cash flow.

***Certain of Navios Logistics' directors, officers, and principal stockholders are affiliated with entities engaged in business activities similar to those conducted by Navios Logistics which may compete directly with it, causing such persons to have conflicts of interest.***

Some of Navios Logistics' directors, officers and principal stockholders have affiliations with entities that have similar business activities to those conducted by Navios Logistics. In addition, certain of Navios Logistics' directors are also directors of shipping companies and they may enter similar businesses in the future. These other affiliations and business activities may give rise to certain conflicts of interest in the course of such individuals' affiliation with Navios Logistics. Although Navios Logistics does not prevent its directors, officers and principal stockholders from having such affiliations, Navios Logistics uses its best efforts to cause such individuals to comply with all applicable laws and regulations in addressing such conflicts of interest. Navios Logistics' officers and employee directors devote their full time and attention to its ongoing operations, and its non-employee directors devote such time as is necessary and required to satisfy their duties as directors of a company.

***Navios Logistics' success depends upon its management team and other employees, and if it is unable to attract and retain key management personnel and other employees, its results of operations may be negatively impacted.***

Navios Logistics' success depends to a significant extent upon the abilities and efforts of its management team and its ability to retain them. In particular, many members of its senior management team, including its Chairman, its Chief Executive Officer, its Chief Financial Officer, its Chief Operating Officers and its Chief Commercial Officer, have extensive experience in the logistics and shipping industries. If Navios Logistics was to lose their services for any reason, it is not clear whether any available replacements would be able to manage its operations as effectively. The loss of any of the members of its management team could impair Navios Logistics' ability to identify and secure vessel contracts, to maintain good customer relations and to otherwise manage its business, which could have a material adverse effect on its financial performance and its ability to compete. Navios Logistics does not maintain key man insurance on any of its officers. Further, the efficient and safe operation of its fleet and ports requires skilled and experienced crew members and employees. Difficulty in hiring and retaining such crew members and employees could adversely affect its results of operations.

## **Risks Relating to Argentina**

Argentine government actions concerning the economy, including decisions with respect to inflation, interest rates, price controls, foreign exchange controls, wages and taxes, restrictions on production, imports and exports, have had and could continue to have a material adverse effect on Navios Logistics. Navios Logistics cannot provide any assurance that future economic, social and political developments in Argentina, over which it has no control, will not impair its business, financial condition or results of operations, the guarantees or the market price of the 2022 Logistics Senior Notes.

### ***The future economic and political environment of Argentina is uncertain.***

The Argentine economy has experienced significant volatility in recent years, including several periods of low or negative growth and high and variable levels of inflation and devaluation. If Argentina's economic conditions tend to deteriorate, if inflation in Argentina accelerates further or if the measures the Argentine government has taken to attract or retain foreign investment and international financing are not effective, such events could adversely affect the country's financial condition, economic growth and social stability and in turn could affect Navios Logistics' business, the financial condition and results of operations of its local subsidiaries as well as the value of certain of its assets.

The government led by Alberto Fernández elected in October 27, 2019, took office on December 10, 2019. Since then, the Fernandez administration has announced and introduced significant economic and policy reforms. On December 21, 2019, the Argentine Congress approved the "Social Solidarity and Productive Reactivation Law", which entered into force on December 23, 2019. This law declared a public emergency in economic, financial, fiscal, administrative, pension, tariff, energy, health and social matters, and introduced several tax changes in Argentina, such as income tax, personal assets tax, taxation on the purchase of foreign currency and export duties on certain services.

The Argentinean government is under negotiations with the IMF to restructure the current debts of the Argentina with the IMF. No assurances can be made on whether the debt will be restructured or not. Any failure to restructure the debt can lead to a default scenario in the country. Both the policies that could be adopted by the Argentine government and future economic, macroeconomic, regulatory, social and political circumstances in Argentina could have a material adverse effect on the business, financial condition or results of operations of its local subsidiaries.

### ***The continuing inflation may have material adverse effects on the Argentine economy.***

Argentina has faced and continues to face high inflationary pressures. Over the last few years, the Argentine government has implemented certain programs aimed at controlling inflation and monitoring the prices of many goods and services, including price agreements between the Argentine government and private sector companies. Inter-annual inflation recorded for the years 2018 and 2019 reached 47.6% and 53.8%, respectively. The increase in salaries and public expenditure under the new administration could have a direct influence on inflation. A high inflation economy could undermine Argentina's cost competitiveness abroad if not offset by a devaluation of the Argentine peso, which could also negatively affect economic activity and employment levels. While most of the client contracts of Navios Logistics' Argentine subsidiary are denominated in U.S. dollars, freight under those contracts is collected in Argentine pesos at the prevailing exchange rate. These contracts also include crew cost adjustment terms. Uncertainty about future inflation may contribute to slowdown or contraction in economic growth. Argentine inflation rate volatility makes it impossible to estimate with reasonable certainty the extent to which activity levels and results of operations of Navios Logistics' Argentine subsidiary could be affected by inflation and exchange rate volatility in the future.

### ***Fluctuations in the value of the peso could adversely affect the Argentine economy, and consequently Navios Logistics' results of operations or financial condition.***

The Argentine Peso has suffered significant devaluations against the U.S. dollar in the past and has continued to devalue against the U.S. dollar in recent months. The peso depreciated approximately 14.3% against the U.S. dollar in 2012, 32.6% in 2013, 31.1% in 2014, 52.5% in 2015, 19.5% in 2016, 17.5% in 2017, 100% in 2018, and 56% in 2019. The devaluation of the Argentine peso has had a negative impact on the ability of certain Argentine businesses to honor their foreign currency-denominated debt and has also led to very high inflation and significantly reduced real wages. If the Argentine peso is further significantly devalued, the Argentine economy and the business of Navios Logistics' local subsidiary could be adversely affected. Significant variations in the comparative value of the Argentine peso to the U.S. dollar could adversely affect Navios Logistics' local subsidiary business and results of operations.

***The Argentine Central Bank has imposed restrictions on the transfer of funds outside of Argentina and other exchange controls in the past and may do so in the future, which could prevent Navios Logistics' Argentine subsidiaries from transferring funds for the payment of the 2022 Logistics Senior Notes or the related guarantees.***

Controls and restrictions may be imposed in the future, and could impair Navios Logistics local subsidiary's ability of accessing the Argentine foreign exchange market to acquire U.S. dollars and to transfer funds generated by Navios Logistics' Argentine operations in U.S. dollars outside Argentina to Navios Logistics for the payment of its indebtedness. As part of the foreign exchange restrictions, an Argentine financial institution may at its absolute discretion refuse to carry out a transfer of funds out of Argentina or may request a formal approval from the Argentine Central Bank before proceeding with the transfer of funds out of Argentina. The Argentine government could maintain these exchange controls, impose new controls, strengthen transfer restrictions or impose other requirements that may impair the ability of Navios Logistics' local subsidiary to access the foreign exchange market, acquire US dollars, or transfer funds abroad of Argentina. Any or all of these actions could materially affect the ability of the local subsidiary to transfer funds abroad, and therefore affecting Navios Logistics' ability to service its debt and satisfy its obligations. In addition, any other restrictions or requirements that may be imposed in the future, expose Navios Logistics to the risk of losses arising from fluctuations in the exchange rate of the Argentine peso.

***The Argentine government has made certain changes to its tax rules that affected Navios Logistics' operations in Argentina in the past, and could further increase the fiscal burden on its operations in Argentina in the future.***

If the Argentine government decides to alter the tax regime in Argentina, its results of operations and financial condition could be materially and adversely affected.

***The Argentine economy could be adversely affected by economic developments in other global markets.***

Argentina's economy is vulnerable to external shocks that could be caused by adverse developments affecting its principal trading partners. A significant decline in the economic growth of any of Argentina's major trading partners (including Brazil, the European Union, China and the United States) could have a material adverse impact on Argentina's balance of trade and could adversely affect Argentina's economic growth. Argentina may also be affected by other countries that have influence over world economic cycles. If interest rates rise significantly in developed economies, including the United States, emerging market economies, including Argentina, could find it increasingly challenging and expensive to borrow capital and refinance existing debt, which could negatively affect their economic growth.

***Future policies of the Argentine government may affect the economy as well as Navios Logistics' operations.***

During past years, the Argentine government took several actions to re-nationalize concessions and public services companies that were privatized in the 1990's, such as Aguas Argentinas S.A. and Aerolíneas Argentinas S.A. Future expropriations, nationalizations or requisitions, as well as changes in taxation, laws, regulations or policies affecting foreign trade, investment, or others that may be adopted by the Fernandez administration could adversely affect Navios Logistics' business, financial condition and results of operations. Although the current administration has not implemented or advocated any nationalization or expropriation measures, similar measures, such as mandatory renegotiation or modification of existing contracts, new taxation policies, changes in laws, regulations and policies affecting foreign trade, investment, among others, that may be adopted by the Argentine government in the future could adversely affect Navios Logistics' business, financial condition and results of operations.

### **Risks Relating to Uruguayan Free Zone Regulation**

Certain of Navios Logistics' subsidiaries in Uruguay are operating as direct free trade zone users under an agreement with the Free Zone Division of the Uruguayan Department of Trade ("Free Zone User Agreements") allowing them to operate in isolated public and private areas within national borders and to enjoy tax exemptions and other benefits, such as a generic exemption on present and future national taxes including the Corporate Income Tax, Value-Added Tax and Wealth Tax. Other benefits that Navios Logistics' subsidiaries enjoy are simplified corporate law provisions, the ability to negotiate preferential public utility rates with government agencies and government guarantees of maintenance of such benefits and tax exemptions. Free trade zone users do not need to pay import and export tariffs to introduce goods from abroad to the free trade zone, to transfer or send such goods to other free trade zones in Uruguay or send them abroad. However, Navios Logistics' subsidiaries may lose all the tax benefits granted to them if they breach or fail to comply with the free trade zone contracts or framework or regulations governing free trade zones. The right of the Uruguay Department of Trade—Free Zones Division to early terminate the Free Zone User Agreement is subject to an explanation on the specific factual and legal reasons in which such decision is based. Generic decisions will not be admissible, just like not all breaches by the Free Zone User will entitle the Uruguayan Department of Trade—Free Zones Division to early terminate the Free Zone User Agreement. Such a decision must therefore be proportional to the noncompliance's nature. Under the Free Zone



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Agreement, the following are some of the causes under which the Uruguay Department of Trade—Free Zones Division may terminate the Free Zone User Agreement: the non fulfilment of the obligations to improve the land, as per the terms of each Free Zone User Agreement; material breaches the terms of the Free Zone User Agreement or the Free Zone Act No. 15,921; violation of labor laws; failure to pay agreed fees to the Uruguayan authorities; failure to make required social security contributions; or the commission of illegal acts or acts expressly forbidden by the Free Zone User Agreement. Should CNSA or Corporacion Navios Granos S.A. (“Granos”) lose their Free Zone User status, they will not be able to operate as free zone users and therefore to operate their terminal facilities.

### **Other Risks Relating to the Countries in which Navios Logistics’ Operates**

***Navios Logistics is an international company that is exposed to the risks of doing business in many different, and often less developed and emerging market countries.***

Navios Logistics is an international company and conducts all of its operations outside of the U.S., and expects to continue doing so for the foreseeable future. These operations are performed in countries that are historically less developed and stable than the U.S., such as Argentina, Brazil, Bolivia, Paraguay and Uruguay.

Some of the other risks Navios Logistics is generally exposed to through its operations in emerging markets include among others:

- political and economic instability, changing economic policies and conditions, and war and civil disturbances;
- recessions in economies of countries in which Navios Logistics has business operations;
- frequent government interventions into the country’s economy, including changes to monetary, fiscal and credit policy;
- the imposition of additional withholding, income or other taxes, or tariffs or other restrictions on foreign trade or investment, including currency exchange controls and currency repatriation limitations;
- the modification of Navios Logistics’ status or the rules and regulations relating to the international tax-free trade zone in which it operates its dry port;
- the imposition of executive and judicial decisions upon Navios Logistics’ vessels by the different governmental authorities associated with some of these countries;
- the imposition of or unexpected adverse changes in foreign laws or regulatory requirements;
- longer payment cycles in foreign countries and difficulties in collecting accounts receivable;
- difficulties and costs of staffing and managing its foreign operations;
- compliance with anti-bribery laws; and
- acts of terrorism.

These risks may result in unforeseen harm to Navios Logistics’ business and financial condition. Also, some of its customers are headquartered in South America, and a general decline in the economies of South America, or the instability of certain South American countries and economies, could materially adversely affect Navios Logistics.

Navios Logistics’ business in emerging markets requires it to respond to rapid changes in market conditions in these countries. Navios Logistics’ overall success in international markets depends, in part, upon its ability to succeed in different legal, regulatory, economic, social and political conditions. Navios Logistics may not continue to succeed in developing and implementing policies and strategies that will be effective in each location where it does business. Furthermore, the occurrence of any of the foregoing factors may have a material adverse effect on its business and results of operations.

***Changes in rules and regulations with respect to cabotage or their interpretation in the markets in which Navios Logistics’ operate could have a material adverse effect on its results of operations.***

In the markets in which Navios Logistics currently operates, in cabotage or regional trades, it is subject to restrictive rules and regulations on a region by region basis. Its operations currently benefit from these rules and regulations or their interpretation. For instance, preferential treatment is extended in Argentine cabotage for Argentine flagged vessels or foreign flagged vessels operated by



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local established operators with sufficient Argentine tonnage under one to three years' licenses, including its Argentine cabotage vessels. Changes in cabotage rules and regulations or in their interpretation may have an adverse effect on Navios Logistics' current or future cabotage operations, either by becoming more restrictive (which could result in limitations to the utilization of some of its vessels in those trades) or less restrictive (which could result in increased competition in these markets).

***Because Navios Logistics generates the majority of its revenues in U.S. dollars but incurs a significant portion of its expenses in other currencies, exchange rate fluctuations could cause it to suffer exchange rate losses, thereby increasing expenses and reducing income.***

Navios Logistics engages in regional commerce with a variety of entities. Although its operations expose Navios Logistics to certain levels of foreign currency risk, its revenues are predominantly U.S. dollar-denominated at the present. Additionally, Navios Logistics' South American subsidiaries transact certain operations in Uruguayan pesos, Paraguayan guaranies, Argentinean pesos and Brazilian reals; however, all of the subsidiaries' primary cash flows are U.S. dollar-denominated. Currencies in Argentina and Brazil have fluctuated significantly against the U.S. dollar in the past. As of December 31, 2019, 2018 and 2017 approximately 53.4%, 48.6% and 60.3%, respectively, of its expenses were incurred in currencies other than U.S. dollars. Transactions in currencies other than the functional currency are translated at the exchange rate in effect at the date of each transaction. Expenses incurred in foreign currencies against which the U.S. dollar falls in value can increase, thereby decreasing Navios Logistics' income. A greater percentage of Navios Logistics' transactions and expenses in the future may be denominated in currencies other than U.S. dollars. As part of its overall risk management policy, Navios Logistics may attempt to hedge these risks in exchange rate fluctuations from time to time but cannot guarantee it will be successful in these hedging activities. Future fluctuations in the value of local currencies relative to the U.S. dollar in the countries in which it operates may occur, and if such fluctuations were to occur in one or a combination of the countries in which it operates, its results of operations or financial condition could be materially adversely affected.

### **Tax Risks**

***We may earn U.S. source income that is subject to tax, thereby adversely affecting our results of operations and cash flows.***

Under the Internal Revenue Code, or the Code, 50.0% of the gross shipping income of a vessel owning or chartering corporation that is attributable to transportation that either begins or ends, but that does not both begin and end, in the U.S. is characterized as U.S.-source shipping income. U.S.-source shipping income generally is subject to a 4.0% U.S. federal income tax without allowance for deduction or, if such U.S.-source shipping income is effectively connected with the conduct of a trade or business in the U.S., U.S. federal corporate income tax (the statutory rate presently is 21.0%) as well as a branch profits tax (presently imposed at a 30.0% rate on effectively connected earnings), unless that corporation qualifies for exemption from tax under Section 883 of the Code. We believe that we and each of our subsidiaries qualifies and will continue to qualify for the foreseeable future for this statutory tax exemption under Section 883 with respect to our U.S.-source shipping income, provided that our common stock continues to be listed on the NYSE and represents more than 50.0% of the total combined voting power of all classes of our stock entitled to vote and of the total value of our stock, and less than 50.0% of our common stock is owned, actually or constructively under specified stock attribution rules, on more than half the number of days in the relevant year by persons who each own 5.0% or more of the vote and value of our common stock. Our ability to qualify for the exemption at any given time will depend upon circumstances related to the ownership of our common stock at such time and thus are beyond our control. Furthermore, our board of directors could determine that it is in our best interests to take an action that would result in this tax exemption not applying to us in the future. Accordingly, we can give no assurance that we would qualify for the exemption under Section 883 with respect to any such income we earn. If we were not entitled to the Section 883 exemption for any taxable year, we generally would be subject to a 4.0% U.S. federal gross income tax with respect to our U.S.-source shipping income or, if such U.S. source shipping income were effectively connected with the conduct of a trade or business in the U.S., U.S. federal corporate income tax as well as a branch profits tax for those years. As a result, depending on the trading patterns of our vessels, we could become liable for tax, and our net income and cash flow could be adversely affected. Please see the discussion under "Taxation—Material U.S. Federal Income Tax Considerations—U.S. Federal Income Taxation of the Company—Taxation of Our Shipping Income."

***Navios Holdings may be taxed as a U.S. corporation.***

The purchase by International Shipping Enterprises Inc. ("ISE"), our predecessor, of all of the outstanding shares of common stock of Navios Holdings, and the subsequent downstream merger of ISE with and into Navios Holdings took place on August 25, 2005. Navios Holdings is incorporated under the laws of the Republic of the Marshall Islands. ISE received an opinion from its counsel for the merger transaction that, while there is no direct authority that governs the tax treatment of the transaction, it was more likely than not that Navios Holdings would be taxed by the U.S. as a foreign corporation. Accordingly, we take the position that Navios Holdings will be taxed as a foreign corporation by the U.S. If Navios Holdings were to be taxed as a U.S. corporation, its taxes would be significantly higher than they are currently.

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

We are an international company that conducts business throughout the world. Tax laws and regulations are highly complex and subject to interpretation. Consequently, we are subject to changing tax laws, treaties and regulations in and between countries in which we operate. Our income tax expense is based upon our interpretation of tax laws in effect in various countries at the time that the expense was incurred. A change in these tax laws, treaties or regulations, or in the interpretation thereof, or in the valuation of our deferred tax assets, could result in a materially higher tax expense or a higher effective tax rate on our worldwide earnings, and such change could be significant to our financial results. If any tax authority successfully challenges our operational structure, intercompany pricing policies or the taxable presence of our key subsidiaries in certain countries, or if the terms of certain income tax treaties are interpreted in a manner that is adverse to our structure, or if we lose a material tax dispute in any country, our effective tax rate on our worldwide earnings from our operations could increase substantially and our earnings and cash flows from these operations could be materially adversely affected. For example, in accordance with the currently applicable Greek law, foreign flagged vessels that are managed by Greek or foreign ship management companies having established an office in Greece are subject to duties towards the Greek state, which are calculated on the basis of the relevant vessel's tonnage. The payment of said duties exhausts the tax liability of the foreign ship owning company and the relevant manager against any tax, duty, charge or contribution payable on income from the exploitation of the foreign flagged vessel.

We and our subsidiaries may be subject to taxation in the jurisdictions in which we and our subsidiaries conduct business. Such taxation would result in decreased earnings available to our stockholders.

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

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

A foreign corporation will be treated as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of certain types of "passive income" or (2) at least 50% of the quarterly 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, capital gains and rents (other than rents derived other than in the active conduct of a rental business). For purposes of these tests, income derived from the performance of services does not constitute "passive income." U.S. stockholders of a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC and additional tax filing obligations.

Based upon our actual and projected income, assets and activities, we believe that we should not be a PFIC for our taxable year ended December 31, 2019 or for subsequent taxable years. Based upon our operations as described herein, our income from time charters should not be treated as passive income for purposes of determining whether we are a PFIC. Accordingly, our income from our time chartering activities should not constitute "passive income," and the assets that we own and operate in connection with the production of that income should not constitute passive assets.

There is substantial legal authority supporting this position consisting of case law and U.S. Internal Revenue Service, or IRS, pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, it should be noted that there is also authority, which characterizes time charter income as rental income rather than services income for other tax purposes. Accordingly, no assurance can be given that the IRS or a court of law will accept this position and there is a risk that the IRS or a court of law could determine that we are a PFIC. In addition, no assurance can be given as to our current and future PFIC status, because such status requires an annual factual determination based upon the composition of our income and assets for the entire taxable year. The PFIC determination also depends on the application of complex U.S. federal income tax rules concerning the classification of our income and assets for this purpose, and there are legal uncertainties involved in determining whether the income derived from our chartering activities and from our logistics activities constitutes rental income or income derived from the performance of services. We have not sought, and we do not expect to seek, an IRS ruling on this issue. As a result, the IRS or a court could disagree with our position. In addition, although we intend to conduct our affairs in a manner to avoid, to the extent possible, being classified as a PFIC with respect to any taxable year, we cannot assure you that the nature of our operations, or the nature or composition of our income or assets, will not change in the future, or that we can avoid PFIC status in the future.

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If the IRS were to find that we are or have been a PFIC for any taxable year, our U.S. stockholders would face adverse U.S. federal income tax consequences and certain information reporting requirements. Under the PFIC rules, unless those stockholders make an election available under the Code (which election could itself have adverse consequences for such stockholders, and which election may not be available if our common stock were to cease to be listed on the NYSE), such stockholders would be liable to pay U.S. federal income tax at the then prevailing ordinary income tax rates, plus interest, upon excess distributions and upon any gain from the disposition of their shares of common stock, as if the excess distribution or gain had been recognized ratably over the stockholder's holding period of the common stock. In addition, for each year during which we are treated as a PFIC and you actually or constructively own our common stock you generally will be required to file IRS Form 8621 with your U.S. federal income tax return to report certain information concerning your ownership of our common stock. Please see the discussion under "Taxation—Material U.S. Federal Income Tax Considerations — Taxation of U.S. Holders of our Common Stock — Passive Foreign Investment Company Status."

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

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

The legal and commercial name of the Company is Navios Maritime Holdings Inc. The Company's office and principal place of business is located at 7 Avenue de Grande Bretagne, Office 11B2, Monte Carlo, MC 98000 Monaco, and its telephone number is (011) + (377) 9798-2140. The Company is a corporation incorporated under the BCA and the laws of the Republic of the Marshall Islands. Trust Company of the Marshall Islands, Inc. serves as the Company's agent for service of process, and the Company's registered address, as well as address of its agent for service of process, is Trust Company Complex, Ajeltake Island P.O. Box 1405, Majuro, Marshall Islands MH96960.

On August 25, 2005, pursuant to a Stock Purchase Agreement dated February 28, 2005, as amended, by and among ISE, Navios Holdings, and all the shareholders of Navios Holdings, ISE acquired Navios Holdings through the purchase of all of the outstanding shares of common stock of Navios Holdings. As a result of this acquisition, Navios Holdings became a wholly-owned subsidiary of ISE. In addition, on August 25, 2005, simultaneously with the acquisition of Navios Holdings, ISE effected a reincorporation from the State of Delaware to the Republic of the Marshall Islands through a downstream merger with and into its newly acquired wholly-owned subsidiary, whose name was and continued to be Navios Maritime Holdings Inc.

The Company operates a fleet of owned Capesize, Panamax, Ultra Handymax and Handysize vessels and a fleet of time chartered Capesize, Panamax, Ultra Handymax and Handysize vessels that are employed to provide worldwide transportation of bulk commodities. Navios Holdings is a global seaborne shipping and logistics company focused on the transport and transshipment of dry bulk commodities including iron ore, coal and grain. For over 60 years, producers of raw materials, agricultural traders and exporters, industrial end-users, ship owners charterers, ship and derivative brokers, agents, and financial business partners have relied on Navios Holdings' expertise and innovation.

#### **Navios Logistics**

Navios Logistics is one of the largest logistics companies in the Hidrovia region of South America, focusing on the Hidrovia river system, the main navigable river system in the region, and on cabotage trades along the eastern coast of South America. Navios Logistics is focused on providing its customers integrated transportation, storage and related services through its port facilities, its large, versatile fleet of dry and liquid cargo barges and its product tankers. Navios Logistics serves the needs of a number of growing South American industries, including mineral and grain commodity providers as well as users of refined petroleum products.

On January 1, 2008, pursuant to a share purchase agreement, Navios Holdings contributed cash, and the authorized capital stock of its wholly-owned subsidiary Corporacion Navios Sociedad Anonima ("CNSA") in exchange for the issuance and delivery of 63.8% of Navios Logistics' outstanding stock. Navios Logistics acquired all ownership interests in the Horamar Group ("Horamar") in exchange for cash, and the issuance of 36.2% of Navios Logistics' outstanding stock. As of December 31, 2019, Navios Holdings owned 63.8% of Navios Logistics.

#### **Affiliates (not consolidated under Navios Holdings)**

##### **Navios Partners**

Navios Partners (NYSE:NMM) is an international owner and operator of dry cargo vessels and is engaged in the seaborne transportation services of a wide range of dry cargo commodities including iron ore, coal, grain, fertilizer and also containers, chartering its vessels under medium to long-term charters.

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On August 7, 2007, Navios Holdings formed Navios Partners under the laws of Marshall Islands. Navios GP L.L.C., a wholly-owned subsidiary of Navios Holdings, was also formed on that date to act as the general partner of Navios Partners and received a 2.0% general partner interest in Navios Partners. In August 2019, Navios GP L.L.C. ceased to be Navios Partners' general partner.

On or prior to the closing of Navios Partners' initial public offering in November 2007, Navios Holdings entered into certain agreements with Navios Partners: (a) a management agreement with Navios Partners pursuant to which the Manager, provided Navios Partners with commercial and technical management services; (b) an administrative services agreement with the Manager pursuant to which the Manager provided Navios Partners administrative services; and (c) an omnibus agreement with Navios Partners, governing, among other things, when Navios Partners and Navios Holdings may compete against each other as well as rights of first offer on certain dry bulk carriers.

Since the formation of Navios Partners, Navios Holdings sold in total 12 vessels to Navios Partners (the Navios Hope, the Navios Apollon, the Navios Hyperion, the Navios Aurora II, the Navios Fulvia, the Navios Melodia, the Navios Pollux, the Navios Luz, the Navios Orbiter, the Navios Buena Ventura, the Navios Sphera and the Navios Mars) and also sold the rights of Navios Sagittarius to Navios Partners. All vessels were sold in exchange of cash and 5,601,920 common units of Navios Partners in total.

A one-for-15 reverse stock split of all outstanding common units of Navios Partners became effective on May 21, 2019.

As of December 31, 2019 and following the sale of Navios Partners general partnership interest, referred to in Note 3 included elsewhere in this Annual Report, Navios Holdings owned an 18.5% interest in Navios Partners. Incentive distribution rights are held by Navios GP L.L.C.

### ***Navios Acquisition***

Navios Acquisition (NYSE:NNA) is an owner and operator of tanker vessels focusing on the transportation of petroleum products (clean and dirty) and bulk liquid chemicals.

On July 1, 2008, Navios Acquisition completed its IPO. On May 28, 2010, Navios Acquisition consummated the vessel acquisition, which constituted its initial business combination. Following such transaction, Navios Acquisition commenced its operations as an operating company. On that date, Navios Holdings acquired control over Navios Acquisition, and consequently concluded a business combination had occurred and consolidated the results of Navios Acquisition from that date until March 30, 2011.

On May 28, 2010, Navios Holdings entered into (a) a management agreement with Navios Acquisition pursuant to which Navios Tankers Management Inc. (the "Tankers Manager") provided Navios Acquisition commercial and technical management services; (b) an administrative services agreement with the Tankers Manager pursuant to which the Tankers Manager provided Navios Acquisition administrative services and is in turn reimbursed for reasonable costs and expenses; and (c) an omnibus agreement with Navios Acquisition and Navios Partners (the "Acquisition Omnibus Agreement") in connection with the closing of Navios Acquisition's vessel acquisition, governing, among other things, competition and rights of first offer on certain types of vessels and businesses.

On March 30, 2011, Navios Holdings exchanged 7,676,000 shares of Navios Acquisition common stock it held for 1,000 shares of non-voting Series C Convertible Preferred Stock of Navios Acquisition and had 45.0% of the voting power and 53.7% of the economic interest in Navios Acquisition, since the preferred stock is considered, in substance, common stock for accounting purposes. From March 30, 2011, Navios Acquisition has been considered as an affiliate entity of Navios Holdings and not as a controlled subsidiary of the Company.

In February, May and September 2013, Navios Acquisition completed multiple offerings, including registered direct offerings and private placements to Navios Holdings and certain members of the management of Navios Acquisition, Navios Partners and Navios Holdings. A total of 94,097,529 shares were issued. As part of these offerings, Navios Holdings purchased in private placements an aggregate of 46,969,669 shares of Navios Acquisition common stock for \$160.0 million. In February 2014, Navios Acquisition completed a public offering of 14,950,000 shares of its common stock.

In February 2018, the Board of Directors of Navios Acquisition authorized a stock repurchase program for up to \$25.0 million of Navios Acquisition's common stock, for two years. Stock repurchases will be made from time to time for cash in open market transactions at prevailing market prices or in privately negotiated transactions. As of December 31, 2019, Navios Acquisition has repurchased its shares of common stock for a total cost of approximately \$7.5 million.

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On November 9, 2018, the Stockholders of Navios Acquisition approved a one-for-15 reverse stock split of all outstanding common stock shares of Navios Acquisition, which was effected on November 14, 2018.

On December 13, 2018, Navios Acquisition completed the merger (the “Merger”) contemplated by the previously announced Agreement and Plan of Merger (the “Merger Agreement”), dated as of October 7, 2018, by and among Navios Acquisition, its direct wholly-owned subsidiary NMA Sub LLC (“Merger Sub”), Navios Maritime Midstream Partners L.P. (“Navios Midstream”) and Navios Midstream Partners GP LLC (the “NAP General Partner”). Pursuant to the Merger Agreement, Merger Sub merged with and into Navios Midstream, with Navios Midstream surviving as a wholly-owned subsidiary of Navios Acquisition.

As of December 31, 2019, Navios Holdings’ ownership of the outstanding voting stock of Navios Acquisition was 30.6% and its economic interest was 31.0%.

### **Navios Containers**

Navios Containers (Nasdaq: NMCI) is a growth vehicle dedicated to the container sector of the maritime industry.

On June 8, 2017, Navios Maritime Containers Inc. completed a private placement and Navios Holdings invested \$5.0 million. Navios Maritime Containers Inc. registered its shares on the Norwegian Over-The-Counter Market (N-OTC) on June 12, 2017 under the ticker “NMCI”. On November 30, 2018, Navios Maritime Containers Inc. was converted into a limited partnership. In connection with the conversion, Navios Maritime Containers GP LLC, a Republic of the Marshall Islands limited liability company and wholly-owned subsidiary of Navios Holdings, was admitted as Navios Containers’ general partner and holds a non-economic interest that does not provide the holder with any rights to profits or losses of, or distribution by, the partnership. As a result of holding the general partner interest, control was obtained by Navios Holdings. As of that date, Navios Holdings obtained control over Navios Containers and consequently the results of operations of Navios Containers were consolidated under Navios Holdings. Following the sale of Navios Containers’ general partnership interest effected on August 30, 2019, referred to in Note 3 included elsewhere in this Annual Report, Navios Holdings lost control and deconsolidated Navios Containers from that date onwards. The results of operations of Navios Containers for the period consolidated under Navios Holdings have been reported as discontinued operations for all the periods presented.

As a result, since August 30, 2019, Navios Containers is not a controlled subsidiary of Navios Holdings and the investment in Navios Containers is accounted for under the equity method due to Navios Holdings’ significant influence over Navios Containers.

On December 3, 2018, Navios Partners distributed approximately 2.5% of the outstanding equity of Navios Containers to the unitholders of Navios Partners in connection with the listing of Navios Containers on the NASDAQ. As of December 31, 2019, Navios Holdings had a 3.7% ownership interest in Navios Containers.

### **Navios Europe I**

Navios Europe I was engaged in the marine transportation industry through the ownership of five tanker and five container vessels.

On October 9, 2013, Navios Holdings, Navios Acquisition and Navios Partners established Navios Europe I under the laws of Marshall Islands and had economic interests of 47.5%, 47.5% and 5.0%, respectively, and effective from November 2014, voting interests of 50%, 50% and 0%, respectively. On December 18, 2013, Navios Europe I acquired ten vessels for aggregate consideration consisting of (i) cash (which was funded with the proceeds of senior loan facilities (the “Senior Loans I”) and loans aggregating to \$10.0 million from Navios Holdings, Navios Acquisition and Navios Partners (in each case, in proportion to their economic interests in Navios Europe I) (collectively, the “Navios Term Loans I”) and (ii) the assumption of a junior participating loan facility (the “Junior Loan I”). In addition to the Navios Term Loans I, Navios Holdings, Navios Acquisition and Navios Partners also made available to Navios Europe I revolving loans of up to \$24.1 million to fund working capital requirements (collectively, the “Navios Revolving Loans I”). In December 2018, the amount of the Navios Revolving Loans I increased by \$30.0 million. On November 22, 2019, an agreement was reached to liquidate Navios Europe I. As of December 31, 2019, the Company received in cash all balances relating to Navios Europe I following the liquidation of the structure (refer to Note 16 included elsewhere in this Annual Report).

### **Navios Europe II**

Navios Europe II is engaged in the marine transportation industry through the ownership of seven dry bulkers and seven container vessels.

On February 18, 2015, Navios Holdings, Navios Acquisition and Navios Partners established Navios Europe II under the laws of Marshall Islands and have economic interests of 47.5%, 47.5% and 5.0%, respectively, and voting interests of 50.0%, 50.0% and 0%, respectively. From June 8, 2015 through December 31, 2015, Navios Europe II acquired 14 vessels for aggregate consideration consisting of: (i) cash (which was funded with the proceeds of a senior loan facility (the “Senior Loans II”) and loans aggregating to \$14.0 million from Navios Holdings, Navios Acquisition and Navios Partners (in each case, in proportion to their economic interests in Navios Europe II) (collectively, the “Navios Term Loans II”) and (ii) the assumption of a junior participating loan facility (the “Junior Loan II”). In addition to the Navios Term Loans II, Navios Holdings, Navios Acquisition and Navios Partners will also make available to Navios Europe II revolving loans up to \$43.5 million to fund working capital requirements (collectively, the “Navios Revolving Loans II”). In March 2017, the amount of the Navios Revolving Loans II increased by \$14.0 million. On April 21, 2020, Navios Europe II and the lenders agreed to fully release the liabilities under the Junior Loan II for \$5.0 million. On December 31, 2019, Navios Holdings had a \$44.3 million receivable from Navios Europe II. The structure is expected to be liquidated during the second quarter of 2020.

## **B. Business overview**

### **Introduction**

Navios Holdings is a global seaborne shipping and logistics company focused on the transport and transshipment of dry bulk commodities including iron ore, coal and grain. For over 60 years, producers of raw materials, agricultural traders and exporters, industrial end-users, ship owners, charterers, ship and derivative brokers, agents, and financial business partners have relied on Navios Holdings’ expertise and innovation. In August 2019, Navios Holdings sold its ship management division, and the general partnership interests in Navios Partners (except for the incentive distribution rights) and Navios Containers GP LLC to NSM affiliated with Company’s Chairman and Chief Executive Officer, Angeliki Frangou. The Company received aggregate consideration of \$20.0 million (including assumption of liabilities). See also “Item 7.B Related party transactions”.

As a result of the Transaction the Company is a holding company owning dry bulk vessels and various investments in entities owning maritime and infrastructure assets. NSM owns all entities providing ship management services and employs all associated people. NSM owns the general partner interests in Navios Containers and Navios Partners (except for the incentive distribution rights still held by the Company). The Company deconsolidated Navios Containers from August 30, 2019 onwards. Following the sale of the management division effected on August 30, 2019, Navios Holdings’ owned fleet is commercially and technically managed by NSM utilizing the same commercial ship management expertise and relationships developed in prior years. Navios Holdings’ current core fleet (excluding the Navios Logistics fleet), the average age of which is approximately 7.7 years, basis fully delivered fleet, consists of a total of 53 vessels, aggregating approximately 5.7 million dwt. Navios Holdings owns 35 vessels (including five vessels under bareboat contracts), consisting of 14 Capesize vessels (169,000-182,000 dwt), four modern Ultra Handymax vessels (50,000-59,000 dwt), 16 Panamax vessels (74,000-85,000 dwt) and one Handysize vessel. It also time charters-in and operates a fleet of two Ultra Handymax, one Handysize, 12 Panamax, and three Capesize vessels under long-term time charters. Navios Holdings has options to acquire 13 time chartered-in vessels (on one of which Navios Holdings holds an initial 50% purchase option) and five vessels under bareboat contracts.

Navios Holdings also offered commercial and technical management services to the fleets of Navios Partners, Navios Acquisition, Navios Europe I, Navios Europe II and Navios Containers through August 30, 2019 (the date of the sale of the management division).

Navios Holdings’ strategy and business model focuses on:

- *Pursuing an appropriate balance between vessel ownership and a long-term chartered-in fleet.* Navios Holdings controls, through a combination of vessel ownership and long-term time chartered vessels, a fleet with an average age of approximately 7.7 years, basis fully delivered fleet, and 5.7 million dwt in tonnage, which, we believe, makes Navios Holdings one of the largest independent dry bulk operators in the world. Navios Holdings’ ability, through its long-standing relationships with various shipyards and trading houses, to charter-in vessels allows it to control additional shipping capacity without the capital expenditures required by new vessel acquisition. In addition, having purchase options on 13 time chartered vessels and five purchase options of the vessels under bareboat contracts, expected to be delivered through 2020 permits Navios Holdings to determine when is the most commercially opportune time to own or charter-in vessels. Navios Holdings intends to monitor developments in the sales and purchase market to maintain the appropriate balance between owned and long-term time chartered vessels.



- *Capitalize on Navios Holdings' and the Manager's established reputation.* We intend to capitalize on the global network of relationships that Navios Holdings and the Manager have developed during its long history of investing and operating in the marine transportation industry. This includes decades-long relationships with leading charterers, financing sources and key shipping industry players. When charter markets and vessel prices are depressed and vessel financing is difficult to obtain we believe the relationships and experience of Navios Holdings and the Manager and its management enhances our ability to acquire young, technically advanced vessels at cyclically low prices and employ them under attractive charters with leading charterers. Through its established reputation and relationships, Navios Holdings and the Manager have had access to opportunities not readily available to most other industry participants that lack Navios Holdings' and the Manager's brand recognition, credibility and track record.
- *Utilize industry expertise to take advantage of market volatility.* The dry bulk shipping market is cyclical and volatile. Navios Holdings uses its experience, as executed on its behalf by the Manager, in the industry, sensitivity to trends, and knowledge and expertise in risk management to hedge against, and in some cases, to generate profit from, such volatility.
- *Maintain customer focus and reputation for service and safety.* Navios Holdings is recognized by its customers for the high quality of its service and safety record. Navios Holdings' high standards for performance, reliability, and safety provide Navios Holdings with an advantageous competitive profile.
- *Benefit from the Manager's Risk Management Practices and Corporate Managerial Support.* Risk management requires the balancing of a number of factors in a cyclical and potentially volatile environment. In part, this requires a view of the overall health of the market, as well as an understanding of capital costs and returns. Navios Holdings actively engages in assessing financial and other risks associated with fluctuating market rates, fuel prices, credit risks, interest rates and foreign exchange rates. Navios Holdings closely monitors its credit exposure to customers and other counterparties. Navios Holdings has entered into the management agreement with the Manager, pursuant to which the Manager agreed to provide commercial and technical management services to Navios Holdings. When negotiating on behalf of Navios Holdings' various vessel employment contracts, the Manager has established policies designed to ensure that contracts are entered into with counterparties that have appropriate credit history. We believe that Navios Holdings benefits from these established policies.
- *Sustain a Competitive Cost Structure.* Pursuant to our management agreement with the Manager, the Manager coordinates and oversees the commercial, technical and administrative management of our fleet. We believe that the Manager is able to do so at rates competitive with those that would be available to us through independent vessel management companies. For example, pursuant to our management agreement with the Manager, management fees of our vessels are fixed through August 2021. We believe this external management arrangement will enhance the scalability of our business by allowing us to grow our fleet without incurring significant additional overhead costs. We believe that we will be able to leverage the economies of scale of the Manager and manage operating, maintenance and corporate costs. At the same time, we believe the young age and high-quality of the vessels in our fleet, coupled with the Manager's safety and environmental record, will position us favorably within the drybulk transportation sector with our customers and for future business opportunities.
- *Enhance vessel utilization and profitability through a mix of spot charters, time charters, and COAs.* Specifically, this strategy is implemented as follows:
  - The operation of voyage charters or spot fixtures for the carriage of a single cargo from load port to discharge port;
  - The operation of time charters (whether with a fixed rate or a floating rate based on a Baltic index or other commonly published index), whereby the vessel is hired out for a predetermined period but without any specification as to voyages to be performed, with the ship owner being responsible for operating costs and the charterer for voyage costs;
  - The use of COAs, under which Navios Holdings contracts to carry a given quantity of cargo between certain load and discharge ports within a stipulated time frame, but does not specify in advance which vessels will be used to perform the voyages; and



- The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the days its vessels are off-hire. At 99.4% as of December 31, 2019, Navios Holdings believes that it has one of the highest fleet utilization rates in the industry.

## Competitive Advantages

Controlling approximately 5.7 million dwt (excluding Navios Logistics) in dry bulk tonnage, Navios Holdings is one of the largest independent dry bulk operators in the world. Management believes that Navios Holdings occupies a competitive position within the industry in that its reputation in the global dry bulk markets permits it to enter into at any time, and take on spot, medium or long-term freight commitments, depending on its view of future market trends. In addition, many of the long-term charter deals may be brought to the attention of Navios Holdings prior to even being quoted in the open market. Even in the open market, Navios Holdings' solid reputation allows it to take in (or put out) large amounts of tonnage on a short, medium, or long-term basis on very short notice. This ability is possessed by relatively few ship owners and operators and is a direct consequence of Navios Holdings' market reputation for reliability in the performance of its obligations in each of its roles as a ship owner, COA operator, and charterer. Navios Holdings, therefore, has much greater flexibility than a traditional ship owner or charterer to quickly go "long" or "short" relative to the dry bulk markets.

Navios Holdings' long involvement and reputation for reliability in the Asian Pacific region have also allowed it to develop privileged relationships with many of the largest trading houses in Japan, such as Marubeni Corporation and Mitsui & Co. Through these institutional relationships, Navios Holdings has obtained long-term charter-in deals, with options to extend time charters and options to purchase the majority of the vessels. Through its established reputation and relationships, Navios Holdings has had access to opportunities not readily available to most other industry participants who lack Navios Holdings' brand recognition, credibility, and track record.

In addition to its long-standing reputation and flexible business model, management believes that Navios Holdings is well-positioned in the dry bulk market on the basis of the following factors:

- A high-quality, modern fleet of vessels that provides a variety of operational advantages, such as higher levels of productivity, as well as a competitive advantage over owners of older fleets, especially in the time charter market, where age, fuel economy and quality of a vessel are of significant importance in competing for business;
- A core fleet which has been chartered-in (some through 2030, assuming minimum available charter extension periods are exercised) on terms generally that allow Navios Holdings to charter-out the vessels at an attractive spread during strong markets and to weather down cycles in the market while maintaining low costs;
- Strong commercial relationships with both freight customers and Japanese trading houses and ship owners, providing Navios Holdings with access to future attractive long-term time charters on newbuildings with valuable purchase options;
- Strong commercial and technical management team provided by the Manager who oversee every step of the technical management, from the construction of the vessels to subsequent shipping operations throughout the life of a vessel, including the superintendence of maintenance, repairs and drydocking, providing cost visibility, economies of scale, efficiency in Navios Holdings' owned fleet operations;
- Visibility into worldwide commodity flows through its physical shipping operations and port terminal operations in South America; and
- An experienced management team with a strong track record and a strong brand having a well established reputation for reliability and performance.

Management intends to maintain and build on these qualitative advantages, while at the same time continuing to benefit from Navios Holdings' reputation and the Manager's expertise.

## Shipping Operations

**Navios Holdings' Fleet.** Navios Holdings controls a core fleet of 35 owned vessels (including five bareboat-in vessels) and 18 chartered-in vessels. The average age of the fleet is 7.7 years, basis fully delivered fleet.

**Owned Fleet.** Navios Holdings owns and operates a fleet comprised of four modern Ultra Handymax vessels, 14 Capesize vessels, 16 Panamax vessels and one Handysize vessel.

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### Owned Vessels

<u>Vessel Name</u>	<u>Vessel Type</u>	<u>Year Built</u>	<u>Deadweight (in metric tons)</u>
Navios Serenity	Handysize	2011	34,690
Navios Astra	Ultra Handymax	2006	53,468
Navios Ulysses	Ultra Handymax	2007	55,728
Navios Celestial	Ultra Handymax	2009	58,063
Navios Vega	Ultra Handymax	2009	58,792
Navios Star (1)	Panamax	2002	76,662
Navios Northern Star	Panamax	2005	75,395
Navios Amitie	Panamax	2005	75,395
Navios Taurus	Panamax	2005	76,596
Navios Asteriks	Panamax	2005	76,801
N Amalthia	Panamax	2006	75,318
Navios Galileo	Panamax	2006	76,596
N Bonanza	Panamax	2006	76,596
Navios Avior	Panamax	2012	81,355
Navios Centaurus	Panamax	2012	81,472
Navios Victory	Panamax	2014	77,095
Navios Stellar	Capesize	2009	169,001
Navios Bonavis	Capesize	2009	180,022
Navios Happiness	Capesize	2009	180,022
Navios Phoenix	Capesize	2009	180,242
Navios Lumen	Capesize	2009	180,661
Navios Antares	Capesize	2010	169,059
Navios Etoile	Capesize	2010	179,234
Navios Bonheur	Capesize	2010	179,259
Navios Altamira	Capesize	2011	179,165
Navios Azimuth	Capesize	2011	179,169
Navios Ray	Capesize	2012	179,515
Navios Gem	Capesize	2014	181,336
Dream Canary	Capesize	2015	180,528
Navios Corali (ex. Dream Coral)	Capesize	2015	181,249

(1) Agreed to be sold.

### Long-term Bareboat-in Fleet in Operation

<u>Vessel Name</u>	<u>Vessel Type</u>	<u>Delivery Date</u>	<u>Deadweight (in metric tons)</u>	<u>Purchase Option (1)</u>
Navios Herakles I	Panamax	Q3 2019	82,036	Yes
Navios Felicity I	Panamax	Q1 2020	81,946	Yes
Navios Uranus	Panamax	Q4 2019	81,516	Yes
Navios Galaxy II	Panamax	Q1 2020	81,789	Yes

### Long-term Bareboat-in Fleet to be delivered

<u>Vessel Name</u>	<u>Vessel Type</u>	<u>Delivery Date</u>	<u>Deadweight (in metric tons)</u>	<u>Purchase Option (1)</u>
Navios Magellan II	Panamax	Q2 2020	81,000	Yes

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**Long-Term Fleet.** In addition to the 35 owned vessels, Navios Holdings controls a fleet of three Capesize, 12 Panamax, two Ultra Handymax, and one Handysize vessels under long-term time charters, having an average age of approximately 4.8 years, basis fully delivered fleet.

### Long-term Chartered-in Fleet in Operation

<u>Vessel Name</u>	<u>Vessel Type</u>	<u>Year Built</u>	<u>Deadweight (in metric tons)</u>	<u>Purchase Option (1)</u>
Navios Lyra	Handysize	2012	34,718	Yes (2)
Navios Mercury	Ultra Handymax	2013	61,393	Yes
Navios Venus	Ultra Handymax	2015	61,339	Yes
Navios Marco Polo	Panamax	2011	80,647	Yes
Navios Southern Star	Panamax	2013	82,224	Yes
Elsa S	Panamax	2015	80,954	No
Navios Amber	Panamax	2015	80,994	Yes
Navios Sky	Panamax	2015	82,056	Yes
Navios Coral	Panamax	2016	84,904	Yes
Navios Citrine	Panamax	2017	81,626	Yes
Navios Dolphin	Panamax	2017	81,630	Yes
Mont Blanc Hawk	Panamax	2017	81,638	No
Cassiopeia Ocean	Panamax	2018	82,069	No
Navios Gemini	Panamax	2018	81,704	No (3)
Navios Horizon I	Panamax	2019	81,692	No (3)
Navios Koyo	Capesize	2011	181,415	Yes
Navios Obeliks	Capesize	2012	181,415	Yes
Navios Felix	Capesize	2016	181,221	Yes

(1) Generally, Navios Holdings may exercise its purchase option after three to five years of service.

(2) Navios Holdings holds the initial 50% purchase option on the vessel.

(3) Navios Holdings has the right of first refusal and profit share on sale of vessel.

Many of Navios Holdings' current long-term chartered-in vessels are chartered from ship owners with whom Navios Holdings has long-standing relationships. Navios Holdings pays these ship owners daily rates of hire for such vessels, and then charters out these vessels to other parties, who pay Navios Holdings a daily rate of hire. Navios Holdings also enters into COAs pursuant to which Navios Holdings has agreed to carry cargoes, typically for industrial customers, who export or import dry bulk cargoes. Further, Navios Holdings enters into spot market voyage contracts, where Navios Holdings is paid a rate per ton to carry a specified cargo from point A to point B.

**Short-Term Fleet:** Navios Holdings' "short-term fleet" is comprised of Capesize, Panamax and Ultra Handymax vessels chartered-in for duration of less than 12 months. The number of short-term vessels varies from time to time. These vessels are not included in the "core fleet" of the Company.

### Exercise of Vessel Purchase Options

Navios Holdings has executed several purchase options comprising of seven Ultra Handymax, seven Panamax and three Capesize vessels, which were delivered on various dates from November 30, 2005 until February 2020. Navios Holdings currently has options to acquire 13 chartered-in vessels currently in operation and five bareboat-in vessels.

**Navios Logistics Fleet Summary (owned)**

The following is the current core fleet of Navios Logistics as presented in Navios Logistics' 20-F filed with SEC.

<u>Pushboats/ Barges/ Inland Oil Tankers Fleet</u>	<u>Number of Vessels</u>	<u>Capacity/BHP</u>	<u>Description</u>
Pushboat Fleet	27	95,920 BHP	Various Sizes and Horsepower
Dry Barges	268	474,050 DWT	Dry Cargo
Tank Barges	34	110,187 m3	Liquid Cargo
LPG Barges	3	4,752 m3	LPG
<b>Total</b>	<b>332</b>		

<u>Product Tanker Fleet</u>	<u>Year Built</u>	<u>DWT</u>	<u>Description</u>
Estefania H	2008	12,000	Double-hulled Product Tanker
Malva H	2008	8,974	Double-hulled Product Tanker
Makenita H	2009	17,508	Double-hulled Product Tanker
Sara H	2009	9,000	Double-hulled Product Tanker
San San H	2010	16,871	Double-hulled Product Tanker
Ferni H	2010	16,871	Double-hulled Product Tanker
Heman H	2012	1,693	Double-hulled Bunker Vessel
Elena H	2018	4,999	Double-hulled Product Tanker
<b>Total</b>		<b>87,916</b>	

**Management of Ship Operations, Administration and Safety**

Following the sale of the management division effected on August 30, 2019, outlined in Note 3 included elsewhere in this Annual Report, the Manager oversees the commercial and administrative management of our entire fleet and the technical management of our fleet. Pursuant to the Management Agreement and the Administrative Services Agreement, the Manager provides us with access to human resources, financial and other administrative functions, including:

- bookkeeping, audit and accounting services;
- administrative and clerical services;
- banking and financial services; and
- client and investor relations.

Technical management services are also provided, including:

- commercial management of the vessel;
- operations of the vessel;
- vessel maintenance and crewing;
- purchasing and insurance; and
- shipyard supervision.

**Financial Risk Management:** Navios Holdings actively engages in assessing financial risks associated with fluctuating future freight rates, daily time charter hire rates, fuel prices, credit risks, interest rates and foreign exchange rates. Financial risk management is carried out under policies approved and guidelines established by the Company's executive management.

- *Credit Risk.* Navios Holdings closely monitors its credit exposure to customers and other counterparties. Navios Holdings has entered into the management agreement with the Manager, pursuant to which the Manager agreed to provide commercial and technical management services to Navios Holdings. When negotiating on behalf of Navios Holdings' various vessel employment contracts, the Manager has established policies, to ensure that contracts are entered into with counterparties that have appropriate credit history. Counterparties and cash transactions are limited to highly collateralized, high credit quality corporations and financial institutions. Most importantly, Navios Holdings has guidelines and policies that are designed to limit the amount of credit exposure.

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- *Foreign Exchange Risk.* Although Navios Holdings' revenues are U.S. dollar-based, 20.4% of its expenses from continuing operations, related to its Navios Logistics segment, are in Uruguayan pesos, Argentinean pesos, Paraguayan Guaranies and Brazilian Reales. Navios Holdings monitors its Argentine Peso, Uruguayan Peso, Paraguayan Guarani and Brazilian Real exposure against long-term currency forecasts and enters into foreign currency contracts when considered appropriate.

### **Customers**

#### **Dry bulk Vessel Operations**

The international dry bulk shipping industry is highly fragmented and, as a result, there are numerous charterers. Navios Holdings' assessment of a charterer's financial condition and reliability is an important factor in negotiating employment of its vessels. Navios Holdings generally charters its vessels to major trading houses (including commodities traders), major producers and government-owned entities. Navios Holdings' customers under charter parties, COAs, and other counterparties, include national, regional and international companies, such as Cargill International S.A., GIIC, Louis Dreyfus Commodities, Oldendorff Carriers, Swiss Marine, Rio Tinto and Mansel Ltd. (See also Item 3.D. "Risk Factors—We depend upon significant customers for part of our revenues. The loss of one or more of these customers or a decline in the financial capability of our customers could materially adversely affect our financial performance.").

#### **Logistics Business Operations**

Navios Logistics has a long history of operating in the Hidrovia region of South America. Navios Logistics has long-standing relationships with a diverse group of large customers. Customers of Navios Logistics include affiliates of ADM, Axion Energy, Bunge Limited, Cargill, Glencore plc, Louis Dreyfus, Petrobras, Petropar (the national oil company of Paraguay), Shell, Vale, Vitol S.A. ("Vitol") and YPF. These long-term customer relationships arise from Navios Logistics' reputation for reliability and high-quality service. In its grain port facilities in Uruguay, Navios Logistics has been serving three of its key customers, ADM, Cargill and Louis Dreyfus, for more than 21 years on average. In its liquid port facility, liquid barge transportation and cabotage business, Navios Logistics has long-term relationships with its global petroleum customers for more than 18 years on average (such as Axion Energy, Petrobras Group, YPF and Shell or their successors). In its dry barge business, Navios Logistics started its relationship with Vale in 2008 for iron ore transportation and has signed new contracts since then.

Concentrations of credit risk with respect to accounts receivables are limited due to Navios Logistics' number of customers, who are established international operators and have an appropriate credit history. Due to these factors, management believes that no additional credit risk, beyond amounts provided for collection losses, is inherent in its trade receivables. (See also Item 3.D. "Risk Factors—Navios Logistics depends on a few significant customers for a large part of its revenues and the loss of one or more of these customers could materially and adversely affect its revenues.").

#### **Container Vessel Operations**

Customers of Navios Containers in the containership sector consist of a limited number of liner companies. The tough economic conditions faced by liner companies and the intense competition among them has caused, and may in the future cause, certain liner companies to default resulting in consolidation among liner companies. The number of leading liner companies which are Navios Containers' client base may continue to shrink and Navios Containers may depend on an even more limited number of customers to generate a substantial portion of its revenues. The cessation of business with these liner companies or their failure to fulfill their obligations under the time charters for Navios Containers' containerships could have a material adverse effect on Navios Containers' business, financial condition and results of operations, as well as its cash flows, including cash available for distributions to Navios Containers' unit holders and repurchases of common units. In addition to consolidations, alliances involving Navios Containers' customers could further increase the concentration of Navios Containers' business and reduce its bargaining power.

For the period from November 30, 2018 (date of obtaining control) to December 31, 2018, Navios Containers' one largest customer, NOL Liner PTE Ltd accounted for 37.9% of its revenues. Other than its largest customer mentioned above, no other customer accounted for more than 10% of Navios Containers' revenues during the period from November 30, 2018 (date of obtaining control) to December 31, 2018.

## Competition

The dry bulk shipping markets are extensive, diversified, competitive and highly fragmented, divided among 2,111 independent dry bulk carrier owners. The world's active dry bulk fleet consists of approximately 12,000 vessels, aggregating approximately 886.5 million dwt as of April 1, 2020. As a general principle, the smaller the cargo carrying capacity of a dry bulk carrier, the more fragmented is its market, both with regard to charterers and vessel owner/operators. Even among the larger dry bulk owners and operators, whose vessels are mainly in the larger sizes, only ten companies are known to have fleets of 100 vessels or more: China COSCO Shipping, Nippon Yusen Kaisha, Wisdom Marine, the Fredriksen Group, Pacific Basin Shipping, China Merchants, Kawasaki Kisen, Star Bulk Carriers, Oldendorff Carriers and Mitsui O.S.K. Lines. There are about 40 owners known to have fleets of between 35 and 100 vessels. However, vessel ownership is not the only determinant of fleet control. Many owners of bulk carriers charter their vessels out for extended periods, not just to end users (owners of cargo), but also to other owner/operators and to tonnage pools. Such operators may, at any given time, control a fleet many times the size of their owned tonnage. Navios Holdings is one such operator; others include Cargill, Pacific Basin Shipping, Bocimar, Zodiac Maritime, Louis Dreyfus/Cetragpa, Cobelfret, Torvald Klaveness and Swiss Marine.

It is likely that we will face substantial competition for long-term charter business from a number of experienced companies. Many of these competitors will have significantly greater financial resources than we do. It is also likely that we will face increased numbers of competitors entering into our transportation sectors, including in the dry bulk sector. Many of these competitors have strong reputations and extensive resources and experience. Increased competition may cause greater price competition, especially for long-term charters.

### *Navios Logistics*

Navios Logistics is one of the largest logistics providers in the Hidrovia region of South America. Navios Logistics believes its ownership of river ports, including its port terminals in Uruguay that provides access to the ocean, allows it to offer a logistics solution superior to its competitors that also operate barges and pushboats. Navios Logistics also competes based on reliability, efficiency and price.

With respect to loading, storage and ancillary services, the market is divided between transits and exports, depending on the cargo origin. In the case of transits, there are other companies operating in the river system that are able to offer services similar to Navios Logistics. However, most of these companies are proprietary service providers that are focused on servicing their own cargo. Unlike these companies, Navios Logistics is an independent service provider in the market for transits. With respect to exports, its competitors are Montevideo Port in Montevideo, Ontur in Nueva Palmira, and TGU in Nueva Palmira. The main competitor of its liquid port terminal in Paraguay is Petropar, a Paraguayan state-owned entity. Other competitors include Copetrol, TLP, Trafigura Pte Ltd and Petrobras.

Navios Logistics faces competition in its barge and cabotage businesses with transportation of oil and refined petroleum products from other independent ship owners and from vessel operators who primarily charter vessels to meet their cargo carrying needs. The charter markets in which Navios Logistics' vessels compete are highly competitive. Key competitors include the successor of Ultrapetrol Bahamas Ltd., Hidrovias do Brasil, Interbarge, P&O, Imperial Shipping and Fluviomar. In addition, some of Navios Logistics' customers, including ADM, International S.A. ("Cargill"), Louis Dreyfus Holding B.V. ("Louis Dreyfus") and Vale, have some of their own dedicated barge capacity, which they can use to transport cargo in lieu of hiring a third party. Navios Logistics also competes indirectly with other forms of land-based transportation such as truck and rail. Competition is primarily based on prevailing market contract rates, vessel location and vessel manager know-how, reputation and credibility. These companies and other smaller entities are regular competitors of Navios Logistics in its primary tanker trading areas.

Navios Logistics believes that its ability to combine its ports in Uruguay and Paraguay with its versatile fleet of barges, pushboats and tankers to offer integrated, end-to-end logistics solutions for both its dry and liquid customers seeking to transport mineral and grain commodities and liquid cargoes through the Hidrovia region has allowed Navios Logistics to differentiate its business and offer superior services compared to its competitors.

## Off-hire

When the vessel is "off-hire" the charterer generally is not required to pay the basic hire rate, and we are responsible for all costs. Prolonged off-hire may lead to vessel substitution or termination of the time charter. A vessel generally will be deemed off-hire if there is a loss of time due to, among other things:

- operational deficiencies; drydocking for repairs, maintenance or inspection; equipment breakdowns; or delays due to

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accidents or deviations from course, crewing strikes, labor boycotts, certain vessel detentions or similar problems, occurrence of hostilities in the vessel's flag state or in the event of piracy, a natural or man-made event of force majeure; or

- the ship owner's failure to maintain the vessel in compliance with its specifications and contractual standards or to provide the required crew.

Under some of our charters, the charterer is permitted to terminate the time charter if the vessel is off-hire for an extended period, which is generally defined as a period of 90 or more consecutive off-hire days. Under some circumstances, an event of force majeure may also permit the charterer to terminate the time charter or suspend payment of charter hire.

### **Intellectual Property**

We consider NAVIOS to be our proprietary trademark, service mark and trade name. We hold several trademark registrations in the U.S., E.U. and Monaco trademark registrations for our proprietary logos and the domain name registration for our website.

### **Governmental and Other Regulations**

#### **Sources of Applicable Maritime Laws and Standards**

Shipping is one of the world's most heavily regulated industries, as it is subject to both Governmental regulation and industry standards. The Governmental regulations to which we are subject include local and national laws, as well as international treaties and conventions, and regulations in force in jurisdictions where our vessels operate and are registered. We also are subject to regulation by ship classification societies and industry associations, which often have independent standards. In the United States and, increasingly, in Europe, the national, state, and local laws and regulations are more stringent than international conventions, as well as industry standards. Violations of these laws, regulations, treaties and other requirements could result in sanctions by regulators, possibly fines, penalties, delays, and detention. The primary areas of maritime laws and standards to which we are subject include environment, safety, and security, as provided in detail below.

#### **International Conventions and Standards**

The IMO has adopted a number of international conventions concerned with preventing, reducing, or managing pollution from ships; and ship safety and security.

- MARPOL

The International Convention for the Prevention of Pollution from Ships or "MARPOL" is the primary international convention governing vessel pollution prevention and response. MARPOL includes six annexes concerning operational pollution by oil, noxious liquid substances, harmful substances, sewage, garbage and air emissions. More specifically, these annexes contain regulations for the prevention of pollution by oil (Annex I), by noxious liquid substances in bulk (Annex II), by harmful substances in packaged forms within the scope of the International Maritime Dangerous Goods Code (Annex III), by sewage (Annex IV), by garbage (Annex V), and by air emissions, including sulfur oxides ("SO<sub>x</sub>"), nitrogen oxides ("NO<sub>x</sub>"), and particulate matter (Annex VI). The annexes also contain recordkeeping and inspection requirements.

Under MARPOL, all of our ships may be required to have an International Oil Pollution Prevention Certificate, an International Sewage Pollution Prevention Certificate, and an International Air Pollution Prevention Certificate issued by their flag States, as well as a Shipboard Oil Pollution Emergency Plan and a Garbage Management Plan, among others, some of which must be approved by their flag States. Certain jurisdictions have not adopted all of the MARPOL annexes, but have established various national, regional, or local laws and regulations that apply to these areas.

Annex VI has been amended and was also designed to phase in increasingly stringent limits on sulfur emissions. On January 1, 2020, the emissions standard under MARPOL Annex VI for the reduction of sulfur oxides was lowered to 0.5% worldwide. Current regulations also allow for special emissions control areas ("ECAs") to be established with more stringent controls on emissions of 0.1% sulfur. As of January 1, 2020, ships must operate on lower sulfur fuel oil with 0.5% sulfur content worldwide (down from previous levels of 3.5%) outside the ECAs. Using low sulfur fuel as a means of compliance may require fuel system modification and tank cleaning. Another means of compliance is the installation of pollution control equipment (exhaust gas cleaning systems or scrubbers), allowing the vessel to use the existing, less expensive, high sulfur content fuel.



As previously noted, Annex VI allows for designation, in response to proposals from member parties, of ECAs that impose more stringent requirements for control of sulfur oxide, particulate matter, and nitrogen oxide emissions. Thus far, ECAs have been formally adopted for the Baltic Sea area (limits SO<sub>x</sub> emissions only); the North Sea area including the English Channel (limiting SO<sub>x</sub> emissions only); the North American ECA (limiting SO<sub>x</sub>, NO<sub>x</sub> and particulate matter emissions); and the U.S. Caribbean ECA (limiting SO<sub>x</sub>, NO<sub>x</sub> and particulates). The IMO approved, then adopted in 2017, the designation of the North Sea and Baltic Sea as ECAs for NO<sub>x</sub> under Annex VI as well, which will take effect in January 2021 for new vessels constructed on or after January 1, 2021 or existing vessels that replace an engine with “non-identical” engines, or install an “additional” engine. Fuel sulfur limits in ECAs are 0.1%.

Despite Annex VI’s extensive regulations, other jurisdictions have taken unilateral approaches to air emissions regulation. For example, the state of California adopted more stringent low sulfur fuel requirements within California-regulated waters, requiring marine gas oil and prohibiting exhaust gas cleaning systems. China has also established local emissions control areas. While the Chinese areas are currently consistent with international standards, certain Chinese local emissions control areas may become more stringent than international requirements in the future. Similarly, South Korea has established Port Air Quality Control Zones which will cap the sulfur content of fuel at 0.1% beginning September 1, 2020.

Additionally, Annex II to MARPOL prescribes requirements for carriage of designated noxious liquid substances (“NLS”) in bulk. NLS are separated into three categories (X, Y, and Z) depending upon the seriousness of the hazard presented. Coastal or flag States may issue civil or criminal penalties for the discharge of NLS into the sea depending on the category discharged, the location of the discharge, and the conditions of discharge. Similar fines and penalties may be issued for violations of other of MARPOL’s Annexes.

Annex III contains general requirements for the prevention of pollution by harmful substances carried by sea in packaged form. This Annex contains requirements for safe handling of packaged substances that represent a serious risk to the environment, as well as guidelines for identification of harmful substances. For example, any relevant documents, such as the ship’s manifest, must identify the substances carried, if any, aboard our vessels. Violations of this Annex may also lead to applicable fines and penalties, as with all MARPOL annexes.

- **Ballast Water**

The IMO, the United States, and certain U.S. states individually have implemented requirements relating to the management of ballast water to prevent the harmful effects of foreign invasive species. The IMO’s International Convention for the Control and Management of Ships’ Ballast Water and Sediments (the “BWM Convention”) entered into force on September 8, 2017. The BWM Convention requires ships to manage ballast water in a manner that removes, renders harmless, or avoids the uptake or discharge of aquatic organisms and pathogens within ballast water and sediment. As of March 17, 2020, the BWM Convention had 81 contracting states, representing 81.83% of world gross tonnage. The United States is not party to the BWM Convention.

As amended, the BWM Convention requires, among other things, ballast water exchange, the maintenance of certain records, and the implementation of a Ballast Water and Sediments Management Plan. It also requires the installation of ballast water management systems for existing ships by certain deadlines, as described below.

Ships constructed prior to September 8, 2017 must install ballast water management systems by the first renewal survey following September 8, 2017 and must comply with IMO discharge standards by the due date for their International Oil Pollution Prevention Certificate renewal survey under MARPOL Annex 1. Ships constructed after September 8, 2017 are required to comply with the BWM Convention upon delivery. All ships must meet the IMO ballast water discharge standard by September 8, 2024, regardless of construction date. And, recently updated guidance for Ballast Water and Sediments Management Plan includes more robust testing and performance specifications.

- **International Conventions for Civil Liability for Oil Pollution Damage and Convention for Bunker Oil Pollution Damage and Other Pollution Liability Regimes**

Several international conventions impose and limit pollution liability from vessels. An owner of a tank vessel carrying a cargo of “persistent oil,” as defined by the International Convention for Civil Liability for Oil Pollution Damage (the “CLC”), is subject to strict liability for any pollution damage caused in a contracting state by an escape or discharge from cargo or bunker tanks. There is a financial limit on this liability, which is calculated by reference to the tonnage of the ship. The right to limit liability may be lost if the spill is caused by the ship owner’s intentional or reckless conduct. Liability may also be incurred under the CLC for a bunker spill from the vessel even when she is not carrying such cargo if the spill occurs while she is in ballast. However, certain States, such as Brazil, have only ratified earlier iterations of the CLC, which have a lower liability limit, restrict the area in which the convention is applicable, and only cover spills from tankers if laden at the time of the spill. The CLC applies in over 100 jurisdictions around the world, but it does not apply in the United States, where the corresponding liability laws, such as the Oil Pollution Act of 1990 (*see below*), may be more stringent. Further, courts in certain States disregard some of the provisions of the CLC, which can increase our liability in certain areas of the globe.

When a tanker is carrying clean oil products that do not constitute “persistent oil” covered under the CLC, liability for any

pollution damage will generally fall outside the CLC and will generally depend on domestic laws in the jurisdiction where the spillage occurs, although other international conventions may apply. The same principle applies to any pollution from the vessel in a jurisdiction which is not a party to the CLC.

For vessel operations not covered by the CLC, including all non-tanker vessels in our fleet, international liability for oil pollution may be governed by the International Convention on Civil Liability for Bunker Oil Pollution Damage (the “Bunker Convention”) in addition to local and national environmental laws. The Bunker Convention entered into force in 2008 and imposes strict liability on shipowners for pollution damage and response costs incurred in contracting States caused by discharges, or threatened discharges, of bunker oil from all classes of ships not covered by the CLC. The Bunker Convention also requires registered owners of ships over a certain tonnage to maintain insurance to cover their liability for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime, including liability limits calculated in accordance with the Convention on Limitation of Liability for Maritime Claims 1976, as amended (the “1976 Convention”). As of March 17, 2020, the Bunker Convention had 95 contracting States, representing 92.91% of the gross tonnage of the world’s merchant fleet. In non-contracting States, such as the United States, liability for such bunker oil pollution is typically determined by the national or other domestic laws in the jurisdiction in which the spillage occurs.

The 1976 Convention is the most widely applicable international regime limiting maritime pollution liability. Rights to limit liability under the 1976 Convention are forfeited where a spill is caused by a shipowner’s intentional or reckless conduct. Certain jurisdictions have ratified the IMO’s Protocol of 1996 to the 1976 Convention, referred to herein as the “Protocol of 1996.” The Protocol of 1996 provides for substantially higher liability limits in those jurisdictions than the limits set forth in the 1976 Convention. Finally, some jurisdictions, such as the United States, are not a party to either the 1976 Convention or the Protocol of 1996, and, therefore, a shipowner’s rights to limit liability for maritime pollution in such jurisdictions may be uncertain or subject to national and local law.

- **International Convention for the Safety of Life at Sea and the International Safety Management Code**

Our vessels also must operate in compliance with the requirements set forth in the International Convention for the Safety of Life at Sea, as amended, (“SOLAS”), including the International Safety Management Code (the “ISM Code”), which is contained in Chapter IX of SOLAS.

SOLAS was enacted primarily to promote the safety of life and preservation of property. SOLAS, and the regulations and codes of practice thereunder, is regularly amended to introduce heightened shipboard safety requirements into the industry. The ISM Code requires ship operators 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 vessel operation and describing procedures for dealing with emergencies. The ISM Code also requires vessel operators to obtain a Document of Compliance (“DOC”) demonstrating that the company complies with the SMS and a Safety Management Certificate (“SMC”) for each vessel verifying compliance with the approved SMS from the government of each vessel’s flag State. No vessel can obtain an SMC unless its manager has been awarded a Document of Compliance, issued by the flag State for the vessel, under the ISM Code.

Noncompliance with the ISM Code and regulations contained in other IMO conventions may subject a shipowner to increased liability, lead to decreases in available insurance coverage for affected vessels, or result in the denial of access to, or detention in, certain ports. For example, the United States Coast Guard and European Union authorities have indicated that vessels not in compliance with the ISM Code may be prohibited from trading in ports in the United States and European Union. Non-compliances identified in port may lead to delays and detention. Each company’s DOC and each vessel’s SMC must be periodically renewed, and compliance must be periodically verified. The failure of a ship operator to comply with the ISM Code and IMO measures could subject such party to increased liability, decrease available insurance coverage for the affected vessels, or result in a denial of access to, or detention in, certain ports.

- **Energy Efficiency and Greenhouse Gas Reduction**

The IMO now has mandatory measures for an international greenhouse gas (“GHG”) reduction regime for a global industry sector. These energy efficiency measures took effect on January 1, 2013 and apply to all ships of 400 gross tonnage and above. A major component of this GHG regime is the development of a ship energy efficiency management plan (“SEEMP”), with which vessels across the industry must comply. Vessel SEEMPs were required to be updated by December 31, 2018 to include data collection processes and vessels were required to begin collecting data on fuel oil consumption on January 1, 2019.

- **ISPS Code**

In 2002, following the September 11 terrorist attacks, SOLAS was amended to impose detailed security obligations on vessels and port authorities, most of which are contained in the International Ship and Port Facility Security Code (“ISPS Code”), which is Chapter XI-2 of SOLAS. Vessels demonstrate compliance with the ISPS Code by having an International Ship Security

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Certificate issued by their flag State.

Among the various requirements are:

- On-board installation of automatic information systems to enhance vessel-to-vessel and vessel-to-shore communications;
- On-board installation of ship security alert systems;
- Development of Vessel Security Plans;
- Appointment of a Ship Security Officer and a Company Security Officer; and
- Compliance with flag State's security certification requirements.

### **Applicable U.S. Laws**

- **The Act to Prevention Pollution from Ships**

The Act to Prevent Pollution from Ships ("APPS") and corresponding U.S. Coast Guard regulations implement several MARPOL annexes in the United States. Violations of MARPOL, APPS, or the implementing regulations can result in liability for civil and/or criminal penalties. Numerous vessel owners and operators, as well as individual ship officers and shoreside technical personnel have been prosecuted for APPS violations. APPS violations also carry significant fines.

- **Clean Water Act, National Invasive Species Act, Vessel General Permit, and Vessel Incidental Discharge Act.**

The Clean Water Act ("CWA") prohibits the discharge of oil or hazardous substances in U.S. navigable waters and imposes penalties for unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages.

The United States is not a party to the BWM Convention discussed above. Instead, ballast water operations are governed by the National Invasive Species Act ("NISA") and U.S. Coast Guard regulations mandating ballast water management practices for all vessels equipped with ballast water tanks entering U.S. waters, as well as the Vessel General Permit issued by the U.S. Environmental Protection Agency ("EPA") under the CWA. In addition, through the CWA certification provisions that allow U.S. states to place additional conditions on EPA's Vessel General Permit, a number of states have proposed or implemented a variety of stricter ballast water requirements including, in some states, specific treatment standards.

Depending on a vessel's compliance date for installation of a U.S. Coast Guard type-approved ballast water management system, these requirements may be met by performing mid-ocean ballast exchange, by retaining ballast water onboard the vessel, or by using another ballast water management system authorized by the U.S. Coast Guard. In the near future, ballast exchange will no longer be permissible. These U.S. Coast Guard regulations and EPA's Vessel General Permit, however, will ultimately be replaced with the new regulatory regime being developed under Vessel Incidental Discharge Act ("VIDA") signed into law on December 4, 2018, which is expected to contain similar requirements.

VIDA establishes a new framework for regulation of discharges incidental to the normal operation of commercial vessels into navigable waters of the United States, including management of ballast water. VIDA requires the EPA to implement a final rule setting forth standards for incidental discharges, including ballast water, by December 4, 2022 and the U.S. Coast Guard to issue a final rule implementing the EPA's standards by December 4, 2024. Implementation of VIDA is expected to create more uniformity in state and federal regulation of incidental vessel discharges and thus is expected to result in a simplification of the current patch-work of state ballast water regulations in the United States. However, the relevant standards and regulations implementing those standards are expected to take at least until the end of 2024, and it is ultimately unclear what discharge limits may apply to discharges under VIDA, as well as how certain permissible state-specific standards may be implemented.

- **Oil Pollution Act of 1990 and State Law Regarding Oil Pollution Liability**

The United States has a comprehensive regulatory and liability regime for the protection and cleanup of the environment from oil spills from all vessels, including cargo or bunker oil spills from vessels. This regime is set forth in the Oil Pollution Act of 1990, or "OPA."

OPA applies to owners and operators whose vessels trade in the United States, its territories and possessions or whose vessels operate in United States waters. Under OPA, vessel owners, operators and bareboat charterers are "responsible parties" and are jointly, severally and strictly liable for all containment and clean-up costs, as well as damages, arising from discharges or substantial threats of discharges, of oil from their vessels unless the spill results solely from the act or omission of a third party, an act of God or an act of war, which is determined after the fact. As such, responsible parties must respond to a spill immediately irrespective of fault.

OPA liability limits are periodically adjusted for inflation, and the U.S. Coast Guard issued a final rule on August 13, 2019 to reflect increases in the Consumer Price Index, which resulted in higher liability limits. With this adjustment, OPA currently limits

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liability of the responsible party for non-tank vessels to \$1,200 per gross ton or \$997,100, whichever is greater. For tankers, single-hull tank vessels over 3,000 gross tons have liability limits which are the greater of \$3,700 per gross ton or \$27.422 million (or \$7.4788 million if the vessel is less than 3,000 gross tons). For tank vessels over 3,000 gross tons, other than a single-hull vessel, liability is limited to \$2,300 per gross ton or \$19.943 million (or \$4.9859 million for a vessel less than 3,000 gross tons). Under OPA, these liability limits do not apply if an incident was directly caused by violation of applicable U.S. 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.

Under OPA, 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 vessel in the fleet having the greatest maximum liability under OPA. The Certificate of Financial Responsibility ("COFR") program has been created by the U.S. Coast Guard to ensure that vessels carrying oil as cargo or fuel in the U.S. waters have the financial ability to pay for removal costs and damages resulting from an oil spill or threat of a spill up to their liability limits, which are based on the gross tonnage of our vessels. These limits are subject to annual increases. It is possible for our liability limits to be broken as discussed above, which could expose us to unlimited liability.

A COFR is issued in the name of the company/person financially responsible in the event of a spill or threat of a spill and this is usually the owning company or operator of the vessel. Once they have shown the capability to pay clean-up and damage costs up to the liability limits required by the OPA, and a guaranty is issued and then provided to the U.S. Coast Guard, the U.S. Coast Guard will issue a COFR. With a few limited exceptions (not applicable to Navios vessels), vessels greater than 300 gross tons and vessels of any size that are transferring oil or cargoes between vessels or shipping oil in the Exclusive Economic Zone (EEZ) are required to comply with the COFR regulations in order to operate in U.S. waters.

The guarantor used throughout the Navios fleet is SIGCO/The Shipowners Insurance and Guaranty Company. SIGCO issues the guaranty noted above and confirms that if the responsible party does not respond to an oil spill or threat of a spill, the guarantor will be called upon to provide the funds to do so. This would be a rare occurrence because any guaranty issued by SIGCO is contingent on protection and indemnity cover.

The COFR is renewed on a three-year basis whereas the COFR guaranty is renewed annually. The U.S. Coast Guard checks that a vessel has a valid COFR prior to or upon entering the U.S. waters. Some states have COFR requirements in addition to the federal requirement under OPA, which may be more stringent than the requirement under OPA.

Trading in the United States without a valid COFR may result in the vessel being detained and/or fined up to USD 47,357.00 per day or prevented from entering U.S. ports or U.S. protectorates until the COFR is in place. We have provided satisfactory evidence of financial responsibility to the U.S. Coast Guard for all of our vessels and all have valid COFRs.

In addition to potential liability under OPA, individual states may impose their own and more stringent liability regimes with regard to oil pollution incidents occurring within their boundaries. Some states' environmental laws impose unlimited liability for oil spills and contain more stringent financial responsibility and contingency planning requirements.

- **Comprehensive Environmental Response, Compensation and Liability Act**

CERCLA contains a liability regime and provides for cleanup, removal and natural resource damages for the release of hazardous substances (other than oil) whether on land or at sea. Under U.S. law, certain petroleum products which may be carried by our fleet are not considered "oil" and thus are hazardous substances regulated by CERCLA. In some cases, CERCLA could be applicable to potential cargo spills from our vessels rather than OPA.

Under CERCLA, the owner or operator of a vessel from which there is a release or threatened release of a hazardous substance is liable for certain removal costs, other remedial action, damages due to injury of natural resources, and the costs of any required health assessment for releases that expose individuals to hazardous substances. Liability for any vessel that carries any hazardous substance as cargo or residue is limited to the greater of \$300 per gross ton or \$5 million. For any other vessel, the limitation is the greater of \$300 per gross ton or \$500,000.

These liability limits do not apply if the release resulted from willful misconduct or willful negligence within the privity or knowledge of the responsible person, or from a violation of applicable safety, construction, or operating standards or regulations within the privity or knowledge of the responsible person. In addition, the liability limits also do not apply if the responsible person fails to provide all reasonable cooperation and assistance requested by a responsible public official in connection with response activities conducted under the National Contingency Plan.

Further, any person who is liable for a release or threat of release, and who fails to provide removal or remedial action ordered by the EPA is subject to punitive damages in an amount equal to three times the costs incurred by the federal Superfund trust fund as a result of such failure to act.

- **Clean Air Act and Emissions Regulations**

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The Federal Clean Air Act (“CAA”) requires the EPA to develop standards applicable to emissions of volatile organic compounds and other air contaminants. Our vessels are subject to CAA vapor control and recovery standards (“VCS”) for cleaning fuel tanks and conducting other operations in regulated port areas.

Also, under the CAA, since 1990 the U.S. Coast Guard has regulated the safety of VCSs that are required under EPA and state rules. Our vessels operating in regulated port areas have installed VCSs that are compliant with EPA, state and U.S. Coast Guard requirements. The U.S. Coast Guard has adopted regulations that made its VCS requirements more compatible with new EPA and state regulations, reflected changes in VCS technology, and codified existing U.S. Coast Guard guidelines.

- **State Laws**

In the United States, there is always a possibility that state law could be more stringent than federal law. Such is the case with certain state laws concerning marine environmental protection. A few examples include:

- California adopted more stringent low sulfur fuel requirements within California-regulated waters, requiring marine gas oil and prohibiting exhaust gas cleaning systems.
- California also requires the use of shore power or equivalent emissions reductions strategies for vessels at all California ports.
- Vessel owners may in some instances incur liability on an even more stringent basis under state law in the particular state where the spillage occurred. For example, many U.S. states have unlimited liability and more stringent requirements for financial responsibility and contingency planning.
- Most states do not have comprehensive laws relating specifically to the discharge of hazardous substances into state waters as they do for oil discharges, but many states have general water pollution prevention laws that apply to hazardous substances and other materials and others have broadly written hazardous substance cleanup laws based on CERCLA that would provide a cause of action for discharges of hazardous substances from vessels.
- Ship Safety and Security Laws

With respect to ship safety, the requirements contained in SOLAS and the ISM Code generally have been implemented into U.S. law and are largely captured within U.S. Coast Guard regulations.

Ship security in the United States is governed primarily by the Marine Transportation Security Act of 2002 (“MTSA”). MTSA was implemented by U.S. Coast Guard regulations that imposed certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States.

Because the MTSA regulations were intended to be aligned with international maritime security standards contained in the ISPS Code, the regulations exempt non-U.S.-flag vessels from MTSA vessel security measures, provided such vessels have on board a valid International Ship Security Certificate (“ISSC”) that attests to the vessel’s compliance with SOLAS security requirements and the ISPS Code.

### ***Applicable EU Laws***

European regulations in the maritime sector are in general based on international law. However, since the *Erika* incident in 1999 and subsequent court decisions, the European Community has become increasingly active in the field of regulation of maritime safety and protection of the environment. It has been the driving force behind a number of amendments to MARPOL (including, for example, changes to accelerate the time-table for the phase-out of single hull tankers, and to prohibit the carriage in such tankers of heavy grades of oil), and if dissatisfied either with the extent of such amendments or with the time-table for their introduction it has been prepared to legislate on a unilateral basis.

In some instances, EU regulations may impose burdens and costs on shipowners and operators beyond the requirements under international rules and standards.

- **Liability for Pollution and Interaction between MARPOL and EU Law**

The EU has implemented certain EU-specific pollution laws, most notably a 2005 directive on ship-source pollution. This directive imposes imposing criminal sanctions for pollution caused by intent or recklessness (which would be an offense under MARPOL), as well as by “serious negligence.” The directive could therefore result in criminal liability being incurred in a European port state in circumstances where it may not be incurred in other jurisdictions.

There is skepticism that the notion of “serious negligence” is likely to prove any narrower in practice than ordinary negligence. Either way, however, criminal liability for a pollution incident could result in the imposition of substantial penalties or fines and also facilitate civil liability claims for greater compensation than would otherwise have been payable.

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- Regulation of Emissions and Emissions Trading System

The EU has a ship emissions regime. This regime primarily mirrors the IMO regime, but is more stringent than IMO regulations in some respects.

In December 2016, the EU signed into law the National Emissions Ceiling (“NEC”) Directive, which entered into force on December 31, 2016. The NEC required implementation by individual member States through particular laws in each State by June 30, 2018. The NEC aims to set stricter emissions limits on SO<sub>2</sub>, ammonia, non-methane volatile organic compounds, NO<sub>x</sub> and fine particulate (PM<sub>2.5</sub>) by setting new upper limits for emissions of these pollutants, starting in 2020. While the NEC is not specifically directed toward the shipping industry, the EU specifically mentions the shipping industry in its announcement of the NEC as a contributor to emissions of PM<sub>2.5</sub>, SO<sub>2</sub> and NO<sub>x</sub>.

In February 2017, EU member States met to consider independently regulating the shipping industry under the Emissions Trading System (“ETS”), which requires certain businesses to report on carbon emissions and provides for a credit trading system for carbon allowances. On February 15, 2017, European Parliament voted in favor of a bill to include maritime shipping in the ETS by 2023 if the IMO has not promulgated a comparable system by 2021. In November 2017, the Council of Ministers, EU’s main decision-making body, agreed that Europe should act on shipping emissions from 2023 if the IMO fails to deliver effective global measures.

- **Ship Recycling and Waste Shipment Regulations**

On December 31, 2018, EU-flagged vessels became subject to Regulation (EU) No. 1257/2013 of the European Parliament and of the Council of 20 November 2013 on ship recycling (the “EU Ship Recycling Regulation” or “ESRR”) and exempt from Regulation (EC) No. 1013/2006 of the European Parliament and of the Council of 14 June 2006 on shipments of waste (the “European Waste Shipment Regulation” or “EWSR”), which had previously governed their disposal and recycling. The EWSR continues to be applicable to Non-European Union Member State-flagged (“non-EU-flagged”) vessels.

Under the ESRR, commercial EU-flagged vessels of 500 gross tonnage and above may be recycled only at shipyards included on the European List of Authorised Ship Recycling Facilities (the “European List”). Additionally, shipowners will need to carry a certified Inventory of Hazardous Materials (“IHM”) on board their vessels. The IHM Part shall be properly maintained and updated throughout the operational life of the ship, reflecting new installations containing any hazardous materials. As of December 31, 2019, 33 of our EU-flagged vessels met this tonnage specification. The European List presently includes six facilities in Turkey, but no facilities in the major ship recycling countries in Asia. The combined capacity of the European List facilities may prove insufficient to absorb the total recycling volume of EU-flagged vessels. This circumstance, taken in tandem with the possible decrease in cash sales, may result in longer wait times for divestment of recyclable vessels as well as downward pressure on the purchase prices offered by European List shipyards. Furthermore, facilities located in the major ship recycling countries generally offer significantly higher vessel purchase prices, and as such, the requirement that we utilize only European List shipyards may negatively impact revenue from the residual values of our vessels.

In addition, the EWSR requires that non-EU-flagged ships departing from European Union ports be recycled only in Organisation for Economic Cooperation and Development (OECD) member countries. In March 2018, the Rotterdam District Court ruled that the sale of four recyclable vessels by third party Dutch shipowner Seatrade to cash buyers, who then reflagged and resold the vessels to non-OECD country recycling yards, were effectively indirect sales to non-OECD country yards, in violation of the EWSR. If European Union Member State courts widely adopt this analysis, it may negatively impact revenue from the residual values of our vessels and we may be subject to a heightened risk of non-compliance, due diligence obligations and costs in instances in which we sell older ships to cash buyers.

### ***Laws and International Standards to Stem Climate Change and Reduce Greenhouse Gas Emissions***

In February 2005, the Kyoto Protocol to the United Nations Framework Convention on Climate Change (the “UNFCCC”) entered into force. Pursuant to the Kyoto Protocol, adopting countries are required to implement national programs to reduce emissions of certain gases, generally referred to as GHGs, which are suspected of contributing to global warming. Currently, the GHG emissions from international shipping do not come under the Kyoto Protocol.

Some attention has been paid to GHGs in Europe. On June 28, 2013, the European Commission (“EC”) adopted a communication setting out a strategy for progressively including GHG emissions from maritime transport in the EU’s policy for reducing its overall GHG emissions. The first step proposed by the EC was an EU Regulation to an EU-wide system for the monitoring, reporting and verification of carbon dioxide emissions from large ships starting in 2018. The Regulation was adopted on April 29, 2015 and took effect on July 1, 2015, with monitoring, reporting and verification requirements beginning on January 1, 2018. This Regulation appears to be indicative of an intent to maintain pressure on the international negotiating process. The EC also adopted an Implementing Regulation, which entered into force in November 2016, setting templates for monitoring plans, emissions reports and compliance documents pursuant to Regulation 2015/757.



There are varying approaches on whether to add additional regulations on GHG emissions in the United States, which has withdrawn from international commitments relating to GHG regulation. However, the Transportation Committee of the U.S. House of Representatives recently held a hearing on “Decarbonizing the Maritime Industry,” which highlighted alleged health impacts of GHG, the IMO’s goal of decarbonization, and what next steps can be taken in reducing emissions from vessels. Further, legislation has been introduced in the U.S. Congress which would require emissions reductions of 80% below the 2005 emissions level. The bill would also require each U.S. state to develop its own Strategic Action Plan for reducing greenhouse gas emissions. Although this bill is not likely to become law, the bill targets the transportation sector and indicates interest in certain sectors of the U.S. government to regulate GHG.

In addition, the IMO has developed and intends to continue developing limits on emissions before 2023. The IMO is also considering its position on market-based measures through an expert working group. Among the numerous proposals being considered by the working group are the following: a port State levy based on the amount of fuel consumed by the vessel on its voyage to the port in question; and a global emissions trading scheme which would allocate emissions allowances and set an emissions cap, among others. The IMO’s current strategy encompasses a reduction in total GHG emissions from international shipping. The IMO’s goal is to reduce the total annual GHG emissions by at least 50% by 2050 compared to 2008, while, at the same time, pursuing efforts towards phasing them out entirely.

In 2018, IMO’s call to action on GHGs was met with industry pushback in many countries. Despite this, work on GHG continues at the IMO. Specifically, there will be an intersessional meeting on Reduction of GHG Emissions from Ships in 2020. Among other agenda items, this meeting will consider further concrete proposals to improve the operational energy efficiency of existing ships, with a view to developing draft amendments to Chapter 4 of MARPOL Annex VI.

### **Classification, Inspection and Maintenance**

Every seagoing vessel must be inspected and approved by a classification society in order to be flagged in a specific country, obtain liability insurance, and legally operate. The classification society certifies that the vessel is “in class,” signifying that the vessel has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the vessel’s country of registry and the international conventions to which that country is a party. In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the classification society will often undertake them on application or by official order, acting on behalf of the authorities concerned.

The classification society also undertakes, on request, other surveys and checks that are required by regulations and requirements of the flag state or port authority. These surveys are subject to agreements made in each individual case or to the regulations of the country concerned. For maintenance of the class, regular and extraordinary surveys of hull, machinery (including the electrical plant) and any special equipment classed are required to be performed subject to statutory requirements mandated by SOLAS as follows:

- *Annual Surveys:* For ocean-going ships, annual surveys are conducted for the hull and the machinery (including the electrical plant) and, where applicable, for special equipment classed, at intervals of 12 months from the date of commencement of the class period indicated in the certificate.
- *Intermediate Surveys:* Extended annual surveys are referred to as intermediate surveys and typically are conducted two and a half years after commissioning and each class renewal. Intermediate surveys may be carried out on the occasion of the second or third annual survey.
- *Class Renewal Surveys:* Class renewal surveys, also known as special surveys, are carried out for the ship’s hull, machinery (including the electrical plant), and for any special equipment classed, at the intervals indicated by the character of classification for the hull. At the special survey, the vessel is thoroughly examined, including audio-gauging, to determine the thickness of its steel structure. Should the thickness be found to be less than class requirements, the classification society would prescribe steel renewals. The classification society may grant a one-year grace period for completion of the special survey under certain conditions. Substantial funds may have to be expended for steel renewals to pass a special survey if the vessel experiences excessive wear and tear. In lieu of the special survey every four or five years, depending on whether a grace period was granted, a shipowner has the option of arranging with the classification society for the vessel’s integrated hull or machinery to be on a continuous survey cycle, in which every part of the vessel would be surveyed within a five-year cycle.

### **Sanction and Compliance**

We constantly monitor developments in the U.S., the EU and other jurisdictions that maintain economic sanctions against



Iran, Russian entities, Venezuela, other countries, and other sanctions targets, including developments in implementation and enforcement of such sanctions programs. Expansion of sanctions programs, embargoes and other restrictions in the future (including additional designations of countries and persons subject to sanctions), or modifications in how existing sanctions are interpreted or enforced, could prevent our vessels from calling in ports in sanctioned countries or could limit their cargoes.

## Iran Sanctions

Prior to January 2016, the scope of sanctions imposed against Iran, the government of Iran and persons engaging in certain activities or doing certain business with and relating to Iran was expanded by a number of jurisdictions, including the U.S., the EU and Canada. In 2010, the U.S. enacted the Comprehensive Iran Sanctions Accountability and Divestment Act (“CISADA”), which expanded the scope of the former Iran Sanctions Act. The scope of U.S. sanctions against Iran were expanded subsequent to CISADA by, among other U.S. laws, the National Defense Authorization Act of 2012 (the “2012 NDAA”), the Iran Threat Reduction and Syria Human Rights Act of 2012 (“ITRA”), and the Iran Freedom and Counter-Proliferation Act of 2012 (“IFCA”). The foregoing laws, among other things, expanded the application of prohibitions to non-U.S. companies such as our company and to transactions with no U.S. nexus, and introduced limits on the ability of non-U.S. companies and other non-U.S. persons to do business or trade with Iran when such activities relate to specific activities such as investment in Iran, the supply or export of refined petroleum or refined petroleum products to Iran, the supply and delivery of goods to Iran which could enhance Iran’s petroleum or energy sectors, and the transportation of crude oil from Iran to countries which do not enjoy Iran crude oil sanctions waivers (Navios Acquisition’s tankers called in Iran but did not engage in the prohibited activities specifically identified by these sanctions).

U.S. economic sanctions on Iran fall into two general categories: “Primary” sanctions, which prohibit U.S. persons or U.S. companies and their foreign branches, U.S. citizens, foreign owned or controlled subsidiaries, U.S. permanent residents, persons within the territory of the U.S. from engaging in all direct and indirect trade and other transactions with Iran without U.S. government authorization, and “secondary” sanctions, which are mainly nuclear-related sanctions. While most of the U.S. nuclear-related sanctions with respect to Iran (including, inter alia, CISADA, ITRA, and IFCA) and the EU sanctions on Iran were initially lifted on January 16, 2016 through the implementation of the Joint Comprehensive Plan of Action (the “JCPOA”) entered into between the permanent members of the United Nations Security Council (China, France, Russia, the U.K. and the U.S.) and Germany, there are still certain limitations under that sanctions framework in place with which we need to comply. The primary sanctions with which U.S. persons or transactions with a U.S. nexus must comply are still in force and have not been lifted or relaxed. However, the following sanctions which were lifted under the JCPOA were reimposed (“snapped back”) on May 8, 2018 as a result of the U.S. withdrawal from the JCPOA.

- Sanctions on the purchase or acquisition of U.S. dollar banknotes by the Government of Iran;
- Sanctions on Iran’s trade in gold or precious metals;
- Sanctions on the direct or indirect sale, supply, or transfer to or from Iran of graphite, raw, or semi-finished metals such as aluminum and steel, coal, and software for integrating industrial processes;
- Sanctions on significant transactions related to the purchase or sale of Iranian rials, or the maintenance of significant funds or accounts outside the territory of Iran denominated in the Iranian rial;
- Sanctions on the purchase, subscription to, or facilitation of the issuance of Iranian sovereign debt; and
- Sanctions on Iran’s automotive sector.

Following a 180-day wind-down period ending on November 4, 2018, the U.S. government re-imposed the following sanctions that were lifted pursuant to the JCPOA, including sanctions on associated services related to the activities below:

- Sanctions on Iran’s port operators, and shipping and shipbuilding sectors, including on the Islamic Republic of Iran Shipping Lines (IRISL), South Shipping Line Iran, or their affiliates;
- Sanctions on petroleum-related transactions with, among others, the National Iranian Oil Company (NIOC), Naftiran Intertrade Company (NICO), and National Iranian Tanker Company (NITC), including the purchase of petroleum, petroleum products, or petrochemical products from Iran;
- Sanctions on transactions by foreign financial institutions with the Central Bank of Iran and designated Iranian financial institutions under Section 1245 of the National Defense Authorization Act for Fiscal Year 2012 (NDAA);

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- Sanctions on the provision of specialized financial messaging services to the Central Bank of Iran and Iranian financial institutions described in Section 104(c)(2)(E)(ii) of the Comprehensive Iran Sanctions and Divestment Act of 2010 (CISADA);
- Sanctions on the provision of underwriting services, insurance, or reinsurance; and
- Sanctions on Iran’s energy sector.

In two Executive Orders issued in 2019, U.S. secondary sanctions against Iran were expanded to include the Iron, Steel, Aluminum, and Copper Sectors of Iran. The new, additional sanctions, which are pursuant to an Executive Order issued on January 10, 2020, may be imposed against any individual owning, operating, trading with, or assisting sectors of the Iranian economy including construction, manufacturing, textiles, and mining. As a result, trade with Iran in almost all industry sectors is now off limits for U.S. as well as non-U.S. persons, except for trade in medicine/medical items and food and agricultural commodities.

The new sanctions imposed in 2020 also authorize the imposition of sanctions on a foreign financial institution upon a determination that the foreign financial institution has, on or after January 10, 2020, knowingly conducted or facilitated any significant financial transaction: i) for the sale, supply, or transfer to or from Iran of significant goods or services used in connection with a prohibited sector of the Iranian economy, or (ii) for or on behalf of any person whose property and interests in property are blocked.

U.S. Iran sanctions also prohibit U.S. as well as non-U.S. persons from engaging in significant transactions with any individual or entity that the U.S. Government has designated as an Iran sanctions target.

EU sanctions remain in place in relation to the export of arms and military goods listed in the EU common military list, missiles-related goods and items that might be used for internal repression. The main nuclear-related EU sanctions which remain in place include restrictions on:

- Graphite and certain raw or semi-finished metals such as corrosion-resistant high-grade steel, iron, aluminum and alloys, titanium and alloys and nickel and alloys (as listed in Annex VIIB to EU Regulation 267/2012 as updated by EU Regulation 2015/1861 (the “EU Regulation”));
- Goods listed in the Nuclear Suppliers Group list (listed in Annex I to the EU Regulation);
- Goods that could contribute to nuclear-related or other activities inconsistent with the JCPOA (as listed in Annex II to the EU Regulation); and
- Software designed for use in nuclear/military industries (as listed in Annex VIIA to the EU Regulation).

The above EU sanctions activities can only be engaged if prior authorization (granted on a case-by-case basis) is obtained. The remaining restrictions apply to the sale, supply, transfer or export, directly or indirectly to any Iranian person/for use in Iran, as well as the provision of technical assistance, financing or financial assistance in relation to the restricted activity. Certain individuals and entities remain sanctioned and the prohibition to make available, directly or indirectly, economic resources or assets to or for the benefit of sanctioned parties remains. “Economic resources” is widely defined and it remains prohibited to provide vessels for a fixture from which a sanctioned party (or parties related to a sanctioned party) directly or indirectly benefits. It is therefore still necessary to carry out due diligence on the parties and cargoes involved in fixtures involving Iran.

### Russia/Ukraine Sanctions

As a result of the crisis in Ukraine and the annexation of Crimea by Russia in 2014, both the U.S. and the EU have implemented sanctions against certain Russian individuals and entities.

The EU has imposed travel bans and asset freezes on certain Russian persons and entities pursuant to which it is prohibited to make available, directly or indirectly, economic resources or assets to or for the benefit of the sanctioned parties. Certain Russian ports including Kerch Commercial Seaport; Sevastopol Commercial Seaport and Port Feodosia are subject to the above restrictions. Other entities are subject to sectoral sanctions, which limit the provision of equity financing and loans to the listed entities. In addition, various restrictions on trade have been implemented which, amongst others, include a prohibition on the import into the EU of goods originating in Crimea or Sevastopol as well as restrictions on trade in certain dual-use and military items and restrictions in relation to various items of technology associated with the oil industry for use in deep water exploration and production, Arctic oil exploration and production or shale oil projects in Russia. As such, it is important to carry out due diligence on the parties and cargoes involved in fixtures relating to Russia.

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The U.S. has imposed sanctions against certain designated Russian entities and individuals (“U.S. Russian Sanctions Targets”). These sanctions block the property and all interests in property of the U.S. Russian Sanctions Targets. This effectively prohibits U.S. persons from engaging in any economic or commercial transactions with the U.S. Russian Sanctions Targets unless the same are authorized by the U.S. Treasury Department. Similar to EU sanctions, U.S. sanctions also entail restrictions on certain exports from the U.S. to Russia and the imposition of Sectoral Sanctions, which restrict the provision of equity and debt financing to designated Russian entities. While the prohibitions of these sanctions are not directly applicable to us, we have compliance measures in place to guard against transactions with U.S. Russian Sanctions Targets, which may involve the U.S. or U.S. persons and thus implicate prohibitions. The U.S. also maintains prohibitions on trade with Crimea.

With respect to Russia, the U.S. has also taken a number of steps toward implementing aspects of the Countering America’s Adversaries Through Sanctions Act (“CAATSA”), a major piece of sanctions legislation.

Under CAATSA, the U.S. may impose secondary sanctions relating to Russia’s energy export pipelines and investments in special Russian crude oil projects. CAATSA has a provision that requires the U.S. President to sanction persons who knowingly engage in significant transactions with parties affiliated with Russia’s defense and intelligence sectors.

### Venezuela-Related Sanctions

The U.S. sanctions with respect to Venezuela prohibit various financial and other transactions and activities, dealings with designated Venezuelan government officials and entities, curtail the provision of financing to Petroleos de Venezuela, S.A. (“PdVSA”) and other government entities, and they also prohibit U.S. persons from purchasing oil from PdVSA. Additionally, U.S. (blocking) sanctions may be imposed on any (non-U.S.) person that has materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, or any blocked entity such as PdVSA.

EU sanctions against Venezuela are primarily governed by EU Council Regulation 2017/2063 of 13 November 2017 concerning restrictive measures in view of the situation in Venezuela. This includes financial sanctions and restrictions on listed persons and an arms embargo, and related prohibitions and restrictions including restrictions related to internal repression.

### **U.S. Executive Orders**

The following Executive Orders govern the U.S. sanctions with respect to Venezuela:

13884—Blocking Property of the Government of Venezuela—(August 5, 2019)

13857—Taking Additional Steps to Address the National Emergency With Respect to Venezuela (January 25, 2019)

13850—Blocking Property of Additional Persons Contributing to the Situation in Venezuela (November 1, 2018)

13835—Prohibiting Certain Additional Transactions with Respect to Venezuela (May 21, 2018)

13827—Taking Additional Steps to Address the Situation in Venezuela (March 19, 2018) – prohibits all transactions related to, provision of financing for, and other dealings in, by a U.S. person or within the U.S., in any digital currency, digital coin, or digital token, (the Petro) that was issued by, for, or on behalf of the Government of Venezuela on or after January 9, 2018.

13808—Imposing Additional Sanctions with Respect to the Situation in Venezuela (August 24, 2017) – This executive Order prohibits transactions involving, dealings in, and the provision of financing for (by U.S. persons) of:

- New debt with a maturity of greater than 90 days of PdVSA;
- New debt with a maturity of greater than 30 days or new equity of the Government of Venezuela, other than debt of PdVSA;
- Bonds issued by the Government of Venezuela prior to August 25, 2017, the EO’s effective date;
- Dividend payments or other distributions of profits to the Government of Venezuela from any entity directly or indirectly owned or controlled by the Government of Venezuela; or
- Direct or indirect purchase by U.S. persons or persons within the U.S. of securities from the Government of Venezuela, other than securities qualifying as new debt with a maturity of less than or equal to 90 or 30 days as covered by the EO (Section 1).

13692-Blocking Property and Suspending Entry of Certain Persons Contributing to the Situation in Venezuela (March 8, 2015) – blocks designated Venezuelan government officials.

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### Other U.S. Economic Sanctions Targets

In addition to Iran and certain Russian entities and individuals, as indicated above, the U.S. maintains comprehensive economic sanctions against Syria, Cuba, North Korea, and sanctions against entities and individuals (such as entities and individuals in the foregoing targeted countries, designated terrorists, narcotics traffickers) whose names appear on the List of SDNs and Blocked Persons maintained by the U.S. Treasury Department (collectively, the “Sanctions Targets”). We are subject to the prohibitions of these sanctions to the extent that any transaction or activity we engage in involves Sanctions Targets and a U.S. person or otherwise has a nexus to the U.S.

### Other E.U. Economic Sanctions Targets

The EU also maintains sanctions against Syria, North Korea and certain other countries and against individuals listed by the EU. These restrictions apply to our operations and as such, to the extent that these countries may be involved in any business it is important to carry out checks to ensure compliance with all relevant restrictions and to carry out due diligence checks on counterparties and cargoes.

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

**General:** The operation of any cargo vessel includes risks such as mechanical failure, physical damage, collision, fire, contact with floating objects, property loss, cargo loss or damage, business interruption due to political circumstances in foreign countries, hostilities, and labor strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. OPA 90, which imposes virtually unlimited liability upon owners, operators and demise charterers of any vessel trading in the U.S. exclusive economic zone for certain oil pollution accidents in the United States, has made liability insurance more expensive for ship owners and operators trading in the U.S. market. 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. Our current insurance includes the following:

*Hull and Machinery and War Risk Insurance:* We have marine hull and machinery and war risk insurance, which include coverage of the risk of actual or constructive total loss, for all of our owned vessels. Each of the owned vessels is covered up to at least fair market value, with a deductible of \$0.1 million per Panamax, Handymax and Container vessel and \$0.2 million per Capesize vessel for the hull and machinery insurance. We have also extended our war risk insurance to include war loss of hire for any loss of time to the vessel, including for physical repairs, caused by a warlike incident and piracy seizure for up to 270 days of detention / loss of time. There are no deductibles for the war risk insurance or the war loss of hire cover.

We have arranged, as necessary, increased value insurance for our vessels. With 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 that are not recoverable in full by the hull and machinery policies by reason of underinsurance. We do not expect to maintain loss of hire insurance for our vessels. Loss of hire insurance covers business interruptions that result in the loss of use of a vessel.

*Protection and Indemnity Insurance:* Protection and indemnity insurance is expected to be provided by mutual protection and indemnity associations (“P&I Associations”), who indemnify members in respect of discharging their tortious, contractual or statutory third-party legal liabilities arising from the operation of an entered ship. Such liabilities include but are not limited to third-party liability and other related expenses from injury or death of crew, passengers and other third parties, loss or damage to cargo, claims arising from collisions with other vessels, damage to other third-party property, pollution arising from oil or other substances, and salvage, towing and other related costs, including wreck removal. Protection and indemnity insurance is a form of mutual indemnity insurance, extended by protection and indemnity mutual associations and always provided in accordance with the applicable associations’ rules and members’ agreed terms and conditions.

Our fleet is currently entered for protection and indemnity insurance with International Group associations where, in line with all International Group Clubs, coverage for oil pollution is limited to \$1.0 billion per event. The 13 P&I Associations that comprise the International Group insure approximately 95% of the world’s commercial tonnage and have entered into a pooling agreement to collectively reinsure each association’s liabilities. Each vessel that we acquire will be entered with P&I Associations of the International Group. Under the International Group reinsurance program for the current policy year, each P&I club in the International Group is responsible for the first \$10.0 million of every claim. In every claim the amount in excess of \$10.0 million and up to \$100.0 million is shared by the clubs under the pooling agreement. Any claim in excess of \$100.0 million is reinsured by the International Group in the international reinsurance market under the General Excess of Loss Reinsurance Contract. This policy

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currently provides an additional \$2.0 billion of coverage for non-oil pollution claims. Further to this, an additional reinsurance layer has been placed by the International Group for claims up to \$1.0 billion in excess of \$2.1 billion, or \$3.1 billion in total. For passengers and crew claims, the overall limit is \$3.0 billion for any one event on any one vessel with a sub-limit of \$2.0 billion for passengers. With the exception of pollution, passenger or crew claims, should any other P&I claim exceed Group reinsurance limits, the provisions of all International Group Club's overspill claim rules will operate and members of any International Group Club will be liable for additional contributions in accordance with such rules. To date, there has never been an overspill claim, or one even nearing this level.

As a member of the P&I Associations that are members of the International Group, we will be subject to calls payable to the associations based on our individual fleet record, the associations' overall its claim records as well as the claim records of all other members of the individual associations, and members of the pool of P&I Associations comprising the International Group. The P&I Associations' policy year commences on February 20th. Calls are levied by means of Estimated Total Premiums ("ETP") and the amount of the final installment of the ETP varies according to the actual total premium ultimately required by the club for a particular policy year. Members have a liability to pay supplementary calls, which might be levied by the board of directors of the club if the ETP is insufficient to cover amounts paid out by the club. Should a member leave or entry cease with any of the associations, at the Club's Managers discretion, they may be also be liable to pay release calls or provide adequate security for the same amount. Such calls are levied in respect of potential outstanding Club/Member liabilities on open policy years and include but are not limited to liabilities for deferred calls and supplementary calls.

*Uninsured Risks:* Not all risks are insured and not all risks are insurable. The principal insurable risks, which nonetheless remain uninsured across our businesses, are "loss of hire", "strikes," except in cases of loss of hire due to war or a piracy event or due to presence of contraband on board, "defense," and "credit risk. Specifically, we do not insure these risks because the costs are regarded as disproportionate. These insurances provide, subject to a deductible, a limited indemnity for hire that would not be receivable by the shipowner for reasons set forth in the policy. Should a vessel on time charter, where the vessel is paid a fixed hire day by day, suffer a serious mechanical breakdown, the daily hire will no longer be payable by the charterer. The purpose of the loss of hire insurance is to secure the loss of hire during such periods. In the case of strikes insurance, if a vessel is being paid a fixed sum to perform a voyage and the ship becomes strike bound at a loading or discharging port, the insurance covers the loss of earnings during such periods. However, in some cases when a vessel is transiting high risk war and/or piracy areas, we arrange war loss of hire insurance to cover up to 270 days of detention/loss of time. When our charterers engage in legally permitted trading in locations which may still be subject to sanctions or boycott, such as Iran, Syria and Sudan, our insurers may be contractually or by operation of law prohibited from honoring our insurance contract for such trading, which could result in reduced insurance coverage for losses incurred by the related vessels. Furthermore, our insurers and we may be prohibited from posting or otherwise be unable to post security in respect of any incident in such locations, resulting in the loss of use of the relevant vessel and negative publicity for our Company which could negatively impact our business, results of operations, cash flows and share price.

There are no deductibles for the war loss of hire cover in case of piracy and contraband cover. We maintain strike and business interruption insurance for our port terminal operations.

Even if our insurance coverage is adequate to cover our losses, if we suffer a loss of a vessel, we may not be able to obtain a timely replacement for any lost vessel. Furthermore, in the future, we may not be able to obtain adequate insurance coverage at reasonable rates for our fleet. For example, more stringent environmental regulations have led to increased costs for, and in the future may result in the lack of availability of, insurance against risks of environmental damage or pollution. We may also be subject to calls, or premiums, in amounts based not only on our own claim records but also on the claim records of all other members of the protection and indemnity associations through which we receive indemnity insurance coverage. A catastrophic oil spill or marine disaster could exceed our insurance coverage, which could have a material adverse effect on our business, results of operations and financial condition. Any uninsured or underinsured loss could harm our business and financial condition. In addition, the insurance may be voidable by the insurers as a result of certain actions, such as vessels failing to maintain required certification.

## **Risk Management**

Risk management in the shipping industry involves balancing a number of factors in a cyclical and potentially volatile environment. Fundamentally, the challenge is to appropriately allocate capital to competing opportunities of owning or chartering vessels. In part, this requires a view of the overall health of the market as well as an understanding of capital costs and returns. Thus, stated simply, one may charter-in part of a fleet as opposed to owning the entire fleet to maximize risk management and economic results. This is coupled with the challenge posed by the complex logistics of ensuring that the vessels controlled by Navios Holdings are fully employed.

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Navios Holdings seeks to manage risk through a number of strategies, including vessel control strategies (chartering and ownership) and freight carriage. Navios Holdings' vessel control strategies include seeking the appropriate mix of owned vessels, long- and short-term chartered-in vessels, coupled with purchase options, when available, and spot charters. Navios Holdings has from time to time entered into COAs, which gives Navios Holdings, subject to certain limitations, the flexibility to determine the means of getting a particular cargo to its destination.

### **Legal Proceedings**

Navios Holdings is not involved in any legal proceedings that it believes will have a material adverse effect on its business, financial position, results of operations and liquidity.

From time to time, Navios Holdings may be subject to legal proceedings and claims in the ordinary course of business. It is expected that these claims would be covered by insurance if they involved liabilities such as those that arise from a collision, other marine casualty, damage to cargoes, oil pollution and death or personal injuries to crew, subject to customary deductibles. Those claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources.

Refer to "Item 8. Financial Information" in "Legal Proceedings".

### **Crewing and Shore Employees**

Employees of the Manager provide assistance to us and our operating subsidiaries pursuant to the Management Agreement and the Administrative Services Agreement. The Manager crews its vessels primarily with Ukrainian, Polish, Filipino, Russian, Indian, Georgian, Romanian officers and Filipino, Georgian, Ethiopian, Indian and Ukrainian seamen. For these nationalities, officers and seamen are referred to the Manager by local crewing agencies. The crewing agencies handle each seaman's training while the Manager handles their travel and payroll. The Manager requires that all of its seamen have the qualifications and licenses required to comply with international regulations and shipping conventions. Navios Logistics crews its fleet with Argentinean, Brazilian and Paraguayan officers and seamen. Navios Logistics' fleet managers are responsible for selecting the crew. Following the sale of the management division, Navios Holdings does not employ any staff. Navios Logistics employs 23 employees in the Asuncion, Paraguay office, 46 employees at the port facility in San Antonio, Paraguay, 99 employees in the Buenos Aires, Argentina office, six employees in the Montevideo, Uruguay office, 216 employees at the port facility in Nueva Palmira, Uruguay and 11 employees in the Corumba, Brazil office.

### **Facilities**

Navios Holdings and its affiliates leased through August 30, 2019 various properties in Greece, Belgium, New York and Monaco. Following the sale of the management division, as of August 30, 2019, Navios Holdings has no office lease obligations other than the office space in Monaco pursuant to a lease that expires in June 2023.

Navios Logistics and its subsidiaries currently lease, (or occupy as free zone users, as the case may be), the following premises:

- CNSA, as a free zone direct user at the Nueva Palmira Free Zone, holds the right to occupy the land on which it operates its port and transfer facilities, located at Zona Franca, Nueva Palmira, Uruguay. CNSA has been authorized to operate as a free zone user on November 29, 1955 by a resolution of the Executive, who on September 27, 1956 approved an agreement, as required by applicable law at the time. On December 4, 1995, CNSA's rights as a direct user were renewed in a single free zone user agreement. On March 4, 2016, the extension of the agreement has been modified, allowing CNSA to install and operate a transfer station to handle and store goods, and to build and operate a plant to receive, prepare and dry grain, iron ore, minerals and all types of liquid cargo on land in the Nueva Palmira Free Zone. As a part of a restructuring process, on November 13, 2018, CNSA has modified its user agreement with the Free Zone of Nueva Palmira, returning to the Free Trade Zone the area in which the facilities of the grain terminal were located, so that such area was subsequently assigned to Granos, another Navios Logistics' subsidiary. By the means of the restructuring process, CNSA currently performs all activities related to transshipment and deposit of minerals, whereas Granos performs activities related to the transshipment and deposit of agro-commodities and grains. Under the aforementioned agreement, CNSA has the right of use of approximately 37 acres and pays a total fixed annual fee that amounts to \$0.1 million, payable over eight consecutive months beginning in January of each year and increasing yearly in proportion to the variation in the U.S. Consumer Price Index corresponding to the previous year. There is also a transshipment fee of \$0.25 per ton transshipped. CNSA has also assumed certain obligations with respect to improving the land subject to the agreement, and the agreement is terminable by the Free Zone Division if it breaches the terms of the agreement, or labor laws and social security contributions, and if it commits illegal acts or acts expressly forbidden by the agreement. The



agreement entered into between CNSA and the Free Zone expires on March 3, 2046, with a 20-year extension at our option, until 2066.

- As a consequence of the above-mentioned restructuring process, on November 13, 2018, Granos has entered into a user agreement with the Free Zone of Nueva Palmira, having been authorized to operate as a direct free zone user, therefore being allowed to install and operate a transfer station to handle and store goods, and to build and operate a plant to receive, prepare and dry grain and all types of liquid cargo on land in the Nueva Palmira Free Zone. By the means of the said agreement, Granos currently has the right of use of approximately 46 acres and pays a total fixed annual fee that amounts to \$0.2 million, payable over eight consecutive months beginning in January of each year and increasing yearly in proportion to the variation in the U.S. Consumer Price Index corresponding to the previous year. There is also a transshipment fee of \$ 0.25 per ton transshipped. The agreement with the Free Zone expires on March 3, 2046, with a 20-year extension at our option, until 2066.
- On August 4, 2011, Enresur entered into a direct user agreement with the Free Zone of Nueva Palmira and subsequently, due to the acquisition of Enresur by Navios Logistics, such agreement has been revised by an amendment entered into with the Free Zone in July 22, 2016. Therefore, Enresur obtained an authorization to operate as a free zone user, being allowed to build, install and operate a system of handling, storage and treatment of materials in general and raw materials. As a consequence of the agreement, Enresur currently has the right of use of 27 acres and 9556 square meters and pays a total fixed annual fee that amounts to \$0.1 million, payable over eight consecutive months beginning in January of each year and increasing yearly in proportion to the variation in the U.S. Consumer Price Index corresponding to the previous year. There is also a transshipment fee of \$0.25 per ton transshipped. The agreement expires on July 22, 2046, with a 20-year extension at our option, until 2066.
- On December 29, 2008, Edolmix S.A. entered into a direct user agreement with the Free Zone of Nueva Palmira and, due to the acquisition of Edolmix by Navios Logistics in 2015, such agreement has been revised by an amendment entered into with the Free Zone in July 22, 2016. Therefore, Edolmix obtained an authorization to operate as a free zone user, being allowed to install and operate warehouses, silos, industrial facilities for the storage and handling of materials in general and raw materials, including raw manganese, minerals, grains and liquid cargo, containers and pallets; having being also authorized to install and operate a barge dock and a port terminal. As a consequence of the agreement, Edolmix currently has the right of use of 34.5 acres and 3,546 square meters and pays a total fixed annual fee that amounts to \$0.1 million, payable over eight consecutive months beginning in January of each year and increasing yearly in proportion to the variation in the U.S. Consumer Price Index corresponding to the previous year. There is also a transshipment fee of \$ 0.25 per ton transshipped. The agreement expires on July 22, 2046, with a 20-year extension at our option until 2066.
- CNSA also leases approximately 400 square meters of space at Paraguay 2141, Montevideo, Uruguay, pursuant to a lease that expires in November 2020.
- Compania Naviera Horamar S.A. leases approximately 409 square meters at Cepeda 429 Street, San Nicolás, Buenos Aires, Argentina, pursuant to a lease agreement that expires in November 2020.
- Compania Naviera Horamar S.A. leases approximately 277 square meters at 874 California Street, Buenos Aires, Argentina. The lease agreement expires in August 31, 2021.
- Compania Naviera Horamar S.A. leases a piece of land called “La Misteriosa” in an Island in the Province of Entre Rios, Argentina, Department of Islands of Ibicuy and Paranacito. As per new contract dated June 28, 2019, the lease agreement expires on June 30, 2021.
- Compania Naviera Horamar S.A. leases approximately 1,370 square meters of office space at Av. Juana Manso 205, Buenos Aires, Argentina, pursuant to a lease agreement that expires in June 2021. As per an addendum dated November 21, 2019, CNH has agreed to lease nine additional parking spaces and one storage until expiration date.
- Merco Par S.A.C.I. leases approximately 655 square meters of office space at Avenida Aviadores del Chaco No 1.669 corner San Martín, Asuncion, Paraguay, pursuant to a lease agreement that expires in October 2023.
- Hidronave South American Logistics leases an office space at 688, 15 de novembro street, Corumbá, Brazil, pursuant to a lease agreement that expires in May 2020.

CNSA owns premises in Montevideo, Uruguay. This space is approximately 112 square meters and is located at Juan Carlos Gomez 1445, Oficina 701, Montevideo 1100, Uruguay.

Petrolera San Antonio S.A. owns the premises from which it operates in Avenida San Antonio, Paraguay. This space is approximately



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146,744 square meters and is located between Avenida San Antonio and Virgen de Caacupe, San Antonio, Paraguay.

Compania Naviera Horamar S.A. owns two storehouses located at 880 Calle California, Ciudad Autonoma de Buenos Aires, Argentina and at 791/795 Calle General Daniel Cerri, Ciudad Autonoma de Buenos Aires, Argentina of approximately 259 and 825 square meters, respectively. Compania Naviera Horamar S.A. also owns approximately 1,139 square meters of office space located in 846 Avenida Santa Fe, Ciudad Autonoma de Buenos Aires, Argentina.

Petrovia Internacional S.A. owns three plots of land in Nueva Palmira, Uruguay, two of approximately 29 acres each and one of 23 acres.

Docas Fluvial de Porto Murtinho Ltda. owns plots of land in Porto Murtinho, Brazil. This land is approximately 58,876 square meters and it is located on the shoreline of the Paraguay River. On September 10, 2019 Docas has acquired a new plot of land in Porto Murtinho of approximately 2.5 acres.

### **C. Organizational structure**

Navios Holdings maintains its head offices in Monaco. Navios Logistics maintains offices in Montevideo—Uruguay, Buenos Aires—Argentina, Asuncion—Paraguay, and Corumba—Brazil. Navios Logistics conducts the commercial and technical management of its vessels, barges and pushboats through its wholly-owned subsidiaries. Navios Logistics holds the rights to operate the ports and transfer facilities in Nueva Palmira indirectly through its Uruguayan subsidiary, CNSA, and Granos and owns the San Antonio port facility through its Paraguayan subsidiary, Petrosan.

As of December 31, 2019, all subsidiaries included in the consolidated financial statements are 100% owned, except for Navios Logistics and its subsidiaries, which is 63.8% owned by Navios Holdings.

The table below sets forth Navios Holdings' corporate structure for each of the periods presented.

#### **Subsidiaries included in the consolidation:**

<u>Company Name</u>	<u>Nature</u>	<u>Ownership Interest</u>	<u>Country of Incorporation</u>	<u>Statement of Operations</u>		
				<u>2019</u>	<u>2018</u>	<u>2017</u>
Navios Maritime Holdings Inc.	Holding Company		Marshall Is.	1/1 - 12/31	1/1 -12/31	1/1 - 12/31
Navios South American Logistics Inc.	Sub-Holding Company	63.8%	Marshall Is.	1/1 - 12/31	1/1 -12/31	1/1 - 12/31
Navios Maritime Containers L.P.	Holding Company	3.7%	Marshall Is.	1/1 - 8/29	11/30 -12/31	—
Navios Corporation	Sub-Holding Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Navios International Inc.	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Navimax Corporation	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Navios Handybulk Inc.	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Hestia Shipping Ltd	Operating Company	100%	Malta	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Anemos Maritime Holdings Inc.	Sub-Holding Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Navios Shipmanagement Inc.	Management Company	100%	Marshall Is.	1/1 - 8/29	1/1 - 12/31	1/1 - 12/31
NAV Holdings Limited	Sub-Holding Company	100%	Malta	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Kleimar N.V.	Operating Company/ Vessel Owning Company/ Management Company	100%	Belgium	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31

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Company Name	Nature	Ownership Interest	Country of Incorporation	Statement of Operations		
				2019	2018	2017
Kleimar Ltd.	Operating Company	100%	Marshall Is.	1/1 - 8/29	1/1 - 12/31	1/1 - 12/31
Bulkinvest S.A.	Operating Company	100%	Luxembourg	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Primavera Shipping Corporation	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Ginger Services Co.	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Aquis Marine Corp.	Sub-Holding Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Navios Tankers Management Inc.	Management Company	100%	Marshall Is.	1/1 - 8/29	1/1 - 12/31	1/1 - 12/31
Astra Maritime Corporation	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Achilles Shipping Corporation	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Apollon Shipping Corporation	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Herakles Shipping Corporation	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Hios Shipping Corporation	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Ionian Shipping Corporation	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Kypros Shipping Corporation	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Meridian Shipping Enterprises Inc.	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Mercator Shipping Corporation	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Arc Shipping Corporation	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Horizon Shipping Enterprises Corporation	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Magellan Shipping Corporation	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Aegean Shipping Corporation	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Star Maritime Enterprises Corporation	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Corsair Shipping Ltd.	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Rowboat Marine Inc.	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Rondine Management Corp.	Vessel Owning Company	100%	Marshall Is.	3/22 - 12/31	—	—
Vernazza Shiptrade Inc.	Operating Company	100%	Marshall Is.	9/25 - 12/31	—	—
Navios Corporation Management Inc.	Operating Company	100%	Marshall Is.	7/4 - 8/29	—	—
Beaufiks Shipping Corporation	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Nostos Shipmanagement Corp.	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Portorosa Marine Corp.	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Shikhar Ventures S.A.	Vessel Owning Company	100%	Liberia	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31

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Company Name	Nature	Ownership Interest	Country of Incorporation	Statement of Operations		
				2019	2018	2017
Sizzling Ventures Inc.	Operating Company	100%	Liberia	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Rheia Associates Co.	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Taharqa Spirit Corp.	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Rumer Holding Ltd.	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Pharos Navigation S.A.	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Pueblo Holdings Ltd	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Quena Shipmanagement Inc.	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Aramis Navigation Inc.	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
White Narcissus Marine S.A.	Vessel Owning Company	100%	Panama	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Navios GP L.L.C.	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Red Rose Shipping Corp.	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Highbird Management Inc.	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Ducale Marine Inc.	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Vector Shipping Corporation	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Faith Marine Ltd.	Vessel Owning Company	100%	Liberia	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Navios Maritime Finance (US) Inc.	Operating Company	100%	Delaware	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Navios Maritime Finance II (US) Inc.	Operating Company	100%	Delaware	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Tulsi Shipmanagement Co.	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Cinthara Shipping Ltd.	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Rawlin Services Company	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Mauve International S.A.	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Serenity Shipping Enterprises Inc.	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Mandora Shipping Ltd	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Solange Shipping Ltd.	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Diesis Ship Management Ltd	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Navios Holdings Europe Finance Inc.	Sub-Holding Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Navios Asia LLC	Sub-Holding Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Iris Shipping Corporation	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Jasmine Shipping Corporation	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Emery Shipping Corporation	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Lavender Shipping Corporation	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Esmeralda Shipping Corporation	Vessel Owning Company	100%	Marshall Is.	—	1/1 - 8/30	1/1 - 12/31
Triangle Shipping Corporation	Vessel Owning Company	100%	Marshall Is.	—	1/1 - 8/30	1/1 - 12/31
Roselite Shipping Corporation	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31

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Company Name	Nature	Ownership Interest	Country of Incorporation	Statement of Operations		
				2019	2018	2017
Smaltite Shipping Corporation	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Motiva Trading Ltd	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Alpha Merit Corporation	Sub-Holding Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	11/3 - 12/31
Thalassa Marine S.A.	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	12/15 - 12/31
Asteroid Shipping S.A.	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/12 - 12/31	—
Cloud Atlas Marine S.A.	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/15 - 12/31	—
Heodor Shipping Inc.	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	2/13 - 12/31	—
Navios Maritime Containers GP LLC	Operating Company	100%	Marshall Is.	1/1 - 8/29	9/11 - 12/31	—
Navios Containers Management Inc.	Management Company	100%	Marshall Is.	1/1 - 8/29	1/1 - 12/31	—
Pacifico Navigation Corp.	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	11/7 - 12/31	—
Rider Shipmanagement Inc.	Operating Company	100%	Marshall Is.	1/1 - 12/31	12/4 - 12/31	—
Talia Shiptrade S.A.	Operating Company	100%	Marshall Is.	1/1 - 12/31	10/11 - 12/31	—

### **Affiliates included in the financial statements accounted for under the equity method:**

In the consolidated financial statements of Navios Holdings, the following entities are included as affiliates and are accounted for under the equity method for such periods: (i) Navios Partners and its subsidiaries (ownership interest as of December 31, 2019 was 18.5%); (ii) Navios Acquisition and its subsidiaries (economic interest as of December 31, 2019 was 31.0%); (iii) Navios Europe I and its subsidiaries (economic interest through liquidation in December 2019 was 47.5%); (iv) Navios Europe II and its subsidiaries (economic interest as of December 31, 2019 was 47.5%); (v) Navios Containers and its subsidiaries (economic interest as of November 30, 2018, date of obtaining control, and from August 30, 2019, date of loss of control and as of December 31, 2019 was 3.7%); and (vi) Acropolis Chartering and Shipping Inc. (“Acropolis”) (economic interest as of December 6, 2018, date of the sale of investment, was 35.0%).

### **D. Property, plants and equipment**

Our only material property is the owned vessels, tanker vessels, barges and pushboats and the port terminal facilities in Paraguay and Uruguay. See “Item 4.B Business Overview” above.

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

None.

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

The following is a discussion of Navios Holdings’ financial condition and results of operations for each of the fiscal years ended December 31, 2019, 2018 and 2017. Navios Holdings’ financial statements have been prepared in accordance with U.S. GAAP. You should read this section together with the consolidated financial statements and the accompanying notes to those financial statements, which are included in this document.

This report contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Reform Act of 1995. These forward-looking statements are based on Navios Holdings’ current expectations and observations. Included among the factors that, in our view, could cause actual results to differ materially from the forward-looking statements contained in this report are those discussed under “Risk Factors” and “Forward-Looking Statements”.

## Overview

Navios Holdings is a global seaborne shipping and logistics company focused on the transport and transshipment of dry bulk commodities, including iron ore, coal and grain. Following the sale of the management division effected on August 30, 2019, Navios Holdings' owned fleet is commercially and technically managed by NSM (refer to "Related Party Transactions").

Navios Logistics, a consolidated subsidiary of Navios Holdings, is one of the largest logistics companies in the Hidrovia region river system, the main navigable river system in the region, and on the cabotage trades along the eastern coast of South America, serving its customers in the Hidrovia region through three port storage and transfer facilities, one for agricultural, forest-related exports, one for mineral-related exports and the other for refined petroleum products. Navios Logistics complements its three port terminals with a diverse fleet of 332 barges and pushboats and eight vessels, including six oceangoing tankers, one bunker vessel and one river and estuary tanker which operate in its cabotage business. Navios Holdings currently owns 63.8% of Navios Logistics.

Navios Containers (NASDAQ: NMCI), a consolidated subsidiary of the Company since November 30, 2018 (date of obtaining control) through August 30, 2019 (date of loss of control) is a growth-oriented international owner and operator of containerships. Navios Containers was formed in April 2017 to take advantage of acquisition and chartering opportunities in the container shipping sector. Following the sale of Navios Containers' general partnership interest effected on August 30, 2019, referred to in Note 3 included elsewhere in this Annual Report, Navios Holdings lost control and deconsolidated Navios Containers from that date onwards. As a result, from August 30, 2019, Navios Containers is not a controlled subsidiary of the Company and the investment in Navios Containers is accounted for under the equity method due to Navios Holdings' significant influence over Navios Containers. As of December 31, 2019, Navios Holdings had a 3.7% ownership interest in Navios Containers.

On August 7, 2007, Navios Holdings formed Navios Partners under the laws of Marshall Islands. Navios G.P. L.L.C. ("General Partner"), a wholly owned subsidiary of Navios Holdings, was also formed on that date to act as the general partner of Navios Partners and received a 2.0% general partner interest in Navios Partners. Navios Partners is an affiliate and not consolidated under Navios Holdings. As of December 31, 2019 and following the sale of Navios Partners' general partnership interest, except for the incentive distribution rights (see also Note 3 included elsewhere in this Annual Report), Navios Holdings owned an 18.5% interest in Navios Partners.

On May 28, 2010, Navios Holdings acquired control over Navios Acquisition. As a result, Navios Holdings concluded a business combination had occurred and consolidated the results of Navios Acquisition from that date until March 30, 2011. From March 30, 2011, Navios Acquisition has been considered as an affiliate entity of Navios Holdings.

On December 13, 2018, Navios Acquisition completed the Merger contemplated by the previously announced Merger Agreement, dated as of October 7, 2018, by and among Navios Acquisition, its Merger Sub, Navios Midstream and NAP General Partner. Pursuant to the Merger Agreement, Merger Sub merged with and into Navios Midstream, with Navios Midstream surviving as a wholly-owned subsidiary of Navios Acquisition. As of December 31, 2019, Navios Holdings' ownership of the outstanding voting stock of Navios Acquisition was 30.6% and its economic interest was 31.0%.

On October 9, 2013, Navios Holdings, Navios Acquisition and Navios Partners established Navios Europe I and had economic interests of 47.5%, 47.5% and 5.0%, respectively and effective November 2014 voting interests of 50%, 50% and 0%, respectively through its liquidation in December 2019.

On February 18, 2015, Navios Holdings, Navios Acquisition and Navios Partners established Navios Europe II and have economic interests of 47.5%, 47.5% and 5.0%, respectively and voting interests of 50%, 50% and 0%, respectively.

## Charter Policy and Industry Outlook

Navios Holdings' policy has been to take a portfolio approach to managing operating risks. This policy may lead Navios Holdings to time charter-out many of the vessels that it is operating (i.e., vessels owned by Navios Holdings or which Navios Holdings has taken into its fleet under charters having a duration of more than 12 months) for long-term periods at fixed or floating rates to various shipping industry counterparties considered by Navios Holdings to have appropriate credit profiles. By doing this, Navios Holdings aims to lock in, subject to credit and operating risks, favorable forward revenue and cash flows, which it believes, will cushion it against unfavorable market conditions, when the Company deems necessary. In addition, Navios Holdings trades additional vessels taken in on shorter term charters of less than 12 months duration as well as voyage charters or COAs.

Generally, this chartering policy may have the effect of generating Time Charter Equivalent ("TCE") that are higher than spot employment. The average daily charter-in vessel cost for the Navios Holdings long-term charter-in fleet (excluding vessels, which are utilized to serve voyage charters or COAs) was \$13,531 per day for the year ended December 31, 2019. The average long-

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term charter-in hire rate per vessel was included in the amount of long-term hire included elsewhere in this document and was computed by (a) multiplying (i) the daily charter-in rate for each vessel by (ii) the number of days each vessel is in operation for the year; (b) summing those individual multiplications; and (c) dividing such total by the total number of charter-in vessel days for the year. Furthermore, Navios Holdings has the ability to increase its owned fleet through purchase options exercisable in the future at favorable prices relative to the then-current market. Navios Holdings holds 13 purchase options to acquire chartered-in vessels, and five purchase options to acquire vessels under bareboat contracts, expected to be delivered through 2020.

Navios Holdings believes that a decrease in global commodity demand from its current level, and the delivery of dry bulk carrier new buildings into the world fleet, could have an adverse impact on future revenue and profitability. However, Navios Holdings believes that the operating cost advantage (through the contracts provided by NSM) of its owned vessels and long-term chartered fleet will continue to help mitigate the impact of any declines in freight rates. A reduced freight rate environment also has an adverse impact on the value of Navios Holdings' owned fleet. In reaction to a decline in freight rates, available ship financing can also be negatively impacted.

Navios Logistics owns and operates vessels, barges and pushboats located mainly in Argentina, the largest independent bulk transfer and storage port facility in Uruguay, an upriver liquid port facility located in Paraguay and an upriver grain facility being developed in Brazil. Operating results for Navios Logistics are highly correlated to: (i) South American grain production and export, in particular Argentinean, Brazilian, Paraguayan, Uruguayan and Bolivian production and export; (ii) South American iron ore production and export, mainly from Brazil; and (iii) sales (and logistic services) of petroleum products in the Argentine and Paraguayan markets. Navios Holdings believes that the continuing development of these businesses will foster throughput growth and therefore increase revenues at Navios Logistics. Should this development be delayed, grain harvests be reduced, or the market experience an overall decrease in the demand for grain or iron ore, the operations in Navios Logistics could be adversely affected.

## Fleet

The following is the current "core fleet" employment profile. The current "core fleet" of Navios Holdings consists of 53 vessels totaling 5.7 million deadweight tons and has an average age of 7.7 years, assuming basis delivered fleet. The employment profile of the fleet as of April 13, 2020 is reflected in the tables below. Navios Holdings has currently chartered-out 84.6% of available days for 2020, out of which 40.2% on fixed rate and 44.4% on index. Although the fees as presented below are based on contractual charter rates, any contract is subject to performance by the counterparties and us. Additionally, the level of these fees would decrease depending on the vessels' off-hire days to perform periodic maintenance.

## Owned Vessels

Vessels	Type	Built	DWT	Charter-out Rate(1)	Profit Share	Expiration Date(2)
Navios Serenity	Handysize	2011	34,690	8,550	No	07/2020
Navios Astra	Ultra Handymax	2006	53,468	8,598	No	11/2020
Navios Ulysses	Ultra Handymax	2007	55,728	6,426	No	04/2020
				—	100% of average Baltic Supramax 58 10 TC Index Routes	11/2020
Navios Celestial	Ultra Handymax	2009	58,063	7,104	No	04/2020
				—	100% of average Baltic Supramax 58 10 TC Index Routes	11/2020
Navios Vega	Ultra Handymax	2009	58,792	6,426	No	04/2020
				—	100% of average Baltic Supramax 58 10 TC Index Routes	12/2020
Navios Star (3)	Panamax	2002	76,662	5,585	No	04/2020
				—	99% of average Baltic Panamax Index 4TC Routes	05/2020

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<u>Vessels</u>	<u>Type</u>	<u>Built</u>	<u>DWT</u>	<u>Charter-out Rate(1)</u>	<u>Profit Share</u>	<u>Expiration Date(2)</u>
Navios Northern Star	Panamax	2005	75,395	5,922	No	04/2020
				—	100% of average Baltic Panamax Index 4TC Routes	03/2022
Navios Amitie	Panamax	2005	75,395	10,395	No	12/2020
				—	100% of average Baltic Panamax Index 4TC Routes	12/2021
Navios Taurus	Panamax	2005	76,596	5,691	No	04/2020
				—	100% of average Baltic Panamax Index 4TC Routes	07/2021
Navios Asteriks	Panamax	2005	76,801	9,625	No	12/2020
				—	100% of average Baltic Panamax Index 4TC Routes	12/2021
N Amalthia	Panamax	2006	75,318	10,395	No	12/2020
				—	100% of average Baltic Panamax Index 4TC Routes	01/2022
Navios Galileo	Panamax	2006	76,596	5,691	No	04/2020
				—	100% of average Baltic Panamax Index 4TC Routes	01/2022
N Bonanza	Panamax	2006	76,596	9,769	No	12/2020
				—	100% of average Baltic Panamax Index 4TC Routes	12/2021
Navios Avior	Panamax	2012	81,355	5,828	No	04/2020
				—	110% of average Baltic Panamax Index 4TC Routes	11/2022
Navios Centaurus	Panamax	2012	81,472	5,463	No	05/2020
Navios Victory	Panamax	2014	77,095	6,633	No	04/2020
				—	112% of average Baltic Panamax Index 4TC Routes	01/2021
Navios Stellar	Capesize	2009	169,001	—	99% of average Baltic Capesize 5TC Index Routes	03/2021
Navios Bonavis	Capesize	2009	180,022	5,227	No	04/2020
				—	102.5% Weighted Average Baltic Capesize 5TC Index Routes	10/2020
Navios Happiness	Capesize	2009	180,022	4,444	No	04/2020
				—	106% Weighted Average Baltic Capesize 5TC Index Routes	03/2021



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<u>Vessels</u>	<u>Type</u>	<u>Built</u>	<u>DWT</u>	<u>Charter-out Rate(1)</u>	<u>Profit Share</u>	<u>Expiration Date(2)</u>
Navios Phoenix	Capesize	2009	180,242	4,978	No	04/2020
				—	108% to 109.75% Weighted Average Baltic Capesize 5TC Index Routes	03/2021
Navios Lumen	Capesize	2009	180,661	—	Spot	—
Navios Antares	Capesize	2010	169,059	—	99% of average Baltic Capesize 5TC Index Routes	03/2021
Navios Etoile	Capesize	2010	179,234	—	100.25% Weighted Average Baltic Capesize 5TC Index Routes	04/2020
Navios Bonheur	Capesize	2010	179,259	4,261	No	04/2020
				—	100.5% Weighted Average Baltic Capesize 5TC Index Routes	09/2020
Navios Altamira	Capesize	2011	179,165	—	100% of average Baltic Capesize 5TC Index Routes	03/2021
Navios Azimuth	Capesize	2011	179,169	—	Spot	—
Navios Ray	Capesize	2012	179,515	4,305	No	04/2020
				—	107% Weighted Average Baltic Capesize 5TC Index Routes	08/2020
Navios Gem	Capesize	2014	181,336	6,066	No	04/2020
				—	125% Weighted Average Baltic Capesize 5TC Index Routes	02/2021
Dream Canary	Capesize	2015	180,528	4,190	No	04/2020
				—	120% Weighted Average Baltic Capesize 5TC Index Routes	12/2020
Navios Corali	Capesize	2015	181,249	—	122% Weighted Average Baltic Capesize 5TC Index Routes	10/2020

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**Long-term Bareboat-in Fleet in Operation**

Vessels	Type	Built	DWT	Charter-out Rate (1)	Purchase Option	Index	Expiration Date (2)
Navios Herakles I	Panamax	2019	82,036	14,245	Yes	No	09/2020
				—		125% of average Baltic Panamax Index 4TC Routes	07/2021
Navios Uranus	Panamax	2019	81,821	12,621	Yes	No	09/2022
Navios Galaxy II	Panamax	2020	81,789	—	Yes	130.5% of average Baltic Panamax Index 4TC Routes	03/2021
				—		125% of average Baltic Panamax Index 4TC Routes	01/2023
Navios Felicity I	Panamax	2020	81,946	8,108	Yes	No	04/2020
				—		125% of average Baltic Panamax Index 4TC Routes	09/2021

**Long-term Bareboat-in Fleet to be delivered**

Vessels	Type	Delivery Date	DWT	Purchase Option(4)	Expiration Date
Navios Magellan II	Panamax	Q2 2020	81,000	Yes	Q1 2030

**Long-term Chartered-in Vessels**

The average daily charter-in rate for the active long-term charter-in vessels (excluding vessels which are utilized to fulfil COAs) for 2020 is estimated at \$13,459/day. We estimate the days of the long-term charter-in vessels (excluding vessels which are utilized to fulfill COAs) for 2020 are 7,760 days.

Vessels	Type	Built	DWT	Purchase Option(4)	Charter-out Rate(1)	Expiration Date(2)
Navios Lyra	Handysize	2012	34,718	Yes <sup>(5)</sup>	7,838	05/2020
Navios Mercury	Ultra Handymax	2013	61,393	Yes	— <sup>(6)</sup>	05/2020
Navios Venus	Ultra Handymax	2015	61,339	Yes	— <sup>(7)</sup>	11/2020
Navios Marco Polo	Panamax	2011	80,647	Yes	— <sup>(8)</sup>	08/2020
Navios Southern Star	Panamax	2013	82,224	Yes	— <sup>(9)</sup>	11/2020
Elsa S	Panamax	2015	80,954	No	— <sup>(10)</sup>	01/2021
Navios Amber	Panamax	2015	80,994	Yes	— <sup>(10)</sup>	03/2021
Navios Sky	Panamax	2015	82,056	Yes	— <sup>(11)</sup>	05/2021
Navios Coral	Panamax	2016	84,904	Yes	7,660	04/2020
					— <sup>(12)</sup>	09/2020
Navios Citrine	Panamax	2017	81,626	Yes	8,585	04/2020
					— <sup>(13)(12)</sup>	12/2020
Navios Dolphin	Panamax	2017	81,630	Yes	6,741	04/2020
					— <sup>(13)(12)</sup>	11/2020
Mont Blanc Hawk	Panamax	2017	81,638	No	— <sup>(10)</sup>	04/2021
Cassiopeia Ocean	Panamax	2018	82,069	No	— <sup>(10)</sup>	07/2021
Navios Gemini	Panamax	2018	81,704	No <sup>(17)</sup>	14,393	09/2020

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Vessels	Type	Built	DWT	Purchase Option(4)	Charter-out Rate(1)	Expiration Date(2)
Navios Horizon I	Panamax	2019	81,692	No (17)	7,357	04/2020
					—(12)	09/2021
Navios Koyo	Capesize	2011	181,415	Yes	—(15)	02/2021
Navios Obeliks	Capesize	2012	181,415	Yes	—(16)	06/2020
Navios Felix	Capesize	2016	181,221	Yes	—(14)	05/2020

- (1) Daily rate net of commissions.
- (2) Expected redelivery basis midpoint of full redelivery period.
- (3) Agreed to be sold. Expected delivery to new owners within the second quarter of 2020.
- (4) Generally, Navios Holdings may exercise its purchase option after three to five years of service.
- (5) Navios Holdings holds the initial 50% purchase option on the vessel.
- (6) 110% to 112% of average Baltic Supramax 58 10TC Index Routes.
- (7) 110% of average Baltic Supramax 58 10TC Index Routes.
- (8) 112% of average Baltic Panamax 4TC Index Routes.
- (9) 133.75% of average Baltic Panamax 4TC Index Routes.
- (10) 115% of average Baltic Panamax 4TC Index Routes.
- (11) 113% of average Baltic Panamax 4TC Index Routes.
- (12) 120% of average Baltic Panamax 4TC Index Routes.
- (13) 134% of average Baltic Panamax 4TC Index Routes.
- (14) 118% of average Baltic Capesize 5TC Index Routes.
- (15) 112% of average Baltic Capesize 5TC Index Routes.
- (16) 108.5% of average Baltic Capesize 5TC Index Routes.
- (17) Navios Holdings has the right of first refusal and profit sharing on sale of vessel.

### Navios Logistics' Fleet

Navios Logistics' fleet consists of six oceangoing product tanker vessels, one bunker vessel and one river and estuary product tanker. The table below reflects its cabotage tanker fleet as presented in Navios Logistics' 20-F filed with SEC.

Vessel	Type	Built	DWT	Employment Date	Charter-Out Duration	Expiration Date of License
Malva H	Product Tanker	2008	8,974	January 20, 2020	18 months	N/A
Estefania H	Product Tanker	2008	12,000	October 01, 2019	12 months	February 22, 2020
Makenita H	Product Tanker	2009	17,508	February 16, 2019	36 months	June 26, 2022
Sara H	Product Tanker	2009	9,000	January 10, 2020	24 months	June 30, 2022
Ferni H	Product Tanker	2010	16,871	August 29, 2018	24 months	August 3, 2022
San San H	Product Tanker	2010	16,871	February 01, 2020	12 months	May 31, 2023
Elena H	Product Tanker	2018	4,999	October 13, 2018	60 months	August 17, 2022
Heman H	Bunker Vessel	2012	1,693	April 1, 2019	24 months	October 6, 2020

### Recent Developments

#### Fleet Update

In March 2020, the Company acquired from an unrelated third party, a previously chartered-in vessel, the Navios Corali, a 2015-built Capesize vessel of 181,249 dwt, for an acquisition price of \$36.6 million, which was paid in cash. The acquisition was financed through a sale and leaseback transaction with an unrelated third party.

In March 2020, the Company took delivery of the Navios Galaxy II, a newbuilt bareboat chartered-in Panamax of 81,789 dwt.

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In February 2020, the Company sold to an unrelated third party the Navios Kypros, a 2003-built Ultra Handymax vessel of 55,222 dwt, for a sale price of approximately \$9.1 million, including insurance proceeds covering unrepaired damages plus expenses (subject to applicable deductibles and other customary limitations). The loss due to sale is expected to be approximately \$5.6 million.

In February 2020, the Company agreed to sell to an unrelated third party the Navios Star, a 2002-built Panamax vessel of 76,662 dwt, for a sale price of approximately \$6.5 million. The vessel is expected to be delivered to the buyers in the second quarter of 2020. The loss due to sale is expected to be approximately \$5.7 million.

In January 2020, the Company acquired from an unrelated third party, a previously chartered-in vessel, the Dream Canary, a 2015-built Capesize vessel of 180,528 dwt, for an acquisition price of \$34.9 million, which was paid in cash. The acquisition was financed through a sale and leaseback transaction with an unrelated third party.

In January 2020, Navios Holdings completed the sale to an unrelated third party of the Navios Hios, a 2003-built Ultra Handymax vessel of 55,180 dwt, for a net sale price of \$7.5 million, paid in cash.

In January 2020, the Company took delivery of the Navios Felicity I, a newbuilt bareboat chartered-in Panamax of 81,946 dwt.

## **A. Operating Results**

### **Factors Affecting Navios Holdings' Results of Operations:**

Navios Holdings believes that the important measures for analyzing trends in its results of operations include the following:

- *Market Exposure:* Navios Holdings manages the size and composition of its fleet by seeking a mix between chartering and owning vessels in order to adjust to anticipated changes in market rates. Navios Holdings aims to achieve an appropriate balance between owned vessels and long and short-term chartered-in vessels and controls approximately 5.7 million dwt in dry bulk tonnage. Navios Holdings' options to extend the charter duration of vessels it has under long-term time charter (durations of over 12 months) and its purchase options on chartered vessels permit Navios Holdings to adjust the cost and the fleet size to correspond to market conditions.
- *Available days:* Available days are the total number of days a vessel is controlled by a company less the aggregate number of days that the vessel is off-hire due to scheduled repairs or repairs under guarantee, vessel upgrades or special surveys and ballast days relating to voyages. The shipping industry uses available days to measure the number of days in a period during which vessels should be capable of generating revenues.
- *Operating days:* Operating days are the number of available days in a period less the aggregate number of days that the vessels are off-hire due to any reason, including lack of demand or unforeseen circumstances. The shipping industry uses operating days to measure the aggregate number of days in a period during which vessels actually generate revenues.
- *Fleet utilization:* Fleet utilization is obtained by dividing the number of operating days during a period by the number of available days during the period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the amount of days that its vessels are off-hire for reasons other than scheduled repairs or repairs under guarantee, vessel upgrades, special surveys or vessel positioning.
- *TCE rates:* TCE rates are defined as voyage and time charter revenues less voyage expenses during a period divided by the number of available days during the period. The TCE rate is a standard shipping industry performance measure used primarily to compare daily earnings generated by vessels on time charters with daily earnings generated by vessels on voyage charters, because charter hire rates for vessels on voyage charters are generally not expressed in per day amounts, while charter hire rates for vessels on time charters generally are expressed in such amounts.
- *Equivalent vessels:* Equivalent vessels are defined as the available days of the fleet divided by the number of the calendar days in the period.

### **Voyage and Time Charter**

Revenues are driven primarily by the number and type of vessels in the fleet, the number of days during which such vessels operate and the amount of daily charter hire rates that the vessels earn under charters, which, in turn, are affected by a number of factors, including:

- the duration of the charters;
- the level of spot market rates at the time of charters;

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- decisions relating to vessel acquisitions and disposals;
- the amount of time spent positioning vessels;
- the amount of time that vessels spend in drydock undergoing repairs and upgrades;
- the age, condition and specifications of the vessels; and
- the aggregate level of supply and demand in the dry bulk shipping industry.

Time charters are available for varying periods, ranging from a single trip (spot charter) to a long-term period which may be many years. Under a time charter, owners assume no risk for finding business and obtaining and paying for fuel or other expenses related to the voyage, such as port entry fees. In general, a long-term time charter assures the vessel owner of a consistent stream of revenue. Operating the vessel in the spot market affords the owner greater spot market opportunity, which may result in high rates when vessels are in high demand or low rates when vessel availability exceeds demand. Vessel charter rates are affected by world economics, international events, weather conditions, labor strikes, governmental policies, supply and demand, and many other factors that might be beyond the control of management.

Consistent with industry practice, Navios Holdings uses TCE rates, as a method of analyzing fluctuations between financial periods and as a method of equating revenue generated from a voyage charter to time charter revenue.

TCE rate also serves as an industry standard for measuring revenue and comparing results between geographical regions and among competitors.

The cost to maintain and operate a vessel increases with the age of the vessel. Older vessels are less fuel efficient, cost more to insure and require upgrades from time to time to comply with new regulations. The average age of Navios Holdings' owned core fleet is 7.7 years, basis fully delivered fleet. However, as such fleet ages or if Navios Holdings expands its fleet by acquiring previously owned and older vessels, the cost per vessel would be expected to rise and, assuming all else, including rates, remains constant, vessel profitability would be expected to decrease.

### **Statement of Operations Breakdown by Segment**

Navios Holdings reports financial information and evaluates its operations by charter revenues and not by vessel type, length of ship employment, customers or type of charter. Navios Holdings does not use discrete financial information to evaluate the operating results for each such type of charter. Although revenue can be identified for each type of charters, management does not identify expenses, profitability or other financial information on a charter-by-charter or type of charter basis. The reportable segments reflect the internal organization of the Company and are strategic businesses that offer different products and services. The Company currently has two reportable segments: the Dry Bulk Vessel Operations and the Logistics Business, following the reclassification of the results of Navios Containers as discontinued operations (see also Note 3 included elsewhere in this Annual Report). The Containers Business had been a reportable segment, as a result of the consolidation of Navios Containers since November 30, 2018 (date of obtaining control). The Dry Bulk Vessel Operations segment consists of the transportation and handling of bulk cargoes through the ownership, operation, and trading of vessels and freight. The Logistics Business segment consists of port terminal business, barge business and cabotage business in the Hidrovia region of South America. Navios Holdings measures segment performance based on net income attributable to Navios Holdings' common stockholders.

For further segment information, please see Note 19 to the Consolidated Financial Statements included elsewhere in this Annual Report.

### **Period over Period Comparisons**

#### **For the year ended December 31, 2019 compared to the year ended December 31, 2018**

The following table presents consolidated revenue and expense information for each of the years ended December 31, 2019 and 2018, respectively. This information was derived from the audited consolidated revenue and expense accounts of Navios Holdings for each of the years ended December 31, 2019 and 2018.

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<u>(In thousands of U.S. dollars)</u>	<u>Year Ended December 31, 2019</u>	<u>Year Ended December 31, 2018</u>
Revenue	\$ 482,449	\$ 505,686
Administrative fee revenue from affiliates	16,991	28,393
Time charter, voyage and logistics business expenses	(177,216)	(205,787)
Direct vessel expenses	(101,467)	(96,261)
General and administrative expenses incurred on behalf of affiliates	(16,991)	(28,393)
General and administrative expenses	(36,194)	(26,640)
Depreciation and amortization	(81,723)	(99,779)
Provision for losses on accounts receivable	(999)	(575)
Interest income	10,662	8,748
Interest expense and finance cost	(133,479)	(137,916)
Impairment loss/ loss on sale of vessels, net	(156,106)	(200,657)
Gain on bond and debt extinguishment	47,430	6,464
Gain on sale of assets	—	28
Gain on sale of business	9,802	—
(Loss on loss of control)/Bargain gain upon obtaining control	(61,741)	58,313
Other income	44,750	14,500
Other expense	(15,842)	(13,290)
<b>Loss before equity in net earnings of affiliated companies</b>	<b>\$ (169,674)</b>	<b>\$ (187,166)</b>
Equity in net losses of affiliated companies	(9,185)	(80,205)
<b>Loss before taxes</b>	<b>\$ (178,859)</b>	<b>\$ (267,371)</b>
Income tax (expense)/benefit	(1,475)	1,108
<b>Net loss from continuing operations</b>	<b>\$ (180,334)</b>	<b>\$ (266,263)</b>
Net (loss)/income from discontinued operations	(4,118)	752
<b>Net loss</b>	<b>\$ (184,452)</b>	<b>\$ (265,511)</b>
Less: Net income attributable to the noncontrolling interest	(7,658)	(3,207)
<b>Net loss attributable to Navios Holdings common stockholders</b>	<b>\$ (192,110)</b>	<b>\$ (268,718)</b>

Set forth below are selected historical and statistical data for the dry bulk vessel operations segment for each of the years ended December 31, 2019 and 2018 that the Company believes may be useful in better understanding the Company's financial position and results of operations.

	<u>Year Ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
<b>FLEET DATA</b>		
Available days	19,738	22,938
Operating days	19,613	22,855
Fleet utilization	99.4%	99.6%
Equivalent vessels	54	63
<b>AVERAGE DAILY RESULTS</b>		
TCE	\$12,519	\$12,534

During the year ended December 31, 2019, there were 3,200 less available days as compared to 2018, mainly due to (i) a decrease in available days for owned vessels by 1,632 days following the sale of Navios Meridian, Navios Equator Prosper, Navios Vector, Navios Mercator, Navios Arc, Navios Primavera, Navios Magellan, Navios Mars, Navios Sphera, Navios Achilles and Navios Herakles; and (ii) a decrease in long-term charter-in fleet available days by 1,568 days.

The average TCE rate for the year ended December 31, 2019 was \$12,519 per day, \$15 per day lower than the rate achieved in 2018.

**Revenue:** Revenue from dry bulk vessel operations for the year ended December 31, 2019 was \$254.2 million as compared to \$298.1 million for the same period during 2018. The decrease in dry bulk revenue was mainly attributable to a decrease in available days by 14.0% due to the vessels sold and certain charter-in vessels that were redelivered. The TCE per day amounted to \$12,519 per day in the year ended December 31, 2019, as compared to \$12,534 per day in the same period in 2018.

Revenue from the Logistics Business was \$228.3 million for the year ended December 31, 2019 as compared to \$207.6 million for the year ended December 31, 2018. The increase of \$20.7 million was mainly attributable to (i) a \$25.9 million increase in the port terminal business mainly due to higher volumes transhipped in the grain port terminal as well as higher revenue in the iron ore port terminal compared to the year ended December 31, 2018 as iron ore port terminal operations were partially interrupted from a fire incident in 2018; (ii) a \$13.5 million increase in the barge business, mainly due to higher volumes of liquid and dry cargo transportation; and (iii) a \$4.4 million increase in the cabotage business mainly due to more operating days. The overall increase was partially mitigated by a \$23.1 million decrease in sales of products, mainly attributable to a decrease in the Paraguayan liquid port's volumes of products sold.

**Administrative Fee Revenue from Affiliates:** Administrative fee revenue from affiliates decreased by \$11.4 million, or 40.1%, to \$17.0 million for the year ended December 31, 2019, as compared to \$28.4 million for the year ended December 31, 2018. See general and administrative expenses incurred on behalf of affiliates and general and administrative expenses discussion below.

**Time Charter, Voyage and Logistics Business Expenses:** Time charter, voyage and Logistics Business expenses decreased by \$28.6 million or 13.9% to \$177.2 million for the year ended December 31, 2019, as compared to \$205.8 million for the year ended December 31, 2018.

Time charter and voyage expenses from dry bulk operations decreased by \$17.6 million, or 12.3%, to \$125.0 million for the year ended December 31, 2019, as compared to \$142.6 million for the year ended December 31, 2018. This was primarily due to (i) a decrease in charter-in expenses by \$11.6 million, mainly due to a decrease in charter-in available days in 2019, as compared to the same period in 2018; (ii) a decrease in port expenses by \$3.8 million; (iii) a decrease in off hire and fuel expenses by \$1.9 million; and (iv) a decrease in other voyage expenses by \$0.3 million.

Of the total expenses for the years ended December 31, 2019 and 2018, \$52.2 million and \$63.2 million, respectively, related to Navios Logistics. The decrease of \$11.0 million in time charter, voyage and Logistics Business was mainly due to a \$22.2 million decrease in cost of products sold, mainly attributable to a decrease in the Paraguayan liquid port's volumes of products sold. The overall decrease was partially mitigated by (i) a \$7.9 million increase in the barge business mainly due to higher volumes of liquid and dry cargo transhipped; (ii) a \$2.8 million increase in the port terminal business mainly due to higher volumes transhipped in the grain and iron ore port terminals; and (iii) a \$0.5 million increase in the cabotage business mainly due to more spot voyages performed.

**Direct Vessel Expenses:** Direct vessel expenses increased by \$5.2 million, or 5.4%, to \$101.5 million for the year ended December 31, 2019, as compared to \$96.3 million for the year ended December 31, 2018. Direct vessel expenses include crew costs, provisions, deck and engine stores, lubricating oils, insurance premiums and costs for maintenance and repairs.

As of August 30, 2019, following the sale of the management division, NSM provides management services to the Company at a fixed rate of \$3,700 per day per vessel. Total management fees for the period from August 30, 2019 to December 31, 2019 amounted to \$14.4 million.

Direct vessel expenses from dry bulk operations increased by \$7.5 million, or 18.7%, to \$47.6 million for the year ended December 31, 2019, as compared to \$40.1 million for the year ended December 31, 2018. This increase was mainly attributable to an increase in crew related costs and amortization of deferred drydock and special survey costs and the acquisition of one vessel. This overall increase was partially mitigated by the sale of six and five vessels of the Company's vessels in 2019 and 2018, respectively.

Of the total amounts of direct vessel expenses for the years ended December 31, 2019 and 2018, \$53.9 million and \$56.2 million, respectively, related to the Logistics Business. The decrease of \$2.3 million in direct vessel expenses was mainly due to (i) a \$2.0 million decrease in amortization of deferred drydock and special survey costs of Navios Logistics' fleet; and (ii) a \$1.2 million decrease in direct vessel expenses of the barge business mainly attributable to decreased crew costs. This overall decrease was partially mitigated by a \$0.9 million increase in the cabotage business mainly due to more operating days.



**General and Administrative Expenses Incurred on Behalf of Affiliates:** General and administrative expenses incurred on behalf of affiliates decreased by \$11.4 million, or 40.1%, to \$17.0 million for the year ended December 31, 2019, as compared to \$28.4 million for the year ended December 31, 2018. See general and administrative expenses discussion below.

**General and Administrative Expenses:** General and administrative expenses of Navios Holdings are composed of the following:

<u>(in thousands of U.S. dollars)</u>	<u>Year Ended December 31, 2019</u>	<u>Year Ended December 31, 2018</u>
Administrative fee revenue from affiliates	\$ (16,991)	\$ (28,393)
General and administrative expenses incurred on behalf of affiliates	16,991	28,393
General and administrative expenses	36,194	26,640

<u>(in thousands of U.S. dollars)</u>	<u>Year Ended December 31, 2019</u>	<u>Year Ended December 31, 2018</u>
Dry bulk Vessel Operations	\$ 18,801	\$ 11,576
Logistics Business	17,393	15,064
<b>General and administrative expenses</b>	<b>\$ 36,194</b>	<b>\$ 26,640</b>

As of August 30, 2019, following the Transaction, NSM provides administrative services to the Company reimbursed at allocable cost. For the period from August 30, 2019 to December 31, 2019, general and administrative expenses, under the Administrative Services Agreement, amounted to \$3.0 million.

General and administrative expenses increased by \$9.6 million to \$36.2 million for the year ended December 31, 2019, as compared to \$26.6 million for the year ended December 31, 2018. The increase was mainly attributable to an increase in payroll and related costs, an increase in other professional fees and expenses and a \$2.3 million increase in general and administrative expenses of Logistics Business.

**Depreciation and amortization:** For the year ended December 31, 2019, depreciation and amortization decreased by \$18.1 million to \$81.7 million, as compared to \$99.8 million for the year ended December 31, 2018.

Depreciation expenses related to Dry Bulk Vessel Operations decreased by \$18.3 million, or 27.0%, to \$49.4 million for the year ended December 31, 2019, as compared to \$67.7 million for the year ended December 31, 2018. This decrease was primarily due to (i) the sale of six and five of the Company's vessels in 2019 and 2018, respectively; and (ii) the impairment loss recognized in the fourth quarter of 2018 for four of the Company's vessels; partially mitigated by the acquisition of one and two vessels in 2019 and 2018, respectively. Amortization expenses related to dry bulk operations remained stable at \$2.8 million for each of the years ended December 31, 2019 and 2018.

Of the total amount of depreciation and amortization for the year ended December 31, 2019 and 2018, \$29.5 million and \$29.3 million, respectively, related to Navios Logistics. The increase in depreciation and amortization of the Logistics Business was mainly due to (i) a \$0.6 million increase in the depreciation of cabotage business mainly due to the delivery of the river and estuary tanker; and (ii) a \$0.1 million increase in the amortization of intangibles assets in the barge business. This overall increase was partially mitigated by (i) a \$0.1 million decrease in the depreciation of port terminal business; and (ii) a \$0.4 million decrease in the depreciation of barge business.

**Provision for Losses on Accounts Receivable:** For the year ended December 31, 2019, provision for losses on accounts receivable increased by \$0.4 million to \$1.0 million, as compared to \$0.6 million for the year ended December 31, 2018. The increase was mainly attributable to (i) a \$0.2 million increase in recovery of bad debt provisions in the Dry Bulk Vessel Operations; and (ii) a \$0.2 million increase in the provision for losses in the Logistics Business.

**Interest Income:** Interest income increased by \$2.0 million to \$10.7 million for the year ended December 31, 2019, as compared to \$8.7 million for the same period in 2018, mainly due to (i) a \$1.4 million increase in interest income of the Dry Bulk Vessel Operations, mainly due to higher interest income from loans provided to Navios Europe I and Navios Europe II and the amortization of the premium from the transfer of Navios Holdings' participation in the Navios Revolving Loans I (as defined herein) to Navios Partners in March 2017; and (ii) a \$0.6 million increase in interest income of Logistics Business.

**Interest Expense and Finance Cost:** Interest expense and finance cost for the year ended December 31, 2019 decreased by \$4.4 million, or 3.2%, to \$133.5 million, as compared to \$137.9 million in the same period of 2018. This decrease was due to a \$5.2 million decrease in interest expense and finance cost of the Dry Bulk Vessel Operations, mainly attributable to the full repayment of one of the Company's secured credit facilities and the repurchase of 2022 Notes (as defined herein); partially mitigated by a \$0.8 million increase in interest expense and finance cost of the Logistics Business mainly attributable to the reduced amount of capitalized interest, following the delivery of the three new pushboats in the first quarter of 2018.

**Impairment Loss/Loss on Sale of Vessels, Net:** For the year ended December 31, 2019, impairment losses recognized decreased by \$44.6 million to \$156.1 million, as compared to \$200.7 million for the year ended December 31, 2018. During the year ended December 31, 2019, the Company recognized (i) an impairment loss of \$84.6 million for two of the Company's vessels; (ii) an impairment loss of \$38.6 for certain of the Company's chartered-in vessels; and (iii) an impairment loss/loss on sale of vessels of \$34.7 million relating to the sale of Navios Vector, Navios Mercator, Navios Arc, Navios Meridian, Navios Primavera and Navios Hios; partially mitigated by a gain of \$1.8 million relating to the sale of Navios Equator Prosper. During the year ended December 31, 2018, the Company recognized (i) impairment losses of \$179.2 million for four of the Company's vessels; and (ii) impairment losses of \$21.5 million relating to the sale of Navios Magellan, Navios Mars, Navios Sphera, Navios Achilles and Navios Herakles.

**Gain on Bond and Debt Extinguishment:** During the year ended December 31, 2019, Navios Logistics repurchased \$35.5 million of the 2022 Notes from unaffiliated third parties in open market transactions for a cash consideration of \$17.6 million and the Company repurchased \$81.2 million of its 2022 Notes for a cash consideration of \$50.7 million resulting in a total gain on bond extinguishment of \$47.4 million, net of deferred fees written-off. During the year ended December 31, 2018, the Company repurchased \$35.7 million of its 2022 Notes for a cash consideration of \$28.8 million resulting in a gain on bond extinguishment of \$6.5 million, net of deferred fees written-off.

**Gain on Sale of Business:** During the year ended December 31, 2019, the Company recognized a \$9.8 million gain on sale of business as a result of the Transaction (see also Note 3 included elsewhere in this Annual Report).

**(Loss on loss of control)/Bargain gain upon obtaining control:** During the year ended December 31, 2019, the Company recognized a \$61.7 million loss on loss of control of Navios Containers (see also Note 3 included elsewhere in this Annual Report). During the year ended December 31, 2018, the Company recognized a \$58.3 million bargain gain upon obtaining control over Navios Containers Please refer to Note 3 to the Consolidated Financial Statements included herein.

**Other Income:** Other income increased by \$30.3 million to \$44.8 million for the year ended December 31, 2019, as compared to \$14.5 million for the year ended December 31, 2018. The increase was due to a \$37.8 million increase in other income of Dry Bulk Vessels Operations; partially mitigated by a \$7.5 million decrease in other income of the Logistics Business.

The increase in other income of the Dry Bulk Vessels Operations is due to (i) a \$32.2 million increase in miscellaneous other income mainly related to extraordinary fees and costs related to regulatory requirements under management agreements; and (ii) a \$6.5 million non-cash compensation income; partially mitigated by \$0.9 million gain from sale of our investment in Acropolis on December 6, 2018.

The decrease in other income of the Logistics Business is mainly due to (i) a \$9.2 million decrease in other income mainly due to an insurance claim related to the fire incident at the iron ore port terminal recorded during the year ended December 31, 2018; and (ii) a \$0.6 million increase in taxes other than income taxes; partially mitigated by a \$2.3 million increase mainly due to income recorded from insurance claims.

**Other Expense:** Other expense increased by \$2.5 million to \$15.8 million for the year ended December 31, 2019, as compared to \$13.3 million for the year ended December 31, 2018. This increase was due to (i) a \$2.4 million increase in other expense of Dry Bulk Vessels Operations; and (ii) a \$0.1 million increase in other expense of the Logistics Business.

The increase in other expense of Dry Bulk Vessels Operations is mainly due to (i) a \$2.4 million increase in other miscellaneous expenses; (ii) a \$0.1 million increase in taxes other than income tax; and (iii) a \$0.1 million increase in miscellaneous voyage expenses. This increase was partially mitigated by a \$0.2 million decrease in loss from foreign exchange differences.

The increase in other expense of the Logistics Business is mainly due to (i) a \$0.5 million increase in other expense; and (ii) a \$0.2 million increase in loss from foreign exchange differences, partially mitigated by a \$0.6 million decrease mainly due to compensation by shipyard for late delivery of a newbuilding vessel recorded during the year ended December 31, 2018.

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**Equity in Net Losses of Affiliated Companies:** Equity in net losses of affiliated companies decreased by \$71.0 million to \$9.2 million loss for the year ended December 31, 2019, as compared to \$80.2 million loss for the same period in 2018. This decrease was mainly due to (i) a \$42.0 million decrease in OTTI loss recognized in the year ended December 31, 2019 as compared to the same period during 2018; and (ii) a \$29.0 million increase in equity method income. The \$29.0 million increase in equity method income was mainly due to \$32.3 million increase in equity method income from Navios Acquisition; partially mitigated by (i) a \$2.6 million decrease in equity method income from Navios Partners; (ii) a \$0.1 million decrease in equity method income from Acropolis; (iii) a \$0.3 million decrease in equity method income from Navios Europe II; and (iv) a \$0.3 million decrease in equity method income from Navios Containers from August 30, 2019 (date of losing control) to December 31, 2019.

**Income Tax (Expense)/Benefit:** Income tax expense increased by \$2.6 million to a \$1.5 million for the year ended December 31, 2019, as compared to a \$1.1 million benefit for the year ended December 31, 2018. The change in income tax was mainly attributable to Navios Logistics due to (i) a \$1.6 million decrease in tax benefit from the barge business; and (ii) a \$1.0 million increase in income tax expense in cabotage business.

**Net (Loss)/Income from Discontinued Operations:** Net loss from discontinued operations was \$4.1 million attributable to the net loss of Navios Containers, for the period from January 1, 2019 to August 30, 2019. Net income from discontinued operations was \$0.8 million attributable to the net income of Navios Containers, for the period from November 30, 2018 to December 31, 2018.

**Net Income Attributable to the Noncontrolling Interest:** Net income attributable to the noncontrolling interest increased by \$4.5 million to \$7.7 million for the year ended December 31, 2019, as compared to \$3.2 million for the same period in 2018. This increase was mainly attributable to Logistics Business net income for the year ended December 31, 2019 compared to the same period in 2018, partially mitigated by Containers Business net loss for the period ended August 30, 2019 (date of losing control), as compared to net income for the period from November 30, 2018 (date of obtaining control) to December 31, 2018.

### **For the year ended December 31, 2018 compared to the year ended December 31, 2017**

The following table presents consolidated revenue and expense information for each of the years ended December 31, 2018 and 2017, respectively. This information was derived from the audited consolidated revenue and expense accounts of Navios Holdings for each of the years ended December 31, 2018 and 2017.

<b>(In thousands of U.S. dollars)</b>	<b>Year Ended December 31, 2018</b>	<b>Year Ended December 31, 2017</b>
Revenue	\$ 505,686	\$ 463,049
Administrative fee revenue from affiliates	28,393	23,667
Time charter, voyage and logistics business expenses	(205,787)	(213,929)
Direct vessel expenses	(96,261)	(116,713)
General and administrative expenses incurred on behalf of affiliates	(28,393)	(23,667)
General and administrative expenses	(26,640)	(27,521)
Depreciation and amortization	(99,779)	(104,112)
Provision for losses on accounts receivable	(575)	(269)
Interest income	8,748	6,831
Interest expense and finance cost	(137,916)	(121,611)
Impairment loss/ loss on sale of vessels, net	(200,657)	(50,565)
Gain/(loss) on bond and debt extinguishment	6,464	(981)
Gain on sale of assets	28	1,064
Bargain gain upon obtaining control	58,313	—
Other income	14,500	6,140
Other expense	(13,290)	(13,761)
<b>Loss before equity in net earnings of affiliated companies</b>	<b>\$ (187,166)</b>	<b>\$ (172,378)</b>
Equity in net (losses)/earnings of affiliated companies	(80,205)	4,399
<b>Loss before taxes</b>	<b>\$ (267,371)</b>	<b>\$ (167,979)</b>
Income tax benefit/(expense)	1,108	3,192

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<b>Net loss from continuing operations</b>	<b>(266,263)</b>	<b>(164,787)</b>
Net (loss)/income from discontinued operations	752	—
<b>Net loss</b>	<b>\$(265,511)</b>	<b>\$(164,787)</b>
Less: Net income attributable to the noncontrolling interest	(3,207)	(1,123)
<b>Net loss attributable to Navios Holdings common stockholders</b>	<b>\$(268,718)</b>	<b>\$(165,910)</b>

Set forth below are selected historical and statistical data for the dry bulk vessel operations segment for each of the years ended December 31, 2018 and 2017 that the Company believes may be useful in better understanding the Company's financial position and results of operations.

	Year Ended December 31,	
	2018	2017
<b>FLEET DATA</b>		
Available days	22,938	23,433
Operating days	22,855	23,359
Fleet utilization	99.6%	99.7%
Equivalent vessels	63	64
<b>AVERAGE DAILY RESULTS</b>		
TCE	\$12,534	\$ 9,705

During the year ended December 31, 2018, there were 495 less available days as compared to 2017, mainly due to (i) a decrease in available days for owned vessels by 864 days following the sale of Navios Magellan, Navios Mars, Navios Sphera, Navios Achilles, Navios Herakles, Navios Horizon and Navios Ionian; and (ii) a decrease in short-term charter-in fleet available days by 57 days. This overall decrease was partially mitigated by an increase in long-term charter-in fleet available days by 426 days.

The average TCE rate for the year ended December 31, 2018 was \$12,534 per day, \$2,829 per day higher than the rate achieved in 2017, mainly due to the improved freight and time charter market.

**Revenue:** Revenue from dry bulk vessel operations for the year ended December 31, 2018 was \$298.1 million as compared to \$250.4 million for the same period during 2017. The increase in dry bulk revenue was mainly attributable to the increase in TCE per day by 29.1% or \$2,829 to \$12,534 per day in the year ended December 31, 2018, as compared to \$9,705 per day in the same period in 2017.

Revenue from the Logistics Business was \$207.6 million for the year ended December 31, 2018 as compared to \$212.6 million for the year ended December 31, 2017. The decrease of \$5.0 million was mainly attributable to (i) a \$13.2 million decrease in the barge business, mainly due to lower liquid cargo transportation; (ii) a \$5.0 million decrease in the cabotage business mainly attributable to lower rates achieved; and (iii) a \$0.1 million decrease in sales of products mainly due to a decrease in volume of the products sold at the Paraguayan liquid port terminal. The overall decrease was partially mitigated by (i) a \$13.3 million increase in the port terminal business mainly attributable to the operations of the iron ore terminal, servicing the Vale contract, for the full year in 2018, compared to partial year in 2017; and (ii) a \$2.5 million increase in sales of products, mainly attributable to the commencement of operations at the new iron ore terminal.

**Administrative Fee Revenue from Affiliates:** Administrative fee revenue from affiliates increased by \$4.7 million, or 19.8%, to \$28.4 million for the year ended December 31, 2018, as compared to \$23.7 million for the year ended December 31, 2017. See general and administrative expenses incurred on behalf of affiliates and general and administrative expenses discussion below.

**Time Charter, Voyage and Logistics Business Expenses:** Time charter, voyage and Logistics Business expenses decreased by \$8.1 million or 3.8% to \$205.8 million for the year ended December 31, 2018, as compared to \$213.9 million for the year ended December 31, 2017.

Time charter and voyage expenses from dry bulk operations decreased by \$7.0 million, or 4.7%, to \$142.6 million for the year ended December 31, 2018, as compared to \$149.6 million for the year ended December 31, 2017. This was primarily due to (i) a decrease in off hire and fuel expenses by \$7.7 million; (ii) a decrease in port expenses by \$3.1 million; and (iii) a decrease in other

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voyage expenses by \$1.6 million. The overall decrease was partially mitigated by an increase in charter-in expenses by \$5.4 million, mainly due to an increase in charter-in available days in 2018, as compared to the same period in 2017.

Of the total expenses for the years ended December 31, 2018 and 2017, \$63.2 million and \$64.3 million, respectively, related to Navios Logistics. The decrease of \$1.1 million in time charter, voyage and Logistics Business was mainly due to (i) a \$1.8 million decrease in barge business mainly attributable to the reduced number of voyages; and (ii) a \$0.3 million decrease in cabotage business mainly attributable to the decreased voyage expenses. The overall decrease was partially mitigated by (i) a \$0.4 million increase in the port terminal business mainly attributable to the operations of the iron ore terminal, servicing the Vale contract, for the full year in 2018, compared to partial year in 2017; and (ii) a \$0.6 million increase in cost of products sold mainly attributable to an increase in the price of the products sold at the Paraguayan liquid port terminal.

**Direct Vessel Expenses:** Direct vessel expenses decreased by \$20.4 million, or 17.5%, to \$96.3 million for the year ended December 31, 2018, as compared to \$116.7 million for the year ended December 31, 2017. Direct vessel expenses include crew costs, provisions, deck and engine stores, lubricating oils, insurance premiums and costs for maintenance and repairs.

Direct vessel expenses from dry bulk operations decreased by \$6.1 million, or 13.2%, to \$40.1 million for the year ended December 31, 2018, as compared to \$46.2 million for the year ended December 31, 2017. This decrease was mainly attributable to (i) a decrease in operating days of the owned vessels mainly due to the sale of the Navios Magellan, Navios Mars, Navios Sphera, Navios Achilles, Navios Herakles, Navios Horizon and Navios Ionian; (ii) a decrease in crew related costs; (iii) a decrease in sundry general expenses; and (iv) a decrease in insurance costs.

Of the total amounts of direct vessel expenses for the years ended December 31, 2018 and 2017, \$56.2 million and \$70.5 million, respectively, related to the Logistics Business. The decrease of \$14.3 million in direct vessel expenses was mainly due to (i) a \$8.9 million decrease in cabotage business mainly attributable to a decrease in the Argentinean crew costs; (ii) a \$4.7 million decrease in barge business mainly attributable to decreased crew costs; and (iii) a \$0.7 million decrease in amortization of deferred drydock and special survey costs of Navios Logistics' fleet.

**General and Administrative Expenses Incurred on Behalf of Affiliates:** General and administrative expenses incurred on behalf of affiliates increased by \$4.7 million, or 19.8%, to \$28.4 million for the year ended December 31, 2018, as compared to \$23.7 million for the year ended December 31, 2017. See general and administrative expenses discussion below.

**General and Administrative Expenses:** General and administrative expenses of Navios Holdings are composed of the following:

<u>(in thousands of U.S. dollars)</u>	<u>Year Ended December 31, 2018</u>	<u>Year Ended December 31, 2017</u>
Administrative fee revenue from affiliates	\$ (28,393)	\$ (23,667)
General and administrative expenses incurred on behalf of affiliates	28,393	23,667
General and administrative expenses	26,640	27,521

<u>(in thousands of U.S. dollars)</u>	<u>Year Ended December 31, 2018</u>	<u>Year Ended December 31, 2017</u>
Dry bulk Vessel Operations	\$ 11,576	\$ 10,856
Logistics Business	15,064	16,665
<b>General and administrative expenses</b>	<b>\$ 26,640</b>	<b>\$ 27,521</b>

General and administrative expenses decreased by \$0.9 million to \$26.6 million for the year ended December 31, 2018, as compared to \$27.5 million for the year December 31, 2017.

**Depreciation and amortization:** For the year ended December 31, 2018, depreciation and amortization decreased by \$4.3 million to \$99.8 million, as compared to \$104.1 million for the year ended December 31, 2017.

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Depreciation expenses related to Dry Bulk Vessel Operations decreased by \$6.1 million, or 8.3 %, to \$67.7 million for the year ended December 31, 2018, as compared to \$73.8 million for the year ended December 31, 2017. This decrease was primarily due to (i) the sale of Navios Magellan, Navios Mars, Navios Sphera, Navios Achilles, Navios Herakles, Navios Horizon and Navios Ionian; and (ii) the impairment loss recognized in the fourth quarter of 2017 for one of the Company's vessels; partially mitigated by the acquisition of Navios Primavera and Navios Equator Prosper. Amortization expenses related to dry bulk operations decreased by \$0.6 million, or 17.6%, to \$2.8 million for the year ended December 31, 2018, as compared to \$3.4 million for the year ended December 31, 2017. This decrease was mainly due to early redelivery of one vessel in the third quarter of 2016, resulting in the subsequent write-off of the related purchase option and the favorable lease balance.

Of the total amount of depreciation and amortization for the year ended December 31, 2018 and 2017, \$29.3 million and \$26.9 million, respectively, related to Navios Logistics. The increase in depreciation and amortization of the Logistics Business was mainly due to (i) a \$2.1 million increase in the depreciation of port terminal business mainly due to the operations of the iron ore terminal, servicing the Vale contract, for the full year in 2018, compared to partial year in 2017; (ii) a \$1.2 million increase in the depreciation of barge business mainly due to the commencement of operations of the three new pushboats; and (iii) a \$0.3 million increase in the amortization of intangibles assets in the port terminal business. The overall increase was partially mitigated by a \$1.1 million decrease in the amortization of intangibles assets in the barge business.

**Provision for Losses on Accounts Receivable:** For the year ended December 31, 2018, provision for losses on accounts receivable increased by \$0.3 million to \$0.6 million, as compared to \$0.3 million for the year ended December 31, 2017. The increase was mainly attributable to \$0.8 million decrease in recovery of bad debt provisions in the Dry Bulk Vessel Operations. This overall increase was partially mitigated by a \$0.5 million decrease in the provision for losses in the Logistics Business.

**Interest Income:** Interest income increased by \$1.9 million to \$8.7 million for the year ended December 31, 2018, as compared to \$6.8 million for the same period in 2017, mainly due to (i) a \$1.6 million increase in interest income of the Dry Bulk Vessel Operations, mainly due to higher interest income from loans provided to Navios Europe I and Navios Europe II and the amortization of the premium from the transfer of Navios Holdings' participation in the Navios Revolving Loans I (as defined herein) to Navios Partners in March 2017; and (ii) a \$0.3 million increase in interest income of Logistics Business mainly due to higher income from short-term deposits.

**Interest Expense and Finance Cost:** Interest expense and finance cost for the year ended December 31, 2018 increased by \$16.3 million, or 13.4%, to \$137.9 million, as compared to \$121.6 million in the same period of 2017. This increase was due to (i) a \$11.4 million increase in interest expense and finance cost of the Logistics Business mainly attributable to the increased amount of debt drawn during the period and the reduced amount of capitalized interest, following the completion of the new iron ore terminal, during the year ended December 31, 2017 and the delivery of the three new pushboats in the first quarter of 2018; and (ii) a \$4.9 million increase in interest expense and finance cost of the Dry Bulk Vessel Operations, mainly attributable to increase in interest expense and finance costs related to 2022 Senior Secured Notes entered into in November 2017, the full repayment of the Navios Acquisition Loan, 2019 Notes (as defined herein) and the repurchase of the 2022 Notes.

**Impairment Losses:** For the year ended December 31, 2018, impairment losses recognized increased by \$150.1 million to \$200.7 million, as compared to \$50.6 million for the year ended December 31, 2017. During the year ended December 31, 2018, the Company recognized (i) impairment losses of \$179.2 million for four of the Company's vessels; and (ii) impairment losses of \$21.5 million relating to the sale of Navios Magellan, Navios Mars, Navios Sphera, Navios Achilles and Navios Herakles. During the year ended December 31, 2017, the Company recognized (i) an impairment loss of \$32.9 million for one of the Company's vessels; (ii) impairment losses of \$14.2 million relating to the sale of Navios Ionian and Navios Horizon; and (iii) an impairment loss of \$3.4 million relating to a favorable lease term considered as impaired and written off.

**Gain on Bond and Debt Extinguishment:** During year ended December 31, 2018, the Company repurchased \$35.7 million of its 2022 Notes for a cash consideration of \$28.8 million resulting in a gain on bond extinguishment of \$6.5 million, net of deferred fees written-off. During year ended December 31, 2017, the Company refinanced one of its secured credit facilities and a benefit to nominal value of \$1.7 million was achieved. During November 2017, the Company refinanced its 2019 Notes resulting in a loss on bond extinguishment of \$2.7 million.

**Gain on Sale of Assets:** Gain on sale of assets amounted to \$1.1 million for the year ended December 31, 2017, mainly attributable to the sale of two self-propelled barges of the Logistics Business.

**Bargain Gain upon Obtaining Control:** The excess of the fair value of Navios Containers' identifiable net assets upon obtaining control of \$229.9 million over the total fair value of Navios Containers' total shares outstanding as of November 30, 2018 (date of obtaining control) of \$171.7 million, resulted in a bargain gain upon obtaining control in the amount of \$58.3 million as of



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December 31, 2018. Please refer to Note 3 to the Consolidated Financial Statements included herein.

**Other Income:** Other income increased by \$8.4 million to \$14.5 million for the year ended December 31, 2018, as compared to \$6.1 million for the year ended December 31, 2017. The increase was due to (i) a \$8.0 million increase in other income of the Logistics Business; and (ii) a \$0.4 million increase in other income of Dry Bulk Vessels Operations.

The increase in other income of the Dry Bulk Vessels Operations is mainly due to a \$0.9 million gain from sale of our investment in Acropolis on December 6, 2018; partially mitigated by \$0.5 million decrease in miscellaneous other income.

The increase in other income of the Logistics Business was mainly due to (i) a \$9.2 million increase in other income mainly due to the insurance claim related to the fire incident at the iron ore port terminal; and (ii) a \$2.0 million decrease in taxes other than income taxes, partially mitigated by (i) a 2.1 million decrease in other income; and (ii) a \$1.1 million decrease due to the income recorded from an arbitration award in 2017.

**Other Expense:** Other expense decreased by \$0.5 million to \$13.3 million for the year ended December 31, 2018, as compared to \$13.8 million for the year ended December 31, 2017. This decrease was due to a \$0.7 million decrease in other expense of Dry Bulk Vessels Operations, partially mitigated by a \$0.2 million increase in other expense of the Logistics Business.

The increase in other expense of Dry Bulk Vessels Operations is mainly due to (i) a \$2.5 million increase in other miscellaneous expenses; and (ii) a \$0.3 million increase in taxes other than income tax. This increase was partially mitigated by (i) a \$2.0 million decrease in loss from foreign exchange differences; and (ii) a \$1.5 million decrease in miscellaneous voyage expenses

The increase in other expense of the Logistics Business is mainly due to an increase in loss from foreign exchange differences.

**Equity in Net (Losses)/Earnings of Affiliated Companies:** Equity in net earnings of affiliated companies decreased by \$84.6 million to \$80.2 million loss for the year ended December 31, 2018, as compared to \$4.4 million income for the same period in 2017. This decrease was mainly due to (i) a \$55.5 million OTTI loss relating to the investment in Navios Partners recognized in the fourth quarter of 2018; and (ii) a \$29.1 million decrease in equity method income. The \$29.1 million decrease in equity method income was mainly due to (i) \$33.5 million decrease in equity method income from Navios Acquisition; (ii) a \$0.1 million decrease in equity method income from Acropolis; partially mitigated by (i) a \$3.7 million increase in equity method income from Navios Partners; (ii) a \$0.5 million increase in equity method income from Navios Europe I and Navios Europe II; and (iii) a \$0.3 million increase in equity method income from Navios Containers until November 30, 2018 (date of obtaining control).

**Income Tax Benefit:** Income tax benefit decreased by \$2.1 million to a \$1.1 million for the year ended December 31, 2018, as compared to a \$3.2 million for the year ended December 31, 2017. The change in income tax was mainly attributable to Navios Logistics due to a \$2.4 million decrease in tax benefit in barge business mainly due to a reduction of deferred tax liability due to the decrease in future Argentinean income tax rates from 2018 onwards, following the tax reforms voted by the Argentinean Parliament in December 31, 2017; partially mitigated by a \$0.3 million decrease in income tax expense in cabotage business.

**Net Income from Discontinued Operations:** Net income from discontinued operations was \$0.8 million attributable to the net income of Navios Containers, for the period from November 30, 2018 to December 31, 2018.

**Net Income Attributable to the Noncontrolling Interest:** Net income attributable to the noncontrolling interest increased by \$2.1 million to \$3.2 million income for the year ended December 31, 2018, as compared to \$1.1 million for the same period in 2017. This decrease was mainly attributable to Logistics Business net income for the year ended December 31, 2018 compared to the same period in 2017 and to Containers Business net income for the period from November 30, 2018 (date of obtaining control) to December 31, 2018.

### **Non-Guarantor Subsidiaries**

Our non-guarantor subsidiaries accounted for \$318.2 million, or 55.6%, of our revenue (including \$89.9 million revenue from discontinued operations), \$37.7 million net loss, of our \$192.1 million net loss, \$68.1 million of our Adjusted EBITDA, \$973.9 million, or 45.4%, of our total assets and \$571.2 million, or 28.8%, of our total liabilities, in each case, for the year ended and as of December 31, 2019. Our non-guarantor subsidiaries accounted for \$219.7 million, or 42.4%, of our revenue (including \$12.1 million revenue from discontinued operations), \$62.3 million net income of our total net loss, \$140.8 million of our Adjusted EBITDA, \$1,394.5 million, or 52.0%, of our total assets and \$799.4 million, or 37.0%, of our total liabilities, in each case, for the year ended and as of December 31, 2018. Our non-guarantor subsidiaries accounted for \$212.6 million, or 45.9%, of our revenue, \$1.7 million net



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income of our total net loss, \$61.1 million, or 88.8% of our Adjusted EBITDA, \$952.6 million, or 36.2%, of our total assets and \$588.5 million, or 29.2%, of our total liabilities, in each case, for the year ended and as of December 31, 2017.

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

Navios Holdings has historically financed its capital requirements with cash flows from operations, issuances of debt securities and borrowings under bank credit facilities. Main uses of funds have been refinancings of outstanding debt, capital expenditures for the acquisition of new vessels, new construction and upgrades at the port terminals and expenditures incurred in connection with ensuring that the owned vessels comply with international and regulatory standards. Navios Holdings may from time to time, subject to restrictions under its debt and equity instruments, including limitations on dividends and repurchases under its preferred stock, depending upon market conditions and financing needs, use available funds to refinance or repurchase its debt in privately negotiated or open market transactions, by tender offer or otherwise, in compliance with applicable laws, rules and regulations, at prices and on terms Navios Holdings deems appropriate (which may be below par) and subject to Navios Holdings cash requirements for other purposes, compliance with the covenants under Navios Holdings' debt agreements, and other factors management deems relevant. Generally, our sources of funds may be from cash flows from operations, long-term borrowings and other debt or equity financings, proceeds from asset sales and proceeds from sale of our stake in our investments. We cannot assure you that we will be able to secure adequate financing or obtain additional funds on favorable terms, to meet our liquidity needs.

See "Item 4.B Business Overview — Exercise of Vessel Purchase Options", "Working Capital Position" and "Long-Term Debt Obligations and Credit Arrangements" for further discussion of Navios Holdings' working capital position.

The following table presents cash flow information for each of the years ended December 31, 2019, 2018, and 2017 and were adjusted to reflect the adoption of ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash.

<b>(in thousands of U.S. dollars)</b>	<b>Year Ended December 31, 2019</b>	<b>Year Ended December 31, 2018</b>	<b>Year Ended December 31, 2017</b>
Net cash provided by operating activities	\$ 96,112	\$ 55,637	\$ 48,117
Net cash (used in)/ provided by investing activities	(56,467)	27,863	(42,365)
Net cash used in financing activities	(111,692)	(66,916)	(12,940)
<b>(Decrease)/Increase in cash and cash equivalents and restricted cash</b>	<b>(72,047)</b>	<b>16,584</b>	<b>(7,188)</b>
Cash and cash equivalents and restricted cash, beginning of year	150,774	134,190	141,378
		\$	
<b>Cash and cash equivalents and restricted cash, end of year</b>	<b>\$ 78,727</b>	<b>150,774</b>	<b>\$ 134,190</b>

#### **Cash provided by operating activities for the year ended December 31, 2019 as compared to the year ended December 31, 2018:**

Net cash provided by operating activities increased by \$40.5 million to \$96.1 million for the year ended December 31, 2019, as compared to \$55.6 million for the year ended December 31, 2018. In determining net cash provided by operating activities, net loss is adjusted for the effects of certain non-cash items, which may be analyzed in detail as follows:

<b>(in thousands of U.S. dollars)</b>	<b>Year Ended December 31, 2019</b>	<b>Year Ended December 31, 2018</b>
Net loss	\$ (184,452)	\$ (265,511)
<b>Adjustments to reconcile net loss to net cash provided by operating activities:</b>		

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Depreciation and amortization	104,581	102,839
Amortization and write-off of deferred financing costs	8,242	7,880
Amortization of deferred drydock and special survey costs	11,714	13,828
Provision for losses on accounts receivable	999	575
Share based compensation	2,885	4,556
Gain on bond and debt extinguishment	(47,430)	(6,464)
Loss on loss of control/ (Bargain gain upon obtaining control)	61,741	(58,313)
Income tax expense/(benefit)	1,475	(1,108)
Impairment loss/loss on sale of vessels, net	156,106	200,657
Gain on sale of assets	—	(894)
Gain on sale of business	(9,802)	—
Loss in affiliates, net of dividends received	13,722	84,317
<b>Net income adjusted for non-cash items</b>	<b>\$ 119,781</b>	<b>\$ 82,362</b>

Accounts receivable, net, decreased by \$8.4 million from \$60.3 million at December 31, 2018 to \$51.9 million at December 31, 2019. The movement of the year was primarily due to a (i) \$6.7 million decrease in accounts receivable from charterers and other receivables in Dry Bulk Vessel Operations; (ii) a \$1.0 million decrease in accrued voyage income in Dry Bulk Vessel Operations; and (iii) a \$2.6 million decrease in accounts receivable, net of Navios Containers. The overall decrease was mitigated by a \$1.9 million increase in accounts receivable of Navios Logistics.

Amounts due from/(to) affiliate companies, including current and non-current portion, decreased by \$90.6 million from \$74.5 million payable for the year ended December 31, 2018 to \$16.1 million receivable for the year ended December 31, 2019. This decrease was due to (i) a \$55.2 million net decrease in payable of management and administrative fees, drydocking and other expenses prepaid by the affiliates according to management agreements and our management agreement with NSM; and (ii) a \$35.4 million decrease in balances following the transfer to Navios Partners, the Company's rights to the Navios Revolving Loans I and Navios Term Loans I (as defined herein).

Inventories decreased by \$17.2 million, from \$27.7 million at December 31, 2018 to \$10.5 million at December 31, 2019. The decrease was primarily due to (i) a \$18.8 million decrease in inventories on board of our dry bulk vessels; and (ii) \$0.6 million decrease in inventories of Navios Containers. This decrease was partially mitigated by a \$2.2 million increase in inventories of Navios Logistics mainly attributable to an increase in inventories in the liquid port in Paraguay.

Prepaid expenses and other current assets decreased by \$27.9 million, from \$40.0 million at December 31, 2018 to \$12.1 million at December 31, 2019. The decrease was primarily due to (i) a \$12.0 million decrease in prepaid expenses and other current assets of Navios Logistics; (ii) a \$4.2 million decrease in other assets; (iii) a \$3.8 million decrease in claims receivables; (iv) a \$3.5 million decrease in prepaid voyage and operating costs; (v) a \$3.0 million decrease in prepaid expenses and other current assets of Navios Containers; and (vi) a \$1.4 million decrease in advances to agents and prepaid taxes.

Other long-term assets increased by \$25.4 million, from \$23.7 million at December 31, 2018 to \$49.1 million at December 31, 2019. The increase was primarily due to (i) a \$15.4 million increase in long-term assets from dry bulk operations mainly due to deposits for options to acquire vessels under bareboat contracts; (ii) a \$6.6 million increase in other long-term assets of Navios Logistics; and (iii) a \$4.5 million increase in deposits for vessels, port terminals and other fixed assets of Navios Logistics. This overall increase was partially mitigated by a \$1.1 million decrease in long-term assets of Navios Containers.

Accounts payable decreased by \$57.2 million, from \$78.9 million at December 31, 2018 to \$21.7 million at December 31, 2019. The decrease was primarily due to (i) a \$33.4 million decrease in accounts payable to bunkers, lubricants and other suppliers; (ii) a \$12.6 million decrease in accounts payable relating to utilities and other service providers, legal and audit services; (iii) a \$7.7 million decrease in accounts payable relating to brokers and other accounts payable; (iv) \$3.6 million decrease in accounts payable of Navios Containers; (v) a \$3.4 million decrease in accounts payable of Navios Logistics; and (vi) a \$0.2 million decrease in accounts payable to headowners. The overall decrease was partially mitigated by a \$3.7 million increase in port agents payable.

Accrued expenses and other liabilities decreased by \$72.5 million from \$123.7 million at December 31, 2018 to \$51.2 million at December 31, 2019. The decrease was primarily due to (i) a \$41.8 million decrease in accrued direct vessel expenses and drydocking expenses; (ii) \$10.4 million decrease in accrued payroll and related expenses; (iii) a \$4.1 million decrease in accrued

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interest; (iv) a \$12.2 million decrease in other accrued expenses and other liabilities; (v) a \$3.5 million decrease in accrued voyage expenses; (vi) \$2.3 million decrease in accrued expenses of Navios Containers; and (vii) a \$1.6 million decrease in accrued estimated losses on uncompleted voyages. The overall decrease was partially mitigated by a \$3.4 million increase in accrued expenses of Navios Logistics.

Deferred income and cash received in advance decreased by \$2.9 million from \$11.8 million at December 31, 2018 to \$8.9 million at December 31, 2019. Deferred income primarily reflects freight and charter-out amounts collected on voyages that have not been completed and the current portion of the deferred gain from the sale of various vessels to Navios Partners to be amortized over the next year. The decrease was primarily due to (i) \$2.1 million decrease in deferred income and cash received in advance of Navios Containers; (ii) a \$0.8 million decrease in deferred freight and (iii) \$0.2 million decrease in the current portion of deferred gain from the sale of assets to Navios Partners. The overall decrease was partially mitigated by a \$0.2 million increase in deferred income of Navios Logistics.

Other long-term liabilities and deferred income decreased by \$13.1 million from \$19.1 million at December 31, 2018 to \$6.0 million at December 31, 2019. The decrease was primarily due to (i) a \$11.3 million decrease in other long-term payables; (ii) a \$1.7 million decrease in the non-current portion of deferred gain from the sale of vessels to Navios Partners; and (iii) a \$0.1 million decrease in other long-term liabilities of Navios Logistics.

### **Cash (used in)/provided by investing activities for the year ended December 31, 2019 as compared to the year ended December 31, 2018:**

Cash used in investing activities was \$56.5 million for the year ended December 31, 2019, as compared to \$27.9 million cash provided by for the same period of 2018.

Cash used in investing activities for the year ended December 31, 2019 was the result of: (i) \$54.8 million payments made from Navios Containers for the period from January 1, 2019 to August 30, 2019 (date of losing control) for the purchase of Navios Constellation and for additions to vessels; (ii) \$19.5 million in payments made by the Company for the purchase of Navios Victory and for additions to vessels; (iii) \$21.4 million impact to cash from deconsolidation/sale of business; (iv) \$15.5 million payments as deposits for options to acquire vessels under bareboat contracts; (v) \$4.0 million in payments for the construction of Navios Logistics' six new liquid barges; (vi) \$4.0 million in payments for the purchase of Navios Logistics' other fixed assets; (vii) \$1.7 million in payments made by the Company for the purchase of other fixed assets; (viii) \$48.8 million of proceeds from sale of Navios Meridian, Navios Vector, Navios Equator Prosper, Navios Mercator, Navios Arc and Navios Primavera; (ix) a \$8.0 million loan from affiliate company; (x) \$4.4 million dividends received from Navios Acquisition; (xi) \$3.0 million proceeds from sale of business; and (xii) \$0.2 million in collections of Navios Logistics' Note receivable.

Cash provided by investing activities for the year ended December 31, 2018 was the result of: (i) \$24.8 million payments made from Navios Containers for the period from November 30, 2018 (date of obtaining control) to December 31, 2018 for the purchase of Bahamas and Bermuda; (ii) \$21.6 million in payments for the purchase of Navios Primavera and Navios Equator Prosper; (iii) \$15.2 million payments as deposits for options to acquire vessels under bareboat contracts; (iv) a \$12.9 million loan to Navios Europe I and Navios Europe II; (v) \$12.4 million in payments for the construction of Navios Logistics' river and estuary tanker; (vi) \$5.8 million in payments for the acquisition of common units and general partner units in Navios Partners; (vii) \$4.1 million in payments made by the Company for the purchase of other fixed assets; (viii) \$2.4 million in payments for the construction of Navios Logistics' three new pushboats; (ix) \$1.9 million in payments for the purchase of Navios Logistics' other fixed assets; (x) \$1.5 million in payments for the expansion of Navios Logistics' dry port terminal; (xi) \$1.1 million in payments made by Navios Logistics for the acquisition of land; (xii) \$0.5 million payment for the investment in common shares in Navios Containers; (xiii) \$0.5 million in payments made by Navios Logistics for the purchase of covers for dry barges; (xiv) \$101.7 million of proceeds from sale of Navios Magellan, Navios Mars, Navios Sphera, Navios Achilles, Navios Herakles; (xv) \$24.4 million cash acquired through obtaining control in Navios Containers; (xvi) \$5.8 million dividends received from Navios Acquisition; (xvii) \$0.5 million of proceeds from sale of the Company's investment in Acropolis; and (xviii) \$0.2 million in collections of Navios Logistics' Note receivable.

### **Cash used in financing activities for the year ended December 31, 2019 as compared to the year ended December 31, 2018:**

Cash used in financing activities was \$111.7 million for the year ended December 31, 2019, as compared to \$66.9 million for the year ended December 31, 2018.

Cash used in financing activities for the year ended December 31, 2019 was the result of (i) \$123.2 million proceeds from Navios Containers' long term debt (net of deferred financing costs of \$1.9 million); (ii) \$68.3 million of payments for the repurchase of the 2022 Notes; (iii) \$59.2 million related to scheduled repayment installments; (iv) \$53.1 million related to prepayment and

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refinance of indebtedness of Navios Containers for the period from January 1, 2019 to August 30, 2019 (date of losing control); (v) \$31.2 million related to prepayment of indebtedness of Navios Holdings; (vi) \$13.4 million related to repayment of loan payable to affiliate companies; (vii) \$10.2 million payments relating to the redemption of preferred stock; (viii) \$4.0 million proceeds from Navios Holdings' long term debt; and (ix) \$3.4 million related to prepayment of indebtedness of Navios Logistics .

Cash used in financing activities for the year ended December 31, 2018 was the result of (i) \$40.0 million related to scheduled repayment installments; (ii) \$31.8 million related to prepayment of indebtedness; (iii) \$28.8 million of payments for the repurchase of the 2022 Notes; (iv) \$22.5 million related to prepayment and refinance of indebtedness of Navios Containers for the period from November 30, 2018 (date of obtaining control) to December 31, 2018; (v) \$49.4 million proceeds from Navios Containers' long term debt (net of deferred financing costs of \$0.6 million); and (vi) \$6.9 million of proceeds from Navios Logistics' long term debt (net of deferred financing costs of \$0.2 million).

### **Cash provided by operating activities for the year ended December 31, 2018 as compared to the year ended December 31, 2017:**

Net cash provided by operating activities increased by \$7.5 million to \$55.6 million for the year ended December 31, 2018, as compared to \$48.1 million for the year ended December 31, 2017. In determining net cash provided by operating activities, net loss is adjusted for the effects of certain non-cash items, which may be analyzed in detail as follows:

<u>(in thousands of U.S. dollars)</u>	<u>Year Ended December 31, 2018</u>	<u>Year Ended December 31, 2017</u>
Net loss	\$ (265,511)	\$ (164,787)
<b>Adjustments to reconcile net loss to net cash provided by operating activities:</b>		
Depreciation and amortization	102,839	104,112
Amortization and write-off of deferred financing costs	7,880	6,391
Amortization of deferred drydock and special survey costs	13,828	14,727
Provision for losses on accounts receivable	575	269
Share based compensation	4,556	4,296
Gain on bond and debt extinguishment	(6,464)	(185)
Bargain gain upon obtaining control	(58,313)	—
Income tax benefit	(1,108)	(3,192)
Impairment losses	200,657	50,565
Gain on sale of assets	(894)	(1,064)
Loss/(equity) in affiliates, net of dividends received	84,317	4,610
<b>Net income adjusted for non-cash items</b>	<b><u>\$ 82,362</u></b>	<b><u>\$ 15,742</u></b>

Accounts receivable, net, remained stable to \$60.3 million at December 31, 2018. The movement of the year was primarily due to (i) a \$2.5 million increase in accounts receivable of Navios Logistics; and (ii) \$2.6 million accounts receivable, net of Navios Containers. The overall increase was mitigated by (i) a \$3.7 million decrease in accounts receivable from charterers and other receivables in Dry Bulk Vessel Operations; and (ii) a \$1.4 million decrease in accrued voyage income in Dry Bulk Vessel Operations.

Amounts due from/(to) affiliate companies, including current and non-current portion, decreased by \$9.9 million from \$82.7 million payable for the year ended December 31, 2017 to \$74.5 million payable for the year ended December 31, 2018. This decrease was due to (i) a \$7.7 million increase in balances relating to Navios Europe I and Navios Europe II; and (ii) a \$1.7 million net decrease in payable of management and administrative fees, drydocking and other expenses prepaid by the affiliates according to our management agreements; partially mitigated by a \$1.2 million increase in balances following the transfer to Navios Partners, the Company's rights to the Navios Revolving Loans I and Navios Term Loans I (as defined herein).

Inventories decreased by \$2.5 million, from \$30.2 million at December 31, 2017 to \$27.7 million at December 31, 2018. The decrease was primarily due to a \$3.7 million decrease in inventories of Navios Logistics mainly attributable to a decrease in inventories in the liquid port in Paraguay; partially mitigated by (i) a \$0.6 million increase in inventories on board of our dry bulk vessels; and (ii) \$0.6 million inventories of Navios Containers.

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Prepaid expenses and other current assets increased by \$12.9 million, from \$27.1 million at December 31, 2017 to \$40.0 million at December 31, 2018. The increase was primarily due to (i) a \$11.3 million increase in prepaid expenses and other current assets of Navios Logistics; (ii) a \$4.0 million increase in other assets; and (iii) \$3.0 million prepaid expenses and other current assets of Navios Containers. This increase was partially mitigated by (i) a \$3.7 million decrease in claims receivables; (ii) a \$1.5 million decrease in advances to agents and prepaid taxes; and (iii) a \$0.2 million decrease in prepaid voyage and operating costs.

Other long-term assets increased by \$18.8 million, from \$4.9 million at December 31, 2017 to \$23.7 million at December 31, 2018. The increase was primarily due to (i) a \$14.9 million increase in long-term assets from dry bulk operations mainly due to \$15.0 million deposits for options to acquire vessels under bareboat contracts; (ii) a \$2.8 million increase in other long-term assets of Navios Logistics; and (iii) \$1.1 million long-term assets of Navios Containers.

Accounts payable decreased by \$0.7 million, from \$79.7 million at December 31, 2017 to \$78.9 million at December 31, 2018. The decrease was primarily due to (i) a \$5.2 million decrease in accounts payable of Navios Logistics; (ii) a \$4.1 million decrease in port agents payable; and (iii) a \$0.4 million decrease in accounts payable relating to utilities and other service providers, legal and audit services. The overall decrease was partially mitigated by (i) a \$4.2 million increase in accounts payable to bunkers, lubricants and other suppliers; (ii) \$3.6 million accounts payable of Navios Containers; (iii) a \$0.8 million increase in accounts payable relating to brokers and other accounts payable; and (iv) a \$0.4 million increase in accounts payable to headowners.

Accrued expenses and other liabilities increased by \$28.8 million to \$123.7 million at December 31, 2018 from \$94.9 million at December 31, 2017. The increase was primarily due to (i) a \$18.0 million increase in accrued direct vessel expenses and drydocking expenses; (ii) a \$7.5 million increase in accrued interest; (iii) a \$6.8 million increase in other accrued expenses and other liabilities; and (iv) \$2.3 million accrued expenses of Navios Containers. The overall increase was partially mitigated by (i) a \$1.8 million decrease in accrued payroll and related expenses; (ii) a \$1.6 million decrease in accrued voyage expenses; (iii) a \$1.4 million decrease in accrued expenses of Navios Logistics; and (iv) a \$1.0 million decrease in accrued estimated losses on uncompleted voyages.

Deferred income and cash received in advance increased by \$0.8 million to \$11.8 million at December 31, 2018 from \$11.0 million at December 31, 2017. Deferred income primarily reflects freight and charter-out amounts collected on voyages that have not been completed and the current portion of the deferred gain from the sale of various vessels to Navios Partners to be amortized over the next year. The increase was primarily due to (i) \$2.1 million deferred income and cash received in advance of Navios Containers; and (ii) a \$0.1 million increase in deferred freight. The overall increase was partially mitigated by (i) a \$0.9 million decrease in deferred income of Navios Logistics; and (ii) \$0.5 million decrease in the current portion of deferred gain from the sale of assets to Navios Partners.

Other long-term liabilities and deferred income decreased by \$24.3 million to \$19.1 million at December 31, 2018 from \$43.4 million at December 31, 2017. The decrease was primarily due to (i) \$20.0 million related to the Navios Partners Guarantee (as defined herein) which as of December 31, 2018, was included in "Due to affiliate companies"; (ii) a \$2.4 million decrease in other long-term payables; (iii) a \$1.3 million decrease in the non-current portion of deferred gain from the sale of vessels to Navios Partners; and (iv) a \$0.6 million decrease in other long-term liabilities of Navios Logistics.

### **Cash provided by/(used in) investing activities for the year ended December 31, 2018 as compared to the year ended December 31, 2017:**

Cash provided by investing activities was \$27.9 million for the year ended December 31, 2018, as compared to \$42.4 million used in for the same period of 2017.

Cash provided by investing activities for the year ended December 31, 2018 was the result of: (i) \$24.8 million payments made from Navios Containers for the period from November 30, 2018 (date of obtaining control) to December 31, 2018 for the purchase of Bahamas and Bermuda; (ii) \$21.6 million in payments for the purchase of Navios Primavera and Navios Equator Prosper; (iii) \$15.2 million payments as deposits for options to acquire vessels under bareboat contracts; (iv) a \$12.9 million loan to Navios Europe I and Navios Europe II; (v) \$12.4 million in payments for the construction of Navios Logistics' river and estuary tanker; (vi) \$5.8 million in payments for the acquisition of common units and general partner units in Navios Partners; (vii) \$4.1 million in payments made by the Company for the purchase of other fixed assets; (viii) \$2.4 million in payments for the construction of Navios Logistics' three new pushboats; (ix) \$1.9 million in payments for the purchase of Navios Logistics' other fixed assets; (x) \$1.5 million in payments for the expansion of Navios Logistics' dry port terminal; (xi) \$1.1 million in payments made by Navios Logistics for the acquisition of land; (xii) \$0.5 million payment for the investment in common shares in Navios Containers; (xiii) \$0.5 million in payments made by Navios Logistics for the purchase of covers for dry barges; (xiv) \$101.7 million of proceeds from sale of Navios Magellan, Navios Mars, Navios Sphera, Navios Achilles, Navios Herakles; (xv) \$24.4 million cash acquired through obtaining control

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in Navios Containers; (xvi) \$5.8 million dividends received from Navios Acquisition; (xvii) \$0.5 million of proceeds from sale of the Company's investment in Acropolis; and (xviii) \$0.2 million in collections of Navios Logistics' Note receivable.

Cash used in investing activities for the year ended December 31, 2017 was the result of: (i) \$5.0 million payment for the investment in common shares in Navios Containers; (ii) a \$4.5 million loan to Navios Europe I and Navios Europe II; (iii) \$2.7 million payment as a deposit for option to acquire a vessel under a bareboat contract; (iv) \$2.6 million in payments for the acquisition of general partner units in Navios Partners; (v) \$0.4 million in payments in other fixed assets; (vi) \$19.0 million in payments for the expansion of Navios Logistics' dry port terminal; (vii) \$14.6 million in payments for the construction of Navios Logistics' three new pushboats delivered in February 2018, (viii) \$6.1 million in payments for the construction of a river and estuary tanker; (ix) \$5.5 million in payments for the improvement of barges, pushboats and vessels; (x) \$0.7 million in payments for the purchase of other fixed assets; (xi) \$0.6 million in payments for the purchase of covers for dry barges; (xii) \$11.8 million of proceeds from sale of Navios Ionian and Navios Horizon; (xiii) \$7.3 million dividends received from Navios Acquisition; and (xiv) \$0.2 million in collections of Navios Logistics' Note receivable.

### **Cash used in by financing activities for the year ended December 31, 2018 as compared to the year ended December 31, 2017:**

Cash used in financing activities was \$66.9 million for the year ended December 31, 2018, as compared to \$12.9 million used in financing activities for the same period of 2017.

Cash used in financing activities for the year ended December 31, 2018 was the result of (i) \$40.0 million related to scheduled repayment installments; (ii) \$31.8 million related to prepayment of indebtedness; (iii) \$28.8 million of payments for the repurchase of the 2022 Notes; (iv) \$22.5 million related to prepayment and refinance of indebtedness of Navios Containers for the period from November 30, 2018 (date of obtaining control) to December 31, 2018; (v) \$49.4 million proceeds from Navios Containers' long term debt (net of deferred financing costs of \$0.6 million); and (vi) \$6.9 million of proceeds from Navios Logistics' long term debt (net of deferred financing costs of \$0.2 million).

Cash used in financing activities for the year ended December 31, 2017 was the result of (i) a \$291.1 million repayment related to the refinancing of one of the Company's secured notes; (ii) \$55.1 million related to prepayment of Navios Acquisition loan; (iii) \$25.7 million related to scheduled repayment installments; (iv) \$25.3 million payments related to the dividend paid to the noncontrolling shareholders; (v) \$15.6 million repayment related to the refinancing of one of the Company's secured credit facilities; (vi) \$12.4 million of payments for the termination of obligations under capital leases; (vii) \$7.3 million related to prepayment of indebtedness originally set to mature in the third quarter of 2018; and (viii) \$0.6 million of fees relating to redemption of preferred stock. This was partially offset by (i) \$291.2 million of loan proceeds (net of deferred financing cost and discount of \$13.8 million) related to the refinancing of 2019 Notes; (ii) \$95.5 million of proceeds from the Term Loan B Facility (net of deferred financing cost and discount of \$4.5 million); (iii) \$14.7 million of loan proceeds (net of \$0.5 million finance fees); (iv) \$13.9 million of proceeds from Navios Logistics' long-term debt (net of deferred financing cost of \$0.1 million); (v) \$4.1 million proceeds from the transfer of the Company's participation in Navios Revolving Loans I, and Navios Term Loans I, to Navios Partners both relating to Navios Europe I; and (vi) \$0.7 million of drawdowns under Navios Logistics' Notes Payable.

**Adjusted EBITDA:** EBITDA represents net (loss)/income attributable to Navios Holdings' common stockholders before interest and finance costs, before depreciation and amortization and before income taxes. Adjusted EBITDA represents EBITDA before stock based compensation. We use Adjusted EBITDA as liquidity measure and reconcile Adjusted EBITDA to net cash provided by operating activities, the most comparable U.S. GAAP liquidity measure. Adjusted EBITDA is calculated as follows: net cash provided by operating activities adding back, when applicable and as the case may be, the effect of (i) net increase/(decrease) in operating assets, (ii) net (increase)/decrease in operating liabilities, (iii) net interest cost, (iv) deferred finance charges and gains/(losses) on bond and debt extinguishment, (v) (provision)/recovery for losses on accounts receivable, (vi) equity in affiliates, net of dividends received, (vii) payments for drydock and special survey costs, (viii) noncontrolling interest, (ix) gain/ (loss) on sale of assets/ subsidiaries/businesses, on loss of control and bargain gain, (x) unrealized (loss)/gain on derivatives, and (xi) loss on sale and reclassification to earnings of available-for-sale securities and impairment charges. Navios Holdings believes that Adjusted EBITDA is a basis upon which liquidity can be assessed and represents useful information to investors regarding Navios Holdings' ability to service and/or incur indebtedness, pay capital expenditures, meet working capital requirements and pay dividends. Navios Holdings also believes that Adjusted EBITDA is used (i) by prospective and current lessors as well as potential lenders to evaluate potential transactions; (ii) to evaluate and price potential acquisition candidates; and (iii) by securities analysts, investors and other interested parties in the evaluation of companies in our industry.

Adjusted EBITDA has limitations as an analytical tool, and therefore, should not be considered in isolation or as a substitute for the analysis of Navios Holdings' results as reported under U.S. GAAP. Some of these limitations are: (i) Adjusted EBITDA does not reflect changes in, or cash requirements for, working capital needs; (ii) Adjusted EBITDA does not reflect the



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amounts necessary to service interest or principal payments on our debt and other financing arrangements; and (iii) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future. Adjusted EBITDA does not reflect any cash requirements for such capital expenditures. Because of these limitations, among others, Adjusted EBITDA should not be considered as a principal indicator of Navios Holdings' performance. Furthermore, our calculation of Adjusted EBITDA may not be comparable to that reported by other companies due to differences in methods of calculation.

For a reconciliation of cash flows from operating activities to Adjusted EBITDA refer to "Item 3. Key Information- A. Selected Financial Data."

Adjusted EBITDA for the years ended December 31, 2019 and 2018 was \$61.9 million and \$(18.2) million, respectively. The \$80.1 million increase in Adjusted EBITDA was primarily due to (i) a \$77.8 million increase in revenue of Navios Containers for the period from January 1, 2019 to August 30, 2019, as compared to the period from November 30, 2018 to December 31, 2018; (ii) a \$71.0 million increase in equity in net earnings of affiliated companies; (iii) a \$44.6 million decrease in impairment losses; (iv) a \$40.9 million increase in bond extinguishment gains; (v) a \$30.3 million increase in other income from continuing operations; (vi) a \$28.6 million decrease in time charter, voyage and logistics business expenses from continuing operations; and (vii) a \$9.8 million gain on sale of business recorded in the year ended December 31, 2019. This overall increase of \$303.0 million was partially mitigated by (i) \$61.7 million loss on loss of control over Navios Containers on August 30, 2019, compared to a \$58.3 million gain upon obtaining control over Navios Containers on November 30, 2018; (ii) a \$7.6 million increase in direct vessel expenses from continuing operations (excluding the amortization of deferred drydock and special survey costs) and a \$38.2 million increase in direct vessel expenses of Navios Containers (excluding the amortization of deferred drydock and special survey costs) for the period from January 1, 2019 to August 30, 2019, as compared to the period from November 30, 2018 to December 31, 2018; (iii) a \$23.3 million decrease in revenue from continuing operations; (iv) a \$11.3 million increase in general and administrative expenses (excluding share-based compensation expenses) from continuing operations and a \$5.8 million increase in general and administrative expenses of Navios Containers for the period from January 1, 2019 to August 30, 2019, as compared to the period from November 30, 2018 to December 31, 2018; (v) a \$5.6 million increase in other expense, net of Navios Containers for the period from January 1, 2019 to August 30, 2019, as compared to the period from November 30, 2018 to December 31, 2018; (vi) a \$4.5 million increase in net income attributable to the noncontrolling interest; (vii) a \$3.5 million increase in time charter and voyage expenses of Navios Containers for the period from January 1, 2019 to August 30, 2019, as compared to the period from November 30, 2018 to December 31, 2018; (viii) a \$2.7 million increase in other expenses from continuing operations; and (ix) a \$0.4 million increase in provision for losses on accounts receivable.

Adjusted EBITDA for the years ended December 31, 2018 and 2017 was \$(18.2) million and \$68.8 million, respectively. The \$87.0 million decrease in Adjusted EBITDA was primarily due to (i) a \$150.1 million increase in impairment losses; (ii) a \$84.6 million decrease in equity in net earnings from affiliated companies; (iii) \$5.3 million direct vessel expenses of Navios Containers for the period from November 30, 2018 to December 31, 2018; (iv) a \$2.1 million increase in net income attributable to the noncontrolling interest; (v) a \$1.1 million decrease in gain on sale of assets; (vi) \$0.5 million time charter and voyage expenses of Navios Containers for the period from November 30, 2018 to December 31, 2018; (vii) \$0.9 million general and administrative expenses of Navios Containers for the period from November 30, 2018 to December 31, 2018; (viii) \$0.3 million other expense, net of Navios Containers for the period from November 30, 2018 to December 31, 2018; and (ix) a \$0.3 million increase in provision for losses on accounts receivable. This overall decrease of \$245.2 million was partially mitigated by (i) \$58.3 million bargain gain upon obtaining control in Navios Containers; (ii) a \$42.6 million increase in revenue from continuing operations; and \$12.1 million revenue of Navios Containers for the period from November 30, 2018 to December 31, 2018; (iii) a \$19.5 million decrease in direct vessel expenses (excluding the amortization of deferred drydock and special survey costs) from continuing operations; (iv) a \$8.4 million increase in other income from continuing operations; (v) a \$8.1 million decrease in time charter, voyage and logistics business expenses from continuing operations; (vi) a \$7.5 million increase in gain on bond/debt extinguishment; (vii) a \$1.2 million decrease in general and administrative expenses (excluding share-based compensation expenses) from continuing operations; and (viii) a \$0.5 million decrease in other expenses from continuing operations.

### **Long-Term Debt Obligations and Credit Arrangements:**

#### ***Navios Holdings Debt***

##### **2022 Senior Secured Notes**

On November 21, 2017, the Company and its wholly owned subsidiary, Navios Maritime Finance II (US) Inc. (together with the Company, the "Co-Issuers") issued \$305.0 million of 2022 Senior Secured Notes, at a price of 97%.

The 2022 Senior Secured Notes are secured by a first priority lien on certain capital stock owned by certain of the subsidiary guarantors of Navios Holdings in each of Navios Maritime Acquisition Corporation, Navios South American Logistics Inc. and Navios Maritime Containers Inc., as well as by the vessel Navios Azimuth. The 2022 Senior Secured Notes are unregistered and



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guaranteed by all of the Company's direct and indirect subsidiaries, except for certain subsidiaries designated as unrestricted subsidiaries, including Navios Logistics. The subsidiary guarantees are "full and unconditional", except that the indenture provides for an individual subsidiary's guarantee to be automatically released in certain customary circumstances, such as when a subsidiary is sold or all of the assets of the subsidiary are sold, the capital stock is sold, when the subsidiary is designated as an "unrestricted subsidiary" for purposes of the indenture, upon liquidation or dissolution of the subsidiary or upon legal or covenant defeasance or satisfaction and discharge of the 2022 Senior Secured Notes. The net proceeds of the offering were used to complete a cash tender offer for its Co-Issuers' then outstanding 8.125% Senior Notes due 2019 described below (the "2019 Notes") and to redeem notes not purchased in the tender offer, including the payment of related fees and expenses and any redemption premium. The effect of this transaction was the recognition of a \$2.7 million extinguishment loss in the consolidated statements of comprehensive (loss)/income under "Gain/(loss) on bond and debt extinguishment" in the year ended December 31, 2017.

The Co-Issuers have the option to redeem the 2022 Senior Secured Notes in whole or in part, at any time at par.

Upon occurrence of certain change of control events, the holders of the 2022 Senior Secured Notes may require the Co-Issuers to repurchase some or all of the 2022 Senior Secured Notes at 101% of their face amount. The 2022 Senior Secured Notes contain covenants which, among other things, limit the incurrence of additional indebtedness, issuance of certain preferred stock, the payment of dividends, redemption or repurchase of capital stock or making restricted payments and investments, creation of certain liens, transfer or sale of assets, entering in transactions with affiliates, merging or consolidating or selling all or substantially all of the Co-Issuers' properties and assets and creation or designation of restricted subsidiaries. The indenture governing the 2022 Senior Secured Notes includes customary events of default. The Co-Issuers were in compliance with the covenants as of December 31, 2019.

### **Senior Notes**

On January 28, 2011, the Company and its wholly owned subsidiary, Navios Maritime Finance II (US) Inc. completed the sale of \$350.0 million of 2019 Notes. During July, August and October 2016, the Company repurchased \$58.9 million of its 2019 Notes for a cash consideration of \$30.7 million resulting in a gain on bond extinguishment of \$27.7 million, net of deferred fees written-off. On November 21, 2017, Co-Issuers completed the sale of 2022 Senior Secured Notes. The net proceeds of the offering of the 2022 Senior Secured Notes have been used: (i) to repay, in full, the outstanding amount of the 2019 Notes; and (ii) for general corporate purposes.

### **Ship Mortgage Notes**

On November 29, 2013, the Co-Issuers completed the sale of \$650.0 million of its 2022 Notes. During September 2018, the Company repurchased \$35.7 million of its 2022 Notes for a cash consideration of \$28.8 million resulting in a gain on bond extinguishment of \$6.5 million, net of deferred fees written-off. During 2019, Navios Logistics repurchased \$35.5 million in par value of the 2022 Notes from unaffiliated third parties in open market transactions for a cash consideration of \$17.6 million. During 2019, the Company repurchased \$81.2 million in par value of its 2022 Notes for a cash consideration of \$50.7 million. These transactions resulted in a gain on bond extinguishment of \$47.4 million, net of deferred fees written-off. (Refer to Note 16 included elsewhere in this Annual Report). During 2020, the Company repurchased \$20.8 million in par value of its 2022 Notes for a cash consideration of \$9.4 million resulting in a gain on bond extinguishment of \$11.2 million, net of deferred fees written-off.

The 2022 Notes are senior obligations of Navios Holdings and Navios Maritime Finance II (US) Inc. (the "2022 Co-Issuers") and were originally secured by first priority ship mortgages on 23 dry bulk vessels owned by certain subsidiary guarantors and certain other associated property and contract rights. In June 2017, Navios Ionian and Navios Horizon were released from the 2022 Notes and replaced by the Navios Galileo. In March 2018, Navios Herakles was released from the 2022 Notes and replaced by the Navios Equator Prosper. In July 2018, Navios Achilles was released from the 2022 Notes and replaced by the Navios Primavera. In December 2018 and in March 2019, Navios Magellan and Navios Meridian, respectively, were released from the 2022 Notes and the total proceeds of \$14.0 million were restricted in an escrow account and considered as a cash collateral. In May 2019 and June 2019, Navios Equator Prosper, Navios Vector and the cash collaterals in escrow accounts were released from the 2022 Notes and replaced by the N Bonanza and N Amalthia and the total proceeds of \$7.4 million were restricted in an escrow account and considered as cash collateral. In July 2019 and August 2019, Navios Arc and Navios Mercator, respectively, were released from the 2022 Notes. In August 2019, the cash collateral in escrow accounts were released from the 2022 Notes and replaced by Navios Victory. In September 2019, Navios Primavera was released from the 2022 Notes and the total proceeds of \$10.1 million were restricted in escrow accounts and considered as cash collateral. In November 2019, Navios Victory and the cash collateral in escrow accounts were released and replaced by the Navios Northern Star, Navios Taurus and Navios Serenity. In January 2020 and February 2020, Navios Hios and Navios Kypros were released from the 2022 Notes and were replaced by Navios Amicie and \$6.0 million of cash collateral kept in an escrow account. The 2022 Notes are unregistered and fully and unconditionally guaranteed, jointly and severally by all of the Company's direct and indirect subsidiaries, other than Navios Maritime Finance (US) Inc., Navios Logistics and its subsidiaries

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and Navios GP L.L.C. The guarantees of the Company's subsidiaries that own mortgaged vessels are senior secured guarantees and the guarantees of the Company's subsidiaries that do not own mortgaged vessels are senior unsecured guarantees. In addition, the 2022 Co-Issuers have the option to redeem the 2022 Notes in whole or in part at par.

Upon occurrence of certain change of control events, the holders of the 2022 Notes may require the 2022 Co-Issuers to repurchase some or all of the 2022 Notes at 101% of their face amount. The 2022 Notes contain covenants, which among other things, limit the incurrence of additional indebtedness, issuance of certain preferred stock, the payment of dividends, redemption or repurchase of capital stock or making restricted payments and investments, creation of certain liens, transfer or sale of assets, entering into certain transactions with affiliates, merging or consolidating or selling all or substantially all of the 2022 Co-Issuers' properties and assets and creation or designation of restricted subsidiaries. The indenture governing the 2022 Notes includes customary events of default. The 2022 Co-Issuers were in compliance with the covenants as of December 31, 2019.

### **2024 Notes**

On March 21, 2019, Navios Holdings issued \$4.7 million of 9.75% Senior Notes due 2024 (the "2024 Notes") as an exchange for a total of 10,930 Series H which were validly tendered as of that date (Refer to Note 17 included elsewhere in this Annual Report).

On April 21, 2019, Navios Holdings issued \$3.9 million of 9.75% Senior Notes due 2024 (the "2024 Notes") as an exchange for a total of 8,841 Series G which were validly tendered as of that date. (Refer to Note 17 included elsewhere in this Annual Report).

The 2024 Notes are Navios Holding's senior unsecured general obligations and rank senior in right of payment to any of Navios Holding's existing and future debt that expressly provides that it is subordinated to the 2024 Notes, *pari passu* in right of payment with all of Navios Holding's existing and future senior obligations, structurally subordinated in right of payment to the obligations of Navios Holding's subsidiaries, and effectively subordinated in right of payment to any existing and future obligations of Navios Holdings that are secured by property or assets that do not secure the 2024 Notes, including the 2022 Senior Secured Notes and the 2022 Notes, to the extent of the value of any such property and assets securing such other obligations. The 2024 Notes are not guaranteed by any of Navios Holdings' subsidiaries.

The indenture governing the 2024 Notes does not contain restrictive covenants but does include customary events of default. Navios Holdings has the option to redeem the 2024 Notes, in whole or in part, at its option at any time, at a redemption price equal to 100% of the principal amount of the 2024 Notes to be redeemed, plus accrued interest.

### **Secured Credit Facilities**

*Credit Agricole (formerly Emporiki) Facilities:* In December 2012, the Emporiki Bank of Greece's facilities were transferred to Credit Agricole Corporate and Investment Bank.

In September 2010, Navios Holdings entered into a facility agreement with Emporiki Bank of Greece for an amount of up to \$40.0 million in order to partially finance the construction of one newbuilding Capesize vessel. In December 2017, the Company agreed to extend the last payment date to August 2021. The loan bears interest at a rate of LIBOR plus 275 basis points. The loan facility requires compliance with certain financial covenants. As of December 31, 2018, the facility was refinanced and repaid in full and there was no outstanding amount.

In August 2011, Navios Holdings entered into a facility agreement with Emporiki Bank of Greece for an amount of up to \$23.0 million in order to partially finance the construction of one Panamax vessel. As of December 31, 2019, the facility was refinanced and the outstanding amount under this facility is repayable in five semi-annual installments of \$0.8 million, with a final balloon payment of \$8.9 million on the last payment date. The loan bears interest at a rate of LIBOR plus 275 basis points. The loan facility requires compliance with certain covenants. As of December 31, 2019, the outstanding amount under this facility was \$12.6 million.

In December 2011, Navios Holdings entered into a facility agreement with Emporiki Bank of Greece for an amount of up to \$23.0 million in order to partially finance the construction of one newbuilding bulk carrier. As of December 31, 2019, the facility was refinanced and the outstanding amount under the loan facility was repayable in five semi-annual equal installments of \$0.8 million after the drawdown date, with a final balloon payment of \$9.2 million on the last payment date. The loan bears interest at a rate of LIBOR plus 325 basis points. The loan facility requires compliance with certain covenants. As of December 31, 2019, the outstanding amount under this facility was \$12.9 million.

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On December 20, 2013, Navios Holdings entered into a facility with Credit Agricole Corporate and Investment Bank for an amount of up to \$22.5 million in two equal tranches, in order to finance the acquisition of two Panamax vessels. The two tranches bear interest at a rate of LIBOR plus 300 basis points. In December 2017, the Company agreed to extend the last payment date to August 2021. The loan facility requires compliance with certain financial covenants. As of December 31, 2018, the facility was refinanced and repaid in full and there was no outstanding amount.

On February 14, 2018, Navios Holdings entered into a facility with Credit Agricole Corporate and Investment Bank for an amount of up to \$28.7 million in three advances to be drawn simultaneously for the purpose of a) to repay all amounts outstanding under the facility agreement dated September 2010 and b) to repay all amounts outstanding under the facility agreement dated December 20, 2013. The loan bore interest at a rate of LIBOR plus 280 basis points. The loan facility required compliance with certain covenants. As of December 31, 2018, the first tranche drawn amount was \$15.2 million and was repayable in six semi-annual installments of \$1.2 million with a final balloon payment of \$6.8 million on the last payment date, the second tranche drawn amount was \$6.8 million and was repayable in six semi-annual installments of \$0.6 million with a final balloon payment of \$2.8 million on the last payment date and the third tranche drawn amount was \$6.8 million and was repayable in six semi-annual installments of \$0.6 million with a final balloon payment of \$2.8 million on the last payment date. The loan bore interest at a rate of LIBOR plus 280 basis points. The loan facility required compliance with certain financial covenants. As of December 31, 2019 the facility was repaid in full and there was no outstanding amount.

*Commerzbank Facility:* In June 2009, Navios Holdings entered into a facility agreement for an amount of up to \$240.0 million (divided into four tranches of \$60.0 million) with Commerzbank AG in order to partially finance the acquisition of a Capesize vessel and the construction of three Capesize vessels. Following the delivery of two Capesize vessels, Navios Holdings cancelled two of the four tranches and in October 2010 fully repaid their outstanding loan balances of \$53.6 million and \$54.5 million, respectively. During October 2016, the Company fully prepaid the third tranche of the facility, which had an outstanding balance of \$15.3 million, using \$13.8 million of cash, thus achieving a \$1.5 million benefit to nominal value. During May 2017, the Company fully repaid the fourth tranche of the facility, which had an outstanding loan balance of \$17.3 million, using \$15.6 million of cash, thus achieving a \$1.7 million benefit to nominal value.

*Hamburg Commercial Bank AG Facility:* On May 23, 2017, Navios Holdings entered into a facility agreement with Hamburg Commercial Bank AG for an amount of up to \$15.3 million in order to partially refinance the fourth tranche of the Commerzbank facility. As of December 31, 2019, the facility is repayable in seven quarterly equal installments of \$0.4 million, with a final balloon payment of \$8.8 million on the last payment date. The loan bears interest at a rate of LIBOR plus 300 basis points. The loan facility requires compliance with certain covenants. As of December 31, 2019, the outstanding amount under this facility was \$11.5 million.

*DVB Bank SE Facilities:* On March 23, 2012, Navios Holdings entered into a facility agreement with a syndicate of banks led by DVB Bank SE for an amount of up to \$42.0 million in two tranches: (i) the first tranche is for an amount of up to \$26.0 million in order to finance the acquisition of a Handysize vessel; and (ii) the second tranche is for an amount of up to \$16.0 million to refinance the outstanding debt of an Ultra-Handymax vessel. On June 27, 2014, Navios Holdings refinanced the existing facility, adding a new tranche for an amount of \$30.0 million in order to finance the acquisition of a Capesize vessel, which was delivered in June 2014. On November 12, 2019, Navios Holdings amended this facility agreement with DVB Bank SE in order to extend the maturity of the outstanding balance originally due in the first and second quarter of 2020 for one year, to June 2021 and released from collateral one Handysize vessel which was substituted by one Panamax vessel. The facility bears interest at a rate of LIBOR plus 293 basis points. As of December 31, 2019, the first tranche is repayable in six quarterly installments of \$0.4 million, with a final balloon payment of \$10.1 million on the last repayment date, the second tranche is repayable in six quarterly installments of \$0.3 million, with a final balloon payment of \$4.0 million on the last repayment date and the third tranche is repayable in six quarterly installments of \$0.5 million, with a final balloon payment of \$20.4 million on the last repayment date. The loan facility requires compliance with certain financial covenants. As of December 31, 2019, the total outstanding amount was \$41.1 million.

In September 2013, Navios Holdings entered into a facility agreement with DVB Bank SE for an amount of up to \$40.0 million in order to finance the acquisition of four Panamax vessels, delivered in August and September 2013. The facility bore interest at a rate of LIBOR plus 325 basis points. During 2017, Navios Holdings prepaid the indebtedness originally maturing in the third quarter of 2018 and released from collateral one Panamax vessel. In December 2017, Navios Holdings entered into a facility agreement with DVB Bank SE in order to extend the maturity of the outstanding balance originally due by September 2018 for three years, to September 2021. In December 2015, one newbuilding Panamax vessel and one newbuilding Capesize vessel were added as collateral to this facility. During 2019, Navios Holdings partially prepaid the indebtedness originally maturing in the third quarter of 2021 and released from collateral two Panamax vessels. As of December 31, 2019, the facility is repayable in seven quarterly installments of \$0.4 million, with a final balloon payment of \$2.4 million payable on the last repayment date. The loan facility requires compliance with certain financial covenants. As of December 31, 2019, the outstanding amount was \$5.6 million and was fully prepaid in the first quarter of 2020.

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In January 2016, Navios Holdings entered into a facility agreement with DVB Bank SE for an amount of up to \$41.0 million, to be drawn in two tranches, to finance the acquisition of one newbuilding Panamax vessel and one newbuilding Capesize vessel. The facility bears interest at a rate of LIBOR plus 255 basis points. The total amount drawn under the facility was \$39.9 million. During August 2018, the Company completed the sale of the two vessels and fully prepaid the two tranches of the facility, which had a total outstanding balance of \$31.8 million.

*Alpha Bank A.E.:* On November 6, 2014, Navios Holdings entered into a facility agreement with Alpha Bank A.E. for an amount of up to \$31.0 million in order to finance part of the acquisition of a Capesize vessel. The loan bears interest at a rate of LIBOR plus 300 basis points. As of December 31, 2019, the facility is repayable in 12 quarterly installments of \$0.5 million, with a final balloon payment of \$16.6 million on the last repayment date. The loan facility requires compliance with certain financial covenants. As of December 31, 2019, the outstanding amount was \$22.0 million.

On November 3, 2016, Navios Holdings entered into a facility agreement with Alpha Bank A.E. for an amount of up to \$16.1 million in order to refinance one Capesize vessel. The facility bears interest at a rate of LIBOR plus 300 basis points. As of December 31, 2019, the facility is repayable in 12 quarterly installments of \$0.3 million each, with a final balloon payment of \$10.7 million payable on the last repayment date. The loan facility requires compliance with certain financial covenants. As of December 31, 2019, the outstanding amount was \$14.0 million.

The facilities are secured by first priority mortgages on certain of Navios Holdings' vessels and other collateral.

The credit facilities contain a number of restrictive covenants that limit Navios Holdings and/or certain of its subsidiaries from, among other things: incurring or guaranteeing indebtedness; entering into affiliate transactions; charging, pledging or encumbering the vessels securing such facilities; changing the flag, class, management or ownership of certain Navios Holdings' vessels; changing the commercial and technical management of certain Navios Holdings' vessels; selling or changing the ownership of certain Navios Holdings' vessels; and subordinating the obligations under the credit facilities to any general and administrative costs relating to the vessels. The credit facilities also require the vessels to comply with the ISM Code and ISPS Code and to maintain valid safety management certificates and documents of compliance at all times. Additionally, the credit facilities require compliance with the covenants contained in the indentures governing the 2022 Senior Secured Notes, the 2022 Notes and the 2024 Notes. Among other events, it will be an event of default under the credit facilities if the financial covenants are not complied with or if Angeliki Frangou and her affiliates, together, own less than 20% of the outstanding share capital of Navios Holdings.

The majority of the Company's senior secured credit facilities require compliance with maintenance covenants, including (i) value-to-loan ratio covenants, based on charter-free valuations, ranging from over 120% to 135%, (ii) minimum liquidity up to a maximum of \$30.0 million, and (iii) net total debt divided by total assets, as defined in each senior secured credit facility, ranging from a maximum of 75% to 80%. Certain covenants in our senior secured credit facilities have been amended for a specific period to increase the covenant levels for the applicable net total debt divided by total assets maintenance covenants, as defined in each senior secured credit facility, to a maximum of 85%.

As of December 31, 2019, the Company was in compliance with all of the covenants under each of its credit facilities.

### **Navios Acquisition Loan**

On November 3, 2017, the Company prepaid in full the outstanding amount of \$55.1 million under its secured loan facility of up to \$70.0 million with Navios Acquisition entered into in September 2016. The prepayment amount consisted of the \$50.0 million drawn under the facility and \$5.1 million of accrued interest. See also "Item 7.B Related party transactions".

### **NSM Loan**

On August 29, 2019, Navios Holdings entered into a secured loan agreement of \$141.8 million (including post-closing adjustments) with Navios Shipmanagement Holdings Corporation. During December 2019, Navios Holdings repaid the amount of \$13.4 million under the terms of this facility. Please see also Note 16 included elsewhere in this Annual Report.

### **Sale and Leaseback Agreements**

In January 2020, the Company entered into a sale and leaseback agreement of \$33.0 million, with an unrelated third party in order to finance a capesize vessel. The sale and lease back arrangement is repayable in 144 consecutive monthly payments of approximately \$0.2 million plus a balloon payment of \$0.75 million at maturity. The agreement matures in December 2031.

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In March 2020, the Company entered into a sale and leaseback agreement of \$35.0 million, with an unrelated third party in order to finance a capesize vessel. The sale and lease back arrangement is repayable in 144 consecutive monthly payments of approximately \$0.2 million plus a balloon payment of \$0.75 million at maturity. The agreement matures in February 2032.

### **Navios Logistics Debt**

#### *2022 Logistics Senior Notes*

On April 22, 2014, Navios Logistics and its wholly-owned subsidiary Navios Logistics Finance (US) Inc. (“Logistics Finance” and, together with Navios Logistics (the “Logistics Co-Issuers”) issued \$375.0 million in aggregate principal amount of its 2022 Logistics Senior Notes due on May 1, 2022, at a fixed rate of 7.25%. The 2022 Logistics Senior Notes are unregistered are fully and unconditionally guaranteed, jointly and severally, by all of Navios Logistics’ direct and indirect subsidiaries except for Horamar do Brasil Navegação Ltda (“Horamar do Brasil”), Naviera Alto Parana S.A. (“Naviera Alto Parana”), and Terra Norte Group S.A. (“Terra Norte”), which are deemed to be immaterial, and Logistics Finance, which is the co-issuer of the 2022 Logistics Senior Notes. The subsidiary guarantees are “full and unconditional”, except that the indenture provides for an individual subsidiary’s guarantee to be automatically released in certain customary circumstances, such as in connection with a sale or other disposition of all or substantially all of the assets of the subsidiary, in connection with the sale of a majority of the capital stock of the subsidiary, if the subsidiary is designated as an “unrestricted subsidiary” in accordance with the indenture, upon liquidation or dissolution of the subsidiary or upon legal or covenant defeasance or satisfaction and discharge of the 2022 Logistics Senior Notes.

The Logistics Co-Issuers have the option to redeem the 2022 Logistics Senior Notes in whole or in part, at their option, at any time on or after May 1, 2019 at a fixed price of 101.813%, which price declines ratably until it reaches par in May 2020. In addition, upon the occurrence of certain change of control events, the holders of the 2022 Logistics Senior Notes will have the right to require the Logistics Co-Issuers to repurchase some or all of the 2022 Logistics Senior Notes at 101% of their face amount, plus accrued and unpaid interest to the repurchase date.

The indenture governing the 2022 Logistics Senior Notes contains covenants which, among other things, limit the incurrence of additional indebtedness, issuance of certain preferred stock, the payment of dividends, redemption or repurchase of capital stock or making restricted payments and investments, creation of certain liens, transfer or sale of assets, entering into transactions with affiliates, merging or consolidating or selling all or substantially all of Navios Logistics’ properties and assets and creation or designation of restricted subsidiaries.

The indenture governing the 2022 Logistics Senior Notes include customary events of default.

In addition, there are no significant restrictions on (i) the ability of the parent company, any issuer (or co-issuer) or any guarantor subsidiaries of the 2022 Logistics Senior Notes to obtain funds by dividend or loan from any of their subsidiaries or (ii) the ability of any subsidiaries to transfer funds to the issuer (or co-issuer) or any guarantor subsidiaries.

The Logistics Co-Issuers were in compliance with the covenants as of December 31, 2019.

#### *Navios Logistics Notes Payable*

In connection with the purchase of mechanical equipment for the expansion of its dry port terminal, Corporacion Navios S.A. (“CNSA”) entered into an unsecured export financing line of credit for a total amount of \$42.0 million, including all related fixed financing costs of \$5.9 million, available in multiple drawings upon the completion of certain milestones (“Drawdown Events”). CNSA incurs the obligation for the respective amount drawn by signing promissory notes (“Navios Logistics Notes Payable”). Each drawdown is repayable in 16 consecutive semi-annual installments, starting six months after the completion of each Drawdown Event. Together with each Note Payable, CNSA shall pay interest equal to six-month LIBOR. The unsecured export financing line is fully and unconditionally guaranteed by Ponte Rio S.A. As of December 31, 2019, Navios Logistics had drawn the total available amount and the outstanding balance of Notes Payable was \$22.5 million.

#### *Navios Logistics BBVA Loan Facility*

On December 15, 2016, Navios Logistics entered into a \$25.0 million facility with Banco Bilbao Vizcaya Argentaria Uruguay S.A. (“BBVA”), for general corporate purposes. The loan bears interest at a rate of LIBOR (180 days) plus 325 basis points. The loan is repayable in 20 quarterly installments, the first payment of which was due on June 19, 2017, and secured by assignments of certain

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receivables. As of December 31, 2019, the outstanding amount of the loan was \$14.3 million. On February 14, 2020, Navios Logistics agreed to a \$25.0 million loan facility (the “New BBVA Facility”) with BBVA, which can be drawn if certain conditions are met. The new BBVA Facility can be used to repay the existing loan facility with BBVA, which as of December 31, 2019 had an outstanding amount of \$14.3 million, and for general corporate purposes. The new loan will bear interest at a rate of LIBOR (180 days) plus 325 basis points, will be repayable in equal quarterly installments with final maturity in March 31, 2022 and will be secured by assignments of certain receivables.

Navios Logistics was in compliance with the covenants set forth in the Navios Logistics BBVA Loan Facility as of December 31, 2019.

### *Navios Logistics Alpha Bank Loan*

On May 18, 2017, Navios Logistics entered into a \$14.0 million term loan facility in order to finance the acquisition of two product tankers (“Navios Logistics Alpha Bank Loan”). The Navios Logistics Alpha Bank Loan bears interest at a rate of LIBOR (90 days) plus 315 basis points and is repayable in 20 quarterly installments with a final balloon payment of \$7.0 million on the last repayment date. As of December 31, 2019, the outstanding amount of the loan was \$10.5 million.

Navios Logistics was in compliance with the covenants set forth in the Navios Logistics Alpha Bank Loan as of December 31, 2019.

### *Navios Logistics Credit Agreement*

On August 17, 2018, Navios Logistics entered into a \$6.8 million (€6.2 million) credit agreement in order to finance the 50% of the purchase price of a river and estuary tanker. The credit agreement bears interest at a fixed rate of 675 basis points and is repayable in 24 monthly installments with the final repayment in August 17, 2020. On August 26, 2019, Navios Logistics prepaid the total outstanding balance of the credit agreement, which was \$3.5 million (€3.1 million).

### *Navios Logistics Term Loan B Facility*

On November 3, 2017, Navios Logistics and Navios Logistics Finance (US) Inc., as co-borrowers, completed the issuance of a new \$100.0 million Term Loan B Facility. The Term Loan B Facility bears an interest rate of LIBOR plus 475 basis points and has a four year term with 1.0% amortization per annum. The Term Loan B Facility is fully and unconditionally guaranteed jointly and severally, by all of Navios Logistics’ direct and indirect subsidiaries except for Horamar do Brasil, Naviera Alto Parana and Terra Norte, which are deemed to be immaterial, and Logistics Finance, which is the co-borrower of the Term Loan B Facility. The subsidiary guarantees are “full and unconditional,” except that the credit agreement governing the Term Loan B Facility provides for an individual subsidiary’s guarantee to be automatically released in certain circumstances. The Term Loan B Facility is secured by first priority mortgages on four tanker vessels servicing our cabotage business (on August 28, 2019, one tanker vessel was added as collateral in substitution of two tanker vessels), as well as by assignments of the revenues arising from certain time charter contracts, and an iron ore port contract.

The Term Loan B Facility contains restrictive covenants including restrictions on indebtedness, liens, acquisitions and investments, restricted payments and dispositions. The Term Loan B Facility also provides for customary events of default, including change of control.

As of December 31, 2019, a balance of \$98.0 million was outstanding under the Term Loan B Facility.

Navios Logistics was in compliance with the covenants set forth in the Term Loan B Facility as of December 31, 2019.

### *Navios Logistics Other indebtedness*

In connection with the acquisition of Hidronave S.A. on October 29, 2009, Navios Logistics assumed a \$0.8 million loan facility that was entered into by Hidronave S.A. in 2001, in order to finance the construction of the pushboat Nazira. As of December 31, 2019, the outstanding loan balance was \$0.1 million. The loan facility bears interest at a fixed rate of 600 basis points. The loan is repayable in monthly installments and the final repayment must occur prior to August 10, 2021.

Navios Logistics was in compliance with all the covenants set forth in this facility as of December 31, 2019.



### ***Navios Containers Debt***

From August 30, 2019, Navios Containers has been considered as an affiliate entity of Navios Holdings and not as a controlled subsidiary of the Company. As a result, Navios Containers has been accounted for under the equity method of accounting, and its loans are not consolidated in Navios Holdings balance sheet as of December 31, 2019 and, consequently, additional disclosures for Navios Containers loans for 2019 have not been included.

#### ***ABN AMRO Bank N.V.***

On July 27, 2017, Navios Containers entered into a facility agreement with ABN AMRO for an amount of up to \$21.0 million to finance part of the purchase price of seven containerships. This loan bears interest at a rate of LIBOR plus 400 basis points. Navios Containers has drawn the entire amount. On December 1, 2017, Navios Containers extended the facility dated July 27, 2017, for an additional amount of \$50.0 million to finance part of the purchase price of four containerships. Pursuant to the supplemental agreement dated June 29, 2018, the additional loan bears interest at a rate of LIBOR plus 400 basis points. Navios Containers had drawn the entire amount under the additional loan. On December 6, 2018, Navios Containers fully prepaid the July 27, 2017 credit facility. As of December 31, 2018, there was no outstanding amount under this facility.

On December 3, 2018, Navios Containers entered into a facility agreement with ABN AMRO BANK N.V. for an amount of up to \$50.0 million divided in two tranches: (i) the first tranche is for an amount of up to \$41.2 million in order to refinance the outstanding debt of four containerships and to partially finance the acquisition of one containership and (ii) the second tranche is for an amount of \$8.8 million in order to partially finance the acquisition of one containership. This loan bears interest at a rate of LIBOR plus 350 basis points. Navios Containers drew the entire amount under this facility, net of the loan's discount of \$0.5 million, in the fourth quarter of 2018. The facility is repayable in 16 consecutive quarterly installments, the first four in the amount of \$4.0 million, the fifth in the amount of \$3.4 million and the subsequent 11 installments each in the amount of \$1.7 million along with a final balloon payment of \$12.5 million payable together with the last installment falling due in December 2022. The outstanding loan amount under this facility as of December 31, 2018 was \$50.0 million.

#### ***BNP Paribas***

On May 25, 2018, Navios Containers entered into a facility agreement with BNP Paribas for an amount of up to \$25.0 million, to finance part of the purchase price of one containership. This loan bears interest at a rate of LIBOR plus 300 basis points. As of December 31, 2018, the Company had drawn \$25.0 million under this facility. As of December 31, 2018, the outstanding loan amount under this facility was \$23.6 million and is repayable in 18 equal consecutive quarterly installments, each in the amount of \$0.7 million along with a final balloon payment of \$11.1 million payable together with the last installment, falling due in May 2023.

On December 20, 2017, Navios Containers entered into a facility agreement with BNP Paribas for an amount of up to \$24.0 million (divided in four tranches of up to \$6.0 million each) to finance part of the purchase price of four containerships. This loan bears interest at a rate of LIBOR plus 300 basis points. Navios Containers drew the entire amount under this facility. As of December 31, 2018, the outstanding loan amount of the three tranches under this facility was \$15.4 million and is repayable in 16 equal consecutive quarterly installments, each in the amount of \$0.6 million along with a final balloon payment of \$5.1 million payable together with the last installment, falling due on December 22, 2022. The outstanding loan amount of the fourth tranche is \$5.4 million and is repayable in 17 equal consecutive quarterly installments each in the amount of \$0.2 million along with a final balloon payment of \$1.7 million payable together with the last installment due on February 28, 2023.

In September 2018, Navios Containers entered into a facility agreement with BNP Paribas to extend the facility dated December 20, 2017, for an additional amount of \$9.0 million to partially finance the purchase price of one containership. This loan bears interest at a rate of LIBOR plus 300 basis points. Navios Containers drew the entire amount. As of December 31, 2018, the outstanding loan amount of the additional tranche is \$8.7 million and is repayable in 19 quarterly consecutive installments of \$0.3 million each plus a balloon installment of \$2.6 million payable together with the last installment. The additional tranche matures in September 2023.

***Hamburg Commercial Bank AG*** On June 28, 2018, Navios Containers entered into a facility agreement with Hamburg Commercial Bank AG and Alpha Bank A.E. for an amount of up to \$36.0 million to finance part of the purchase price of two containerships. This loan bears interest at a rate of LIBOR plus 325 basis points. Navios Containers drew the entire amount. The facility bears interest at a rate of LIBOR plus 325 basis points per annum. The facility is repayable in 14 consecutive quarterly installments each in an amount of \$1.2 million plus a final balloon payment of \$15.2 million payable together with the last installment falling due in June, 2022. As of December 31, 2018, the outstanding loan amount under the facility was \$32.0 million.



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On November 9, 2018, Navios Containers entered into a facility agreement with Hamburg Commercial Bank AG divided into four tranches of up to \$31.8 million each to finance part of the purchase price of up to four 10,000 TEU containerships. This loan bears interest at a rate of LIBOR plus 325 basis points and commitment fee of 0.75% per annum on the undrawn loan amount. Each tranche of the facility is repayable in 19 consecutive quarterly installments each in an amount of \$0.7 million together with a final balloon payment of \$18.9 million payable together with the last installment falling due in July 2023. No amount had been drawn under this facility as of December 31, 2018.

### *Navios Containers Financial liability*

On May 25, 2018, Navios Containers entered into a \$119.0 million sale and leaseback transaction with Minsheng Financial Leasing Co. Ltd in order to refinance the outstanding balance of the existing facilities of 18 containerships. Navios Containers has a purchase obligation to acquire the vessels at the end of the lease term and under ASC 842-40, the transfer of the vessels was determined to be a failed sale. In accordance with ASC 842-40, Navios Containers did not derecognize the respective vessels from its balance sheet and accounted for the amounts received under the sale and leaseback transaction as a financial liability. From June 29, 2018 until November 9, 2018, Navios Containers completed the sale and leaseback of 14 vessels for \$90.2 million. Navios Containers does not intend to proceed with the sale and leaseback transaction of the four remaining vessels. Navios Containers is obligated to make 60 monthly payments in respect of all 14 vessels of approximately \$1.1 million each. Navios Containers also has an obligation to purchase the vessels at the end of the fifth year for \$45.1 million. As of December 31, 2018, the outstanding balance under the sale and leaseback transaction was \$87.5 million.

As of December 31, 2018, Navios Containers was in compliance with all of the covenants under all of its credit facilities and its agreements governing its financial liabilities.

During the year ended December 31, 2019, the Company in relation to its secured credit facilities paid, \$59.2 million related to scheduled repayment installments, \$31.2 million related to the prepayment of two of Navios Holdings' credit facilities, \$13.4 million related to the repayment of NSM loan, \$3.4 million related to the prepayment of one of Navios Logistics' credit facilities, and \$53.1 million related to the prepayment of two of Navios Containers' credit facilities. During the year ended December 31, 2019, the proceeds from long-term loans for Navios Holdings and for Navios Containers were \$4.0 million and \$123.2 million, respectively, net of deferred fees.

The annual weighted average interest rates of the Company's total borrowings were 7.70%, 7.78% and 7.11% for the years ended December 31, 2019, 2018 and 2017, respectively.

The maturity table below reflects the principal payments for the next five years and thereafter of all borrowings of Navios Holdings (including Navios Logistics) outstanding as of December 31, 2019, based on the repayment schedules of the respective loan facilities and the outstanding amount due under the debt securities.

<u>Year</u>	<u>Amount in millions of U.S. dollars</u>
2020	\$ 51.7
2021	188.0
2022	1,273.0
2023	36.5
2024	32.6
2025 and thereafter	—
<b>Total</b>	<b>\$ 1,581.8</b>

**Working Capital Position:** On December 31, 2019, Navios Holdings' current assets totaled \$168.0 million, while current liabilities excluding operating lease liabilities totaled \$138.2 million, resulting in a positive working capital position of \$29.8 million. Navios Holdings' cash forecast indicates that it will generate sufficient cash during the next 12 months from April 21, 2020 to make the required principal and interest payments on its indebtedness, provide for the normal working capital requirements of the business and remain in a positive working capital position through April 21, 2021.

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While projections indicate that existing cash balances and operating cash flows will be sufficient to service the existing indebtedness, Navios Holdings continues to review its cash flows with a view toward increasing working capital.

**Capital Expenditures:** In December 2017, the Company agreed to charter-in, under a ten year bareboat contract, from an unrelated third party the Navios Galaxy II, a newbuilding bulk carrier vessel of about 81,789 dwt. On March 30, 2020, Navios Holdings took delivery of Navios Galaxy II. The Company has agreed to pay in total \$5.4 million representing a deposit for the option to acquire the vessel, of which \$2.7 million was paid during the year ended December 31, 2017 and the remaining \$2.7 million was paid during April 2019. As of December 31, 2019, the total amount of \$6.2 million, including expenses and interest, is presented under the caption “Other long-term assets”.

In January 2018, Navios Holdings agreed to charter-in, under two ten-year bareboat contracts, from an unrelated third party the Navios Herakles I and the Navios Uranus, two newbuilding bulk carriers of 82,036 dwt and 81,516 dwt, respectively. On August 28, 2019 Navios Holdings took delivery of Navios Herakles I. On November 28, 2019 Navios Holdings took delivery of Navios Uranus. Navios Holdings has agreed to pay in total \$11.1 million, representing a deposit for the option to acquire these vessels, of which \$8.3 million was paid during the period ended December 31, 2018 and the remaining \$2.8 million was paid during January 2019. As of December 31, 2019, the total amount of \$14.1 million, including expenses and interest, is presented under the caption “Other long-term assets”.

In April 2018, Navios Holdings agreed to charter-in, under one ten-year bareboat contract, from an unrelated third party the Navios Felicity I, a newbuilding bulk carrier of 81,946 dwt. On January 17, 2020 Navios Holdings took delivery of Navios Felicity I. Navios Holdings has agreed to pay in total \$5.6 million, representing a deposit for the option to acquire this vessel, of which \$2.8 million was paid during the period ended December 31, 2018 and the remaining \$2.8 million was paid during February 2019. As of December 31, 2019, the total amount of \$6.6 million, including expenses and interest, is presented under the caption “Other long-term assets”.

Navios Holdings agreed to charter-in, under one ten-year bareboat contract, from an unrelated third party the Navios Magellan II, a newbuilding bulk carrier of about 81,000 dwt, expected to be delivered in the second quarter of 2020. Navios Holdings has agreed to pay in total \$5.8 million, representing a deposit for the option to acquire this vessel, of which \$2.9 million was paid upon signing of the contract in October 2018 and the remaining \$2.9 million was paid during June 2019. As of December 31, 2019, the total amount of \$6.5 million, including expenses and interest, is presented under the caption “Other long-term assets”.

### *Navios Logistics*

On November 21, 2019, Navios Logistics entered into a shipbuilding contract, for the construction of six liquid barges for a total consideration of \$15.8 million. Pursuant to this agreement, Navios Logistics has secured the availability of credit for up to 75% of the purchase price, and up to a five year repayment period starting from the delivery of each vessel. The barges are expected to be delivered starting from the third quarter of 2020 through the fourth quarter of 2020. As of December 31, 2019, Navios Logistics had paid \$4.0 million for the construction of these barges, which are included within “Other long-term assets”.

On November 12, 2018, Navios Logistics acquired approximately 3.5 hectares of undeveloped land located in Port Murinho region, Brazil. Navios Logistics plans to develop this land for its port operations. As of December 31, 2019, Navios Logistics had paid \$1.6 million for the land acquisition and capitalized expenses for the development of its port operations in Port Murinho region, Brazil.

### *Navios Containers*

During the period from January 1, 2019 to August 30, 2019 (date of loss of control), expansion capital expenditures of \$53.1 million related to the acquisition of one containership which Navios Containers took delivery of during the above mentioned period.

During the period from November 30, 2018 (date of obtaining control) to December 31, 2018, expansion capital expenditures of \$24.8 million related to the acquisition of two containerships which Navios Containers took delivery of during the above mentioned period.

Refer also to “Item 5F. Contractual Obligations as at December 31, 2019”.

### ***Dividend Policy***

In November 2015, due to the prolonged weakness in the dry bulk industry, Navios Holdings announced that the Board of Directors decided to suspend the quarterly dividend to its common stockholders in order to conserve cash and improve its liquidity. In February 2016, in furtherance of its efforts to reduce its cash requirements, Navios Holdings announced the suspension of payment of quarterly dividends on its preferred stock, including the Series G and Series H, until market conditions improve. The Board of Directors and Navios Holdings' management believe such a decision is in the best long-term interests of the Company and its stakeholders. The Board of Directors will reassess the Company's distribution policy as the environment changes. The reinstatement, declaration and payment of any further dividend remains subject to the discretion of the Board of Directors and will depend on, among other things, market conditions, Navios Holdings' cash requirements after taking into account market opportunities, restrictions under its equity instruments, credit agreements, indentures and other debt obligations and such other factors as the Board of Directors may deem advisable.

### **Concentration of Credit Risk:**

#### *Accounts receivable*

Concentrations of credit risk with respect to accounts receivables are limited due to Navios Holdings' large number of customers, who are internationally dispersed and have a variety of end markets in which they sell. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in Navios Holdings' trade receivables. For the year ended December 31, 2019, two customers accounted for 17.1% and 14.4%, respectively, of the Company's revenue from continuing operations and are the same customers who accounted for 13.1% and 11.6%, respectively, of the Company's revenue from continuing operations in the year ended December 31, 2018. For the year ended December 31, 2017, no customers accounted for more than 10% of the Company's revenue.

#### *Cash deposits with financial institutions*

Cash deposits in excess of amounts covered by government-provided insurance are exposed to loss in the event of non-performance by financial institutions. Navios Holdings does maintain cash deposits in excess of government-provided insurance limits. Navios Holdings also reduces exposure to credit risk by dealing with a diversified group of major financial institutions.

### **Effects of Inflation:**

The Company considered various factors in assessing the impact of Argentina's highly inflationary economy on Navios Logistics, among which, the sales, the financing arrangements, the working capital, the employee salaries and taxes. The Company does not consider inflation to be a significant risk factor to the cost of doing business in the foreseeable future as the functional currency of the Company's Argentinian subsidiary is the U.S. dollar. In addition, the day-to-day operations of the Company's Argentinian subsidiary are dependent on the economic environment of the Company's U.S. dollar currency. As a result, the Company concluded that the determination that the Argentinian economy is highly inflationary did not have a material impact on Navios Logistics' financial statements and as such, did not result in the remeasurement of its financial statements.

Navios Holdings does not consider inflation to be a significant risk to the cost of doing business in the foreseeable future.

### ***C. Research and development, patents and licenses, etc.***

Not applicable.

### ***D. Trend information***

Our results of operations depend primarily on the charter hire rates that we are able to realize for our vessels, which depend on the demand and supply dynamics characterizing the dry bulk market at any given time. For other trends affecting our business, please see other discussions in Item 5. "Operating and Financial Review and Prospects".

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

As of December 31, 2019, Navios Holdings was contingently liable for letters of guarantee and letters of credit amounting to \$0 million issued by various banks in favor of various organizations and the total amount was collateralized by cash deposits, which were included as a component of restricted cash.

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In November 2012 (as amended in March 2014), the Company entered into an agreement with Navios Partners (the “Navios Partners Guarantee”) to provide Navios Partners with guarantees against counterparty default on certain existing charters, which had previously been covered by the charter insurance for the same vessels, same periods and same amounts. The Navios Partners Guarantee provides for a maximum possible payout of \$20.0 million by the Company to Navios Partners. Premiums that are calculated on the same basis as the restructured charter insurance are included in the management fee that is paid by Navios Partners to Navios Holdings pursuant to the management agreement. As of December 31, 2019, Navios Partners has submitted one claim under this agreement to the Company. As of June 30, 2019 and December 31, 2018, the fair value of the claim was estimated at \$14.4 million and \$18.0 million, respectively, and the change in estimate of the guarantee claim of \$3.6 million and \$2.0 million was included in “Other income” for the years ended December 31, 2019 and 2018, respectively. As at December 31, 2019, the outstanding balance of the claim was \$10.0 million. The final settlement of the amount due will be made at specific dates, in accordance with a signed letter of agreement between the parties.

The Company is involved in various disputes and arbitration proceedings arising in the ordinary course of business. Provisions have been recognized in the financial statements for all such proceedings where the Company believes that a liability may be probable, and for which the amounts can be reasonably estimated, based upon facts known on the date the financial statements were prepared. Although the Company cannot predict with certainty the ultimate resolutions of these matters, in the opinion of management, the ultimate disposition of these matters is not expected to have a material adverse effect on the Company’s financial position, results of operations or liquidity.

On July 22, 2016, Navios Logistics guaranteed the compliance of certain obligations related to Edolmix S.A. and Energías Renovables del Sur S.A. (entities wholly owned by Navios Logistics) under their respective direct user agreements with the Free Zone of Nueva Palmira, for the amounts of \$0.8 million and \$0.5 million, respectively.

Navios Logistics has issued a guarantee and indemnity letter that guarantees the performance by Petrolera San Antonio S.A. (a consolidated subsidiary) of all its obligations to Vitol S.A. up to \$12.0 million. This guarantee expires on March 1, 2021.

Refer also to Item 5F. “Contractual Obligation as at December 31, 2019” below.

### **F. Contractual Obligations as at December 31, 2019:**

#### **Payment due by period (\$ in millions) (unaudited)**

<b>Contractual Obligations</b>	<b>Total</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>More than 5 years</b>
Long-term debt(1)	\$1,581.8	\$ 51.7	\$1,461.0	\$ 69.1	\$ —
Operating Lease Obligations (Time Charters) for vessels in operation(2)(4)	367.4	109.6	142.7	81.6	33.5
Operating Lease Obligations (Time Charters) for vessels to be delivered(4)	63.4	5.5	13.6	12.9	31.4
Acquisition of six liquid barges (5)	12.4	0.5	4.4	5.3	2.2
Rent Obligations(3)	1.3	0.8	0.4	0.1	—
Land lease agreements (3)	25.8	0.6	1.1	1.1	23.0
<b>Total</b>	<b>\$2,052.1</b>	<b>\$ 168.7</b>	<b>\$1,623.2</b>	<b>\$ 170.1</b>	<b>\$ 90.1</b>

- (1) The amount identified does not include interest costs associated with the outstanding credit facilities, which are based on LIBOR rates, plus the costs of complying with any applicable regulatory requirements and a margin ranging from 2.75% to 3.25% per annum. The amount does not include interest costs for the 2022 Senior Secured Notes, the 2022 Notes, the 2024 Notes, the NSM Loan, the 2022 Logistics Senior Notes, the Term Loan B Facility and the Navios Logistics Notes Payable. The expected interest payments are: \$127.8 million (less than 1 year), \$166.6 million (1-3 years), \$3.8 million (3-5 years) and nil (more than 5 years). Expected interest payments are based on outstanding principal amounts, currently applicable effective interest rates and margins as of December 31, 2019, timing of scheduled payments and the term of the debt obligations.
- (2) Approximately 41% of the time charter payments included above is estimated to relate to operational costs for these vessels.
- (3) Navios Logistics has several lease agreements with respect to its operating port terminals and various offices. Following the sale of the management division effected on August 30, 2019 Navios Holdings has no office lease obligations (see also Note 16 included elsewhere in this Annual Report). See also Item 4.B. “Business Overview — Facilities.”

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- (4) Represent total amount of lease payments on an undiscounted basis.
- (5) Represents principal payments of the future remaining obligation for the acquisition of six liquid barges, which bear interest at fixed rate. The amounts in the table exclude expected interest payments of \$0.3 million (less than 1 year), \$1.8 million (1-3 years), \$0.9 million (3-5 years) and 0.1 million (more than 5 years). Expected interest payments are based on the terms of the shipbuilding contract for the construction of these barges.

Refer to “Item 7.B. Related Party Transactions” for Navios Partners Guarantee (as defined herein), not reflected in the table above.

Navios Holdings, Navios Acquisition and Navios Partners will make available to Navios Europe II revolving loans of up to \$43.5 million to fund working capital requirements (collectively, the “Navios Revolving Loans II”). In March 2017, the amount undrawn from the Navios Revolving Loans II increased by \$14.0 million. As of December 31, 2019, the amount undrawn from the Navios Revolving Loans II was \$4.5 million, of which Navios Holdings may be required to fund an amount ranging from \$0 million to \$4.5 million.

Refer also to “Item 5. Operating and Financial Review and Prospects” in “Recent Developments” for the acquisition of two capesize vessels, 2015-built each, of 181,249 dwt and 180,528 dwt, respectively not reflected in the table above.

### **Critical Accounting Policies**

Navios Holdings’ consolidated financial statements have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires Navios Holdings to make estimates in the application of its accounting policies based on the best assumptions, judgments and opinions of management. Following is a discussion of the accounting policies that involve a higher degree of judgment and the methods of their application that affect the reported amount of assets and liabilities, revenues and expenses and related disclosure of contingent assets and liabilities at the date of its 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. Navios Holdings has described below what it believes are its most critical accounting policies that involve a high degree of judgment and the methods of their application. For a description of all of Navios Holdings’ significant accounting policies, see Note 2 to the Consolidated Financial Statements, included herein.

**Use of Estimates:** The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. On an on-going basis, management evaluates the estimates and judgments, including those related to uncompleted voyages, future drydock dates, the assessment of other-than-temporary impairment related to the carrying value of investments in affiliates, the selection of useful lives for tangible and intangible assets, expected future cash flows from long-lived assets and operating lease assets to support impairment tests, impairment test for goodwill, provisions necessary for accounts receivables and demurrages, provisions for legal disputes, pension benefits, contingencies and guarantees. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates under different assumptions and/or conditions.

**Stock-Based Compensation:** In February and December 2019, the Company authorized the grant of restricted common stock. In February 2019, the Company authorized the grant of restricted common stock. In December 2017, the Company authorized the grant of restricted common stock and restricted stock units. In December 2016, the Company authorized the grant of restricted share units and share appreciation rights. In December 2015 and 2014, the Company authorized the issuance of shares of restricted common stock, restricted stock units and stock options in accordance with the Company’s stock option plan for its employees, officers and directors. These awards of restricted share units, share appreciation rights, restricted common stock, restricted stock units and stock options are based on service conditions only and vest over three and four years.

The fair value of share appreciation rights and stock option grants is determined with reference to option pricing model and principally adjusted Black-Scholes models. The fair value of restricted share units, restricted stock and restricted stock units is determined by reference to the quoted stock price on the date of grant. Compensation expense, net of estimated forfeitures, is recognized based on a graded expense model over the vesting period. Compensation expense for the awards that vest upon achievement of the performance criteria is recognized when it is probable that the performance criteria will be met and are being accounted for as equity.

**Impairment of Long Lived Assets:** Vessels, other fixed assets and other long-lived assets held and used by Navios Holdings are reviewed periodically for potential impairment whenever events or changes in circumstances indicate that the carrying amount of a particular asset may not be fully recoverable. Navios Holdings' management evaluates the carrying amounts and periods over which long-lived assets are depreciated to determine if events or changes in circumstances have occurred that would require modification to their carrying values or useful lives. Measurement of the impairment loss is based on the fair value of the asset. Navios Holdings determines the fair value of its assets on the basis of management estimates and assumptions by making use of available market data and taking into consideration third party valuations performed on an individual vessel basis. In evaluating useful lives and carrying values of long-lived assets, certain indicators of potential impairment are reviewed, such as undiscounted projected operating cash flows, vessel sales and purchases, business plans and overall market conditions.

Undiscounted projected net operating cash flows are determined for each asset group and compared to the carrying value of the vessel, the unamortized portion of deferred drydock and special survey costs related to the vessel and the related carrying value of the intangible assets with respect to the time charter agreement attached to that vessel or the carrying value of deposits for newbuildings. Within the shipping industry, vessels are customarily bought and sold with a charter attached. The value of the charter may be favorable or unfavorable when comparing the charter rate to then-current market rates. The loss recognized either on impairment (or on disposition) will reflect the excess of carrying value over fair value (selling price) for the vessel asset group.

During the fourth quarter of fiscal year 2019, management concluded that events occurred and circumstances had changed, which indicated that potential impairment of Navios Holdings' long-lived assets might exist. These indicators included continued volatility in the spot market, and the related impact of the current dry bulk sector has on management's expectation for future revenues. As a result, an impairment assessment of long-lived assets (step one) was performed.

The Company determined undiscounted projected net operating cash flows for each vessel and compared it to the vessel's carrying value together with the carrying value of deferred drydock and special survey costs related to the vessel and the carrying value of the related intangible assets, if applicable. The significant factors and assumptions used in the undiscounted projected net operating cash flow analysis included: determining the projected net operating cash flows by considering the charter revenues from existing time charters for the fixed fleet days (the Company's remaining charter agreement rates) and an estimated daily time charter equivalent for the unfixed days (based on a combination of one-year average historical time charter rates and 10-year average historical one-year time charter rates, adjusted for outliers) over the remaining economic life of each vessel, net of brokerage and address commissions excluding days of scheduled off-hires, management fees fixed until 2021 and thereafter assuming an annual increase of 3.0% every second year and a utilization rate of 99.6% based on the fleet's historical performance.

In connection with its impairment testing on its vessels as of December 31, 2019, the Company performs a sensitivity analysis on the most sensitive and/or subjective assumptions that have the potential to affect the outcome of the test, principally the projected charter rate used to forecast future cash flows for unfixed days. In that regard, there would continue to be no impairment required to be recognized on any of the Company's vessels when assuming a decline in the 10-year average (of the one-year charter rate for similar vessels), which is the rate that the Company uses to forecast future cash flows for unfixed days, ranging from 5.2% to 52.1% (depending on the vessel).

As of December 31, 2019, our assessment concluded that step two of the impairment analysis was required for two of our dry bulk vessels held and used, as the undiscounted projected net operating cash flows did not exceed the carrying value. As a result, the Company recorded an impairment loss of \$84.6 million for these vessels, being the difference between the fair value and the vessel's carrying value together with the carrying value of deferred drydock and special survey costs related to these vessels, presented within the caption "Impairment loss/ loss on sale of vessels, net" in the consolidated statements of comprehensive (loss)/income.

As of December 31, 2018, the Company recorded an impairment loss of \$179.2 million for four dry bulk vessels, being the difference between the fair value and the vessel's carrying value together with the carrying value of deferred drydock and special survey costs related to these vessels, presented within the caption "Impairment loss/ loss on sale of vessels, net" in the consolidated statements of comprehensive (loss)/income.

As of December 31, 2017, the Company recorded an impairment loss of \$32.9 million for one dry bulk vessel, being the difference between the fair value and the vessel's carrying value together with the carrying value of deferred drydock and special survey costs related to this vessel, presented within the caption "Impairment loss/ loss on sale of vessels, net" in the consolidated statements of comprehensive (loss)/income.

As of December 31, 2019, the 10-year historical average rates for the Company's vessels (which naturally varies by type of vessel) used in determining future cash flows for purposes of its impairment analysis were 4.1% higher than the daily time charter equivalent rate of the owned fleet achieved in the fiscal year 2019 of \$12,519 per day.

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In addition, the Company compared the 10-year historical average (of the one-year charter rate for similar vessels) with the five-year, three-year and one-year historical averages (of the one-year charter rate for similar vessels). A comparison of the 10-year historical average (of the one-year charter rate) and the five-year, three-year and one-year historical averages (of the one-year charter rate for similar vessels) is as follows (as of December 31, 2019):

	Historical Average of One-year Charter Rates (over Various Periods) vs. the 10-year Historical Average (of the One-Year Charter Rate)		
	5-Year Average	3-Year Average	1-Year Average
	(% below the 10-year average)		
Handysize	(10.0%)	4.1%	5.6%
Ultra-Handymax	(14.3%)	(0.4%)	(3.1%)
Panamax	(11.0%)	7.8%	9.7%
Capesize	(15.7%)	2.3%	3.1%

If testing for impairment using the five-year, three-year and one-year historical averages (of the one-year charter rate for similar vessels) in lieu of the 10-year historical average (of the one-year charter rate for similar vessels), the Company estimates that 2, 0 and 0 of its vessels, respectively, would have carrying values in excess of their projected undiscounted future cash flows.

As of December 31, 2019 and 2018, the Company owns and operates a fleet of 30 and 35, respectively, with an aggregate carrying value of \$757.0 million as of December 31, 2019, including the carrying value of existing time charters on its fleet of vessels. On a vessel-by-vessel basis, as of December 31, 2019 and 2018, the carrying value of 26 and 29 of the Company's vessels, respectively, (including the carrying value of the time charter, if any, on the specified vessel) exceeds the estimated fair value of those same vessels (including the estimated fair value of the time charter, if any, on the specified vessel) by approximately \$211.8 million and \$317.9 million, respectively, in the aggregate (the unrealized loss).

A vessel-by-vessel summary as of December 31, 2019 and 2018 follows (with an \* indicating those individual vessels whose carrying value exceeds its estimated fair value, including the related time charter):

Vessel	Year Built	Purchase Price (in millions)(1)	Carrying Value (as of December 31, 2019) (in millions)(1)	Carrying Value (as of December 31, 2018) (in millions)(1)
Navios Serenity	2011	\$ 26.8	\$ 19.0*	\$ 20.0*
Navios Celestial	2009	36.3	23.6*	22.8*
Navios Vector	2002	—	—	17.7*
Navios Meridian	2002	—	—	12.6*
Navios Mercator	2002	—	—	12.2*
Navios Arc	2003	—	—	13.0*
Navios Hios	2003	7.7	7.7	16.6*
Navios Kypros	2003	35.7	14.9*	16.5*
Navios Ulysses	2007	16.5	14.3*	15.4*
Navios Vega	2009	16.7	15.7*	14.8
Navios Astra	2006	23.9	14.4*	15.7*
Navios Star	2002	29.4	12.7*	14.1*
Navios Asteriks	2005	54.0	25.9*	28.3*
Navios Centaurus	2012	37.8	27.3*	28.7*
Navios Avior	2012	39.9	28.9*	30.4*
Navios Bonavis	2009	31.7	30.4*	28.5
Navios Happiness	2009	30.9	29.5*	28.5
Navios Lumen	2009	27.5	27.5	74.8*
Navios Stellar	2009	97.4	62.7*	64.1*
Navios Phoenix	2009	28.2	27.4	70.6*
Navios Antares	2010	29.6	27.6*	28.5
Navios Etoile	2010	66.9	45.4*	47.8*



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Navios Bonheur	2010	69.6	47.2*	49.7*
Navios Altamira	2011	56.2	38.9*	40.9*
Navios Azimuth	2011	56.6	39.2*	41.2*
Navios Galileo	2006	18.7	12.6*	13.6*
Navios Northern Star	2005	17.7	11.9*	12.8*
Navios Amitie	2005	17.7	12.0*	12.9*
Navios Taurus	2005	18.1	12.0*	12.6*
N Amalthia	2006	19.1	13.5*	14.6*
N Bonanza	2006	18.8	12.9*	14.0*
Navios Gem	2014	55.6	45.2*	46.0*
Navios Ray	2012	52.2	42.1*	44.2*
Navios Primavera	2007	—	—	12.0
Navios Equator Prosper	2000	—	—	9.9
Navios Victory	2014	14.7	14.6	—
		<b>\$1,051.9</b>	<b>\$757.0</b>	<b>\$946.0</b>

(1) All amounts include related time charter, if any.

Although the aforementioned excess of carrying value over fair value represents an estimate of the loss that the Company would sustain on a hypothetical disposition of those vessels as of December 31, 2019 and 2018, the recognition of the unrealized loss absent a disposition (i.e. as an impairment) would require, among other things, that a triggering event had occurred and that the undiscounted cash flows attributable to the vessel are also less than the carrying value of the vessel (including the carrying value of the time charter, if any, on the specified vessel).

Vessels, other fixed assets and other long-lived assets held and used by Navios Logistics are reviewed periodically for potential impairment whenever events or changes in circumstances indicate that the carrying amount of a particular asset may not be fully recoverable. In accordance with accounting for long-lived assets, management determines projected undiscounted cash flows for each asset group and compares it to its carrying amount. In the event that projected undiscounted cash flows for an asset group is less than its carrying amount, then management reviews fair values and compares them to the asset's carrying amount. In the event that impairment occurs, an impairment charge is recognized by comparing the asset's carrying amount to its fair value. For the purposes of assessing impairment, long lived-assets are grouped at the lowest levels for which there are separately identifiable cash flows.

For all the periods presented, the management after considering various indicators, including but not limited to its long-lived assets' contracted revenues and cash flows over their remaining useful life and the economic outlook, concluded that no impairment analysis should be performed on the long-lived assets held and used by Navios Logistics.

Although management believes the underlying indicators supporting this conclusion are reasonable, if charter rate trends and the length of the current market downturn occur, management may be required to perform impairment analysis that could expose Navios Logistics to material charges in the future. No impairment loss was recognized for any of the periods presented for vessels, other fixed assets and other long-lived assets held and used by Navios Logistics.

**Dry Bulk Vessels, Container Vessels, Port Terminals, Tanker Vessels, Barges, Pushboats and Other Fixed Assets, net:** Dry bulk vessels, container vessels, port terminals, tanker vessels, barges, pushboats and other fixed assets acquired as parts of business combinations are recorded at fair value on the date of acquisition, and if acquired as an asset acquisition, are recorded at cost (including transaction costs). Vessels constructed by the company would be stated at historical cost, which consists of the contract price, capitalized interest and any material expenses incurred upon acquisition (improvements and delivery expenses). Subsequent expenditures for ballast water treatment system, major improvements and upgrades are capitalized, provided they appreciably extend the life, increase the earnings capability or improve the efficiency or safety of the vessels. The cost and related accumulated depreciation of assets retired or sold are removed from the accounts at the time of sale or retirement and any gain or loss is included in the accompanying consolidated statements of comprehensive (loss)/income.

Expenditures for routine maintenance and repairs are expensed as incurred.

Depreciation is computed using the straight line method over the useful life of the vessels, port terminals, tanker vessels, barges, pushboats and other fixed assets, after considering the estimated residual value.

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Annual depreciation rates used, which approximate the useful life of the assets are:

Dry Bulk Vessels	25 years
Container Vessels	30 years
Port terminals	5 to 49 years
Tanker vessels, barges and pushboats	15 to 45 years
Furniture, fixtures and equipment	3 to 10 years
Computer equipment and software	5 years
Leasehold improvements	shorter of lease term or 6 years

Management estimates the residual values of the Company's dry bulk vessels and container vessels based on a scrap value cost of steel times the weight of the ship noted in lightweight tons ("LWT"). Residual values are periodically reviewed and revised to recognize changes in conditions, new regulations or other reasons. Revisions of residual values affect the depreciable amount of the vessels and the depreciation expense in the period of the revision and future periods. Management estimates the residual values of the Company's vessels based on a scrap rate of \$340 per LWT after considering current market trends for scrap rates and ten-year average historical scrap rates of the residual values of the Company's vessels.

Management estimates the useful life of its dry bulk vessels and container vessels to be 25 years and 30 years, respectively from the vessel's original construction. However, when regulations place limitations on the ability of a vessel to trade on a worldwide basis, its useful life is re-estimated to end at the date such regulations become effective. An increase in the useful life of a vessel or in its residual value would have the effect of decreasing the annual depreciation charge and extending it into later periods. A decrease in the useful life of a vessel or in its residual value would have the effect of increasing the annual depreciation charge.

**Deferred Drydock and Special Survey Costs:** The Company's vessels, barges and pushboats are subject to regularly scheduled drydocking and special surveys which are carried out every 30 and 60 months, respectively, for ocean-going vessels, and up to every 96 months for pushboats and barges, to coincide with the renewal of the related certificates issued by the classification societies, unless a further extension is obtained in rare cases and under certain conditions. The costs of drydocking and special surveys are deferred and amortized over the above periods or to the next drydocking or special survey date if such date has been determined. Unamortized drydocking or special survey costs of vessels, barges and pushboats sold are written-off to income in the year the vessel, barge or pushboat is sold.

Costs capitalized as part of the drydocking or special survey consist principally of the actual costs incurred at the yard, and expenses relating to spare parts, paints, lubricants and services incurred solely during the drydocking or special survey period.

### **Goodwill and Other Intangibles:**

**(i) Goodwill:** Goodwill is tested for impairment at the reporting unit level at least annually.

The Company evaluates impairment of goodwill using a two-step process. First, the aggregate fair value of the reporting unit is compared to its carrying amount, including goodwill (step one). The Company determines the fair value of the reporting unit based on a combination of the income approach (i.e. discounted cash flows) and market approach (i.e. comparative market multiples) and believes that the combination of these two approaches is the best indicator of fair value for its individual reporting units. If the fair value of a reporting unit exceeds the carrying amount, no impairment exists. If the carrying amount of the reporting unit exceeds the fair value, then the Company must perform the second step (step two) to determine the implied fair value of the reporting unit's goodwill and compare it with its carrying amount. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit to all the assets and liabilities of that reporting unit, as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price. If the carrying amount of the goodwill exceeds the implied fair value, then goodwill impairment is recognized by writing the goodwill down to its implied fair value.

As of December 31, 2019, the Company performed its impairments test for its reporting units within: the Dry Bulk Vessel Operations and the Logistics Business. The Company additionally considered that its market capitalization continued to remain at a level well below the carrying value of its total net assets.

As of December 31, 2019, the Company performed step one of the impairment test for the Dry Bulk Vessel Operations reporting unit, which is allocated goodwill of \$56.2 million. Step one impairment test revealed that the fair value of the Dry Bulk Vessel Operations reporting unit substantially exceeded the carrying amount of its net assets. Accordingly, no step two analysis was required.

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The fair value of the Dry Bulk Vessel Operations reporting unit was estimated using a combination of income and market approaches. For the income approach, the expected present value of future cash flows used judgments and assumptions that management believes were appropriate in the circumstances. The significant factors and assumptions the Company used in its discounted cash flow analysis included: EBITDA, the discount rate used to calculate the present value of future cash flows and future capital expenditures. EBITDA assumptions included revenue assumptions, general and administrative expense growth assumptions, and direct vessel expense growth assumptions. The future cash flows were determined by considering the charter revenues from existing time charters for the fixed fleet days (the Company's remaining charter agreement rates) and an estimated daily time charter equivalent for the non-fixed days (based on a combination of one-year average historical time charter rates and the 10-year average historical one-year time charter rates adjusted for outliers), which the Company believes is an objective approach for forecasting charter rates over an extended time period for long-lived assets and consistent with the cyclicality of the industry. In addition, a weighted average cost of capital ("WACC") was used to discount future estimated cash flows to their present values. The WACC was based on externally observable data considering market participants' and the Company's cost of equity and debt, optimal capital structure and risk factors specific to the Company. The market approach estimated the fair value of the Company's business based on comparable publicly-traded companies in its industry. In assessing the fair value, the Company utilized the results of the valuations and considered the range of fair values determined under all methods, which indicated that the fair value exceeded the carrying value of net assets.

As of December 31, 2019, the Company performed step one of the impairment test for the Logistics Business, which is allocated goodwill of \$104.1 million. Step one of the impairment test used the income method and revealed that the fair value substantially exceeded the carrying amount of its net assets. Accordingly, no step two analysis was required. The future cash flows from the Logistics Business were determined principally by combining revenues from existing contracts and estimated revenues based on the historical performance of the segment, including utilization rates and actual storage capacity. The Logistics Business reporting unit has not been affected by the same volatile industry and market conditions as experienced in the Dry Bulk Vessel Operations reporting unit. In addition, the cash flows of the long-lived assets in the Logistics Business have not experienced a significant decline.

No impairment loss was recognized for any of the periods presented.

**(ii) Intangibles Other Than Goodwill:** Navios Holdings' intangible assets and liabilities consist of favorable lease terms, unfavorable lease terms, customer relationships, trade name and port terminal operating rights. The fair value of the trade name was determined based on the "relief from royalty" method, which values the trade name based on the estimated amount that a company would have to pay in an arm's length transaction to use that trade name. The asset is being amortized under the straight line method over 32 years. Navios Logistics' trade name is being amortized under the straight line method over 10 years, and was fully amortized as of December 31, 2019.

The fair value of customer relationships of Navios Logistics was determined based on the "excess earnings" method, which relies upon the future cash flow generating ability of the asset. The asset is amortized under the straight line method.

Other intangibles that are being amortized, such as customer relationships and port terminal operating rights, would be considered impaired if their carrying value could not be recovered from the future undiscounted cash flows associated with the asset.

When intangible assets or liabilities associated with the acquisition of a vessel are identified, they are recorded at fair value. Fair value is determined by reference to market data and the discounted amount of expected future cash flows. Where charter rates are higher than market charter rates, an asset is recorded, being the difference between the acquired charter rate and the market charter rate for an equivalent vessel. Where charter rates are less than market charter rates, a liability is recorded, being the difference between the assumed charter rate and the market charter rate for an equivalent vessel. The determination of the fair value of acquired assets and assumed liabilities requires the Company to make significant assumptions and estimates of many variables including market charter rates, expected future charter rates, the level of utilization of the Company's vessels and the Company's weighted average cost of capital. The use of different assumptions could result in a material change in the fair value of these items, which could have a material impact on the Company's financial position and results of operations.

The amortizable value of favorable and unfavorable leases is amortized over the remaining life of the lease term and the amortization expense is included in the consolidated statements of comprehensive (loss)/income in the "Depreciation and amortization" line item.

The amortizable value of favorable leases would be considered impaired if its carrying value could not be recovered from the future undiscounted cash flows associated with the asset. Vessel purchase options that have not been exercised, which are included in favorable lease terms, would be considered impaired if the carrying value of an option, when added to the option price of the vessel, exceeded the fair value of the vessel.

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Vessel purchase options that are included in favorable leases are not amortized and when the purchase option is exercised, the asset is capitalized as part of the cost of the vessel and depreciated over the remaining useful life of the vessel and if not exercised, the intangible asset is written off. Vessel purchase options that are included in unfavorable lease terms are not amortized and when the purchase option is exercised by the charterer and the underlying vessel is sold, it will be recorded as part of gain/loss on sale of the assets. If the option is not exercised at the expiration date, it is written-off in the consolidated statements of comprehensive (loss)/income.

During the fourth quarter of fiscal year 2019, management concluded that there were no circumstances which indicated that potential impairment of Navios Holdings' intangible assets other than goodwill might exist. For the year ended December 31, 2019 and 2018, there were no impairment losses recognized for the Company's intangible assets. As of December 31, 2017, the Company performed an assessment which indicated that the amortizable value of one of its favorable leases would not be recoverable from the future undiscounted cash flows associated with the asset. As a result, the Company recognized an impairment loss of \$3.4 million in the caption "Impairment loss/ loss on sale of vessels, net" in the consolidated statements of comprehensive (loss)/income.

The weighted average amortization periods for intangibles are:

<u>Intangible assets</u>	<u>Years</u>
Trade name	32.0
Favorable lease terms	1.0
Port terminal operating rights	47.0
Customer relationships	20.0

**Leases:** Vessel leases where Navios Holdings or/and Navios Containers is regarded as the lessor are classified as either finance leases or operating leases based on an assessment of the terms of the lease.

For charters classified as finance leases the minimum lease payments are recorded as the gross investment in the lease. The difference between the gross investment in the lease and the sum of the present values of the two components of the gross investment is recorded as unearned income which is amortized to income over the lease term as finance lease interest income to produce a constant periodic rate of return on the net investment in the lease.

For charters classified as operating leases where Navios Holdings or/and Navios Containers is regarded as the lessor, refer to Note 2(r) included elsewhere in this Annual Report.

For charters classified as operating leases where Navios Holdings or/and Navios Containers is regarded as the lessee, the expense is recognized on a straight line basis over the rental periods of such charter agreements. The expense is included under the line item "Time charter, voyage and logistics business expenses". In the transition to ASC 842, the right of use asset was adjusted for the carrying amount of the straight line liability on that date.

Operating lease assets used by Navios Holdings are reviewed periodically for potential impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. Measurement of the impairment loss is based on the fair value of the asset. Navios Holdings determines the fair value of its assets on the basis of management estimates and assumptions by making use of available market data. In evaluating carrying values of operating lease assets, certain indicators of potential impairment are reviewed, such as undiscounted projected operating cash flows, business plans and overall market conditions.

Undiscounted projected net operating cash flows are determined for each asset group and compared to the carrying value of the operating lease asset and the carrying value of deposits for the option to acquire a vessel including expenses and interest.

During the fourth quarter of fiscal year 2019, management concluded that events occurred and circumstances had changed, which indicated that potential impairment of Navios Holdings' operating lease assets might exist. These indicators included continued volatility in the spot market, and the related impact of the current dry bulk sector has on management's expectation for future revenues. As a result, an impairment assessment of operating lease assets (step one) was performed.

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The Company determined undiscounted projected net operating cash flows for each chartered-in vessel and compared it to operating lease asset's carrying value together with the carrying value of deposits for the option to acquire a vessel including expenses and interest. The significant factors and assumptions used in the undiscounted projected net operating cash flow analysis included: determining the projected net operating cash flows by considering the charter revenues from existing time charters for the fixed fleet days (the Company's remaining charter agreement rates) and an estimated daily time charter equivalent for the unfixed days (based on three-year average historical time charter rates) over the remaining lease term, net of brokerage and address commissions excluding days of scheduled off-hires (for the bareboat chartered-in vessels), management fees in accordance with the terms of management agreement (assuming an annual increase of 3.0% every second year for the bareboat chartered-in vessels).

As of December 31, 2019, our assessment concluded that step two of the impairment analysis was required for certain charter-in vessels, which involves a discounted cash flow analysis using the Company's WACC. As a result, the Company recorded an impairment loss of \$38.6 million, being the difference between the fair value of the operating lease asset and its carrying value, presented within the caption "Impairment loss/ loss on sale of vessels, net" in the consolidated statements of comprehensive (loss)/income.

**Investments in Equity Securities:** Navios Holdings evaluates its investments in Navios Acquisition, Navios Partners, Navios Containers (following the deconsolidation), Navios Europe I and Navios Europe II for OTTI on a quarterly basis. Consideration is given to (i) the length of time and the extent to which the fair value has been less than the carrying value, (ii) the financial condition and near-term prospects of Navios Partners, Navios Acquisition, Navios Containers, Navios Europe I and Navios Europe II, and (iii) the intent and ability of the Company to retain its investment in Navios Acquisition, Navios Partners, Navios Containers, Navios Europe I and Navios Europe II, for a period of time sufficient to allow for any anticipated recovery in fair value.

Navios Holdings considers whether the fair values of its equity method investments have declined below their carrying values whenever adverse events or changes in circumstances indicate that the carrying value may not be recoverable. If we consider any such decline to be "other-than-temporary" (based on various factors, including historical financial results, economic and industry events resulting in changes in the affiliate's trading performance and the overall health of the affiliate's industry), then we would write down the carrying amount of the investment to its estimated fair value.

As of December 31, 2019, the Company did not recognize any "other-than-temporary" loss in its investment in Navios Partners. During the year ended December 31, 2019, the Company recognized an OTTI loss of \$13.5 million relating to its investment in Navios Acquisition and the amount was included in "Equity in net (losses)/earnings of affiliated companies. As of December 31, 2018, the Company considered the decline in fair value of its investment in Navios Partners as "other-than-temporary" and therefore recognized a loss of \$55.5 million in the accompanying consolidated statement of comprehensive (loss)/income.

As of December 31, 2018 and 2017, the Company did not recognize any impairment loss in its investment in Navios Acquisition.

As of December 31, 2016, the Company considered the decline in fair value of its investment in Navios Partners and Navios Acquisition as "other-than-temporary" and therefore recognized a loss of \$228.0 million in the accompanying consolidated statement of comprehensive (loss)/income.

### Recent Accounting Pronouncements

For a description of Navios Holdings' recent accounting pronouncements, see Note 2 to the Consolidated Financial Statements, included herein.

### G. Safe Harbor

Applicable to the extent the disclosures in Item 5.E and 5.F above are eligible for the statutory safe harbor protections provided to forward-looking statements.

## Item 6. Directors, Senior Management and Employees

### A. Directors and Senior Management

The current board of directors, executive officers and significant employees are as follows:

Name	Age	Position
Angeliki Frangou	55	Chairman of the Board and Chief Executive Officer
Georgios Akhniotis	55	Chief Financial Officer
Ted C. Petrone*	65	Vice Chairman of Navios Corporation
Vasiliki Papaefthymiou	51	Executive Vice President—Legal and Director
Anna Kalathakis	50	Chief Legal Risk Officer
Shunji Sasada*	62	President of Navios Corporation and Director

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Leonidas Korres	44	Senior Vice President—Business Development
Efstratios Desypris	47	Chief Financial Controller
Ioannis Karyotis	44	Senior Vice President—Strategic Planning
Erifili Tsironi	46	Senior Vice President – Credit Management
Spyridon Magoulas	66	Director
John Stratakis	54	Director
Efstathios Loizos	58	Director
George Malanga	62	Director

\* Significant employee

**Angeliki Frangou** has been our Chairman and CEO since August 25, 2005. In addition, Ms. Frangou has been the Chairman and Chief Executive Officer of Navios Maritime Partners L.P. (NYSE: NMM), an affiliated limited partnership, since August 2007, the Chairman and Chief Executive Officer of Navios Maritime Acquisition Corporation (NYSE: NNA), an affiliated corporation, since March, 2008 and the Chairman and Chief Executive Officer of Navios Maritime Containers L.P. (Nasdaq: NMCI), an affiliated limited partnership since April, 2017. Ms. Frangou has been the Chairman of the Board of Directors of Navios Logistics since its inception in December 2007. Ms. Frangou is the Chairman of IRF European Finance Investments Ltd., listed on the SFM of the London Stock Exchange, and is also a Member of the Board of the United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited. Since 2015, she has also been a Board Member of the Union of Greek Shipowners, as well as on the Board of Trustees of Fairleigh Dickinson University. Since 2013, Ms. Frangou has been a Member of the Board of Visitors of the Columbia University School of Engineering and Applied Science. Ms. Frangou also acts as Vice Chairman of the China Classification Society Mediterranean Committee, and is a member of the International General Committee and of the Hellenic and Black Sea Committee of Bureau Veritas, and is also a member of the Greek Committee of Nippon Kaiji Kyokai. Ms. Frangou received a bachelor’s degree in Mechanical Engineering, summa cum laude, from Fairleigh Dickinson University and a master’s degree in Mechanical Engineering from Columbia University.

**Georgios Akhniotis** has been Navios Holdings’ Chief Financial Officer since April 12, 2007. Prior to being appointed Chief Financial Officer of Navios Holdings, Mr. Achniotis served as Senior Vice President-Business Development of Navios Holdings from August 2006 to April 2007. Before joining Navios Holdings, Mr. Achniotis was a partner at PricewaterhouseCoopers (“PwC”) in Greece, heading the Piraeus office and the firm’s shipping practice. He became a partner at PwC in 1999 when he set up and headed the firm’s internal audit services department from which all SOX implementation and consultation projects were performed. Mr. Achniotis is currently a Director and Executive Vice President-Business Development of Navios Partners; a New York Stock Exchange traded limited partnership, which is an affiliate of Navios Holdings. He has more than 19 years’ experience in the accounting profession with work experience in England, Cyprus and Greece. Mr. Achniotis qualified as a Chartered Accountant in England and Wales in 1991, and holds a Bachelor’s degree in Civil Engineering from the University of Manchester.

**Ted C. Petrone** became Vice Chairman of Navios Corporation in January 2015 having previously served as a director of Navios Holdings from May 2007 to January 2015 and President of Navios Corporation from September 2006 to January 2015. Mr. Petrone has served in the maritime industry for 43 years, 39 of which he has spent with Navios Holdings. After joining Navios Holdings as an assistant vessel operator, Mr. Petrone worked in various operational and commercial positions. Mr. Petrone was previously responsible for all aspects of the daily commercial activity, encompassing the trading of tonnage, derivative hedge positions and cargoes. Mr. Petrone is currently also a director of Navios Acquisition, a New York Stock Exchange listed company, and an affiliate of the Company; and has served in such capacity since June 2008. Mr. Petrone graduated from New York Maritime College at Fort Schuyler with a Bachelor of Science degree in maritime transportation. He has served aboard U.S. Navy (Military Sealift Command) tankers.

**Vasiliki Papaefthymiou** has been Executive Vice President — Legal and a member of Navios Holdings’ board of directors since its inception, and prior to that was a member of the board of directors of ISE. Ms. Papaefthymiou has served as general counsel for Maritime Enterprises Management S.A. since October 2001, where she has advised the Company on shipping, corporate and finance legal matters. Ms. Papaefthymiou provided similar services as general counsel to Franser Shipping from October 1991 to September 2001. Ms. Papaefthymiou received her undergraduate degree from the Law School of the University of Athens and a master degree in Maritime Law from Southampton University in the United Kingdom. Ms. Papaefthymiou is admitted to practice law before the Bar in Piraeus, Greece.

**Anna Kalathakis** has been Chief Legal Risk Officer since November 2012, and Senior Vice President — Legal Risk Management of Navios Maritime Holdings Inc. from December 2005 until October 2012. Before joining Navios Holdings, Ms. Kalathakis was the General Manager of the Greek office of A. Bilbrough & Co. Ltd. and an Associate Director of the Company



(Managers of the London Steam-Ship Owners' Mutual Insurance Association Limited). She has previously worked for a U.S. maritime law firm in New Orleans, was admitted to practice law in the state of Louisiana in 1995, and has also worked in a similar capacity at a London maritime law firm. She qualified as a solicitor in England and Wales in 1999 and was admitted to practice law before the Bar in Piraeus, Greece in 2003. She has studied International Relations at Georgetown University, Washington D.C. (1991). She holds an MBA from European University at Brussels (1992) and a J.D. from Tulane Law School (1995).

**Shunji Sasada** became a director of Navios Holdings and President of Navios Corporation in January 2015. Mr. Sasada has also served as a director in Navios Maritime Partners L.P. since August 2007. Previously, as Chief Operating Officer of Navios Corporation and Senior Vice President of Fleet Development, he headed Navios Holdings' program for the growth and development of the Company's long-term chartered-in and owned tonnage. Mr. Sasada started his shipping career in 1981 in Japan with Mitsui's O.S.K. Lines, Ltd. ("MOSK"). Mr. Sasada's first position with MOSK was in steel products in the Tokyo branch as a salesman for exporting steel products to worldwide destinations. Two years later, Mr. Sasada moved to the tramp section in Mitsui's bulk carrier division and was in charge of operations and then of chartering 20-40 smaller Handysize vessels between 21,000 dwt and 35,000 dwt. In 1991, Mr. Sasada moved to Norway to join Trinity Bulk Carriers as its chartering manager as well as subsidiary board member, representing MOSK as one of the shareholders. After an assignment in Norway, Mr. Sasada moved to London and started MOSK's own Ultra Handymax operation as its General Manager. Mr. Sasada joined Navios Holdings in May 1997. Mr. Sasada is the member of the North American Committee of Nippon Kaiji Kyokai (Class NK). He is a graduate of Keio University, Tokyo, with a B.A. degree in Business and he is a member of the Board of Trustees of Keio Academy of New York.

**Leonidas Korres** serves as Senior Vice President for Business Development of Navios Holdings from January 2010 and Head of Research of Navios Group since January 2018. Mr. Korres is also Chief Financial Officer of Navios Maritime Acquisition since April 2010. Mr. Korres served as the Special Secretary for Public Private Partnerships in the Ministry of Economy and Finance of the Hellenic Republic from October 2005 until November 2009. Prior to that, from April 2004 to October 2005, Mr. Korres served as Special Financial Advisor to the Minister of Economy and Finance of the Hellenic Republic and as liquidator of the Organizational Committee for the Olympic Games Athens 2004 S.A. From 2001 to 2004, Mr. Korres worked as a senior financial advisor for KPMG Corporate Finance. From October 2007 until January 2010, Mr. Korres was a member of the board of directors of Navios Partners. From May 2003 to December 2006, Mr. Korres was Chairman of the Center for Employment and Entrepreneurship, a non-profit company. From June 2008 until February 2009, Mr. Korres served as a board member and audit committee member of Hellenic Telecommunications Organization S.A. (trading on the Athens and New York Stock Exchanges). From June 2004 until November 2009, Mr. Korres served on the board of Hellenic Olympic Properties S.A., which was responsible for operating the Olympic venues. Mr. Korres earned his bachelor's degree in Economics from the Athens University of Economics and Business and his master's degree in Finance from the University of London.

**Efstathios Desypris** has been our Chief Financial Controller since February 2011. Mr. Desypris has previously served as Financial Controller since May 2006. Mr. Desypris is also the Chief Financial Officer of Navios Maritime Partners since January 2010 and the Chief Financial Officer of N Shipmanagement Acquisition since September 2019. In addition, Mr. Desypris is a director of Navios Maritime Containers L.P. since 2017. He also serves as Senior Vice President — Strategic Planning and Director of Navios Logistics, and as director in Navios Europe Inc. Before joining Navios Group, Mr. Desypris worked for 9 years in the accounting profession, most recently as manager of the audit department at Ernst & Young in Greece. Mr. Desypris started his career as an auditor with Arthur Andersen & Co. in 1997. He holds a Bachelor of Science degree in Economics from the University of Piraeus.

**Ioannis Karyotis** has been our Senior Vice President — Strategic Planning since February 2011. Mr. Karyotis is also Chief Financial Officer of Navios Logistics since March 2011. Prior to joining the Company, from 2006 until 2011, Mr. Karyotis was Consultant and later Project Leader at The Boston Consulting Group (BCG), an international management consulting firm. From 2003 until 2005, Mr. Karyotis was Senior Equity Analyst at Eurocorp Securities, a Greek brokerage house, and in 2003, he was Senior Analyst in the Corporate Finance Department at HSBC Pantelakis Securities, a subsidiary of HSBC Bank. Mr. Karyotis began his career in 2002 with Marfin Hellenic Securities as Equity Analyst. He received his bachelor's degree in Economics from the Athens University of Economics and Business (1998). He holds a master's of Science in Finance and Economics from the London School of Economics (1999) and an MBA from INSEAD (2006).

**Erifili Tsironi** has been our Senior Vice President – Credit Management since October 2014. Ms. Tsironi is also the Chief Financial Officer of Navios Maritime Containers L.P. Furthermore, she served as Chief Financial Officer of Navios Maritime Midstream Partners L.P. since its inception in 2014 until completion of the merger with Navios Maritime Acquisition Corporation. Ms. Tsironi has over 23 years experience in shipping focusing on ship finance. Before joining us, she was Global Dry Bulk Sector Coordinator and Senior Vice President at DVB Bank SE. Ms. Tsironi joined the DVB in 2000 serving as Assistant Local Manager and Senior Relationship Manager. Previously, she served as account manager in ANZ Investment Bank / ANZ Grindlays Bank Ltd from May 1997 until December 1999. Ms. Tsironi holds a BSc. in Economics, awarded with Honours, from the London School of Economics and Political Science and a MSc in Shipping, Trade and Finance, awarded with Distinction, from Cass Business School of City University in London.



**Spyridon Magoulas** has been a member of Navios Holdings' Board of Directors since its inception, and prior to that was a member of the board of directors of ISE. Mr. Magoulas is the co-founder and director of Doric Shipbrokers S.A., a chartering firm based in Athens, Greece, and has served as the managing director of Doric Shipbrokers S.A. since its formation in 1994. From 1982 to 1993, Mr. Magoulas was chartering director and shipbroker for Nicholas G. Moundreas Shipping S.A., a company located in Piraeus, Greece, and from 1980 to 1982, Mr. Magoulas served at Orion and Global Chartering Inc. in New York. Mr. Magoulas received a bachelor's degree in Economics (honors) from the City University of New York, New York, a master's degree in Transportation Management from the Maritime College in New York and a master degree in Political Economy from the New School for Social Research in New York. In addition to his role on the Board of Directors, Mr. Magoulas also serves as a member of the Audit Committee, the Compensation Committee and the Nominating and Governance Committee. Mr. Magoulas is an independent director.

**John Stratakis** has been a member of Navios Holdings' Board of Directors since its inception, and prior to that was a member of the board of directors of ISE. Since 1994, Mr. Stratakis has been a partner with the law firm of Poles, Tublin, Stratakis & Gonzalez, LLP, in New York, New York, where he specializes in all aspects of marine finance law and general corporate law. Mr. Stratakis also has been a director and the President of the Hellenic-American Chamber of Commerce in New York. He serves on the board of New York Maritime Inc., an association that promotes the New York region as a maritime business center. Mr. Stratakis received a Bachelor of Arts (cum laude) from Trinity College and a Juris Doctor degree from Washington College of Law at American University. Mr. Stratakis is admitted to practice law in the State of New York and in the courts of the Southern and Eastern Districts of New York. In addition to his role on the Board of Directors, Mr. Stratakis also serves as chairman of the Nominating and Governance Committee and a member of the Compensation Committee. Mr. Stratakis is an independent director.

**Efstathios Loizos** was appointed to our Board of Directors in July 2010. Mr. Loizos was also director of Navios Partners from October 2007 until June 2010. In October 2008, Mr. Loizos joined the Managing Team of ION S.A., a leading Greek chocolate and cocoa group of companies, with the responsibility of supervising MABEL S.A., one of the affiliated companies of the group. In June 2010, Mr. Loizos was appointed to the Board of Directors of ION S.A. and assumed enlarged executive responsibilities within the group. Since March 2014, Mr. Loizos serves as the CEO of the affiliated company INTERION S.A., which operates in Bulgaria and since 2018 as the Vice President of the ION group of companies. In May 2010, Mr. Loizos was elected as a member of the Board of Directors of IOBE (Foundation of Economic and Industrial Research). Between 2001 and 2008, Mr. Loizos served as the General Manager and a member of the Board of Directors of ELSA S.A., a Greek steel packaging company, and also as the Vice Chairman of the Board of Directors of its affiliated company ATLAS S.A. From 2005 to 2007, Mr. Loizos served as the President of the International Packaging Association and as the Vice President of the Greek Association of Steel Packaging Manufacturers. Mr. Loizos received a Maitrise en Sciences Economiques from the University of Strasbourg and an M.B.A. in Finance from Stern Business School—New York University. Mr. Loizos also serves as Chairman of the Audit Committee and chairman of the Compensation Committee. Mr. Loizos is an independent director.

**George Malanga** has been a member of our Board of Directors since April 2010. He is currently serving as the Chief Credit Officer of BNY Mellon. Mr. Malanga has held a variety of positions during his 33 year tenure with the bank. He began his banking career in various relationship management roles before moving to risk management in 2000. Mr. Malanga has served in roles with increased responsibility in credit risk management over the past 19 years. His credit risk experience includes head of asset recovery, head of domestic corporate credit and currently as Chief Credit Officer of BNY Mellon. Mr. Malanga holds a Bachelor's Degree in Business Administration from Rutgers College and an M.B.A. in Finance from New York University. Mr. Malanga also serves as a member of the Audit Committee and the Nominating and Governance Committee. Mr. Malanga is an independent director.

There are no family relationships between any of our directors, executive officers or significant employees.

## ***B. Compensation***

The aggregate annual compensation (salaries and bonus) paid to our current executive officers was approximately \$2.2 million for the year ended December 31, 2019. Navios Holdings provided administrative services to Navios Partners, Navios Acquisition, Navios Logistics, Navios Containers, Navios Europe I and Navios Europe II. Navios Holdings was reimbursed for reasonable costs and expenses, incurred in connection with the provision of these services. Following the sale of the management division effected on August 30, 2019, outlined in Note 3 included elsewhere in this Annual Report, these services are provided by NSM. In February 2015, the Board of Directors approved the adoption of the Navios Holdings 2015 Equity Incentive Plan, as amended in December 2018 (the "2015 Equity Incentive Plan"). The amendment was adopted by the Company's Board of Directors in November 2018 and extends the duration of the plan to December 2020. The 2015 Equity Incentive Plan authorizes the issuance of stock grants to our officers, employees, directors and consultants in such amounts and pursuant to such terms as may be determined by the Board of Directors at the time of the grant.

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On December 13, 2017, December 10, 2018, February 1, 2019 and December 18, 2019 the Company authorized the granting of restricted share units and share appreciation rights and the issuance of shares of restricted common stock, restricted stock units and stock options in accordance with the Company's stock option plan for its employees, officers and directors. These awards of restricted share units, share appreciation rights, restricted common stock units, restricted common stock and stock options to its employees, officers and directors, vest over three and four years.

### *Details of options granted (post Reverse Stock Split)*

As of the filing of this Annual Report on Form 20-F, 770,558 stock options to purchase the Company's common stock and 250,000 share appreciation rights have been granted of which 529,768 have vested, 432,084 have expired, 0 remain unvested and 58,706 have been exercised in total, of which 41,141 at an exercise price of \$31.8 per share, 3,058 at an exercise price of \$58.7 per share, 6,315 at an exercise price of \$51.5 per share, 5,953 at an exercise price of \$38.1 per share, and 2,239 at an exercise price of \$34.40 per share.

Out of the 770,558 stock options granted and 250,000 share appreciation rights granted, 28,800 options were granted at an exercise price of \$167.5 per share; 57,124 options were granted at an exercise price of \$31.8 per share; 40,531 options were granted at an exercise price of \$58.7 per share; 95,479 options were granted at an exercise price of \$51.5 per share; 134,429 options were granted at an exercise price of \$38.1 per share; 134,427 options were granted at an exercise price of \$34.4 per share; 67,475 options were granted at an exercise price of \$86.3 per share; 112,293 options were granted at an exercise price of \$36.4 per share; and 100,000 options were granted at an exercise price of \$12.0 per share. Total 250,000 share appreciation rights were granted at an exercise price of \$12.0 per share.

### *Details of restricted stock and restricted stock units issued (post Reverse Stock Split)*

As of the filing of this Annual Report on Form 20-F, 1,656,203 restricted share units, shares of restricted stock and restricted stock units have been granted and 254,000 share appreciation rights have been granted, of which 1,204,739 have vested and in the aggregate 12,075 were forfeited during the years from 2007 until 2019. See Note 13 to the Consolidated Financial Statements, included herein.

Non-employee directors receive annual fees, effective January 1, 2014, in the amount of \$80,000 each plus reimbursement of their out-of-pocket expenses. In addition, as of January 1, 2020, the non-executive serving as chairman of the Audit Committee receives an annual fee of \$25,000, the two members of the Audit Committee (other than the Chairman) receive an annual fee of \$20,000 each, the chairman of the Nominating and Governance Committee receives an annual fee of \$20,000, and the chairman of the Compensation Committee receives an annual fee of \$20,000, plus reimbursement of their out-of-pocket expenses.

## **C. Board Practices**

### ***Board classes***

The board of directors of Navios Holdings is divided into three classes with only one class of directors being elected in each year and each class serving a three-year term. In January 2015, Navios Holdings, following the resignation of Ted Petrone, appointed Shunji Sasada to its Board of Directors. The term of office of the first class of directors, consisting of Efstathios Loizos, George Malanga and John Stratakis will expire in 2021. The term of office of the second class of directors, consisting of Shunji Sasada and Spyridon Magoulas will expire in 2022. The term of office of the third class of directors, consisting of Angeliki Frangou and Vasiliki Papaefthymiou, will expire in 2020. No directors are entitled to any benefits upon termination of their term.

### ***Audit Committee***

The board of directors has established an audit committee of three independent directors. The audit committee is governed by a written charter, which was approved by the board of directors. One of the members of the audit committee is an "audit committee financial expert" for purposes of SEC rules and regulations. The audit committee, among other things, reviews our external financial reporting, engages our external auditors, approves all fees paid to auditors and oversees our internal audit activities and procedures and the adequacy of our internal accounting controls. Our audit committee is comprised of Messrs. George Malanga, Efstathios Loizos and Spyridon Magoulas, and our audit committee financial expert is Mr. Efstathios Loizos.

***Nominating and Governance Committee***

The board of directors has established a nominating and governance committee of three independent directors, Messrs. John Stratakis, who serves as a Chairman, Spyridon Magoulas and George Malanga. This committee is governed by a written charter, which was approved by the board of directors. The nominating and governance committee is responsible for providing assistance to the board of directors in fulfilling its responsibility to the Company’s stockholders relating to the Company’s nominating procedures and practices for appointing officers and directors as well as the Company’s oversight, analysis and recommendations with respect to corporate governance and best practices, and the Company’s process for monitoring compliance with laws and regulations.

***Compensation Committee***

The board of directors has established a compensation committee of three independent directors, Messrs. Efstathios Loizos, who serves as a Chairman, Spyridon Magoulas and John Stratakis. The compensation committee is governed by a written charter, which was approved by the board of directors. The compensation committee is responsible for reviewing and approving the compensation of the Company’s executive officers, for establishing, reviewing and evaluating, in consultation with senior management, the long-term strategy of any employee compensation and approving any material change to existing compensation plans.

***Special Committees***

The board of directors, from time to time, establishes special conflicts committees to review specific matters that the board believes may involve potential conflicts of interest. The conflicts committees determine if the resolution of the conflict of interest is fair and reasonable to us. The members of the conflicts committees may not be our officers or employees or directors, officers or employees of our affiliates, and must meet the independence standards established by the New York Stock Exchange to serve on an audit committee of a board of directors and certain other requirements.

***D. Employees***

See “Crewing and Shore Employees” under Item 4. B. Business overview.

***E. Share Ownership (post Reverse Stock Split)***

The following table sets forth information regarding the beneficial ownership of the common stock of Navios Holdings as of April 6, 2020, based on 13,467,404 shares of common stock outstanding as of such day, by each of Navios Holdings’ executive officers and directors.

Unless otherwise indicated based upon Schedules 13D filed with the SEC and the Company’s knowledge, Navios Holdings believes that all persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them.

<u>Name and Address of Beneficial Owner(1)</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percentage of Outstanding Common Stock</u>
Angeliki Frangou(2)(3)	4,207,578	30.1%
George Akhniotis	*	*
Ted C. Petrone	*	*
Vasiliki Papaefthymiou	*	*
Anna Kalathakis	*	*
Shunji Sasada	*	*
Leonidas Korres	*	*
Efstratios Desypris	*	*
Ioannis Karyotis	*	*
Erifili Tsironi	*	*
Spyridon Magoulas	*	*
John Stratakis	*	*
Efstathios Loizos	*	*
George Malanga	*	*

\* Less than one percent

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- (1) The business address of each of the individuals is c/o Navios Maritime Holdings Inc., 7 Avenue de Grande Bretagne, Office 11B2, Monte Carlo, MC 98000 Monaco.
- (2) Angeliki Frangou has filed a Schedule 13D amendment indicating that she intends, subject to market conditions, to purchase up to \$20.0 million of common stock and as of April 6, 2020, she had purchased approximately \$10.0 million in value of common stock.
- (3) The amount and nature of beneficial ownership and the percentage of outstanding common stock includes 502,242 options, each for one share, vested but not yet exercised.

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

#### A. Major Shareholders (post Reverse Stock Split)

The following table sets forth information regarding the beneficial ownership of the common stock of Navios Holdings as of April 6, 2020 based on shares of common stock outstanding as of such date of each person known by Navios Holdings to be the beneficial owner of more than 5% of its outstanding shares of common stock based upon the amounts and percentages as are contained in the public filings of such persons. All such stockholders have the same voting rights with respect to their shares of common stock.

Unless otherwise indicated, based upon Schedules 13D filed with the SEC and the Company's knowledge, Navios Holdings believes that all persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them.

Name	Amount and Nature of Beneficial Ownership	Percentage of Outstanding Common Stock
Angeliki Frangou(1)(2)	4,207,578	30.1%
Renaissance Technologies LLC	825,033	6.18%

- (1) The amount and nature of beneficial ownership and the percentage of outstanding common stock includes 502,242 options, each for one share, vested but not yet exercised.
- (2) As disclosed in a 13D Amendment dated August 30, 2019, Ms. Frangou has disclosed that she and her affiliates have pledged 14,511,171 (before the Reverse Stock Split) of the shares of common stock disclosed in the table above.

#### B. Related Party Transactions

**Sale of Management:** In August 2019, Navios Holdings sold its ship management division, the general partnership interests in Navios Partners (except for the incentive distribution rights) and Navios Containers GP LLC to NSM, affiliated with Company's Chairman and Chief Executive Officer, Angeliki Frangou. The Company received aggregate consideration of \$20.0 million (including assumption of liabilities) and five-year service agreements under which NSM provides technical and commercial management services at a fixed rate of \$3,700 per day per vessel for a two-year period which will increase thereafter by 3% annually, unless otherwise agreed, and administrative services, reimbursed at allocable cost. As a result of the Transaction the Company is a holding company owning dry bulk vessels and various investments in entities owning maritime and infrastructure assets. NSM owns all entities providing ship management services and employs all associated people. NSM owns the general partner interests in Navios Containers and Navios Partners. The Company simultaneously entered into a secured credit facility with NSM whereby the Company agreed to repay NSM a loan of \$141.8 million (including post-closing adjustments). See also "NSM Loan" below.

**Office Rent:** The Company had entered into lease agreements with Goldland Ktimatiki-Ikodomiki-Touristiki Xenodohiaki Anonimos Eteria, Emerald Ktimatiki-Ikodomiki Touristiki Xenodohiaki Anonimos Eteria and Infracore Limited, all of which are Greek corporations that are currently majority-owned by Angeliki Frangou, Navios Holdings' Chairman and Chief Executive Officer. The lease agreements provided for the leasing of facilities located in Piraeus, Greece to house the operations of most of the Company's subsidiaries. Following the sale of the management division effected on August 30, 2019, outlined in Note 3 included elsewhere in this Annual Report, Navios Holdings has no office lease obligations.

**Purchase of Services:** The Company utilized its former affiliate company, Acropolis, as a broker until the sale of its investment on December 6, 2018. Commissions charged from Acropolis for each of the years ended December 31, 2019, 2018 and 2017 were \$0 million for all periods. Included in the trade accounts payable at both December 31, 2019 and 2018 was an amount due to Acropolis of \$0.1 million.

**Vessels Charter Hire:** From 2012, Navios Holdings has entered into charter-in contracts for certain of Navios Partners' vessels, all of which have been redelivered by April 2016.

In 2015, the Company entered into various charters with Navios Partners for the Navios Gemini, Navios Hyperion, Navios Soleil, Navios Harmony, Navios Orbiter, Navios Fantastiks, Navios Alegria, Navios Pollux and Navios Sun. The terms of these charters were approximately nine to twelve months, at a net daily rate of \$7,600, \$12,000, \$12,000, \$12,000, \$12,000, \$12,500, \$12,000, \$11,400 and \$12,000, respectively plus 50/50 profit sharing based on actual earnings at the end of the period.

In November 2016, the Company entered into a charter with Navios Partners for the Navios Fulvia, a 2010-built Capesize vessel. The term of this charter was approximately three months from November 2016, at a net daily rate of \$11,500.

Total charter hire expense for all vessels for the years ended December 31, 2019, 2018 and 2017 was \$0 million, \$0 million and \$0.7 million, respectively, and was included in the consolidated statements of comprehensive (loss)/income under "Time charter, voyage and logistics business expenses".

**Management Fees:** Navios Holdings provided commercial and technical management services to Navios Partners' vessels for a daily fixed fee. This daily fee covered all of the vessels' operating expenses, including the cost of drydock and special surveys. In February 2016, the Company amended its existing management agreement to fix the fees for ship management services of its owned fleet at: (i) \$4,100 daily rate per Ultra-Handymax vessel; (ii) \$4,200 daily rate per Panamax vessel; (iii) \$5,250 daily rate per Capesize vessel; (iv) \$6,700 daily rate per container vessel of TEU 6,800; (v) \$7,400 daily rate per container vessel of more than TEU 8,000; and (vi) \$8,750 daily rate per very large container vessel of more than TEU 13,000 through December 31, 2017. In November 2017, the Company further amended its existing management agreement to fix the fees for ship management services of its owned fleet at: (i) \$4,225 daily rate per Ultra-Handymax vessel; (ii) \$4,325 daily rate per Panamax vessel; (iii) \$5,250 daily rate per Capesize vessel; (iv) \$6,700 daily rate per container vessel of TEU 6,800; (v) \$7,400 daily rate per container vessel of more than TEU 8,000; and (vi) \$8,750 daily rate per very large container vessel of more than TEU 13,000 through December 31, 2019. Following the sale of the management division effected on August 30, 2019, outlined in Note 3 included elsewhere in this Annual Report, these services are provided by NSM. For the period from January 1, 2019 to August 30, 2019 certain extraordinary fees and costs related to regulatory requirements under Navios Partners' management agreement amounted to \$7.6 million (for each of the years ended December 31, 2018 and 2017: \$0 million) and are presented under the caption "Other income". Drydocking expenses were reimbursed by Navios Partners at cost. Total management fees for the period from January 1, 2019 to August 30, 2019 and years ended December 31, 2018 and 2017, amounted to \$44.3 million, \$68.9 million and \$62.2 million, respectively, and are presented net under the caption "Direct vessel expenses".

Navios Holdings provided commercial and technical management services to Navios Acquisition's vessels for a daily fee that was fixed. This daily fee covered all of the vessels' operating expenses, other than certain fees and costs. Actual operating costs and expenses would be determined in a manner consistent with how the initial fixed fees were determined. In May 2014, Navios Holdings extended the duration of its existing management agreement with Navios Acquisition until May 2020 and fixed the fees for ship management services of Navios Acquisition owned fleet for two additional years through May 2016 at \$6,000 per owned MR2 product tanker and chemical tanker vessel, \$7,000 per owned LR1 product tanker vessel and reduced the daily rate to \$9,500 per VLCC vessel. In May 2016, Navios Holdings amended its agreement with Navios Acquisition to fix the fees for ship management services of Navios Acquisition owned fleet at a daily fee of (i) \$6,350 per MR2 product tanker and chemical tanker vessel; (ii) \$7,130 per LR1 product tanker vessel; and (iii) \$9,500 per VLCC through May 2018. In May 2018, Navios Holdings amended its agreement with Navios Acquisition to fix the fees for ship management services of Navios Acquisition owned fleet at a daily fee of (i) \$6,500 per MR2 product tanker and chemical tanker vessel; (ii) \$7,150 per LR1 product tanker vessel; and (iii) \$9,500 per VLCC through May 2020.

Following the sale of the management division effected on August 30, 2019, outlined in Note 3 included elsewhere in this Annual Report, these services are provided by NSM. For the period from January 1, 2019 to August 30, 2019, certain extraordinary fees and costs related to regulatory requirements under Navios Acquisition's management agreement amounted to \$8.2 million (for each of the years ended December 31, 2018 and 2017: \$0 million) and are presented under the caption "Other income". Drydocking expenses under this agreement were reimbursed at cost for all vessels. Following the merger of Navios Midstream with Navios Acquisition completed on December 13, 2018, the management agreement also covered vessels acquired. Total management fees for the period from January 1, 2019 to August 30, 2019 and the years ended December 31, 2018 and 2017 amounted to \$72.6 million, \$93.0 million and \$95.0 million, respectively, and are presented net under the caption "Direct vessel expenses".

Pursuant to a management agreement dated December 13, 2013, Navios Holdings provided commercial and technical management services to Navios Europe I's tanker and container vessels. The term of this agreement was for a period of six years.

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Management fees under this agreement were reimbursed at cost. Following the sale of the management division effected on August 30, 2019, outlined in Note 3 included elsewhere in this Annual Report, these services are provided by NSM. Total management fees for the period from January 1, 2019 to August 30, 2019 and the years ended December 31, 2018 and 2017 amounted to \$14.5 million, \$22.4 million and \$21.5 million, respectively, and are presented net under the caption “Direct vessel expenses”.

Pursuant to a management agreement dated November 18, 2014, as further amended in October 2016, Navios Holdings provided commercial and technical management services to Navios Midstream’s vessels for a daily fixed fee of \$9,500 per owned VLCC vessel, effective through December 31, 2018. Drydocking expenses under this agreement were reimbursed at cost for all vessels. The term of this agreement was for a period of five years. Total management fees for the years ended December 31, 2018 and 2017 amounted to \$20.7 million and \$20.8 million, respectively, and are presented net under the caption “Direct vessel expenses”.

Pursuant to a management agreement dated June 5, 2015, Navios Holdings provided commercial and technical management services to Navios Europe II’s dry bulk and container vessels. The term of this agreement was for a period of six years. Management fees under this agreement were reimbursed at cost. Following the sale of the management division effected on August 30, 2019, outlined in Note 3 included elsewhere in this Annual Report, these services are provided by NSM. Total management fees for the period from January 1, 2019 to August 30, 2019 and the years ended December 31, 2018 and 2017 amounted to \$17.8 million, \$22.2 million and \$22.1 million, respectively, and are presented net under the caption “Direct vessel expenses”.

Pursuant to a management agreement dated June 7, 2017, as amended in November 2017, in April 2018 and in June 2018, Navios Holdings, provided commercial and technical management services to Navios Containers’ vessels. The term of this agreement was for an initial period of five years with an automatic extension period of five years thereafter unless a notice for termination was received by either party. The fee for the ship management services provided by Navios Holdings was a daily fee of \$6,100 per day for up to 5,500 TEU container vessels, \$6,700 per day for above 5,500 TEU and up to 8,000 TEU container vessels and \$7,400 per day for above 8,000 TEU and up to 10,000 TEU container vessels until the end of 2019. Following the sale of the management division effected on August 30, 2019, outlined in Note 3 included elsewhere in this Annual Report, these services are provided by NSM. For the period from January 1, 2019 to August 30, 2019, certain extraordinary fees and costs related to regulatory requirements under Navios Containers’ management agreement amounted to \$6.1 million and have been eliminated upon consolidation through August 30, 2019. Drydocking expenses under this agreement were reimbursed by Navios Containers at cost. Total management fees for the period from January 1, 2019 to August 30, 2019 amounted to \$43.2 million and have been eliminated upon consolidation through August 30, 2019. From November 30, 2018 (date of obtaining control) until December 31, 2018, Navios Containers’ management fees amounted to \$5.3 million and have been eliminated upon consolidation. Total management fees for the period from January 1, 2018 until November 30, 2018 and from April 28, 2017 (date of incorporation) until December 31, 2017 amounted to \$48.5 million and \$16.7 million, respectively, and are presented net under the caption “Direct vessel expenses”.

Following the sale of the management division effected on August 30, 2019, outlined in Note 3 included elsewhere in this Annual Report, and pursuant to the Management Agreement, NSM provides commercial and technical management services to Navios Holdings’ vessels. The term of this agreement is for an initial period of five years with an automatic extension period of five years thereafter unless a notice for termination is received by either party. The fee for the ship management services provided by NSM is a daily fee of \$3,700 per day per owned vessel. This rate is fixed for a two-year period and will increase thereafter by 3% annually, unless otherwise agreed. The fee for the ship management services provided by NSM is a daily fee of \$25 per day per chartered-in vessel. Drydocking expenses under this agreement will be reimbursed by Navios Holdings at cost. The agreement also provides for payment of a termination fee, equal to the fees charged for the full calendar year preceding the termination date, by Navios Holdings in the event the Management Agreement is terminated on or before August 29, 2024. Total management fees for the period from August 30, 2019 to December 31, 2019 amounted to \$14.4 million and are presented under the caption “Direct vessel expenses”.

**Navios Partners Guarantee:** In November 2012 (as amended in March 2014), the Company entered into an agreement with Navios Partners (the “Navios Partners Guarantee”) to provide Navios Partners with guarantees against counterparty default on certain existing charters, which had previously been covered by the charter insurance for the same vessels, same periods and same amounts. The Navios Partners Guarantee provides for a maximum possible payout of \$20.0 million by the Company to Navios Partners. Premiums that are calculated on the same basis as the restructured charter insurance are included in the management fee that is paid by Navios Partners to Navios Holdings pursuant to the management agreement. As of December 31, 2019, Navios Partners has submitted one claim under this agreement to the Company. As of June 30, 2019 and December 31, 2018, the fair value of the claim was estimated at \$14.4 million and \$18.0 million, respectively and the change in estimate of the guarantee claim of \$3.6 million and \$2.0 million and was included in “Other income”, for the years ended December 31, 2019 and 2018, respectively. As at December 31, 2019 the outstanding balance of the claim was \$10.0 million. The final settlement of the amount due will be made at specific dates, in accordance with a signed letter of agreement between the parties.



**General and Administrative Expenses incurred on behalf of affiliates/Administrative fee revenue from affiliates:** Navios Holdings provided administrative services to Navios Partners. Navios Holdings was reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. Following the sale of the management division effected on August 30, 2019, outlined in Note 3 included elsewhere in this Annual Report, these services are provided by NSM. Total general and administrative fees for the period from January 1, 2019 to August 30, 2019 and the years ended December 31, 2018 and 2017, amounted to \$6.8 million, \$9.3 million and \$8.4 million, respectively.

Navios Holdings provided administrative services to Navios Acquisition. Navios Holdings extended the duration of its existing administrative services agreement with Navios Acquisition until May 2020, pursuant to its existing terms. Navios Holdings was reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. Following the sale of the management division effected on August 30, 2019, outlined in Note 3 included elsewhere in this Annual Report, these services are provided by NSM. Total general and administrative fees for the period from January 1, 2019 to August 30, 2019 and the years ended December 31, 2018 and 2017 amounted to \$7.5 million, \$8.8 million and \$9.0 million, respectively.

Following the merger of Navios Midstream with Navios Acquisition completed on December 13, 2018, the administrative services agreement also covered vessels acquired.

Navios Holdings provided administrative services to Navios Logistics. In April 2016, Navios Holdings extended the duration of its existing administrative services agreement with Navios Logistics until December 2021, pursuant to its existing terms. Navios Holdings was reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. Following the sale of the management division effected on August 30, 2019, outlined in Note 3 included elsewhere in this Annual Report, these services are provided by NSM. Total general and administrative fees for the period from January 1, 2019 to August 30, 2019 and the years ended December 31, 2018 and 2017 amounted to \$0.8 million, \$1.0 million and \$1.0 million, respectively. The general and administrative fees for these periods have been eliminated upon consolidation. Total general and administrative fees charged for the period from August 30, 2019 to December 31, 2019 amounted to \$0.4 million.

Pursuant to an administrative services agreement dated December 13, 2013, Navios Holdings provided administrative services to Navios Europe I's tanker and container vessels. The term of this agreement was for a period of six years. Navios Holdings was reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. Following the sale of the management division effected on August 30, 2019, outlined in Note 3 included elsewhere in this Annual Report, these services are provided by NSM. Total general and administrative fees for the period from January 1, 2019 to August 30, 2019 and the years ended December 31, 2018 and 2017 amounted to \$1.1 million, \$1.3 million and \$1.2 million, respectively.

Pursuant to an administrative services agreement dated November 18, 2014, Navios Holdings provided administrative services to Navios Midstream. The term of this agreement was for a period of five years. Navios Holdings was reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. Total general and administrative fees for the years ended December 31, 2018 and 2017 amounted to \$1.5 million for all periods.

Pursuant to an administrative services agreement dated June 5, 2015, Navios Holdings provided administrative services to Navios Europe II's dry bulk and container vessels. The term of this agreement was for a period of six years. Navios Holdings was reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. Following the sale of the management division effected on August 30, 2019, outlined in Note 3, these services are provided by NSM. Total general and administrative fees charged for the period from January 1, 2019 to August 30, 2019 and the years ended December 31, 2018, and 2017 amounted to \$1.6 million, \$2.0 million and \$1.8 million, respectively.

Pursuant to the administrative services agreement dated June 7, 2017, Navios Holdings provided administrative services to Navios Containers. Navios Holdings was reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. The term of this agreement was for an initial period of five years with an automatic extension for a period of five years thereafter unless a notice of termination was received by either party. Following the sale of the management division effected on August 30, 2019, outlined in Note 3 included elsewhere in this Annual Report, these services are provided by NSM. Total general and administrative fees attributable to this agreement for the period from January 1, 2019 to August 30, 2019 amounted to \$5.3 million and have been eliminated upon consolidation through August 30, 2019. From November 30, 2018 (date of obtaining control) until December 31, 2018, Navios Containers' general and administrative expenses amounted to \$0.6 million and have been eliminated upon consolidation. Total general and administrative expenses for the period ended November 30, 2018 and December 31, 2017 amounted to \$5.4 million and \$1.9 million, respectively.

Following the sale of the management division effected on August 30, 2019, outlined in Note 3 and pursuant to the Administrative Services Agreement, NSM provides administrative services to Navios Holdings. NSM is reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. The term of this agreement is for an initial period of



five years with an automatic extension for a period of five years thereafter unless a notice of termination is received by either party. The agreement also provides for payment of a termination fee, equal to the fees charged for the full calendar year preceding the termination date, by Navios Holdings in the event the Administrative Services Agreement is terminated on or before August 29, 2024. Total general and administrative expenses attributable to this agreement for the period from August 30, 2019 to December 31, 2019, amounted to \$3.0 million.

**Balance due to/from affiliates (excluding Navios Europe I and Navios Europe II):** Balance due to NSM as of December 31, 2019 amounted to \$1.4 million (December 31, 2018: \$0 million), and the Long-term receivable from NSM amounted to \$5.3 million (December 31, 2018: \$0 million). Balance due to Navios Partners as of December 31, 2019 amounted to \$5.0 million (December 31, 2018: \$34.8 million), and the Long-term payable to Navios Partners amounted to \$5.0 million in relation to the Navios Partners Guarantee (December 31, 2018: \$17.9 million). Balance due from Navios Acquisition as of December 31, 2019 amounted to \$1.5 million and related to declared dividend (December 31, 2018: \$10.1 million), and the Long-term payable to Navios Acquisition amounted to \$0 million (December 31, 2018: \$13.8 million). Balance due from Navios Containers as of December 31, 2019 amounted to \$0 million (December 31, 2018: \$4.1 million) and the Long-term payable to Navios Containers amounted to \$0 million (December 31, 2018: \$7.9 million) and were eliminated upon consolidation through August 30, 2019. Prior to the Transaction the balances mainly consisted of management fees, administrative fees, drydocking, ballast water treatment system and other expenses prepaid by the affiliates according to our management agreements and other amounts payable to affiliates. As of December 31, 2019 the balance mainly consisted of management fees, prepaid to NSM in accordance with the Management agreement and other amounts payable to affiliates.

**Omnibus Agreements:** Navios Holdings has entered into an omnibus agreement with Navios Partners (the “Partners Omnibus Agreement”) in connection with the closing of Navios Partners’ IPO governing, among other things, when Navios Holdings and Navios Partners may compete against each other as well as rights of first offer on certain dry bulk carriers. Pursuant to the Partners Omnibus Agreement, Navios Partners generally agreed not to acquire or own Panamax or Capesize dry bulk carriers under time charters of three or more years without the consent of an independent committee of Navios Partners. In addition, Navios Holdings has agreed to offer to Navios Partners the opportunity to purchase vessels from Navios Holdings when such vessels are fixed under time charters of three or more years.

Navios Holdings entered into an omnibus agreement with Navios Acquisition and Navios Partners (the “Acquisition Omnibus Agreement”) in connection with the closing of Navios Acquisition’s initial vessel acquisition, pursuant to which, among other things, Navios Holdings and Navios Partners agreed not to acquire, charter-in or own liquid shipment vessels, except for container vessels and vessels that are primarily employed in operations in South America, without the consent of an independent committee of Navios Acquisition. In addition, Navios Acquisition, under the Acquisition Omnibus Agreement, agreed to cause its subsidiaries not to acquire, own, operate or charter dry bulk carriers subject to specific exceptions. Under the Acquisition Omnibus Agreement, Navios Acquisition and its subsidiaries granted to Navios Holdings and Navios Partners, a right of first offer on any proposed sale, transfer or other disposition of any of its dry bulk carriers and related charters owned or acquired by Navios Acquisition. Likewise, Navios Holdings and Navios Partners agreed to grant a similar right of first offer to Navios Acquisition for any liquid shipment vessels it might own. These rights of first offer will not apply to a (i) sale, transfer or other disposition of vessels between any affiliated subsidiaries, or pursuant to the terms of any charter or other agreement with a counterparty, or (ii) merger with or into, or sale of substantially all of the assets to, an unaffiliated third party.

Navios Holdings entered into an omnibus agreement with Navios Midstream, Navios Acquisition and Navios Partners in connection with the Navios Midstream IPO, pursuant to which Navios Acquisition, Navios Holdings, Navios Partners and their controlled affiliates generally have agreed not to acquire or own any VLCCs, crude oil tankers, refined petroleum product tankers, LPG tankers or chemical tankers under time charters of five or more years without the consent of Navios Midstream. The omnibus agreement contains significant exceptions that will allow Navios Acquisition, Navios Holdings, Navios Partners or any of their controlled affiliates to compete with Navios Midstream under specified circumstances.

Navios Holdings entered into an omnibus agreement with Navios Containers, Navios Acquisition, and Navios Partners, pursuant to which Navios Acquisition, Navios Holdings and Navios Partners and their controlled affiliates generally have granted a right of first refusal to Navios Containers over any container vessels to be sold or acquired in the future, subject to significant exceptions that would allow Navios Acquisition, Navios Holdings and Navios Partners or any of their controlled affiliates to compete with Navios Containers under specified circumstances.

**Midstream General Partner Option Agreement:** Navios Holdings entered into an option agreement, with Navios Acquisition under which Navios Acquisition, which owns and controls Navios Maritime Midstream Partners GP LLC (“Midstream General Partner”), granted Navios Holdings the option to acquire a minimum of 25% of the outstanding membership interests in Midstream General Partner and the incentive distribution rights in Navios Midstream representing the right to receive an increasing

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percentage of the quarterly distributions when certain conditions are met. The option shall expire on November 18, 2024. The purchase price for the acquisition for all or part of the option interest shall be an amount equal to its fair market value. As of December 31, 2019, Navios Holdings had not exercised any part of that option.

**Sale of Vessels and Sale of Rights to Navios Partners:** Upon the sale of vessels to Navios Partners, Navios Holdings recognizes the gain immediately in earnings only to the extent of the interest in Navios Partners owned by third parties and defers recognition of the gain to the extent of its own ownership interest in Navios Partners (the “deferred gain”). Subsequently, the deferred gain is amortized to income over the remaining useful life of the vessel. The recognition of the deferred gain is accelerated in the event that (i) the vessel is subsequently sold or otherwise disposed of by Navios Partners or (ii) the Company’s ownership interest in Navios Partners is reduced. In connection with the public offerings of common units by Navios Partners and the sale of Navios Partners general partnership interest effected on August 30, 2019, referred in Note 3 included elsewhere in this Annual Report, a pro rata portion of the deferred gain is released to income upon dilution of the Company’s ownership interest in Navios Partners. As of December 31, 2019, and 2018, the unamortized deferred gain for all vessels and rights sold totaled \$6.3 million and \$8.1 million, respectively. For the years ended December 31, 2019, 2018 and 2017, Navios Holdings recognized \$1.8 million, \$1.8 million and \$1.9 million of the deferred gain, respectively, in “Equity in net (losses)/earnings of affiliated companies”.

**Participation in Offerings of Affiliates:** Refer to “Item 4.—Information on the Company” and “Item 5.—Operating and Financial Review and Prospects” for Navios Holdings’ participation in Navios Acquisition’s and Navios Partners’ offerings. On February 4, 2015, Navios Holdings entered into a share purchase agreement with Navios Partners pursuant to which Navios Holdings made an investment in Navios Partners by purchasing common units, and general partnership interests, in order to maintain its 20.0% partnership interest in Navios Partners following its equity offering in February 2015. In connection with this agreement, Navios Holdings entered into a registration rights agreement with Navios Partners pursuant to which Navios Partners provided Navios Holdings with certain rights relating to the registration of the common units. Navios Holdings has entered into additional share purchase agreements on December 30, 2016, March 3, 2017, March 23, 2017, March 31, 2017, January 11, 2018, February 21, 2018, December 20, 2018 and February 1, 2019 for the purchase up to a total of 1,754,981 general partnership units.

**The Navios Acquisition Credit Facilities:** On September 19, 2016, Navios Holdings entered into a secured credit facility of up to \$70.0 million with Navios Acquisition. This credit facility was secured by all of the Company’s interest in Navios Acquisition and 78.5% of the Company’s interest in Navios Logistics, representing a majority of the shares outstanding of Navios Logistics. This facility was provided for an arrangement fee of \$0.7 million. On November 3, 2017, Navios Holdings prepaid in full the outstanding amount under this credit facility with Navios Acquisition and all collateral was released.

**The Navios Partners Credit Facility:** In May 2015, Navios Partners entered into a credit facility with Navios Holdings of up to \$60.0 million. The Navios Partners Credit Facility bears an interest of LIBOR plus 300 bps. The final maturity date was January 2, 2017. As of December 31, 2019 and 2018, there was no outstanding amount under this facility. In April 2016, Navios Partners has drawn \$21.0 million from the Navios Partners Credit Facility, which was fully repaid during April 2016.

**Balance due from Navios Europe I:** Following the liquidation, the balance due from Navios Europe I as of December 31, 2019 was \$0 million. As a result of this liquidation, Navios Holdings received the outstanding receivable amount of \$13.4 million, in December 2019. Balance due from Navios Europe I as of December 31, 2018 was \$12.0 million, which included the net current receivable amount of \$7.8 million mainly consisting of management fees, drydocking, ballast water treatment system and other expenses and accrued interest income earned under the Navios Revolving Loans I and other expenses and the non-current amount receivable of \$4.2 million related to the accrued interest income earned under the Navios Term Loans I.

The Navios Revolving Loans I and the Navios Term Loans I earned interest and an annual preferred return, respectively, at 1,270 basis points per annum, on a quarterly compounding basis and were repaid from free cash flow (as defined in the loan agreement) to the fullest extent possible at the end of each quarter. There were no covenant requirements or stated maturity dates.

As of December 31, 2019 and 2018, the outstanding amount relating to Navios Holdings’ portion under the Navios Revolving Loans I was \$0 million and \$19.1 million, respectively, under the caption “Loan receivable from affiliate companies”. During 2018, Navios Holdings funded with \$8.0 million Navios Europe I under the Navios Revolving Loans I. During 2019, Navios Holdings funded with \$4.0 million Navios Europe I under the Navios Revolving Loans I.

On March 17, 2017, Navios Holdings transferred to Navios Partners its rights to the Navios Revolving Loans I and the Navios Term Loans I (including the respective accrued receivable interest), with a total carrying value of \$21.4 million for a total consideration of \$33.5 million, comprised of \$4.1 million in cash and 13,076,923 newly issued common units of Navios Partners with a fair value of \$29.4 million (based on Navios Partners’ trading price as of the closing of the transaction). The Company evaluated this transaction in accordance with ASC 860, classifying it as a secured borrowing arrangement. At the date of this transaction, the

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Company recognized a long-term liability of \$33.5 million, including a premium of \$12.1 million which will be amortized through “Interest income” over the term of the loans, until 2023, and is included within “Long-term payable to affiliate companies”. Navios Holdings could be required from Navios Partners, under certain conditions, to repurchase the loans after the third anniversary of the date of the transaction based on the then-outstanding balance of the loans. As of December 31, 2019 and 2018, the balance payable to Navios Partners amounted to \$0 million and \$35.4 million, respectively, including the unamortized premium of \$0 million and \$8.4 million, respectively.

**Balance due from Navios Europe II:** Balance due from Navios Europe II as of December 31, 2019, amounted to \$20.7 million (December 31, 2018: \$5.3 million), which included the net current receivable amount mainly consisting of \$13.2 million (December 31, 2018: \$0.5 million net current payable) of accrued interest income earned under the Navios Revolving Loans II and the net non-current amount receivable of \$7.6 million (December 31, 2018: \$5.8 million) related to the accrued interest income earned under the Navios Term Loans II.

The Navios Revolving Loans II and the Navios Term Loans II earn interest and an annual preferred return, respectively, at 1,800 basis points per annum, on a quarterly compounding basis and are repaid from free cash flow (as defined in the loan agreement) to the fullest extent possible at the end of each quarter. There are no covenant requirements or stated maturity dates.

As of December 31, 2019, the outstanding amount relating to Navios Holdings’ portion under the Navios Revolving Loans II was \$16.9 million (December 31, 2018: \$16.9 million), under the caption “Loan receivable from affiliate companies.” As of December 31, 2019, the amount undrawn from the Navios Revolving Loans II was \$4.5 million, of which Navios Holdings may be required to fund an amount ranging from \$0 to \$4.5 million.

**Secured credit facility with Navios Logistics:** On April 25, 2019, Navios Holdings entered into a secured credit facility of \$50.0 million with Navios Logistics to be used for general corporate purposes, including the repurchase of 2022 Notes. This credit facility is secured by (i) any 2022 Notes purchased by Navios Holdings with these funds and (ii) equity interests in five subsidiaries of the Company that have entered into certain bareboat contracts. The credit facility is available in multiple drawings, has an arrangement fee of \$0.5 million, a fixed interest rate of 12.75% for the first year and a fixed interest rate of 14.75% for the second year, payable annually. The secured credit facility includes negative covenants substantially similar to the 2022 Notes and customary events of default. In December 2019, Navios Holdings and Navios Logistics agreed to increase the amount by \$20.0 million and amended the interest rate of the whole facility to 12.75% or 10.0% if certain conditions are met. The credit facility matures in April 2021 or December 2024 if certain conditions are met. As of March 3, 2020, the amount of \$70.0 million was drawn under this facility of which \$18.7 million was used to acquire the 2022 Notes from Navios Logistics and the remaining amount was used to repurchase 2022 Notes.

**NSM Loan:** On August 29, 2019, Navios Holdings entered into a secured credit facility of \$141.8 million (including post-closing adjustments) with Navios Shipmanagement Holdings Corporation, a wholly owned subsidiary of NSM. In general, the amount owed reflects the excess of (i) the liabilities of the ship management business (including liabilities for advances previously made by affiliates to the Company for ongoing operating costs, including technical management services, supplies, dry-docking and related expenses) other than liabilities the assumption of which forms part of the consideration for the Transaction over (ii) the short term assets of the ship management business. The Company’s obligations under the NSM Loan are guaranteed by substantially the same subsidiaries that guarantee the 2022 Notes and secured by assets of the Company that do not secure the Ship Mortgage Notes or the Company’s 11.25% Senior Secured Notes due 2022. The credit facility is repayable over a five-year period; of the total amount, \$47.0 million is repayable in 2020 in equal quarterly installments, with the remaining principal repayment in equal quarterly installments over the following 48 months. In certain cases, principal payments can be deferred provided that no more than \$20.0 million of deferral may be outstanding during the first or second year and \$10.0 million outstanding in the third year. The loan agreement provides for interest at 5% annually, and 7% annually for deferred principal amounts. During December 2019, Navios Holdings repaid the amount of \$13.4 million under the terms of this facility.

As of December 31, 2019, the outstanding balance (including post-closing adjustment) was \$128.4 million and the accrued interest was \$2.2 million. Of the outstanding amount, \$22.6 million is included in “Current portion of loan payable to affiliate companies”, due to deferral of \$20.0 million for the period to December 31, 2020.

**Navios Logistics’ Shareholders Agreement:** On November 19, 2019, Navios Holdings entered into a shareholder agreement with Peers Business Inc. granting certain protections to minority shareholders in certain events.

### **C. Interests of experts and counsel.**

Not applicable.

## **Item 8. Financial Information**

### **A. Consolidated Statements and Other Financial Information**

**Consolidated Financial Statements:** See Item 18.

**Legal Proceedings:** Navios Holdings is not involved in any legal proceedings that it believes will have a significant effect on its business, financial position, results of operations or liquidity.

From time to time, Navios Holdings may be subject to legal proceedings and claims in the ordinary course of business. It is expected that these claims would be covered by insurance if they involve liabilities such as arise from a collision, other marine casualty, damage to cargoes, oil pollution, death or personal injuries to crew, subject to customary deductibles. Those claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources.

Refer also to Note 14 to the Consolidated Financial Statements, included herein.

**Dividend Policy:** Navios Holdings has announced the suspension of dividends to its common stock shareholders in November 2015 and its preferred shareholders, including holders of the Series G and Series H in February 2016. Navios Holdings intends to retain most of its available earnings generated by operations to conserve cash and improve liquidity. The reinstatement, declaration and payment of any dividend remains subject to the discretion of the Board of Directors, and will depend on, among other things, Navios Holdings' cash requirements after taking into account market opportunities, debt obligations, market conditions, and restrictions contained in its equity and debt instruments, including limitations on dividends under its preferred stock. In addition, the terms and provisions of our current secured credit facilities and indentures limit our ability to declare and pay dividends in excess of certain amounts or if certain covenants are not met. (See also Item 5.B. "Long-term Debt Obligations and Credit Arrangements").

### **B. Significant Changes**

Not applicable.

## **Item 9. Listing Details**

The principal trading market for our common stock has been the NYSE under the symbol "NM". Our Series G and Series H trade on the NYSE under the symbols "NMPrg." and "NMPrH."

## **Item 10. Additional Information**

### **A. Share Capital**

Not applicable.

### **B. Memorandum of articles of association**

Please refer to Exhibit 3.1 of Form F-1, filed with the Securities and Exchange Commission ("SEC") on November 2, 2005 with file number 333-129382; Exhibit 99.1 of Form 6-K, filed on January 17, 2007 with file number 000-51047, which the Company hereby incorporates by reference and the following filings on Form 6-K or Form 8-A, as applicable, (file number 001-33311) filed with the SEC : Exhibit 99.2 of Form 6-K filed on October 6, 2008; Exhibit 3.1 of Form 6-K filed on July 7, 2009; Exhibit 3.1 of Form 6-K filed on September 22, 2009; Exhibit 3.1 of Form 6-K filed on September 24, 2009; Exhibit 3.1 of Form 6-K filed on February 4, 2010; Exhibit 1.1 of Form 6-K filed on November 15, 2010; Exhibit 1.1 of Form 6-K filed on December 22, 2010; Exhibit 3.3 of Form 8-A filed on January 24, 2014 and Exhibit 3.3 of Form 8-A filed on July 7, 2014, each of which the Company hereby incorporates by reference; Exhibit 1.1 of Form 6-K, filed on December 27, 2018.

### **C. Material Contracts**

Refer to "Item 4. – Information on the Company" for a discussion of various agreements relating to our business and certain vessel transactions, including Item 4.B. for a discussion of our option agreements to purchase 13 chartered-in vessels and five bareboat-in vessels, and to Item 5. – Operating and Financial Review and Prospects" for a discussion of our long-term debt, including Item 5.F for a discussion of the long-term debt, the operating lease obligations and the rent obligations. Other than these agreements, there are no material contracts, other than the contracts entered into in the ordinary course of business, to which the Company or any of its subsidiaries is a party.

#### **D. Exchange controls**

Under the laws of the Marshall Islands, Uruguay, Liberia, Panama, Belgium, Luxembourg, Malta, Brazil, Paraguay, Cayman Islands, Hong Kong and the British Virgin Islands, the countries of incorporation of the Company and its subsidiaries, 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 September 1, 2019 the Argentine government reinstated exchange controls and restrictions on transfers abroad that are currently in force. These new controls and restrictions apply to, among other things, the free access to the foreign exchange market for savings and investments, payments of debts in foreign currency, payment of dividends in foreign currency abroad, payment for imports of goods and services, and the obligation to settle the proceeds of exports of goods and services in the Argentina local exchange market.

#### **E. Taxation**

##### **Marshall Islands Tax Considerations**

Navios Holdings is incorporated in the Marshall Islands. Under current Marshall Islands law, Navios Holdings will not be subject to tax on income or capital gains, and no Marshall Islands withholding tax will be imposed upon payments.

##### **Other Tax Jurisdictions**

Certain of Navios Holdings' subsidiaries are incorporated in countries, which impose taxes, such as Belgium, however such taxes are immaterial to Navios Holdings' operations.

Marshall Islands, Liberia, Panama and Malta do not impose a tax on international shipping income. Under the laws of Marshall Islands, Malta, Liberia and Panama, the countries of incorporation of the Company and its subsidiaries and the vessels' registration, the companies are subject to registration and tonnage taxes, which have been included in direct vessel expenses in the accompanying consolidated statements of comprehensive (loss)/income.

Certain of the Company's subsidiaries have registered offices in Greece under Greek Law 27/75 as amended and in force (former law 89/67). These companies are allowed to conduct the specific business activities provided in their license and the provisions of the above legislation. Same law (27/75) provides that these companies are exempted in Greece from any tax, duty, levy, contribution or deduction in respect of income.

In accordance with the currently applicable Greek law, ship owning companies of foreign flagged vessels that are managed by Greek or foreign ship management companies having established an office/branch in Greece under law 27/75 are subject to duties towards the Greek state which are calculated on the basis of the relevant vessel's tonnage. In case that tonnage tax and/or similar taxes/duties are paid by the shipowning companies to the vessel's flag state, these are deducted from the amount of the duty to be paid in Greece by the ship owner. The payment of said duties exhausts the tax liability of the foreign ship owning company against any tax, duty, charge or contribution payable on income from the exploitation of the foreign flagged vessel.

Navios Logistics subsidiaries are incorporated in countries, which impose taxes, such as Argentina, Uruguay, Brazil and Paraguay. Income tax liabilities of the Argentinean subsidiaries for the current periods is measured at the amount expected to be paid to the taxation authorities using a tax rate of 30.0% on the taxable net income. As a result of the tax reforms voted by the Argentinean Parliament in December 2017, the corporate income tax rate has decreased from 35% in 2017 to 30% for the years 2018 and 2019, and will further decrease to 25% from 2020 onwards. Tax rates and tax laws used to assess the income tax liability are those that are effective on the close of the fiscal period. Additionally, at the end of the fiscal year local companies in Argentina had to calculate an assets tax (Minimum Presumed Income Tax), applying the effective tax rate of 1.0% over the gross value of the corporate assets (based on tax law criteria). Following the tax reform voted by the Argentinean Parliament in December 2017, and the subsequent resolution in-force since May 2018, this tax will not longer apply as of the fiscal year 2019. Relating to the Paraguayan subsidiaries there are two possible options to determine the income tax liability. Under the first option, income tax liabilities for the current and prior periods are measured at the amount expected to be paid to the taxation authorities, by applying the tax rate of 10.0% on the fiscal profit and loss. 50.0% of revenues derived from international freights are considered Paraguayan sourced (and therefore taxed) if carried between Paraguay and Argentina, Bolivia, Brazil or Uruguay. In any other case, only 30.0% of revenues derived from international freights are considered Paraguayan sourced. Companies whose operations are considered international freights can choose to pay income taxes on their revenues at an effective tax rate of 1.0% on such revenues, without considering any other kind of adjustments. Fiscal losses, if any, are neither deducted nor carried forward.

## **Material U.S. Federal Income Tax Considerations**

The following discussion addresses certain U.S. federal income tax considerations applicable to us and to the purchase, ownership and disposition of our common stock. The discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the “Code”), judicial decisions, administrative pronouncements, and existing and proposed regulations issued by the U.S. Treasury (the “Treasury Regulations”), all of which are subject to change, possibly with retroactive effect. Changes in these authorities may cause the tax consequences to vary substantially from the consequences described below. No party has sought or will seek any rulings from the U.S. Internal Revenue Service (the “IRS”) with respect to the U.S. federal income tax consequences discussed below. The discussion below is not in any way binding on the IRS or the courts or in any way an assurance that the U.S. federal income tax consequences discussed herein will be accepted by the IRS or the courts.

The U.S. federal income tax consequences to a beneficial owner of our common stock may vary depending on such beneficial owner’s particular situation or status. This discussion is limited to beneficial owners of our common stock who hold our common stock as capital assets, and it does not address aspects of U.S. federal income taxation that may be relevant to persons who are subject to special treatment under U.S. federal income tax laws, including but not limited to: dealers in securities; banks and other financial institutions; insurance companies; tax-exempt entities, plans or accounts; persons holding our common stock as part of a “hedge,” “straddle” or other risk reduction transaction; partnerships or other pass-through entities (or investors in such entities); U.S. persons whose functional currency is not the U.S. dollar; persons that actually or constructively own 10.0% or more (by voting power or value) of our outstanding stock; U.S. expatriates; persons that are accrual method taxpayers required to accelerate the recognition of any item of gross income for U.S. federal income tax purposes as a result of such income being recognized on an applicable financial statement; and persons subject to alternative minimum tax. The following discussion is for general information purposes only and does not address any U.S. state or local tax matters, any non-U.S. tax matters, or any U.S. federal taxes other than income taxes (such as estate and gift taxes or the Medicare tax on certain investment income).

U.S. Holders (as defined below) that use an accrual method of accounting for U.S. federal income tax purposes generally are required to include certain amounts in income no later than the time such amounts are reflected on certain applicable financial statements. The application of this rule may require the accrual of income earlier than would be the case under the general U.S. federal income tax rules described below. U.S. Holders that use an accrual method of accounting for U.S. federal income tax purposes should consult with their tax advisors regarding the potential applicability of this rule to their particular situation.

You are encouraged to consult your own tax advisor regarding the particular U.S. federal, state and local and non-U.S. income and other tax consequences applicable to us and to the purchase, ownership and disposition of our common stock that may be applicable to you.

## **U.S. Federal Income Taxation of the Company**

### **Taxation of Our Shipping Income**

Navios Holdings is incorporated under the laws of the Marshall Islands. Accordingly, we take the position that Navios Holdings is taxed as a foreign corporation by the U.S., and the remainder of this discussion assumes the correctness of this position. If Navios Holdings were taxed as a U.S. corporation, it could be subject to substantially greater U.S. federal income tax than contemplated below. See “Risk Factors—Tax Risks— Navios Maritime Holdings Inc. may be taxed as a U.S. corporation.”

Subject to the discussion of “effectively connected” income below, unless exempt from U.S. federal income tax under the rules contained in Section 883 of the Code and the Treasury Regulations promulgated thereunder, a non-U.S. corporation is subject to a 4.0% U.S. federal income tax in respect of its U.S.-source gross shipping income (without allowance for deductions). For this purpose, U.S.-source gross shipping income includes 50.0% of the shipping income that is attributable to transportation that begins or ends (but that does not both begin and end) in the U.S. Shipping income attributable to transportation that both begins and ends in the U.S. is considered to be 100.0% U.S.-source. Shipping income attributable to transportation exclusively between non-U.S. destinations is considered to be 100.0% non-U.S. source and generally is not subject to U.S. federal income tax. “Shipping income” means income that is derived from the use of vessels, the hiring or leasing of vessels for use on a time, voyage or bareboat charter basis, the participation in a pool, partnership, strategic alliance, joint operating agreement, code sharing agreement or other joint venture it directly or indirectly owns or participates in that generates such income, or the performance of services directly related to these uses.

Under Section 883 of the Code and the Treasury Regulations promulgated thereunder, a non-U.S. corporation will be exempt from U.S. federal income tax on its U.S.-source shipping income if the following three requirements are satisfied:



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- It is organized in a jurisdiction outside the United States that grants an “equivalent exemption” from tax to corporations organized in the United States with respect to the types of U.S.-source shipping income that we earn;
- Either (i) its stock is “primarily traded” and “regularly traded” on an “established securities market” in the United States, in its country of organization, or in another country that grants an “equivalent exemption” to U.S. corporations or (ii) more than 50.0% of the value of its stock is owned, directly or indirectly, by (a) individuals who are “residents” of foreign countries that grants an “equivalent exemption,” (b) non-U.S. corporations organized in foreign countries that grant an “equivalent exemption” and that meet the test described in (i), and/or (c) certain other qualified shareholders described in the Treasury Regulations promulgated under Section 883; and
- It meets certain substantiation and reporting requirements.

We believe that we and each of our subsidiaries qualifies and will continue to qualify for the foreseeable future for this statutory tax exemption under Section 883 with respect to our U.S.-source shipping income, provided that our common stock continues to be listed on the NYSE and represents more than 50.0% of the total combined voting power of all classes of our stock entitled to vote and of the total value of our stock, and less than 50.0% of our common stock is owned, actually or constructively under specified stock attribution rules, on more than half the number of days in the relevant year by persons who each own 5.0% or more of the vote and value of our common stock. However, no assurance can be given that we will satisfy these requirements or qualify for this exemption.

If we or our subsidiaries are not entitled to this exemption under Section 883 for any taxable year, we or our subsidiaries would be subject for those years to the 4.0% U.S. federal income tax on our gross U.S.-source shipping income described above, subject to the discussion of “effectively connected” income below. We expect that no more than a small portion of our gross shipping income would be treated as U.S.-source and we expect that the effective rate of U.S. federal income tax on our gross shipping income would be significantly below 1.0%.

To the extent exemption under Section 883 is unavailable, our U.S.-source gross shipping income that is considered to be “effectively connected” with the conduct of a U.S. trade or business (net of applicable deductions) would be subject to the U.S. federal corporate income tax currently imposed at a flat rate of 21.0%, but would not be subject to the 4.0% tax discussed above. In addition, we may be subject to the 30.0% U.S. “branch profits” tax on any earnings and profits 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 that is attributable to the conduct of such U.S. trade or business.

Our U.S.-source shipping income attributable to time or voyage charters (which currently represent, and are expected to continue to represent, substantially all of our shipping income) would be considered “effectively connected” with the conduct of a U.S. trade or business only if:

- we had, or were considered to have, a fixed place of business in the U.S. involved in the earning of such shipping income; and
- Substantially all of our U.S.-source shipping were attributable to regularly scheduled transportation.

We do not have, or intend to have or permit circumstances that would result in us having, such a fixed place of business in the U.S. or any vessel sailing to or from the U.S. on a regularly scheduled basis. Based on the foregoing and on the expected mode of our shipping operations and activities, we believe that none of our U.S.-source shipping income will be “effectively connected” with the conduct of a U.S. trade or business.

In addition, income attributable to transportation that both begins and ends in the U.S. is not subject to the tax rules described above. Such income is subject to either a 30.0% gross-basis tax or to U.S. federal corporate income tax on net income at a flat rate of 21.0% (and the branch profits tax discussed above). Although there can be no assurance, we do not expect to engage in transportation that produces shipping income of this type.

### **Taxation of Gain on Our Sale of Vessels**

On the sale of a vessel that has produced “effectively connected” income (as discussed above), we could be subject to net basis U.S. federal corporate income tax as well as branch profits tax with respect to the gain recognized up to the amount of certain prior deductions for depreciation that reduced effectively connected income. Otherwise, we should not be subject to U.S. federal income tax with respect to gain realized on the sale of a vessel, provided the sale is considered to occur outside of the U.S. (as determined under U.S. tax principles) and the gain is not attributable to an office or other fixed place of business maintained by us in the U.S. under U.S. federal income tax principles.



## **Taxation of U.S. Holders of our Common Stock**

The following discussion is limited to persons that are “U.S. holders” of our common stock. For purposes of this discussion, a “U.S. holder” is a beneficial owner of our common stock that is:

- an individual U.S. citizen or resident (as determined for U.S. federal income tax purposes);
- a corporation (or other entity that is classified as a corporation for U.S. federal income tax purposes) organized under the laws of the U.S. or any of its political subdivisions;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons (as determined for U.S. federal income tax purposes) have the authority to control all substantial decisions of that trust, or if the trust has validly elected to be treated as a U.S. trust.

If an entity treated for U.S. federal income tax purposes as a partnership holds our common stock, the tax treatment of a partner will generally depend upon the status of the partner, upon the activities of the partnership and certain determinations made at the partner level. If you are a partner in a partnership considering an investment in our common stock, you should consult your tax advisor.

## **Distributions on Our Common Stock**

Subject to the discussion of “passive foreign investment companies” below, any distributions that you receive with respect to our common stock generally will constitute dividends, which may be taxable as ordinary income or “qualified dividend income” as described below, to the extent of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Distributions in excess of our earnings and profits will be treated first as a non-taxable return of capital to the extent of your tax basis in our common stock and thereafter as gain from the sale of such stock. We do not maintain calculations of earnings and profits under U.S. federal income tax principles. Therefore, you should expect that a distribution with respect to your common stock generally will be treated as dividend income, even if that distribution might otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above.

Because we are not a U.S. corporation, if you are a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes), you will not be entitled to claim a dividends-received deduction with respect to any distributions you receive from us. Dividends paid with respect to our common stock will generally be treated as “passive category income” for purposes of computing allowable foreign tax credits for U.S. foreign tax credit purposes.

If you are an individual, trust or estate, dividends you receive from us should be treated as “qualified dividend income,” provided that: (i) our common stock is readily tradable on an established securities market in the U.S., which we expect to be the case, provided that our common stock continues to be listed on the NYSE; (ii) we are not a “passive foreign investment company” for the taxable year during which the dividend is paid or the immediately preceding taxable year (see the discussion below under “—Passive Foreign Investment Company Status”); (iii) you have owned our common stock for more than 60 days in the 121-day period beginning 60 days before the date on which the common stock become ex-dividend (and have not entered into certain risk limiting transactions with respect to such common stock); (iv) you are not under an obligation to make related payments with respect to positions in substantially similar or related property; and (v) you do not treat the dividends as “investment income” for purposes of the investment interest deduction.

Qualified dividend income is taxed at the preferential rates applicable to long-term capital gain, depending on the income level of the taxpayer. Dividends you receive from us that are not eligible for the preferential rates will be taxed at the ordinary income rates.

Special rules may apply to any amounts received in respect of our common stock that are treated as “extraordinary dividends.” Generally, an extraordinary dividend is a dividend with respect to a share of our common stock in an amount that is equal to or in excess of 10.0% of your adjusted tax basis (or fair market value in certain circumstances) in such share of common stock. In addition, extraordinary dividends include dividends received within a one-year period that, in the aggregate, equal or exceed 20.0% of your adjusted tax basis (or fair market value in certain circumstances). If we pay an extraordinary dividend on any shares of our common stock that is treated as “qualified dividend income,” and you are an individual, estate or trust, then any loss you derive from a subsequent sale or exchange of such shares of our common stock will be treated as long-term capital loss to the extent of such dividend.

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

Provided that we are not a passive foreign investment company for any taxable year during which you hold our common stock, you generally will recognize capital gain or loss upon a sale, exchange or other disposition of our common stock in an amount equal to the difference, if any, between the amount realized by you from such sale, exchange or other disposition and your tax basis in such common stock. Any such gain or loss will be treated as long-term capital gain or loss if your holding period is greater than one year at the time of the sale, exchange or other disposition. Any such capital gain or loss will generally be treated as U.S. source income or loss, as applicable, for U.S. foreign tax credit purposes. If you are an individual, trust or estate, your long-term capital gains are currently subject to tax at preferential rates. Your ability to deduct capital losses against ordinary income is subject to limitations.

## **Passive Foreign Investment Company Status**

Special U.S. federal income tax rules apply to you if you hold stock in a non-U.S. corporation that is classified as a passive foreign investment company (“PFIC”) for U.S. federal income tax purposes. In general, we will be a PFIC for any taxable year in which, after applying certain look-through rules, either:

- at least 75.0% 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 50.0% of the quarterly average value of our assets during such taxable year consists of “passive assets” (i.e., assets that 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 25.0% of the value of the subsidiary’s stock. Income we earn, or are deemed to earn, in connection with the performance of services will not constitute passive income. By contrast, rental income will generally constitute passive income (unless we are treated under certain special rules as deriving our rental income in the active conduct of a trade or business).

Based upon our actual and projected income, assets and activities, we believe that we should not be a PFIC for our taxable year ended December 31, 2019 or for subsequent taxable years. However, no assurance can be given as to our current and future PFIC status, because such status requires an annual factual determination based upon the composition of our income and assets for the entire taxable year. The PFIC determination also depends on the application of complex U.S. federal income tax rules concerning the classification of our income and assets for this purpose, and there are legal uncertainties involved in determining whether the income derived from our chartering activities and from our logistics activities constitutes rental income or income derived from the performance of services. In *Tidewater Inc. v. United States*, 565 F.2d 299 (5th Cir. 2009), the Fifth Circuit held that income derived from certain time chartering activities should be treated as rental income rather than services income for purposes of a foreign sales corporation provision of the Code. The IRS has announced, in an Action on Decision (AOD 2010-001), its nonacquiescence with the court’s holding in the *Tidewater* case and, at the same time, announced the position of the IRS that the vessel time charter agreements at issue in that case should be treated as service contracts. The IRS’ AOD, however, is an administrative action that cannot be relied upon or otherwise cited as precedent by taxpayers. We have not sought, and we do not expect to seek, an IRS ruling on this issue. As a result, the IRS or a court could disagree with our position. In addition, although we intend to conduct our affairs in a manner to avoid, to the extent possible, being classified as a PFIC with respect to any taxable year, we cannot assure you that the nature of our operations, or the nature or composition of our income or assets, will not change in the future, or that we can avoid PFIC status in the future.

As discussed below, if we are a PFIC for a taxable year during which you actually or constructively own our common stock, you generally would be subject to one of three different U.S. federal income tax regimes, depending on whether or not you make certain elections. Additionally, for each year during which we are treated as a PFIC and you actually or constructively own common stock you generally will be required to file IRS Form 8621 with your U.S. federal income tax return to report certain information concerning your ownership of our common stock. In the event that a person that is required to file IRS Form 8621 does not file such form, a substantial penalty may apply and, in addition, the statute of limitations on the assessment and collection of U.S. federal income taxes of such person for the related tax year may not close until three years after the date that the required information is filed.

The PFIC rules are complex, and you are encouraged to consult your own tax advisor regarding the PFIC rules, including the annual PFIC reporting requirement.

### **Taxation of U.S. Holders That Make a Timely QEF Election**

If we were treated as a PFIC for any taxable year during which you actually or constructively own our common stock, and if you make a timely election to treat us as a “Qualifying Electing Fund” for U.S. tax purposes (a “QEF Election”), you would be required to report each year your pro rata share of our ordinary earnings (as ordinary income) and our net capital gain (as long-term capital gain), if any, for our taxable year that ends with or within your taxable year, regardless of whether we make any distributions to you. Such income inclusions would not be eligible for the preferential tax rates applicable to qualified dividend income. Your adjusted tax basis in our common stock would be increased to reflect such taxed but undistributed earnings and profits. Distributions of earnings and profits that had previously been taxed would result in a corresponding reduction in your adjusted tax basis in our common stock and would not be taxed again once distributed. You would generally recognize capital gain or loss on the sale, exchange or other disposition of our common stock. Even if you make a QEF Election for one of our taxable years, if we were a PFIC for a prior taxable year during which you held our common stock and for which you did not make a timely QEF Election, you would also be subject to the more adverse rules described below under “—Taxation of U.S. Holders That Make No Election.” Additionally, to the extent any of our subsidiaries is a PFIC, your election to treat us as a “Qualifying Electing Fund” would not be effective with respect to your deemed ownership of the stock of such subsidiary and a separate QEF Election with respect to such subsidiary would be required.

You would make a QEF Election by completing and filing IRS Form 8621 with your U.S. federal income tax return for the year for which the election is made in accordance with the relevant instructions. If we were to become aware that we were a PFIC for any taxable year, we would notify all U.S. holders of such treatment and would provide all necessary information to any U.S. holder who requests such information in order to make the QEF Election described above with respect to us and the relevant subsidiaries.

A QEF Election generally will not have any effect with respect to any taxable year for which we are not a PFIC, but will remain in effect with respect to any subsequent taxable year for which we are a PFIC. It should be noted that the beneficial effect of a QEF Election may be substantially diminished if such election is not made in the first year of your holding period in which we are a PFIC. In some instances, you may be permitted to make a QEF election that is retroactive to the beginning of your holding period if we unexpectedly are treated as a PFIC.

### **Taxation of U.S. Holders That Make a Timely “Mark-to-Market” Election**

Alternatively, if we were to be treated as a PFIC for any taxable year during which you actually or constructively own our common stock and, our common stock is treated as “marketable stock,” you would be allowed to make a “mark-to-market” election with respect to our common stock, provided you complete and file IRS Form 8621 with your U.S. federal income tax return for the year for which the election is made in accordance with the relevant instructions. If that election is made, you generally would include as ordinary income in each taxable year the excess, if any, of the fair market value of our common stock at the end of the taxable year over your adjusted tax basis in our common stock. You also would be permitted an ordinary loss in respect of the excess, if any, of your adjusted tax basis in our common stock over the fair market value of such common stock at the end of the taxable year (but only to the extent of the net amount of gain previously included in income as a result of the mark-to-market election). Your tax basis in our common stock would be adjusted to reflect any such income or loss amount. Gain realized on the sale, exchange or other disposition of our 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 you previously included. However, to the extent any of our subsidiaries is a PFIC, your “mark-to-market” election with respect to our common stock would not apply to your deemed ownership of the stock of such subsidiary. This may significantly limit the beneficial effect of making a mark-to-market election.

It should be noted that the beneficial effect of a “mark-to-market” election may be substantially diminished if such election is not made in the first year of your holding period in which we are a PFIC.

### **Taxation of U.S. Holders That Make No Election**

Finally, if we were treated as a PFIC for any taxable year during which you actually or constructively own our common stock, and you do not make either a QEF Election or a “mark-to-market” election for that year, you would be subject to special rules with respect to (a) any excess distribution (that is, the portion of any distributions you receive on our common stock in a taxable year in excess of 125.0% of the average annual distributions you received in the three preceding taxable years, or, if shorter, your holding period for our common stock) and (b) any gain realized on the sale, exchange or other disposition of our common stock. Under these special rules: (i) the excess distribution or gain would be allocated ratably over your aggregate holding period for our common stock

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(ii) the amount allocated to the current taxable year would be taxed as ordinary income; (iii) 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 (iv) an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

If you died while owning our common stock, your successor generally would not receive a step-up in tax basis with respect to such shares for U.S. tax purposes.

If we are treated as a PFIC during any taxable year during your holding period, unless you make a timely QEF Election, or a timely “mark-to-market” election, for the first taxable year in which you hold our common stock, we will continue to be treated as a PFIC for all succeeding years during which you are treated as a direct or indirect U.S. holder, even if we are not a PFIC for such years. You are encouraged to consult your own tax advisor with respect to any available elections that may be applicable in such a situation, as well as the IRS information and filing obligations that may arise as a result of the ownership of shares in a PFIC.

### **Taxation of Non-U.S. Holders**

You are a “non-U.S. holder” if you are a beneficial owner of our common stock (other than an entity or arrangement treated as a partnership for U.S. federal income tax purposes) and you are not a U.S. holder.

### **Distributions on Our Common Stock**

You generally will not be subject to U.S. federal income or withholding taxes on a distribution with respect to our common stock, unless the income arising from such distribution is effectively connected with your conduct of a trade or business in the U.S. If you are entitled to the benefits of an applicable income tax treaty with respect to that income, such income generally is taxable in the U.S. only if it is attributable to a permanent establishment maintained by you in the U.S.

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

You generally will not be subject to U.S. federal income tax or withholding tax on any gain realized upon the sale, exchange or other disposition of our common stock, unless:

- the gain is effectively connected with your conduct of a trade or business in the U.S. (and, if you are entitled to the benefits of an applicable income tax treaty with respect to that gain, that gain is attributable to a permanent establishment maintained by you in the U.S.); or
- you are an individual who is present in the U.S. for 183 days or more during the taxable year of disposition and certain other conditions are met.

Gain that is effectively connected with your conduct of a trade or business in the U.S. (or so treated) generally will be subject to U.S. federal income tax, net of certain deductions, at regular U.S. federal income tax rates. If you are a corporate non-U.S. holder, your earnings and profits that are attributable to the effectively connected income (subject to certain adjustments) may be subject to an additional U.S. branch profits tax at a rate of 30.0% (or such lower rate as may be specified by an applicable income tax treaty).

Gain described in clause the second bullet point above (net of certain U.S.-source losses) will be taxed at a flat rate of 30.0% (or such lower rate as may be specified by an applicable tax treaty).

### **U.S. Backup Withholding and Information Reporting**

In general, if you are a non-corporate U.S. holder, distributions and proceeds from the disposition of our common stock may be subject to information reporting requirements. These payments to a non-corporate U.S. holder may also be subject to backup withholding tax if the non-corporate U.S. holder: (i) fails to provide an accurate taxpayer identification number; (ii) is notified by the IRS that it has become subject to backup withholding due to a prior failure to report all interest or distributions required to be shown on its federal income tax returns; or (iii) fails to comply with applicable certification requirements.

If you are a non-U.S. holder, you may be required to establish your exemption from information reporting and backup withholding by certifying your non-U.S. status on IRS Form W-8BEN, W-8BEN-E, W-8ECI or W-8IMY, as applicable.

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

### **Tax Return Disclosure Requirements**

Individual U.S. holders (and to the extent specified in applicable Treasury Regulations, certain individual non-U.S. holders and certain U.S. holders that are entities) that hold certain specified foreign assets with values in excess of certain dollar thresholds are required to report such assets on IRS Form 8938 with their U.S. federal income tax return, subject to certain exceptions (including an exception for foreign assets held in accounts maintained with U.S. financial institutions). Stock in a foreign corporation, including our common stock is a specified foreign asset for this purpose, unless such stock is held in an account maintained with a U.S. financial institution. Substantial penalties apply for failure to properly complete and file Form 8938. You are encouraged to consult your own tax advisor regarding the filing of this form. Additionally, in the event that an individual U.S. holder (and to the extent specified in applicable Treasury Regulations, an individual non-U.S. holder or a U.S. entity) that is required to file IRS Form 8938 does not file such form, a substantial penalty may apply and, in addition, the statute of limitations on the assessment and collection of U.S. federal income taxes of such person for the related tax year may not close until three years after the date that the required information is filed. U.S. holders (including U.S. entities) and non-U.S. holders should consult their own tax advisors regarding their reporting obligations with respect to specified foreign assets.

### **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. Accordingly, we are required to file reports and other information with the SEC, including annual reports on Form 20-F and reports on Form 6-K. The SEC maintains an Internet website that contains reports and other information about issuers, like us, that file electronically with the SEC. The address of that website is [www.sec.gov](http://www.sec.gov).

We also make available on our website, free of charge, our Annual Report and the text of our reports on Form 6-K, including any amendments to these reports, as well as certain other SEC filings, as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. Our website address is [www.navios.com](http://www.navios.com). The information contained on our website is not incorporated by reference in this Annual Report.

### **I. Subsidiary information**

Not applicable.

## **Item 11. Quantitative and Qualitative Disclosures about Market Risks**

Navios Holdings is exposed to certain risks related to interest rate, foreign currency and charter rate risks.

### **Interest Rate Risk:**

*Debt Instruments* — On December 31, 2019 and 2018, Navios Holdings had a total of \$1,581.8 million and \$1,843.9 million, respectively, of long-term indebtedness. All of the Company's debt is U.S. dollar-denominated and bears interest at a floating rate, except for the 2022 Senior Secured Notes, the 2022 Notes, the 2022 Logistics Senior Notes, the 2024 Notes, the NSM Loan and two Navios Logistics' loans discussed in "Item 5.B Liquidity and Capital Resources" that bear interest at a fixed rate.

Changes in interest rates for our floating-rate loan facilities would affect their interest rate and related interest expense. As of December 31, 2019, the outstanding amount of the Company's floating rate loan facilities was \$264.9 million. The interest rate on the 2022 Senior Secured Notes, the 2022 Notes, the 2024 Notes, the NSM Loan, the 2022 Logistics Senior Notes, and one Navios

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Logistics' loans is fixed and, therefore, changes in interest rates affect their fair value, which as of December 31, 2019 was \$1,005.9 million, but do not affect their related interest expense. A change in the LIBOR rate of 100 basis points would increase interest expense for the year ended December 31, 2019, by \$4.3 million.

For a detailed discussion on Navios Holdings' debt instruments refer to section "Long-Term Debt Obligations and Credit Arrangements" included in Item 5.B. of this Annual Report.

### **Inflation:**

Inflation has had a minimal impact on vessel operating expenses and general and administrative expenses. Our management does not consider inflation to be a significant risk to direct expenses in the current and foreseeable economic environment.

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

Not applicable.

## **PART II**

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

In February 2016, Navios Holdings announced the suspension of payment of quarterly dividends on the Company's Series G and Series H. On July 15, 2017, the Company reached six quarterly dividend payments in arrears relating to its Series G and Series H and as a result the respective dividend rate increased by 0.25%. As of the date of this Annual Report, the Company has reached 13 quarterly dividend payments in arrears relating to its Series G and Series H.

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

None.

### **Item 15. Controls and Procedures**

#### ***A. Disclosure Controls and Procedures***

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, conducted an evaluation, pursuant to Rule 13a-15 (e) promulgated under the Exchange Act, of the effectiveness of our disclosure controls and procedures as of December 31, 2019. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of December 31, 2019.

Disclosure controls and procedures means controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and that such information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosures.

#### ***B. Management's Annual Report on Internal Control over Financial Reporting***

The management of Navios Holdings is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act. Navios Holdings' internal control system was 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 U.S.

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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Navios Holdings' management assessed the effectiveness of Navios Holdings' internal control over financial reporting as of December 31, 2019. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework (2013). Based on its assessment, management concluded that, as of December 31, 2019, Navios Holdings' internal control over financial reporting is effective based on those criteria.

Navios Holdings' independent registered public accounting firm has issued an attestation report on Navios Holdings' internal control over financial reporting.

### ***C. Attestation Report of the Registered Public Accounting Firm***

Navios Holdings' independent registered public accounting firm has issued an audit report on Navios Holdings' internal control over financial reporting. This report appears on Page F-2 of the Consolidated Financial Statements.

### ***D. Changes in Internal Control over Financial Reporting***

There have been no changes in internal controls over financial reporting (identified in connection with management's evaluation of such internal controls over financial reporting) that occurred during the year covered by this Annual Report that have materially affected, or are reasonably likely to materially affect, Navios Holdings' internal controls over financial reporting.

## **Item 16. [Reserved]**

### **Item 16A. Audit Committee financial expert**

Navios Holdings' Audit Committee consists of three independent directors, Spyridon Magoulas, Efstathios Loizos and George Malanga. The Board of Directors has determined that Efstathios Loizos qualifies as "an audit committee financial expert" as defined in the instructions of Item 16A of Form 20-F. Mr. Loizos is independent under applicable NYSE and SEC standards.

### **Item 16B. Code of Ethics**

Navios Holdings has adopted a code of ethics, the Navios Code of Corporate Conduct and Ethics, applicable to officers, directors and employees of Navios Holdings that complies with applicable guidelines issued by the SEC. The Navios Code of Corporate Conduct and Ethics is available for review on Navios Holdings' website at [www.navios.com](http://www.navios.com).

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

#### ***Audit Fees***

Our principal accountants for fiscal years 2019 and 2018 were PricewaterhouseCoopers S.A. The audit fees for the audit of the years ended December 31, 2019 and 2018 were \$1.6 million and \$1.7 million, respectively.

The Audit Committee is responsible for the appointment, replacement, compensation, evaluation and oversight of the work of the independent auditors. As part of this responsibility, the audit committee pre-approves the audit and non-audit services performed by the independent auditors in order to assure that they do not impair the auditors' independence from the Company. The Audit Committee may delegate, to one or more of its designated members, the authority to grant such pre-approvals. The decision of any member to whom such authority is delegated is presented to the full Committee at each of its scheduled meetings.

All audit services and other services provided by PricewaterhouseCoopers S.A., after the formation of our Audit Committee in October 2005 were pre-approved by the Audit Committee.

#### ***Audit-Related Fees***

There were no audit-related fees billed in 2019 and 2018

#### ***Tax Fees***

There were no tax fees billed in 2019 and 2018.

#### ***All Other Fees***

There were no other fees billed in 2019 and 2018.

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

Not applicable.

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

In March and April of 2019, Navios Holdings repurchased 10,930 Series H for a total of approximately \$4.2 million of cash consideration and a total of approximately \$4.7 million in aggregate principal amount of 2024 Notes, and 8,841 Series G for a total of approximately \$4.4 million of cash consideration and a total of approximately \$3.9 million principal amount of 2024 Notes, pursuant to tender offers. Please refer also to Note 17 to the Consolidated Financial Statements included herein.

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

Not applicable.

**Item 16G. Corporate Governance**

Pursuant to an exception for foreign private issuers, we are not required to comply with the corporate governance practices followed by U.S. companies under the NYSE listing standards. However, we have voluntarily adopted all of the NYSE required practices, except that, as permitted under Marshall Islands law, we do not need or intend to obtain prior shareholder approval to adopt or re-use equity compensation plans, including our 2015 Equity Incentive Plan.

**Item 16H. Mine Safety disclosures**

Not applicable.

**PART III**

**Item 17. Financial Statements**

See Item 18.

**Item 18. Financial Statements**

The financial information required by this Item is set forth on pages F-1 to F-74 and are filed as part of this annual report.

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### **Item 19. Exhibits**

- 1.1 [Amended and Restated Articles of Incorporation of Navios Maritime Holdings Inc. \(Incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form F-1 \(File No. 333-129382\)\).](#)
- 1.2 [Bylaws of Navios Maritime Holdings Inc. \(Incorporated by reference to Exhibit 3.2 to the Registrant's Registration Statement on Form F-1 \(File No. 333-129382\)\).](#)
- 1.3 [Articles of Amendment of Articles of Incorporation of Navios Maritime Holdings Inc. \(Incorporated by reference to Exhibit 99.1 to the Registrant's Form 6-K, filed on January 17, 2007\).](#)
- 1.4 [Articles of Amendment of Articles of Incorporation of Navios Maritime Holdings Inc. \(Incorporated by reference to Exhibit 1.1 to the Registrant's Form 6-K, filed on December 12, 2018\).](#)
- 2.1 [Specimen Unit Certificate \(Incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form F-1 \(File No. 333-129382\)\).](#)
- 2.2 [Specimen Common Stock Certificate. \(Incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form F-1 \(File No. 333-129382\)\).](#)
- 2.3 [Certificate of Designations of Rights, Preferences and Privileges of Preferred Stock of Navios Maritime Holdings Inc. \(Incorporated by reference to Exhibit 99.2 to the Registrant's Form 6-K, filed on October 6, 2008\).](#)
- 2.4 [Certificate of Designation, Preferences and Rights of Series A Convertible Preferred Stock of Navios Maritime Holdings Inc. \(Incorporated by reference to Exhibit 3.1 to the Registrant's Form 6-K, filed on July 7, 2009\).](#)
- 2.5 [Certificate of Designation, Preferences and Rights of Series B Convertible Preferred Stock of Navios Maritime Holdings Inc. \(Incorporated by reference to Exhibit 3.1 to the Registrant's Form 6-K, filed on September 22, 2009\).](#)
- 2.6 [Certificate of Designation, Preferences and Rights of Series C Convertible Preferred Stock of Navios Maritime Holdings Inc. \(Incorporated by reference to Exhibit 3.1 to the Registrant's Form 6-K, filed on September 24, 2009\).](#)
- 2.7 [Certificate of Designation, Preferences and Rights of Series D Convertible Preferred Stock of Navios Maritime Holdings Inc. \(Incorporated by reference to Exhibit 3.1 to the Registrant's Form 6-K, filed on February 4, 2010\).](#)
- 2.8 [Indenture relating to the 7.375% First Priority Ship Mortgage Notes due 2022, dated as of November 29, 2013, among Navios Maritime Holdings Inc., Navios Logistics Finance II \(US\) Inc., the guarantors party thereto, and Wells Fargo Bank, National Association, as trustee and collateral trustee \(Incorporated by reference to Exhibit 99.2 to the Registrant's Form 6-K, filed on December 13, 2013\).](#)
- 2.8.1 [First Supplemental Indenture relating to the 7.375% First Priority Ship Mortgage Notes due 2022, dated as of February 20, 2014 \(Incorporated by reference to Exhibit 10.3 to the Registrant's Form 6-K, filed on March 3, 2014\).](#)
- 2.8.2 [Second Supplemental Indenture relating to the 7.375% First Priority Ship Mortgage Notes due 2022, dated as of June 24, 2014 \(Incorporated by reference to Exhibit 10.2 to the Registrant's Form 6-K, filed on July 23, 2014\).](#)
- 2.8.3 [Third Supplemental Indenture relating to the 7.375% First Priority Ship Mortgage Notes due 2022, dated as of October 24, 2014 \(Incorporated by reference to Exhibit 10.2 to the Registrant's Form 6-K, filed on December 8, 2014\).](#)
- 2.8.4 [Fourth Supplemental Indenture relating to the 7.375% First Priority Ship Mortgage Notes due 2022, dated as of October 24, 2014 \(Incorporated by reference to Exhibit 10.3 to the Registrant's Form 6-K, filed on February 25, 2016\).](#)
- 2.8.5 [Fifth Supplemental Indenture relating to the 7.375% First Priority Ship Mortgage Notes due 2022, dated as of March 17, 2017 \(Incorporated by reference to Exhibit 10.5 to the Registrant's Form 6-K, filed on December 20, 2018\).](#)
- 2.8.6 [Sixth Supplemental Indenture relating to the 7.375% First Priority Ship Mortgage Notes due 2022, dated as of March 12, 2018 \(Incorporated by reference to Exhibit 10.6 to the Registrant's Form 6-K, filed on December 20, 2018\).](#)

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- 2.8.7 [Seventh Supplemental Indenture relating to the 7.375% First Priority Ship Mortgage Notes due 2022, dated as of October 31, 2018 \(Incorporated by reference to Exhibit 10.7 to the Registrant's Form 6-K, filed on December 20, 2018\).](#)
- 2.9 [Indenture relating to the 11.25% Senior Secured Notes due 2022, dated as of November 21, 2017, among Navios Maritime Holdings Inc., Navios Logistics Finance II \(US\) Inc., the guarantors party thereto, and Wells Fargo Bank, National Association, as trustee and collateral trustee \(Incorporated by reference to Exhibit 99.2 to the Registrant's Form 6-K, filed on November 21, 2017\).](#)
- 2.9.1 [First Supplemental Indenture relating to the 11.25% Senior Secured Notes due 2022, dated as of March 12, 2018 \(Incorporated by reference to Exhibit 10.3 to the Registrant's Form 6-K, filed on December 20, 2018\).](#)
- 2.9.2 [Second Supplemental Indenture relating to the 11.25% Senior Secured Notes due 2022, dated as of October 31, 2018 \(Incorporated by reference to Exhibit 10.4 to the Registrant's Form 6-K, filed on December 20, 2018\).](#)
- 2.10 [Deposit Agreement, dated as of January 21, 2014, by and among Navios Maritime Holdings Inc., The Bank of New York Mellon, and the holders from time to time of the American depository receipts described therein \(incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form 8-A \(File No. 001-33311\), filed on January 24, 2014\).](#)
- 2.11 [Certificate of Designation of 8.75% Series G Cumulative Redeemable Perpetual Preferred Stock of Navios Maritime Holdings Inc. \(Incorporated by reference to Exhibit 3.3 to the Registrant's Registration Statement on Form 8-A \(File No. 001-33311\), filed on January 24, 2014\).](#)
- 2.12 [Form of American Depositary Receipt representing the American Depositary Shares \(Incorporated by reference to Exhibit A to Exhibit 4.1 to the Registrant's Registration Statement on Form 8-A \(File No. 001-33311\), filed on January 24, 2014\).](#)
- 2.13 [Form of Certificate representing the 8.75% Series G Cumulative Redeemable Perpetual Preferred Stock \(Incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement on Form 8-A \(File No. 001-33311\), filed on January 24, 2014\).](#)
- 2.14 [Certificate of Designation of 8.625% Series H Cumulative Redeemable Perpetual Preferred Stock of Navios Maritime Holdings Inc. \(Incorporated by reference to Exhibit 3.3 to the Registrant's Registration Statement on Form 8-A \(File No. 001-33311\), filed on July 7, 2014\).](#)
- 2.15 [Form of Certificate representing the 8.625% Series H Cumulative Redeemable Perpetual Preferred Stock \(Incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement on Form 8-A \(File No. 001-33311\), filed on July 7, 2014\).](#)
- 2.16 [Stockholders Rights Agreement dated as of February 19, 2019 by and between Navios Maritime Holdings Inc. and Continental Stock Transfer & Trust Company \(Incorporated by reference to Exhibit 10.2 to the Registrant's Registration Statement on Form 8-A \(File No. 001-33311\), filed on February 19, 2019\).](#)
- 2.17 [Description of the rights of each class of securities registered under Section 12 of the Exchange Act.](#)
- 4.1 [Amendment to Omnibus Agreement, dated June 29, 2009, by and among Navios Maritime Holdings Inc., Navios GP L.L.C., Navios Maritime Operating L.L.C. and Navios Maritime Partners L.P. \(Incorporated by reference to Exhibit 10.2 to the Registrant's Form 6-K, filed on July 7, 2009\).](#)
- 4.2 [Facility Agreement for a \\$240.0 million term loan facility, dated June 24, 2009, by and between Floral Marine Ltd., Nostos Shipmanagement Corp., Pandora Marine Inc., Red Rose Shipping Corp. and Commerzbank AG \(Incorporated by reference to Exhibit 10.3 to the Registrant's Form 6-K, filed on July 7, 2009\).](#)
- 4.3 [Supplemental Agreement in relation to the Facility Agreement dated December 11, 2007 for a loan facility of up to \\$154.0 million, dated July 10, 2009, among Chilali Corp., Rumer Holding Ltd. and Credit Agricole Corporate and Investment Bank \(formerly Emporiki Bank of Greece S.A.\) \(Incorporated by reference to Exhibit 99.3 to the Registrant's Form 6-K, filed on August 5, 2009\).](#)

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- 4.4 [Second Supplemental Agreement in relation to the Facility Agreement dated December 11, 2007 for a loan facility of up to \\$130.0 million, dated August 28, 2009, between Chilali Corp, Rumer Holding Ltd. and Credit Agricole Corporate and Investment Bank \(formerly Emporiki Bank of Greece S.A.\) \(Incorporated by reference to Exhibit 99.3 to the Registrant's Form 6-K, filed on October 8, 2009\).](#)
- 4.5 [Facility Agreement in respect of a loan of up to \\$75.0 million, dated August 28, 2009, between Kohylia Shipmanagement S.A., Ducale Marine Inc. and Credit Agricole Corporate and Investment Bank \(formerly Emporiki Bank of Greece S.A.\) \(Incorporated by reference to Exhibit 99.5 to the Registrant's Form 6-K, filed on October 8, 2009\).](#)
- 4.6 [Facility Agreement for a \\$150.0 million term loan facility, dated as of April 7, 2010, by and between Amorgos Shipping Corporation, Andros Shipping Corporation, Antiparos Shipping Corporation, Ikaria Shipping Corporation, Kos Shipping Corporation, Mytilene Shipping Corporation, Deutsche Schiffsbank AG, Alpha Bank AE and Credit Agricole Corporate and Investment Bank \(Incorporated by reference to Exhibit 10.1 to the Registrant's Form 6-K, filed on April 8, 2010\).](#)
- 4.7 [Facility Agreement for a \\$75.0 million term loan facility, dated as of April 8, 2010, by and between Sifnos Corporation, Skiathos Shipping Corporation, Syros Shipping Corporation, Fortis Bank and DVB Bank SE \(Incorporated by reference to Exhibit 10.2 to the Registrant's Form 6-K, filed on April 8, 2010\).](#)
- 4.8 [Facility Agreement in respect of a loan of up to \\$40.0 million, dated as of September 30, 2010, between Aramis Navigation Inc. and Credit Agricole Corporate and Investment Bank \(formerly Emporiki Bank of Greece S.A.\) \(Incorporated by reference to Exhibit 10.3 to the Registrant's Form 6-K, filed on October 14, 2010\).](#)
- 4.9 [Amended and Restated Loan Agreement relating to a facility of up to \\$120.0 million, by and between Portorosa Marine Corp., Floral Maritime Ltd., the banks and financial institutions listed therein and Dekabank Deutsche Girozentrale \(Incorporated by reference to Exhibit 10.1 to the Registrant's Form 6-K, filed on November 15, 2010\).](#)
- 4.10 [Supplemental Agreement relating to the Facility Agreement dated as of June 24, 2009 for a term loan facility of up to \\$240.0 million, dated January 28, 2011, between Nostos Shipmanagement Corp, Red Rose Shipping Corp. and Commerzbank AG \(Incorporated by reference to Exhibit 10.1 to the Registrant's Form 6-K, filed on February 4, 2011\).](#)
- 4.11 [Supplemental Agreement relating to the Facility Agreement dated as of September 30, 2010 for a term loan facility of up to \\$40.0 million, dated January 28, 2011, between Aramis Navigation Inc. and Credit Agricole Corporate and Investment Bank \(formerly Emporiki Bank of Greece S.A.\) \(Incorporated by reference to Exhibit 10.2 to the Registrant's Form 6-K, filed on February 4, 2011\).](#)
- 4.12 [Supplemental Agreement relating to the Facility Agreement dated as of December 11, 2007 \(as amended\) for a term loan facility of up to \\$154.0 million, dated January 28, 2011, between Rumer Holding Ltd. and Credit Agricole Corporate and Investment Bank \(formerly Emporiki Bank of Greece S.A.\) \(Incorporated by reference to Exhibit 10.3 to the Registrant's Form 6-K, filed on February 4, 2011\).](#)
- 4.13 [Supplemental Agreement relating to the Facility Agreement dated as of August 28, 2009 \(as amended\) for a term loan facility of up to \\$75.0 million, dated January 28, 2011, between Kohylia Shipmanagement S.A., Ducale Marine Inc. and Credit Agricole Corporate and Investment Bank \(formerly Emporiki Bank of Greece S.A.\) \(Incorporated by reference to Exhibit 10.4 to the Registrant's Form 6-K, filed on February 4, 2011\).](#)
- 4.14 [Supplemental Agreement relating to the Amended and Restated Loan Agreement dated as of October 27, 2010 in respect of a loan facility of up to \\$120.0 million, dated January 28, 2011, between Portorosa Marine Corp., Floral Marine Ltd., the banks and financial institutions listed thereto and Dekabank Deutsche Girozentrale \(Incorporated by reference to Exhibit 10.5 to the Registrant's Form 6-K, filed on February 4, 2011\).](#)
- 4.15 [Administrative Services Agreement, dated April 12, 2011, between Navios South American Logistics Inc. and Navios Maritime Holdings Inc. \(Incorporated by reference to Exhibit 10.3 to the Registrant's Form 6-K, filed on May 25, 2011\).](#)

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- 4.16 [Facility Agreement No. 242 in respect of a loan up to \\$23.0 million, dated August 19, 2011, between Solange Shipping Ltd. and Credit Agricole Corporate and Investment Bank \(formerly Emporiki Bank of Greece S.A.\) \(Incorporated by reference to Exhibit 10.1 to the Registrant's Form 6-K, filed on August 25, 2011\).](#)
- 4.17 [Facility agreement in respect of a loan of up to \\$23.0 million, dated December 29, 2011, between Mandora Shipping Ltd. and Credit Agricole Corporate and Investment Bank \(formerly Emporiki Bank of Greece S.A.\) \(Incorporated by reference to Exhibit 10.1 to the Registrant's Form 6-K, filed on January 26, 2012\).](#)
- 4.18 [Shareholders' Agreement, dated as of June 17, 2010, between Navios South American Logistics Inc., Navios Corporation and Grandall Investment S.A. \(Incorporated by reference to Exhibit 4.1 to Navios South American Logistics Inc.'s Registration Statement on Form F-4 \(Registration No. 333-179250\), filed on January 31, 2012\).](#)
- 4.19 [Facility agreement for a \\$42.0 million term loan facility, dated March 23, 2012, by and between Astra Maritime Corporation, Serenity Shipping Enterprises Inc., DVB Bank SE, Credit Agricole Corporate and Investment Bank \(formerly Emporiki Bank of Greece S.A.\) and Norddeutsche Landesbank Girozentrale \(Incorporated by reference to Exhibit 10.1 to the Registrant's Form 6-K, filed on April 6, 2012\).](#)
- 4.20 [Fifth Supplemental Agreement relating to the Loan Agreement dated December 11, 2007 \(as amended\) for a term loan facility of up to \\$154.0 million, dated March 28, 2012, between Rumer Holding Ltd. and Credit Agricole Corporate and Investment Bank \(formerly Emporiki Bank of Greece S.A.\) \(Incorporated by reference to Exhibit 10.2 to the Registrant's Form 6-K, filed on April 6, 2012\).](#)
- 4.21 [Second Supplemental Agreement relating to the Facility Agreement dated June 24, 2009 \(as amended\) for a term loan facility of up to \\$240.0 million, dated March 30, 2012, between Notros Shipmanagement Corp., Red Rose Shipping Corp. and Commerzbank AG \(Incorporated by reference to Exhibit 10.3 to the Registrant's Form 6-K, filed on April 6, 2012\).](#)
- 4.22 [Facility Agreement for a \\$40.0 million term loan facility, dated September 19, 2013, between Kleimar NV and DVB Bank SE \(Incorporated by reference to Exhibit 10.1 to the Registrant's Form 6-K, filed on October 8, 2013\).](#)
- 4.23 [Loan Agreement, dated December 13, 2013, between Navios Europe Inc., Navios Partners Europe Finance Inc., Navios Acquisition Europe Finance Inc. and Navios Holdings Europe Finance Inc. \(Incorporated by reference to Exhibit 10.2 to the Registrant's Form 6-K, filed on March 3, 2014\).](#)
- 4.24 [Facility Agreement for a \\$65.5 million term loan facility, dated June 27, 2014, between Astra Maritime Corporation, Emery Shipping Corporation, Serenity Shipping Enterprises Inc., DVB Bank SE, Credit Agricole Corporate and Investment Bank and Norddeutsche Landesbank Girozentrale \(Incorporated by reference to Exhibit 10.1 to the Registrant's Form 6-K, filed on July 23, 2014\).](#)
- 4.25 [Loan Agreement in respect of a loan of up to \\$31.0 million, dated November 6, 2014, between Lavender Shipping Corporation and Alpha Bank A.E. \(Incorporated by reference to Exhibit 10.1 to the Registrant's Form 6-K, filed on December 8, 2014\).](#)
- 4.26 [Fourth Supplemental Agreement relating to the Facility Agreement dated as of June 24, 2009 \(as amended\) for a term loan facility of up to \\$240.0 million, dated March 31, 2015 between Nostos Shipmanagement Corp., Red Rose Shipping Corp. and Commerzbank AG \(Incorporated by reference to Exhibit 10.1 to the Registrant's Form 6-K, filed on April 14, 2015\).](#)
- 4.27 [Facility Agreement for a \\$41.0 million term loan facility, dated January 5, 2016, Triangle Shipping Corporation, Esmeralda Shipping Corporation, Navios Maritime Holdings Inc. and DVB Bank SE. \(Incorporated by reference to Exhibit 10.1 to the Registrant's Form 6-K, filed on February 25, 2016\).](#)
- 4.28 [Loan Agreement for a Loan of up to \\$16.125 million, dated as of November 3, 2016, by and between Nostos Shipmanagement Corp. and Alpha Bank A.E. \(Incorporated by reference to Exhibit 10.1 to the Registrant's Form 6-K, filed on December 1, 2016\).](#)

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- 4.29 [Facility Agreement relating to a facility of up to \\$18,253,968.25, dated December 21, 2017, between Kleimar NV. and DVB Bank SE \(Incorporated by reference to Exhibit 10.1 to the Registrant's Form 6-K, filed on January 17, 2018\).](#)
- 4.30 [Second Amendment to the Navios Maritime Holdings Inc. 2015 Equity Incentive Plan \(Incorporated by reference to Exhibit 99.1 to the Registrant's Form 6-K, filed on December 4, 2018\).](#)
- 4.31 [Facility Agreement dated May 23, 2017 for a loan facility of up to \\$15.3 million, between Red Rose Shipping Corp. and HSH Nordbank AG \(Incorporated by reference to Exhibit 10.1 to the Registrant's Form 6-K, filed on December 20, 2018\).](#)
- 4.32 [Facility Agreement dated February 14, 2018 for a loan facility of up to \\$28.745 million, between Aramis Navigation Inc., Iris Shipping Corporation, Jasmine Shipping Corporation and Crédit Agricole Corporate And Investment Bank \(Incorporated by reference to Exhibit 10.2 to the Registrant's Form 6-K, filed on December 20, 2018\).](#)
- 4.33 [Management Agreement, dated August 29, 2019, by and between Navios Maritime Holdings Inc and Navios Shipmanagements Inc \(Incorporated by reference to Exhibit 99.2 to the Registrant's Form 6-K, filed September 4, 2019\).](#)
- 4.34 [Administrative Services Agreement, dated August 29, 2019, by and between Navios Maritime Holdings Inc. and Navios Shipmanagement Inc. \(Incorporated by reference to Exhibit 99.3 to the Registrant's Form 6-K, filed September 4, 2019\).](#)
- 4.35 [Secured Loan Agreement, dated August 29, 2019, by and between Navios Maritime Holdings Inc, as borrower and Navios Shipmanagement Holdings Corporation, as lender \(Incorporated by reference to Exhibit 99.5 to the Registrant's Form 6-K, filed September 4, 2019\).](#)
- 4.36 [Purchase Agreement, dated August 30, 2019, by and among N Shipmanagement Acquisition Corp, Alegria Shiptrade Co., Olympos Maritime Ltd, Navios Maritime Holdings Inc. and Navios GP L.L.C. \(Incorporated by reference to Exhibit 99.6 to the Registrant's Form 6-K, filed September 4, 2019\).](#)
- 4.37 [Articles of Amendment of the Amended and Restated Articles of Incorporation, as filed with the Registrar of Corporations of the Marshall Islands on December 27, 2018 \(Incorporated by reference to Exhibit 1.1 to the Registrant's Form 6-K, filed December 28, 2018\).](#)
- 4.38 [Facility Agreement in respect of a loan up to \\$50.0 million, dated April 25, 2019, between Navios Maritime Holdings Inc. and Navios South American Logistics Inc.](#)
- 4.39 [Supplemental Agreement in relation to the Facility Agreement dated December 2, 2019 for a loan facility of up to \\$50.0 million dated April 25, 2019 among Navios Maritime Holdings Inc. and Navios South American Logistics Inc.](#)
- 4.40 [Bareboat Charter and Memorandum of Agreement, dated November 27, 2019, among Anchor Trans Inc., and Vernazza Shiptrade Inc, being a wholly owned subsidiary of Navios Maritime Holdings Inc., providing for the sale and leaseback of Dream Canary.](#)
- 4.41 [Bareboat Charter and Memorandum of Agreement, dated February 13, 2020, between Lua Line S.A. and Okino Kaiun Co. and Roselite Shipping Corporation, being a wholly owned subsidiary of Navios Maritime Holdings Inc., providing for the sale and leaseback of Navios Corali.](#)
- 4.42 [Stockholders Rights Agreement dated as of February 19, 2019 by and between Navios Maritime Holdings Inc. and Continental Stock Transfer & Trust Company \(Incorporated by reference to Exhibit 4.1 to the Registrant's Form 8A, filed February 19, 2019\).](#)
- 4.43 [Indenture relating to the 9.75% Senior Notes due 2024, dated as of March 1, 2019, among Navios Maritime Holdings Inc., the issuer party thereto, and Wilmington Trust, National Association, as trustee.](#)
- 4.44 [First Supplemental Indenture relating to the 9.75% Senior Notes due 2024, dated as of April 18, 2019.](#)
- 4.45 [Shareholders' Agreement, dated as of November 19, 2019, between Navios South American Logistics Inc., Navios Maritime Holdings Inc. and Peers Business S.A.](#)
- 8.1 [List of subsidiaries.](#)



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- 12.1 [Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act.](#)
- 12.2 [Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act.](#)
- 13.1 [Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act.](#)
- 15.1 [Consent of PricewaterhouseCoopers S.A.](#)
- 101 The following materials from the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2019, formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets at December 31, 2019 and 2018; (ii) Consolidated Statements of Comprehensive (Loss)/Income for each of the years ended December 31, 2019, 2018 and 2017; (iii) Consolidated Statements of Cash Flows for each of the years ended December 31, 2019, 2018 and 2017; (iv) Consolidated Statements of Changes in Equity for each of the years ended December 31, 2019, 2018 and 2017; and (v) the Notes to Consolidated Financial Statements.

**SIGNATURE**

Navios Maritime Holdings Inc. hereby certifies that it meets all of the requirements for filing its Annual Report on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

Navios Maritime Holdings Inc.

By: /s/ Angeliki Frangou  
Name: Angeliki Frangou  
Title: Chairman and Chief Executive Officer

Date: April 21, 2020

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**NAVIOS MARITIME HOLDINGS INC.**

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## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Navios Maritime Holdings Inc.

### ***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of Navios Maritime Holdings Inc. and its subsidiaries (the “Company”) as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive (loss)/income, of changes in equity and of cash flows for each of the three years in the period ended December 31, 2019, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2019, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the COSO.

### ***Change in Accounting Principle***

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

### ***Basis for Opinions***

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Annual Report on Internal Control over Financial Reporting, appearing under Item 15 (b). Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

***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 (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 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 (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.

/s/ PricewaterhouseCoopers S.A.

Athens, Greece  
April 21, 2020

We have served as the Company's (or its predecessor) auditor since 2002.

**NAVIOS MARITIME HOLDINGS INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of U.S. dollars — except share data)

	Notes	December 31, 2019	December 31, 2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4, 12	\$ 77,991	\$ 137,882
Restricted cash	4, 11, 12	736	12,892
Accounts receivable, net	5	51,932	60,290
Due from affiliate companies	16	14,614	19,710
Inventories		10,489	27,746
Prepaid expenses and other current assets	6	12,239	40,190
<b>Total current assets</b>		<b>168,001</b>	<b>298,710</b>
Vessels, port terminals and other fixed assets, net	7	1,276,514	1,898,455
Deferred dry dock and special survey costs, net		26,599	25,122
Long-term receivable from affiliate companies	16	5,328	—
Loan receivable from affiliate companies	12, 16	24,495	46,089
Investments in affiliates	9, 19	64,352	91,111
Other long-term assets	9, 12, 14	49,071	23,736
Operating lease assets	15	264,005	—
Intangible assets other than goodwill	8	104,154	138,937
Goodwill	2, 19	160,336	160,336
<b>Total non-current assets</b>		<b>1,974,854</b>	<b>2,383,786</b>
<b>Total assets</b>		<b>\$ 2,142,855</b>	<b>\$ 2,682,496</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable		\$ 21,673	\$ 78,947
Accrued expenses and other liabilities	8, 10, 16	51,180	123,652
Deferred income and cash received in advance	16	8,854	11,753
Operating lease liabilities, current portion	15	87,103	—
Due to affiliate companies	16	6,353	37,063
Current portion of loan payable to affiliate companies	11, 12, 16	24,715	—
Current portion of long-term debt, net	11, 12	25,395	69,051
<b>Total current liabilities</b>		<b>225,273</b>	<b>320,466</b>
Senior and ship mortgage notes, net	11, 12	1,170,679	1,272,108
Long-term debt, net of current portion	11, 12	236,635	474,848
Loan payable to affiliate companies, net of current portion	11, 12, 16	105,823	—
Other long-term liabilities and deferred income	16	5,958	19,063
Operating lease liabilities, net of current portion	15	226,329	—
Long-term payable to affiliate companies	16	5,000	67,154
Deferred tax liability	21	8,133	7,177
<b>Total non-current liabilities</b>		<b>1,758,557</b>	<b>1,840,350</b>
<b>Total liabilities</b>		<b>1,983,830</b>	<b>2,160,816</b>
<b>Commitments and contingencies</b>	14	—	—
<b>Stockholders' equity</b>			
Preferred Stock — \$0.0001 par value, authorized 1,000,000 shares, 23,242 and 46,302 issued and outstanding as of December 31, 2019 and 2018, respectively.	17	—	—
Common stock — \$0.0001 par value, authorized 250,000,000 shares, 13,360,356 and 12,843,414 issued and outstanding as of December 31, 2019 and 2018, respectively.	17	1	1
Additional paid-in capital		641,765	686,671
Accumulated deficit		(597,916)	(434,739)
<b>Total Navios Holdings stockholders' equity</b>		<b>43,850</b>	<b>251,933</b>
Noncontrolling interest		115,175	269,747
<b>Total stockholders' equity</b>		<b>159,025</b>	<b>521,680</b>
<b>Total liabilities and stockholders' equity</b>		<b>\$ 2,142,855</b>	<b>\$ 2,682,496</b>

**NAVIOS MARITIME HOLDINGS INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS)/INCOME**  
(Expressed in thousands of U.S. dollars — except share and per share data)

	Notes	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Revenue	19	\$ 482,449	\$ 505,686	\$ 463,049
Administrative fee revenue from affiliates	16, 19	16,991	28,393	23,667
Time charter, voyage and logistics business expenses	16	(177,216)	(205,787)	(213,929)
Direct vessel expenses	16	(101,467)	(96,261)	(116,713)
General and administrative expenses incurred on behalf of affiliates	16	(16,991)	(28,393)	(23,667)
General and administrative expenses	16	(36,194)	(26,640)	(27,521)
Depreciation and amortization	7, 8, 19	(81,723)	(99,779)	(104,112)
Provision for losses on accounts receivable	5	(999)	(575)	(269)
Interest income	16, 19	10,662	8,748	6,831
Interest expense and finance cost	18, 19	(133,479)	(137,916)	(121,611)
Impairment loss/ loss on sale of vessels, net	7, 15	(156,106)	(200,657)	(50,565)
Gain/(loss) on bond and debt extinguishment	11	47,430	6,464	(981)
Gain on sale of assets	7	—	28	1,064
Gain on sale of business	3	9,802	—	—
(Loss on loss of control)/Bargain gain upon obtaining control	3	(61,741)	58,313	—
Other income	16, 22	44,750	14,500	6,140
Other expense	9, 22	(15,842)	(13,290)	(13,761)
<b>Loss before equity in net earnings of affiliated companies</b>		<b>\$ (169,674)</b>	<b>\$ (187,166)</b>	<b>\$ (172,378)</b>
Equity in net (losses)/earnings of affiliated companies	9, 16, 19	(9,185)	(80,205)	4,399
<b>Loss before taxes</b>		<b>\$ (178,859)</b>	<b>\$ (267,371)</b>	<b>\$ (167,979)</b>
Income tax (expense)/benefit	21	(1,475)	1,108	3,192
<b>Net loss from continuing operations</b>		<b>\$ (180,334)</b>	<b>\$ (266,263)</b>	<b>\$ (164,787)</b>
Net (loss)/income from discontinued operations		(4,118)	752	—
<b>Net loss</b>		<b>\$ (184,452)</b>	<b>\$ (265,511)</b>	<b>\$ (164,787)</b>
Less: Net income attributable to the noncontrolling interest		(7,658)	(3,207)	(1,123)
<b>Net loss attributable to Navios Holdings common stockholders</b>		<b>\$ (192,110)</b>	<b>\$ (268,718)</b>	<b>\$ (165,910)</b>
<b>Loss attributable to Navios Holdings common stockholders, basic and diluted from continuing operations</b>		<b>\$ (149,490)</b>	<b>\$ (279,711)</b>	<b>\$ (175,298)</b>
<b>(Loss)/Income attributable to Navios Holdings common stockholders, basic and diluted from discontinued operations</b>		<b>\$ (4,118)</b>	<b>\$ 752</b>	<b>\$ —</b>
<b>Loss attributable to Navios Holdings common stockholders, basic and diluted</b>	20	<b>\$ (153,608)</b>	<b>\$ (278,959)</b>	<b>\$ (175,298)</b>
<b>Basic and diluted loss per share attributable to Navios Holdings common stockholders from continuing operations</b>		<b>(12.10)</b>	<b>(23.39)</b>	<b>(15.02)</b>
<b>Basic and diluted (loss)/earnings per share attributable to Navios Holdings common stockholders from discontinued operations</b>		<b>(0.33)</b>	<b>0.06</b>	<b>—</b>
<b>Basic and diluted loss per share attributable to Navios Holdings common stockholders</b>		<b>\$ (12.43)</b>	<b>\$ (23.33)</b>	<b>\$ (15.02)</b>
<b>Weighted average number of shares, basic and diluted</b>	20	<b>12,356,024</b>	<b>11,958,959</b>	<b>11,667,346</b>
<b>Other comprehensive income/(loss)</b>				
Unrealized holding gain on investments in-available-for-sale securities	9	—	—	2
<b>Total other comprehensive income</b>		<b>\$ —</b>	<b>\$ —</b>	<b>\$ 2</b>
<b>Total comprehensive loss</b>		<b>(184,452)</b>	<b>(265,511)</b>	<b>(164,785)</b>
Comprehensive income attributable to noncontrolling interest		\$ (7,658)	\$ (3,207)	\$ (1,123)
<b>Total comprehensive loss attributable to Navios Holdings common stockholders</b>		<b>\$ (192,110)</b>	<b>\$ (268,718)</b>	<b>\$ (165,908)</b>



**NAVIOS MARITIME HOLDINGS INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in thousands of U.S. dollars)

	Notes	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
<b>OPERATING ACTIVITIES:</b>				
Net loss		\$ (184,452)	\$ (265,511)	\$ (164,787)
<b>Adjustments to reconcile net loss to net cash provided by operating activities:</b>				
Depreciation and amortization	7,8	104,581	102,839	104,112
Amortization and write-off of deferred financing costs	18	8,242	7,880	6,391
Amortization of deferred drydock and special survey costs		11,714	13,828	14,727
Provision for losses on accounts receivable	5	999	575	269
Share based compensation	13	2,885	4,556	4,296
Gain on bond and debt extinguishment	11	(47,430)	(6,464)	(185)
Income tax expense/(benefit)	21	1,475	(1,108)	(3,192)
Loss in affiliates, net of dividends received	9,16	13,722	84,317	4,610
Loss on loss of control/(Bargain gain upon obtaining control)	3	61,741	(58,313)	—
Gain on sale of business/assets	3,7	(9,802)	(894)	(1,064)
Impairment loss/ loss on sale of vessels, net	7,15	156,106	200,657	50,565
<b>Changes in operating assets and liabilities:</b>				
Decrease in accounts receivable		5,425	6,575	5,293
Decrease/(increase) in inventories		12,606	2,672	(1,681)
(Increase)/decrease in prepaid expenses and other assets		(10,753)	(19,171)	3,123
(Increase)/decrease in due from affiliate companies		(1,029)	(15,708)	15,651
Increase/(decrease) in accounts payable		47,491	(3,023)	(7,393)
(Decrease)/increase in accrued expenses and other liabilities		(15,855)	20,569	2,422
Decrease in operating lease liabilities, net		(3,078)	—	—
(Decrease)/increase in due to affiliate companies		(32,081)	(3,031)	23,980
(Decrease)/increase in deferred income and cash received in advance		(2,323)	(1,535)	1,847
Decrease in other long-term liabilities and deferred income		(966)	(6,318)	(43)
Payments for drydock and special survey costs		(23,106)	(7,755)	(10,824)
<b>Net cash provided by operating activities</b>		<b>\$ 96,112</b>	<b>\$ 55,637</b>	<b>\$ 48,117</b>
<b>INVESTING ACTIVITIES:</b>				
Proceeds from sale of business	3	3,000	—	—
(Impact to cash from deconsolidation/sale of business)/ Cash acquired upon obtaining control	3	(21,439)	24,400	—
Loan from/(to) affiliate company	16	8,000	(12,875)	(4,461)
Dividends from affiliate companies	9	4,379	5,838	7,298
Deposits for vessels, port terminals and other fixed assets	7	(4,504)	(12,572)	(36,589)
Proceeds from lease receivable		150	233	200
Proceeds from sale of asset	7	48,830	102,217	11,828
Acquisition of investments in affiliates	9	(8)	(6,305)	(7,638)
Acquisition of/additions to vessels	7	(74,294)	(46,395)	—
Purchase of property, equipment and other fixed assets	7	(5,166)	(11,444)	(10,279)
Deposit for option to acquire vessel	14	(15,415)	(15,234)	(2,724)
<b>Net cash (used in)/provided by investing activities</b>		<b>\$ (56,467)</b>	<b>\$ 27,863</b>	<b>\$ (42,365)</b>

**NAVIOS MARITIME HOLDINGS INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in thousands of U.S. dollars)

	Notes	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
<b>FINANCING ACTIVITIES:</b>				
Repurchase of preferred stock	17	\$ (10,228)	\$ —	\$ (571)
Issuance of capital surplus		(3)	—	—
Repayment of loan payable to affiliate companies	16	(13,420)	—	(55,132)
Proceeds from transfer of rights to affiliate company	9,16	—	—	4,050
Proceeds from long-term loans	11	129,022	56,919	125,495
Proceeds from issuance of senior and ship mortgage notes net of discount and debt issuance costs	11	—	—	291,218
Repayment of long-term debt and payment of principal	11	(146,887)	(94,298)	(48,600)
Repayment/repurchase of senior notes	11	(68,325)	(28,796)	(291,094)
Payments of obligations under capital leases	7	—	—	(12,374)
Debt issuance costs		(1,851)	(740)	(609)
Acquisition of treasury stock	17	—	(1)	—
Dividends paid to noncontrolling shareholders		—	—	(25,323)
<b>Net cash used in financing activities</b>		<b>\$ (111,692)</b>	<b>\$ (66,916)</b>	<b>\$ (12,940)</b>
<b>(Decrease)/ Increase in cash and cash equivalents and restricted cash</b>		<b>(72,047)</b>	<b>16,584</b>	<b>(7,188)</b>
<b>Cash and cash equivalents and restricted cash, beginning of year</b>		<b>150,774</b>	<b>134,190</b>	<b>141,378</b>
<b>Cash and cash equivalents and restricted cash, end of year</b>		<b>\$ 78,727</b>	<b>\$ 150,774</b>	<b>\$ 134,190</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>				
Cash paid for interest, net of capitalized interest		\$ 135,693	\$ 121,902	\$ 115,898
Cash paid for income taxes		\$ 298	\$ 485	\$ 393
<b>Non-cash investing and financing activities</b>				
Deposits for vessels, port terminals and other fixed assets	7	\$ —	\$ —	\$ (726)
Revaluation of vessels due to termination/restructuring of capital lease obligations	7	\$ —	\$ —	\$ 5,243
Accrued interest income on loan receivable from affiliate company	16	\$ (2,948)	\$ (3,103)	\$ (2,643)
Accrued interest expense payable to affiliate company	11,16	\$ 1,173	\$ 1,071	\$ 815
Acquisition of vessels, port terminals and other fixed assets	7	\$ —	\$ (1,662)	\$ (843)
Issuance of senior secured notes in exchange of preferred stock	17	\$ 8,626	\$ —	\$ —
Loan payable to affiliate companies	16	\$ 141,795	\$ —	\$ —
Long-term payable to affiliate company	9,16	\$ —	\$ —	\$ 29,423
Transfers from deposits for vessels, port terminals and other fixed assets	7	\$ —	\$ 49,421	\$ 137,357
Transfers to other long-term assets		\$ —	\$ (26)	\$ —
<b>Discontinued operations</b>				
Net cash provided by/(used in) operating activities of discontinued operations		\$ 9,728	\$ (3,791)	\$ —
Net cash used in investing activities of discontinued operations		\$ (54,808)	\$ (24,763)	\$ —
Net cash provided by financing activities of discontinued operations		\$ 42,164	\$ 23,045	\$ —

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See notes to consolidated financial statements.

**NAVIOS MARITIME HOLDINGS INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in thousands of U.S. dollars — except share data)

	Number of Preferred Shares	Preferred Stock	Number of Common Shares	Common Stock	Additional Paid-in Capital	Retained Earnings/ (Accumulated Deficit)	Accumulated Other Comprehensive Income/(Loss)	Total Navios Holdings' Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
<b>Balance December 31, 2016</b>	<b>49,504</b>	<b>\$ —</b>	<b>11,713,141</b>	<b>\$ 1</b>	<b>\$ 678,542</b>	<b>\$ (256)</b>	<b>\$ —</b>	<b>\$ 678,287</b>	<b>\$ 125,266</b>	<b>\$ 803,553</b>
Net loss	—	—	—	—	—	(165,910)	—	(165,910)	1,123	(164,787)
Total other comprehensive income	—	—	—	—	—	—	2	2	—	2
Tender Offer—Redemption of preferred stock (Note 17)	(766)	—	62,581	—	(716)	145	—	(571)	—	(571)
Conversion of convertible preferred stock/ undeclared preferred dividend to common stock (Note 17)	(2,436)	—	179,015	—	—	—	—	—	—	—
Stock-based compensation expenses (Note 17)	—	—	84,333	—	4,296	—	—	4,296	—	4,296
Cancellation of shares (Note 17)	—	—	(423)	—	(6)	—	—	(6)	—	(6)
Dividends paid to Noncontrolling Shareholders	—	—	—	—	—	—	—	—	(25,323)	(25,323)
<b>Balance December 31, 2017</b>	<b>46,302</b>	<b>\$ —</b>	<b>12,038,647</b>	<b>\$ 1</b>	<b>\$ 682,116</b>	<b>\$ (166,021)</b>	<b>\$ 2</b>	<b>\$ 516,098</b>	<b>\$ 101,066</b>	<b>\$ 617,164</b>
Net loss	—	—	—	—	—	(268,720)	—	(268,720)	3,207	(265,513)
Total other comprehensive income	—	—	—	—	—	2	(2)	—	—	—
Cancellation of shares (Note 17)	—	—	(656)	—	(1)	—	—	(1)	—	(1)
Stock-based compensation expenses (Note 17)	—	—	805,423	—	4,556	—	—	4,556	—	4,556
Noncontrolling interest of Navios Containers (Note 3)	—	—	—	—	—	—	—	—	165,474	165,474
<b>Balance December 31, 2018</b>	<b>46,302</b>	<b>\$ —</b>	<b>12,843,414</b>	<b>\$ 1</b>	<b>\$ 686,671</b>	<b>\$ (434,739)</b>	<b>\$ —</b>	<b>\$ 251,933</b>	<b>\$ 269,747</b>	<b>\$ 521,680</b>
Net loss	—	—	—	—	—	(192,110)	—	(192,110)	7,658	(184,452)
Tender Offer- Redemption of preferred stock (Note 17)	(19,771)	—	—	—	(47,788)	28,933	—	(18,855)	—	(18,855)
Conversion of convertible preferred stock to common stock (Note 17)	(3,289)	—	352,770	—	—	—	—	—	—	—
Issuance of capital surplus	—	—	(1,123)	—	(3)	—	—	(3)	—	(3)
Cancellation of shares (Note 17)	—	—	(3,379)	—	—	—	—	—	—	—
Stock-based compensation expenses (Note 17)	—	—	168,674	—	2,885	—	—	2,885	—	2,885
Navios Containers deconsolidation	—	—	—	—	—	—	—	—	(162,230)	(162,230)
<b>Balance December 31, 2019</b>	<b>23,242</b>	<b>\$ —</b>	<b>13,360,356</b>	<b>\$ 1</b>	<b>\$ 641,765</b>	<b>\$ (597,916)</b>	<b>\$ —</b>	<b>\$ 43,850</b>	<b>\$ 115,175</b>	<b>\$ 159,025</b>

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See notes to consolidated financial statements.

**NAVIOS MARITIME HOLDINGS INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT**  
(Expressed in thousands of U.S. dollars — except share data)

**NOTE 1: DESCRIPTION OF BUSINESS**

Navios Maritime Holdings Inc. (“Navios Holdings” or the “Company”) (NYSE:NM) is a global seaborne shipping and logistics company focused on the transport and transshipment of dry bulk commodities, including iron ore, coal and grain.

*Navios Logistics*

Navios South American Logistics Inc. (“Navios Logistics”), a consolidated subsidiary of the Company, is one of the largest logistics companies in the Hidrovia region of South America, focusing on the Hidrovia river system, the main navigable river system in the region, and on cabotage trades along the eastern coast of South America. Navios Logistics is focused on providing its customers integrated transportation, storage and related services through its port facilities, its large, versatile fleet of dry and liquid cargo barges and its product tankers. Navios Logistics serves the needs of a number of growing South American industries, including mineral and grain commodity providers as well as users of refined petroleum products. As of December 31, 2019, Navios Holdings owned 63.8% of Navios Logistics.

*Navios Containers*

Navios Maritime Containers L.P. (“Navios Containers”) (NASDAQ: NMCI) is a growth vehicle dedicated to the container sector of the maritime industry. Navios Maritime Containers Inc. registered its shares on the Norwegian Over-The-Counter Market (N-OTC) on June 12, 2017 under the ticker “NMCI”.

On November 30, 2018, Navios Maritime Containers Inc. was converted into a limited partnership. In connection with the conversion, Navios Maritime Containers GP LLC, a Republic of the Marshall Islands limited liability company and wholly-owned subsidiary of Navios Holdings, was admitted as Navios Containers’ general partner and holds a non-economic interest that does not provide the holder with any rights to profits or losses of, or distribution by, the partnership. As a result of holding the general partner interest, control was obtained by Navios Holdings due to the fact that the general partner has exclusive management authority over Navios Containers’ operations, controls the appointment of three of the seven members of Navios Containers’ board of directors and has veto rights over certain significant actions of Navios Containers. The limited partners may not remove the general partner without the affirmative vote of at least 75% of the outstanding units (including units held by the general partner and its affiliates), voting as a single class. In addition, limited partners have no right to participate in the operation, management or control of Navios Containers’ business or transact any business in Navios Containers’ name. The general partner has the power to oversee and direct the partnership’s operations and to manage and determine the partnership’s strategies and policies on an exclusive basis and therefore, has the power to govern the financial and operating policies of Navios Containers. As of that date, Navios Holdings obtained control over Navios Containers and consequently the results of operations of Navios Containers are consolidated under Navios Holdings. Following the sale of Navios Containers’ general partnership interest effected on August 30, 2019, referred to in Note 3, Navios Holdings lost control and deconsolidated Navios Containers from that date onwards. The results of operations of Navios Containers for the period consolidated under Navios Holdings have been reported as discontinued operations for all the periods presented.

As a result, from August 30, 2019, Navios Containers is not a controlled subsidiary of the Company and the investment in Navios Containers is accounted for under the equity method due to Navios Holdings’ significant influence over Navios Containers.

As of December 31, 2019, Navios Holdings had a 3.7% ownership interest in Navios Containers.

*Navios Partners*

Navios Maritime Partners L.P. (“Navios Partners”) (NYSE:NMM) is an international owner and operator of dry cargo vessels and is engaged in seaborne transportation services of a wide range of dry cargo commodities including iron ore, coal, grain, fertilizer and also containers, chartering its vessels under medium to long-term charters.

As of December 31, 2019 and following the sale of Navios Partners’ general partnership interest, referred to in Note 3, Navios Holdings owned an 18.5% interest in Navios Partners.

*Navios Acquisition*

Navios Maritime Acquisition Corporation (“Navios Acquisition”) (NYSE: NNA), is an owner and operator of tanker vessels focusing on the transportation of petroleum products (clean and dirty) and bulk liquid chemicals.

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As of December 31, 2019, Navios Holdings' ownership of the outstanding voting stock of Navios Acquisition was 30.6% and its economic interest was 31.0%.

*Navios Europe I*

On October 9, 2013, Navios Holdings, Navios Acquisition and Navios Partners established Navios Europe Inc. ("Navios Europe I") and had economic interests of 47.5%, 47.5% and 5.0%, respectively. Navios Europe I was engaged in the marine transportation industry through the ownership of five tanker and five container vessels. Effective November 2014, Navios Holdings, Navios Acquisition and Navios Partners had voting interests of 50%, 50% and 0%, respectively. On November 22, 2019, an agreement was reached to liquidate Navios Europe I (Refer to Note 16).

*Navios Europe II*

On February 18, 2015, Navios Holdings, Navios Acquisition and Navios Partners established Navios Europe (II) Inc. ("Navios Europe II") and have economic interests of 47.5%, 47.5% and 5.0%, respectively and voting interests of 50%, 50% and 0%, respectively. Navios Europe II is engaged in the marine transportation industry through the ownership of seven dry bulkers and seven container vessels.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(a) **Basis of presentation:** The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

***Change in accounting principles:***

**ASU 2016-02 Leases, ASC 842**

On January 1, 2019, the Company adopted the requirements of ASU 2016-02 "Leases" as amended ("ASC 842" or the "new lease standard"). ASC 842 increases transparency and comparability among organizations by requiring a lessee to record right-of-use assets and related lease liabilities on its balance sheet when it commences an operating lease. The Company adopted ASC 842 using the modified retrospective transition method. Under this method, the cumulative effect of applying the new lease standard is recorded with no restatement of any comparative prior periods presented. As provided by ASC 842, the Company elected to record the required cumulative effect adjustments to the opening balance sheet in the period of adoption rather than in the earliest comparative period presented. As a result, prior periods as reported by the Company have not been impacted by the adoption of ASC 842.

In connection with its adoption of ASC 842, the Company elected the "package of 3" practical expedients permitted under the transition guidance based on which the Company is allowed to not (i) reassess whether any expired or existing contracts are considered or contain leases; (ii) reassess the lease classification for any expired or existing leases; and (iii) reassess initial direct costs for any existing leases.

Additionally, the Company elected the practical expedient allowed under the transition guidance of ASC 842 to not separate the lease and non-lease components related to a lease contract and to account for them as a single lease component for the purposes of the recognition and measurement requirements of ASC 842.

As required by ASC 842, the Company's disclosures around its leasing activities have been significantly expanded to enable users of our consolidated financial statements to assess the amount, timing and uncertainty of cash flows arising from lease arrangements. Please refer to Note 15.

**Reverse Stock Split**

On December 21, 2018, the Company's common stockholders approved a one-for-ten reverse stock split of the Company's outstanding shares of common stock (the "Reverse Stock Split"). The Reverse Stock Split was effective since January 3, 2019 and the common stock commenced trading on that date on a split-adjusted basis. As a result of the Reverse Stock Split, every ten shares of issued and outstanding common stock were combined into one issued and outstanding share of common stock, without any change in authorized shares or the par value per share. All issued and outstanding shares of common stock, redemption and conversion terms of preferred stock, options to purchase common stock and per share amounts contained in the consolidated financial statements have been retroactively adjusted to reflect the Reverse Stock Split for all periods presented. The retroactive

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application of the Reverse Stock Split reduced the number of shares of common stock outstanding from 128.4 million shares to 12.8 million shares as of December 31, 2018 and from 120.4 million shares to 12.0 million shares as of December 31, 2017. The par value of the common stock remained at \$0.0001 per share. Accordingly, Common stock and Additional paid-in capital in the Company's consolidated balance sheets as of December 31, 2018 reflect a decrease and increase of \$12, respectively, and as of December 31, 2017 reflect a decrease and increase of \$11, respectively.

**(b) Principles of consolidation:** The accompanying consolidated financial statements include the accounts of Navios Holdings, a Marshall Islands corporation, and both its majority and wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in the consolidated statements.

The Company also consolidates entities that are determined to be variable interest entities ("VIE") as defined in the accounting guidance, if the Company determines that it is the primary beneficiary. A VIE is defined as a legal entity where either (i) equity interest holders as a group lack the characteristics of a controlling financial interest, including decision making ability and an interest in the entity's residual risks and rewards, or (ii) the equity interest holders have not provided sufficient equity investment to permit the entity to finance its activities without additional subordinated financial support, or (iii) the voting rights of some investors are not proportional to their obligations to absorb the expected losses of the entity, their rights to receive the expected residual returns of the entity, or both and substantially all of the entity's activities either involve or are conducted on behalf of an investor that has disproportionately few voting rights.

Based on internal forecasts and projections that take into account reasonably possible changes in our trading performance, management believes that the Company has adequate financial resources to continue in operation and meet its financial commitments, including but not limited to capital expenditures and debt service obligations, for a period of at least twelve months from the date of issuance of these consolidated financial statements. Accordingly, the Company continues to adopt the going concern basis in preparing its financial statements.

**Subsidiaries:** Subsidiaries are those entities in which the Company has an interest of more than one-half of the voting rights or otherwise has power to govern the financial and operating policies of the entity. The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition. The excess of the cost of acquisition over the fair value of the net assets acquired and liabilities assumed is recorded as goodwill. All subsidiaries included in the consolidated financial statements are 100% owned, except for Navios Logistics and Navios Containers (for the period consolidated from November 30, 2018 to August 30, 2019), which are 63.8% and 3.7% owned by Navios Holdings, respectively.

**Discontinued Operations:** Discontinued operations comprise the operations of a disposed component of an entity or a group of components of an entity if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. The Company determined that the disposal of Navios Containers' general partnership interest effected on August 30, 2019, referred to in Note 3, which resulted in loss of control and deconsolidation of Navios Containers from that date onwards, represented a strategic shift in Company's business due to the fact that the Containers Business represented a reportable segment of the Company and has, therefore, recorded the results of its Containers Business operations as discontinued operations in the consolidated statements of comprehensive (loss)/ income for all the periods presented.

**Investments in Affiliates:** Affiliates are entities over which the Company generally has between 20% and 50% of the voting rights, or over which the Company has significant influence, but it does not exercise control. Investments in these entities are accounted for under the equity method of accounting. Under this method, the Company records an investment in the stock of an affiliate at cost, and adjusts the carrying amount for its share of the earnings or losses of the affiliate subsequent to the date of investment and reports the recognized earnings or losses in income. Dividends received from an affiliate reduce the carrying amount of the investment. The Company recognizes gains and losses in earnings for the issuance of shares by its affiliates, provided that the issuance of shares qualifies as a sale of shares. When the Company's share of losses in an affiliate equals or exceeds its interest in the affiliate, the Company does not recognize further losses, unless the Company has incurred obligations or made payments on behalf of the affiliate.

**Affiliates included in the financial statements accounted for under the equity method**

In the consolidated financial statements of Navios Holdings, the following entities are included as affiliates and are accounted for under the equity method for such periods: (i) Navios Partners and its subsidiaries (ownership interest as of December 31, 2019 was 18.5%); (ii) Navios Acquisition and its subsidiaries (economic interest as of December 31, 2019 was 31.0%); (iii) Navios Europe I and its subsidiaries (economic interest through liquidation in December 2019 was 47.5%); (iv) Navios Europe II and its subsidiaries (economic interest as of December 31, 2019 was 47.5%); (v) Navios Containers and its subsidiaries (economic interest as of November 30, 2018, date of obtaining control, and from August 30, 2019, date of loss of control and as of December 31, 2019 was 3.7%); and (vi) Acropolis Chartering and Shipping Inc. ("Acropolis") (economic interest as of December 6, 2018, date of the sale of investment, was 35.0%).

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**Subsidiaries Included in the Consolidation:**

Company Name	Nature	Ownership Interest	Country of Incorporation	Statement of Operations		
				2019	2018	2017
Navios Maritime Holdings Inc.	Holding Company		Marshall Is.	1/1 -12/31	1/1 - 12/31	1/1 - 12/31
Navios South American Logistics Inc.	Sub-Holding Company	63.8%	Marshall Is.	1/1 -12/31	1/1 - 12/31	1/1 - 12/31
Navios Maritime Containers L.P.	Holding Company	3.7%	Marshall Is.	1/1 - 8/29	11/30 -12/31	—
Navios Corporation	Sub-Holding Company	100%	Marshall Is.	1/1 -12/31	1/1 - 12/31	1/1 - 12/31
Navios International Inc.	Operating Company	100%	Marshall Is.	1/1 -12/31	1/1 - 12/31	1/1 - 12/31
Navimax Corporation	Operating Company	100%	Marshall Is.	1/1 -12/31	1/1 - 12/31	1/1 - 12/31
Navios Handybulk Inc.	Operating Company	100%	Marshall Is.	1/1 -12/31	1/1 - 12/31	1/1 - 12/31
Hestia Shipping Ltd.	Operating Company	100%	Malta	1/1 -12/31	1/1 - 12/31	1/1 - 12/31
Anemos Maritime Holdings Inc.	Sub-Holding Company	100%	Marshall Is.	1/1 -12/31	1/1 - 12/31	1/1 - 12/31
Navios Shipmanagement Inc.	Management Company	100%	Marshall Is.	1/1 - 8/29	1/1 - 12/31	1/1 - 12/31
NAV Holdings Limited	Sub-Holding Company	100%	Malta	1/1 -12/31	1/1 - 12/31	1/1 - 12/31
Kleimar N.V.	Operating Company/ Vessel Owning Company/ Management Company	100%	Belgium	1/1 -12/31	1/1 - 12/31	1/1 - 12/31
Kleimar Ltd.	Operating Company	100%	Marshall Is.	1/1 - 8/29	1/1 - 12/31	1/1 - 12/31
Bulkinvest S.A.	Operating Company	100%	Luxembourg	1/1 -12/31	1/1 - 12/31	1/1 - 12/31
Primavera Shipping Corporation	Operating Company	100%	Marshall Is.	1/1 -12/31	1/1 - 12/31	1/1 - 12/31
Ginger Services Co.	Operating Company	100%	Marshall Is.	1/1 -12/31	1/1 - 12/31	1/1 - 12/31
Aquis Marine Corp.	Sub-Holding Company	100%	Marshall Is.	1/1 -12/31	1/1 - 12/31	1/1 - 12/31
Navios Tankers Management Inc.	Management Company	100%	Marshall Is.	1/1 - 8/29	1/1 - 12/31	1/1 - 12/31
Astra Maritime Corporation	Vessel Owning Company	100%	Marshall Is.	1/1 -12/31	1/1 - 12/31	1/1 - 12/31
Achilles Shipping Corporation	Operating Company	100%	Marshall Is.	1/1 -12/31	1/1 - 12/31	1/1 - 12/31
Apollon Shipping Corporation	Operating Company	100%	Marshall Is.	1/1 -12/31	1/1 - 12/31	1/1 - 12/31
Herakles Shipping Corporation	Operating Company	100%	Marshall Is.	1/1 -12/31	1/1 - 12/31	1/1 - 12/31
Hios Shipping Corporation	Operating Company	100%	Marshall Is.	1/1 -12/31	1/1 - 12/31	1/1 - 12/31
Ionian Shipping Corporation	Operating Company	100%	Marshall Is.	1/1 -12/31	1/1 - 12/31	1/1 - 12/31
Kypros Shipping Corporation	Operating Company	100%	Marshall Is.	1/1 -12/31	1/1 - 12/31	1/1 - 12/31
Meridian Shipping Enterprises Inc.	Vessel Owning Company	100%	Marshall Is.	1/1 -12/31	1/1 - 12/31	1/1 - 12/31
Mercator Shipping Corporation	Vessel Owning Company	100%	Marshall Is.	1/1 -12/31	1/1 - 12/31	1/1 - 12/31
Arc Shipping Corporation	Vessel Owning Company	100%	Marshall Is.	1/1 -12/31	1/1 - 12/31	1/1 - 12/31
Horizon Shipping Enterprises Corporation	Vessel Owning Company	100%	Marshall Is.	1/1 -12/31	1/1 - 12/31	1/1 - 12/31
Magellan Shipping Corporation	Vessel Owning Company	100%	Marshall Is.	1/1 -12/31	1/1 - 12/31	1/1 - 12/31
Aegean Shipping Corporation	Operating Company	100%	Marshall Is.	1/1 -12/31	1/1 - 12/31	1/1 - 12/31



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Company Name	Nature	Ownership Interest	Country of Incorporation	Statement of Operations		
				2019	2018	2017
Star Maritime Enterprises Corporation	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Corsair Shipping Ltd.	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Rowboat Marine Inc.	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Rondine Management Corp.	Vessel Owning Company	100%	Marshall Is.	3/22 - 12/31	—	—
Vernazza Shiptrade Inc.	Operating Company	100%	Marshall Is.	9/25 - 12/31	—	—
Navios Corporation Management Inc.	Operating Company	100%	Marshall Is.	7/4 - 8/29	—	—
Beaufiks Shipping Corporation	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Nostos Shipmanagement Corp.	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Portorosa Marine Corp.	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Shikhar Ventures S.A.	Vessel Owning Company	100%	Liberia	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Sizzling Ventures Inc.	Operating Company	100%	Liberia	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Rheia Associates Co.	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Taharqa Spirit Corp.	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Rumer Holding Ltd.	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Pharos Navigation S.A.	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Pueblo Holdings Ltd.	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Quena Shipmanagement Inc.	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Aramis Navigation Inc.	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
White Narcissus Marine S.A.	Vessel Owning Company	100%	Panama	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Navios GP L.L.C.	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Red Rose Shipping Corp.	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Highbird Management Inc.	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Ducale Marine Inc.	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Vector Shipping Corporation	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Faith Marine Ltd.	Vessel Owning Company	100%	Liberia	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Navios Maritime Finance (US) Inc.	Operating Company	100%	Delaware	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Navios Maritime Finance II (US) Inc.	Operating Company	100%	Delaware	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Tulsi Shipmanagement Co.	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Cinthara Shipping Ltd.	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Rawlin Services Company	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Mauve International S.A.	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Serenity Shipping Enterprises Inc.	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Mandora Shipping Ltd	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31

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				2019	2018	2017
Solange Shipping Ltd.	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Diesis Ship Management Ltd	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Navios Holdings Europe Finance Inc.	Sub-Holding Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Navios Asia LLC	Sub-Holding Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Iris Shipping Corporation	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Jasmine Shipping Corporation	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Emery Shipping Corporation	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Lavender Shipping Corporation	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Esmeralda Shipping Corporation	Vessel Owning Company	100%	Marshall Is.	—	1/1 - 8/30	1/1 - 12/31
Triangle Shipping Corporation	Vessel Owning Company	100%	Marshall Is.	—	1/1 - 8/30	1/1 - 12/31
Roselite Shipping Corporation	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Smaltite Shipping Corporation	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Motiva Trading Ltd	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Alpha Merit Corporation	Sub-Holding Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	11/3 - 12/31
Thalassa Marine S.A.	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/1 - 12/31	12/15 - 12/31
Asteroid Shipping S.A.	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/12 - 12/31	—
Cloud Atlas Marine S.A.	Operating Company	100%	Marshall Is.	1/1 - 12/31	1/15 - 12/31	—
Heodor Shipping Inc.	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	2/13 - 12/31	—
Navios Maritime Containers GP LLC	Operating Company	100%	Marshall Is.	1/1 - 8/29	9/11 - 12/31	—
Navios Containers Management Inc.	Management Company	100%	Marshall Is.	1/1 - 8/29	1/1 - 12/31	—
Pacifico Navigation Corp.	Vessel Owning Company	100%	Marshall Is.	1/1 - 12/31	11/7 - 12/31	—
Rider Shipmanagement Inc.	Operating Company	100%	Marshall Is.	1/1 - 12/31	12/4 - 12/31	—
Talia Shiptrade S.A.	Operating Company	100%	Marshall Is.	1/1 - 12/31	10/11-12/31	—

- (c) **Use of Estimates:** The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. On an on-going basis, management evaluates the estimates and judgments, including those related to uncompleted voyages, future drydock dates, the assessment of other-than-temporary impairment related to the carrying value of investments in affiliates, the selection of useful lives for tangible and intangible assets, expected future cash flows from long-lived assets and operating lease assets to support impairment tests, impairment test for goodwill, provisions necessary for accounts receivables and demurrages, provisions for legal disputes, pension benefits, contingencies and guarantees. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates under different assumptions and/or conditions.
- (d) **Cash and Cash Equivalents:** Cash and cash equivalents consist of cash on hand, deposits held on call with banks, and other short-term liquid investments with original maturities of three months or less.

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- (e) **Restricted Cash:** As of December 31, 2019 and 2018, restricted cash included \$726 and \$4,315 (of which \$1,934 related to Navios Containers), respectively, which related to amounts held in retention accounts in order to service debt and interest payments, as required by certain of Navios Holdings' credit facilities. Also included in restricted cash as of December 31, 2019 and 2018 are amounts held as security in the form of letters of guarantee or letters of credit totaling \$10 and \$1,577, respectively. As of December 31, 2018 restricted cash also included an amount of \$7,000 concerning the proceeds from the sale of Navios Magellan held as cash collateral in an escrow account, following the vessel's disposal and release from the 7.375% First Priority Ship Mortgage Notes due 2022 (the "2022 Notes"). See also Note 11.
- (f) **Insurance Claims:** Insurance claims at each balance sheet date consist of claims submitted and/or claims in the process of compilation or submission (claims pending). They are recorded on an accrual basis and represent the claimable expenses, net of applicable deductibles, incurred through December 31 of each reporting period, which are probable to be recovered from insurance companies. Any remaining costs to complete the claims are included in accrued liabilities. The classification of insurance claims into current and non-current assets is based on management's expectations as to their collection dates.
- (g) **Inventories:** Inventories, which are comprised of lubricants, bunkers (when applicable) and stock provisions on board of the vessels, as well as petroleum products held by Navios Logistics, are valued at cost as determined on the first-in, first-out basis.
- (h) **Dry Bulk Vessels, Container Vessels, Port Terminals, Tanker Vessels, Barges, Pushboats and Other Fixed Assets, net:** Dry bulk vessels, container vessels, port terminals, tanker vessels, barges, pushboats and other fixed assets acquired as parts of business combinations are recorded at fair value on the date of acquisition, and if acquired as an asset acquisition, are recorded at cost (including transaction costs). Vessels constructed by the company would be stated at historical cost, which consists of the contract price, capitalized interest and any material expenses incurred upon acquisition (improvements and delivery expenses). Subsequent expenditures for ballast water treatment system, major improvements and upgrades are capitalized, provided they appreciably extend the life, increase the earnings capability or improve the efficiency or safety of the vessels. The cost and related accumulated depreciation of assets retired or sold are removed from the accounts at the time of sale or retirement and any gain or loss is included in the accompanying consolidated statements of comprehensive (loss)/income.

Expenditures for routine maintenance and repairs are expensed as incurred.

Depreciation is computed using the straight-line method over the useful life of the vessels, port terminals, tanker vessels, barges, pushboats and other fixed assets, after considering the estimated residual value.

Annual depreciation rates used, which approximate the useful life of the assets are:

Dry bulk vessels	25 years
Container vessels	30 years
Port terminals	5 to 49 years
Tanker vessels, barges and pushboats	15 to 45 years
Furniture, fixtures and equipment	3 to 10 years
Computer equipment and software	5 years
Leasehold improvements	shorter of lease term or 6 years

Management estimates the residual values of the Company's dry bulk vessels and container vessels based on a scrap value cost of steel times the weight of the ship noted in lightweight tons ("LWT"). Residual values are periodically reviewed and revised to recognize changes in conditions, new regulations or other reasons. Revisions of residual values affect the depreciable amount of the vessels and the depreciation expense in the period of the revision and future periods. Management estimates the residual values of the Company's vessels based on a scrap rate of \$340 per LWT after considering current market trends for scrap rates and ten-year average historical scrap rates of the residual values of the Company's vessels.

Management estimates the useful life of its dry bulk vessels and container vessels to be 25 years and 30 years, respectively from the vessel's original construction. However, when regulations place limitations on the ability of a vessel to trade on a worldwide basis, its useful life is re-estimated to end at the date such regulations become effective. An increase in the useful life of a vessel or in its residual value would have the effect of decreasing the annual depreciation charge and extending it into later periods. A decrease in the useful life of a vessel or in its residual value would have the effect of increasing the annual depreciation charge.

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- (i) **Deposits for Vessels, Port Terminals and Other Fixed Assets:** This represents amounts paid by the Company in accordance with the terms of the purchase agreements for the construction of vessels, port terminals and other long-lived fixed assets. Deposits for vessels, port terminals and other fixed assets also include pre-delivery expenses. Pre-delivery expenses represent any direct costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Interest costs incurred during the construction (until the asset is substantially complete and ready for its intended use) are capitalized. Capitalized interest for the years ended December 31, 2019, 2018 and 2017 amounted to \$1,960, \$1,908 and \$4,764, respectively.
- (j) **Assets Held for Sale:** It is the Company's policy to dispose of vessels and other fixed assets when suitable opportunities occur and not necessarily to keep them until the end of their useful life. The Company classifies assets and disposal groups as being held for sale when the following criteria are met: management has committed to a plan to sell the asset (disposal group); the asset (disposal group) is available for immediate sale in its present condition; an active program to locate a buyer and other actions required to complete the plan to sell the asset (disposal group) have been initiated; the sale of the asset (disposal group) is probable, and transfer of the asset (disposal group) is expected to qualify for recognition as a completed sale within one year; the asset (disposal group) is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Long-lived assets or disposal groups classified as held for sale are measured at the lower of their carrying amount or fair value less cost to sell. These assets are not depreciated once they meet the criteria to be held for sale. No assets were classified as held for sale in any of the periods presented.
- (k) **Impairment of Long Lived Assets:** Vessels, other fixed assets and other long-lived assets held and used by Navios Holdings are reviewed periodically for potential impairment whenever events or changes in circumstances indicate that the carrying amount of a particular asset may not be fully recoverable. Navios Holdings' management evaluates the carrying amounts and periods over which long-lived assets are depreciated to determine if events or changes in circumstances have occurred that would require modification to their carrying values or useful lives. Measurement of the impairment loss is based on the fair value of the asset. Navios Holdings determines the fair value of its assets on the basis of management estimates and assumptions by making use of available market data and taking into consideration third party valuations performed on an individual vessel basis. In evaluating useful lives and carrying values of long-lived assets, certain indicators of potential impairment are reviewed, such as undiscounted projected operating cash flows, vessel sales and purchases, business plans and overall market conditions.

Undiscounted projected net operating cash flows are determined for each asset group and compared to the carrying value of the vessel, the unamortized portion of deferred drydock and special survey costs related to the vessel and the related carrying value of the intangible assets with respect to the time charter agreement attached to that vessel or the carrying value of deposits for newbuildings. Within the shipping industry, vessels are customarily bought and sold with a charter attached. The value of the charter may be favorable or unfavorable when comparing the charter rate to then-current market rates. The loss recognized either on impairment (or on disposition) will reflect the excess of carrying value over fair value (selling price) for the vessel asset group.

During the fourth quarter of fiscal year 2019, management concluded that events occurred and circumstances had changed, which indicated that potential impairment of Navios Holdings' long-lived assets might exist. These indicators included continued volatility in the spot market, and the related impact of the current dry bulk sector has on management's expectation for future revenues. As a result, an impairment assessment of long-lived assets (step one) was performed.

The Company determined undiscounted projected net operating cash flows for each vessel and compared it to the vessel's carrying value together with the carrying value of deferred drydock and special survey costs related to the vessel and the carrying value of the related intangible assets, if applicable. The significant factors and assumptions used in the undiscounted projected net operating cash flow analysis included: determining the projected net operating cash flows by considering the charter revenues from existing time charters for the fixed fleet days (the Company's remaining charter agreement rates) and an estimated daily time charter equivalent for the unfixed days (based on a combination of one-year average historical time charter rates and 10-year average historical one-year time charter rates, adjusted for outliers) over the remaining economic life of each vessel, net of brokerage and address commissions excluding days of scheduled off-hires, management fees fixed until 2021 and thereafter assuming an annual increase of 3.0% every second year and a utilization rate of 99.6% based on the fleet's historical performance.

As of December 31, 2019, our assessment concluded that step two of the impairment analysis was required for two of our dry bulk vessels held and used, as the undiscounted projected net operating cash flows did not exceed the carrying value. As a result, the Company recorded an impairment loss of \$84,584 for these vessels, being the difference between the fair value and the vessel's carrying value together with the carrying value of deferred drydock and special survey costs related to these vessels, presented within the caption "Impairment loss/ loss on sale of vessels, net" in the consolidated statements of comprehensive (loss)/income.

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As of December 31, 2018, the Company recorded an impairment loss of \$179,186 for four dry bulk vessels, being the difference between the fair value and the vessel's carrying value together with the carrying value of deferred drydock and special survey costs related to these vessels, presented within the caption "Impairment loss/ loss on sale of vessels, net" in the consolidated statements of comprehensive (loss)/income.

As of December 31, 2017, the Company recorded an impairment loss of \$32,930 for one dry bulk vessel, being the difference between the fair value and the vessel's carrying value together with the carrying value of deferred drydock and special survey costs related to this vessel, presented within the caption "Impairment loss/ loss on sale of vessels, net" in the consolidated statements of comprehensive (loss)/income.

- (l) **Deferred Drydock and Special Survey Costs:** The Company's vessels, barges and pushboats are subject to regularly scheduled drydocking and special surveys which are carried out every 30 and 60 months, respectively, for ocean-going vessels, and up to every 72 to 96 months for pushboats and barges, to coincide with the renewal of the related certificates issued by the classification societies, unless a further extension is obtained in rare cases and under certain conditions. The costs of drydocking and special surveys are deferred and amortized over the above periods or to the next drydocking or special survey date if such date has been determined. Unamortized drydocking or special survey costs of vessels, barges and pushboats sold are written-off to income in the year the vessel, barge or pushboat is sold.

Costs capitalized as part of the drydocking or special survey consist principally of the actual costs incurred at the yard, and expenses relating to spare parts, paints, lubricants and services incurred solely during the drydocking or special survey period. For each of the years ended December 31, 2019, 2018 and 2017, the amortization of deferred drydock and special survey costs from continuing operations was \$11,067, \$13,828 and \$14,727, respectively.

- (m) **Deferred Financing Costs:** Deferred financing costs include fees, commissions and legal expenses associated with obtaining or modifying loan facilities. Deferred financing costs are presented as a deduction from the corresponding liability. These costs are amortized over the life of the related debt using the effective interest rate method, and are included in interest expense. Amortization and write-off of deferred financing costs from continuing operations for each of the years ended December 31, 2019, 2018 and 2017 were \$7,746, \$7,866 and \$6,391, respectively. See also Note 18.

- (n) **Goodwill and Other Intangibles**

(i) **Goodwill:** Goodwill is tested for impairment at the reporting unit level at least annually.

The Company evaluates impairment of goodwill using a two-step process. First, the aggregate fair value of the reporting unit is compared to its carrying amount, including goodwill (step one). The Company determines the fair value of the reporting unit based on a combination of the income approach (i.e. discounted cash flows) and market approach (i.e. comparative market multiples) and believes that the combination of these two approaches is the best indicator of fair value for its individual reporting units. If the fair value of a reporting unit exceeds the carrying amount, no impairment exists. If the carrying amount of the reporting unit exceeds the fair value, then the Company must perform the second step (step two) to determine the implied fair value of the reporting unit's goodwill and compare it with its carrying amount. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit to all the assets and liabilities of that reporting unit, as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price. If the carrying amount of the goodwill exceeds the implied fair value, then goodwill impairment is recognized by writing the goodwill down to its implied fair value.

As of December 31, 2019, the Company performed its impairments test for its reporting units within the Dry Bulk Vessel Operations and the Logistics Business. The Company additionally considered that its market capitalization continued to remain at a level well below the carrying value of its total net assets.

As of December 31, 2019, the Company performed step one of the impairment test for the Dry Bulk Vessel Operations reporting unit, which is allocated goodwill of \$56,240. Step one impairment test revealed that the fair value of the Dry Bulk Vessel Operations reporting unit substantially exceeded the carrying amount of its net assets. Accordingly, no step two analysis was required.

The fair value of the Dry Bulk Vessel Operations reporting unit was estimated using a combination of income and market approaches. For the income approach, the expected present value of future cash flows used judgments and assumptions that management believes were appropriate in the circumstances. The significant factors and assumptions the Company used in its discounted cash flow analysis included: EBITDA, the discount rate used to calculate the present value of future cash flows and future capital expenditures. EBITDA assumptions included revenue assumptions, general and administrative expense growth assumptions and direct vessel expense growth assumptions. The future cash flows were determined by considering the charter revenues from existing time charters for the fixed fleet days (the Company's remaining charter agreement rates) and an estimated

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daily time charter equivalent for the non-fixed days (based on a combination of one-year average historical time charter rates and the 10-year average historical one-year time charter rates adjusted for outliers), which the Company believes is an objective approach for forecasting charter rates over an extended time period for long-lived assets and consistent with the cyclicity of the industry. In addition, a weighted average cost of capital (“WACC”) was used to discount future estimated cash flows to their present values. The WACC was based on externally observable data considering market participants’ and the Company’s cost of equity and debt, optimal capital structure and risk factors specific to the Company. The market approach estimated the fair value of the Company’s business based on comparable publicly-traded companies in its industry. In assessing the fair value, the Company utilized the results of the valuations and considered the range of fair values determined under all methods which indicated that the fair value exceeded the carrying value of net assets.

As of December 31, 2019, the Company performed step one of the impairment test for the Logistics Business, which is allocated goodwill of \$104,096. Step one of the impairment test used the income method and revealed that the fair value substantially exceeded the carrying amount of its net assets. Accordingly, no step two analysis was required. The future cash flows from the Logistics Business were determined principally by combining revenues from existing contracts and estimated revenues based on the historical performance of the segment, including utilization rates and actual storage capacity.

No impairment loss was recognized for any of the periods presented.

**(ii) Intangibles Other Than Goodwill:** Navios Holdings’ intangible assets and liabilities consist of favorable lease terms, unfavorable lease terms, customer relationships, trade name and port terminal operating rights. The fair value of the trade name was determined based on the “relief from royalty” method which values the trade name based on the estimated amount that a company would have to pay in an arm’s length transaction to use that trade name. The asset is being amortized under the straight-line method over 32 years. Navios Logistics’ trade name is being amortized under the straight-line method over 10 years, and was fully amortized as of December 31, 2019.

The fair value of customer relationships of Navios Logistics was determined based on the “excess earnings” method, which relies upon the future cash flow generating ability of the asset. The asset is amortized under the straight-line method.

Other intangibles that are being amortized, such as customer relationships and port terminal operating rights, would be considered impaired if their carrying value could not be recovered from the future undiscounted cash flows associated with the asset.

When intangible assets or liabilities associated with the acquisition of a vessel are identified, they are recorded at fair value. Fair value is determined by reference to market data and the discounted amount of expected future cash flows. Where charter rates are higher than market charter rates, an asset is recorded, being the difference between the acquired charter rate and the market charter rate for an equivalent vessel. Where charter rates are less than market charter rates, a liability is recorded, being the difference between the assumed charter rate and the market charter rate for an equivalent vessel. The determination of the fair value of acquired assets and assumed liabilities requires the Company to make significant assumptions and estimates of many variables including market charter rates, expected future charter rates, the level of utilization of the Company’s vessels and the Company’s weighted average cost of capital. The use of different assumptions could result in a material change in the fair value of these items, which could have a material impact on the Company’s financial position and results of operations.

The amortizable value of favorable and unfavorable leases is amortized over the remaining life of the lease term and the amortization expense is included in the consolidated statements of comprehensive (loss)/income in the “Depreciation and amortization” line item.

The amortizable value of favorable leases would be considered impaired if its carrying value could not be recovered from the future undiscounted cash flows associated with the asset. Vessel purchase options that have not been exercised, which are included in favorable lease terms, would be considered impaired if the carrying value of an option, when added to the option price of the vessel, exceeded the fair value of the vessel.

Vessel purchase options that are included in favorable leases are not amortized and when the purchase option is exercised, the asset is capitalized as part of the cost of the vessel and depreciated over the remaining useful life of the vessel and if not exercised, the intangible asset is written off. Vessel purchase options that are included in unfavorable lease terms are not amortized and when the purchase option is exercised by the charterer and the underlying vessel is sold, it will be recorded as part of gain/loss on sale of the assets. If the option is not exercised at the expiration date, it is written-off in the consolidated statements of comprehensive (loss)/income.

During the fourth quarter of fiscal year 2019, management concluded that there were no circumstances which indicated that potential impairment of Navios Holdings’ intangible assets other than goodwill might exist. For the year ended December 31, 2019 and 2018, there were no impairment losses recognized for the Company’s intangible assets. As of December 31, 2017, the Company performed an assessment which indicated that the amortizable value of one of its favorable leases would not be



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recoverable from the future undiscounted cash flows associated with the asset. As a result, the Company recognized an impairment loss of \$3,397 in the caption “Impairment loss/ loss on sale of vessels, net” in the consolidated statements of comprehensive (loss)/income.

The weighted average amortization periods for intangibles are:

<u>Intangible assets</u>	<u>Years</u>
Trade name	32
Favorable lease terms	1
Port terminal operating rights	47
Customer relationships	20

See also Note 3 and Note 8.

(o) **Foreign Currency Translation:** The Company’s functional and reporting currency is the U.S. dollar. The Company engages in worldwide commerce with a variety of entities. Although its operations may expose it to certain levels of foreign currency risk, its transactions are predominantly U.S. dollar denominated. The Company’s subsidiaries in Uruguay, Argentina, Brazil and Paraguay transact a nominal amount of their operations in Uruguayan pesos, Argentinean pesos, Brazilian reales and Paraguayan guaranies, whereas the Company’s wholly-owned vessel subsidiaries and the vessel management subsidiaries transact a nominal amount of their operations in Euros; however, all of the subsidiaries’ primary cash flows are U.S. dollar denominated. The financial statements of the foreign operations are translated using the exchange rate at the balance sheet date except for property and equipment and equity, which are translated at historical rates. Transactions in currencies other than the functional currency are translated at the exchange rate in effect at the date of each transaction. Differences in exchange rates during the period between the date a transaction denominated in a foreign currency is consummated and the date on which it is either settled or translated, are recognized in the statements of comprehensive (loss)/income. The foreign currency losses recognized under the caption “Other expense” in the consolidated statements of comprehensive (loss)/income for each of the years ended December 31, 2019, 2018 and 2017, were \$967, \$1,206 and \$3,000, respectively.

(p) **Provisions:** The Company, in the ordinary course of business, is subject to various claims, suits and complaints. Management, in consultation with internal and external advisers, will provide for a contingent loss in the financial statements if the contingency had occurred at the date of the financial statements and the likelihood of loss was probable and the amount can be reasonably estimated. If the Company has determined that the reasonable estimate of the loss is a range and there is no best estimate within the range, the Company will provide for the lower amount within the range. See also Note 14.

The Company participates in Protection and Indemnity (“P&I”) insurance plans provided by mutual insurance associations known as P&I clubs. Under the terms of these plans, participants may be required to pay additional premiums (supplementary calls) to fund operating deficits incurred by the clubs (“back calls”). Obligations for back calls are accrued annually based on information provided by the P&I clubs.

Provisions for estimated losses on vessels under time charter were provided for in the period in which such losses were determined. As of December 31, 2019 and 2018, the balance for this provision was \$0 and \$1,604, respectively. In the transition to ASC 842, the right of use asset was adjusted for the carrying amount of the liability regarding the provision for losses on time charters and voyages in progress on that date.

(q) **Segment Reporting:** Operating segments, as defined, are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Based on the Company’s methods of internal reporting and management structure, the Company through August 30, 2019 had three reportable segments: the Dry Bulk Vessel Operations segment, the Logistics Business segment and the Containers Business segment. Following the reclassification of the results of Navios Containers as discontinued operations (Note 3), the Company currently has two reportable segments from which it derives its revenues: Dry Bulk Vessel Operations and Logistics.

(r) **Revenue and Expense Recognition:**

**Revenue Recognition:**

On January 1, 2018, the Company adopted the provisions of ASC 606, Revenue from Contracts with Customers (ASC 606) using the modified retrospective method, requiring to recognize the cumulative effect of adopting this guidance as an adjustment to the 2018 opening balance of retained earnings and not retrospectively adjusting prior periods. The comparative information has not



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been restated and continues to be reported under the accounting standards in effect for those periods. The guidance provides a unified model to determine how revenue is recognized. In doing so, the Company makes judgments including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each performance obligation. Revenue is recognized when (or as) the Company transfers promised goods or services to its customers in amounts that reflect the consideration to which the company expects to be entitled to in exchange for those goods or services, which occurs when (or as) the Company satisfies its contractual obligations and transfers control of the promised goods or services to its customers. Revenues are recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under its agreements, the Company performs the following steps: (i) identification of the promised goods or services in the contract; (ii) determination of whether the promised goods or services are performance obligations, including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations based on estimated selling prices; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

The Company's contract revenues from time chartering and pooling arrangements are governed by ASC 842 "Leases". See Note 15. Upon adoption of ASC 842, the timing and recognition of earnings from the pool arrangements and time charter contracts to which the Company is party did not change from previous practice. The Company has determined to recognize lease revenue as a combined single lease component for all time charters (operating leases) as the related lease component and non-lease component will have the same timing and pattern of the revenue recognition of the combined single lease component. The performance obligations in a time charter contract are satisfied over the term of the contract beginning when the vessel is delivered to the charterer until it is redelivered back to the Company. As a result of the adoption of these standards, there was no cumulative impact to the Company's retained earnings at January 1, 2018.

Revenue is recorded when services are rendered, the Company has a signed charter agreement or other evidence of an arrangement, the price is fixed or determinable, and collection is reasonably assured. The Company generates revenue from transportation of cargo, time charter of vessels, port terminal operations, bareboat charters, contracts of affreightment/voyage contracts, demurrages and contracts covering dry or liquid port terminal operations.

Voyage revenues for the transportation of cargo are recognized ratably over the estimated relative transit time of each voyage. A voyage is deemed to commence when a vessel arrives at the loading port, as applicable under the contract, and is deemed to end upon the completion of the discharge of the current cargo. Under a voyage charter, a vessel is provided for the transportation of specific goods between specific ports in return for payment of an agreed upon freight per ton of cargo.

Revenues are recorded net of address commissions. Address commissions represent a discount provided directly to the charterers based on a fixed percentage of the agreed upon charter rate. Since address commissions represent a discount (sales incentive) on services rendered by the Company and no identifiable benefit is received in exchange for the consideration provided to the charterer, these commissions are presented as a reduction of revenue.

Revenue from contracts of affreightment ("COA")/voyage contracts relating to our barges are recognized ratably over the estimated relative transit time of each voyage. A voyage is deemed to commence upon the barge's arrival at the loading port, as applicable under the contract, and is deemed to end upon the completion of discharge under the current voyage. The percentage of transit time is based on the days traveled as of the balance sheet date divided by the total days expected for the voyage. The position of the barge at the balance sheet date is determined by the days traveled as of the balance sheet date over the total voyage of the pushboat having the barge in tow. Revenue arising from contracts that provide our customers with continuous access to convoy capacity is recognized ratably over the period of the contracts.

Demurrage income represents payments made by the charterer to the vessel owner when loading or discharging time exceeds the stipulated time in the voyage charter and is recognized as it is earned.

Upon adoption of ASC 606, the Company is recognizing revenue ratably from the vessel's/barge's arrival at the loading port, as applicable under the contract, to when the charterer's cargo is discharged as well as defer costs that meet the definition of "costs to fulfill a contract" and relate directly to the contract. The adoption of this standard had no material effect on the Company's opening retained earnings, consolidated balance sheets and consolidated statements of comprehensive (loss)/income.

Revenues from time chartering and bareboat chartering of vessels and barges are accounted for as operating leases and are thus recognized on a straight line basis as the average revenue over the rental periods of such charter agreements as service is performed, except for loss generating time charters, in which case the loss is recognized in the period when such loss is determined. A time charter involves placing a vessel or barge at the charterer's disposal for a period of time during which the charterer uses the vessel in return for the payment of a specified daily hire rate. Short period charters for less than three months are referred to as spot-charters. Charters extending three months to a year are generally referred to as medium-term charters. All

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other charters are considered long-term. Under time charters, operating costs such as for crews, maintenance and insurance are typically paid by the owner of the vessel.

For vessels operating in pooling arrangements, the Company earns a portion of total revenues generated by the pool, net of expenses incurred by the pool. The amount allocated to each pool participant vessel, including the Company's vessels, is determined in accordance with an agreed-upon formula, which is determined by margins awarded to each vessel in the pool based on the vessel's age, design and other performance characteristics. Revenue under pooling arrangements is accounted for on the accrual basis and is recognized in the period in which the variability is resolved. The allocation of such net revenue may be subject to future adjustments by the pool; however, such changes are not expected to be material.

Profit-sharing revenues are calculated at an agreed percentage of the excess of the charterer's average daily income (calculated on a quarterly or half-yearly basis) or the Baltic Dry Index over an agreed amount and accounted for on an accrual basis based on provisional amounts and for those contracts that provisional accruals cannot be made due to the nature of the profit sharing elements, these are accounted for on the actual cash settlement.

Revenues from dry port terminal operations consist of an agreed flat fee per ton and cover the services performed to unload barges (or trucks), transfer the product into silos or the stockpiles for temporary storage and then loading the ocean-going vessels. Revenues are recognized upon completion of loading the ocean-going vessels. Revenue arising from contracts that provide our customers with continuous access to port terminal storage and transshipment capacity is recognized ratably over the period of the contracts. Additionally, fees are charged for vessel dockage and for storage time in excess of contractually specified terms. Dockage revenues are recognized ratably up to completion of loading as the performance obligation is met evenly over the loading period. Storage fees are assessed and recognized at the point when the product remains in the silo storage beyond the contractually agreed time allowed. Storage fee revenue is recognized ratably over the storage period and ends when the product is loaded onto the ocean-going vessel.

Revenues from liquid port terminal consist mainly of sales of petroleum products in the Paraguayan market and revenues from liquid port operations. Revenues from liquid port terminal operations consist of an agreed flat fee per cubic meter or a fixed rate over a specific period to cover the services performed to unload barges, transfer the products into the tanks for temporary storage and then loading the trucks. Revenues that consist of an agreed flat fee per cubic meter are recognized upon completion of loading the trucks. Revenues from liquid port terminal operations that consist of a fixed rate over a specific period are recognized ratably over the storage period as the performance obligation is met evenly over time, ending when the product is loaded onto the trucks.

Additionally, revenues consist of an agreed flat fee per cubic meter to cover the services performed to unload barges, transfer the products into the tanks for temporary storage and then loading the trucks. Revenues are recognized upon completion of loading the trucks. Additionally, fees are charged for storage time in excess of contractually specified terms. Storage fee revenue is recognized ratably over the storage period and ends when the product is loaded onto the trucks.

Recovery of lost revenue under credit default insurance for charterers is accounted for as gain contingency and is recognized when all contingencies are resolved. The amount of recovery of lost revenue is recorded within the caption "Revenue" and any amount recovered in excess of the lost revenue is recorded within the caption "Other income".

Expenses related to our revenue-generating contracts are recognized as incurred.

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The following tables reflect the revenue earned per category for the years ended December 31, 2019, 2018 and 2017:

	Dry Bulk Vessel Operations for the Year Ended December 31, 2019	Logistics Business for the Year Ended December 31, 2019	Containers Business for the Year Ended December 31, 2019	Dry Bulk Vessel Operations for the Year Ended December 31, 2018	Logistics Business for the Year Ended December 31, 2018	Containers Business for the Year Ended December 31, 2018	Dry Bulk Vessel Operations for the Year Ended December 31, 2017	Logistics Business for the Year Ended December 31, 2017
COA/Voyage revenue	\$ 3,727	\$ 49,488	\$ —	\$ 19,121	\$ 35,623	\$ —	\$ 38,273	\$ 42,455
Time chartering revenue	250,187	76,680	89,925	278,591	72,689	12,053	199,945	84,063
Pooling arrangements revenue	—	—	—	—	—	—	8,025	—
Profit sharing revenue	—	—	—	(52)	—	—	3,205	—
Port terminal revenue	—	80,180	—	—	58,552	—	—	43,984
Storage fees (dry port) revenue	—	3,452	—	—	882	—	—	1,974
Dockage revenue	—	4,310	—	—	3,136	—	—	4,497
Sale of products revenue	—	9,384	—	—	32,508	—	—	32,572
Liquid port terminal revenue	—	4,032	—	—	3,739	—	—	2,841
Other	264	745	—	392	505	—	985	230
<b>Total</b>	<b>\$ 254,178</b>	<b>\$ 228,271</b>	<b>\$ 89,925</b>	<b>\$ 298,052</b>	<b>\$ 207,634</b>	<b>\$ 12,053</b>	<b>\$ 250,433</b>	<b>\$ 212,616</b>

**Administrative fee revenue from affiliates:** Administrative fee revenue from affiliates consisted of fees earned on the provision of administrative services pursuant to administrative services agreements with our affiliates (Refer to Note 16). Administrative services included: bookkeeping, audit and accounting services, legal and insurance services, administrative and clerical services, banking and financial services, advisory services, client and investor relations and other general and administrative services. These revenues were recognized as the services were provided to affiliates. Following the sale of the management division effected on August 30, 2019, outlined in Note 3, these services are provided by N Shipmanagement Acquisition Corp. and related entities (“NSM” or the “Manager”).

**General and administrative expenses:**

The general and administrative expenses incurred on behalf of affiliates were determined based on a combination of actual expenses incurred on behalf of the affiliates as well as a reasonable allocation of expenses that are not affiliate specific but incurred on behalf of all affiliates.

Following the sale of the management division effected on August 30, 2019, outlined in Note 3, these services are provided by NSM, pursuant to an administrative services agreement dated August 29, 2019 (“Administrative Services Agreement”) NSM provides administrative services to Navios Holdings. The Manager is reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. The term of this agreement is for an initial period of five years with an automatic extension for a period of five years thereafter unless a notice of termination is received by either party. The agreement also provides for payment of a termination fee, equal to the fees charged for the full calendar year preceding the termination date, by Navios Holdings in the event the Administrative Services Agreement is terminated on or before August 29, 2024 (see also Note 16).

**Deferred Income and Cash Received In Advance:** Deferred voyage revenue primarily relates to cash received from charterers prior to it being earned. These amounts are recognized as revenue over the voyage or charter period.

**Time Charter, Voyage and Logistics Business Expenses:** Time charter, voyage and logistics business expenses comprise all expenses related to each particular voyage, including time charter hire paid and voyage freight paid, bunkers, port charges, canal tolls, cargo handling, agency fees and brokerage commissions. Also included in time charter, voyage and logistics business expenses are charterers’ liability insurances, provision for losses on time charters and voyages in progress at year-end, direct port terminal expenses and other miscellaneous expenses. In the transition to ASC 842, the right of use asset was adjusted for the carrying amount of the liability regarding the provision for losses on time charters and voyages in progress on that date.

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**Direct Vessel Expenses:** Direct vessel expenses consisted of all expenses relating to the operation of vessels, including crewing, repairs and maintenance, insurance, stores and lubricants and miscellaneous expenses such as communications and amortization of drydocking and special survey costs net of related party management fees. Following the sale of the management division effected on August 30, 2019, outlined in Note 3, these services are provided to Navios Holdings' vessels by NSM, pursuant to a management agreement dated August 29, 2019 ("Management Agreement") (see also Note 16). The fee for the ship management services provided by the Manager is a daily fee of \$3.7 per day per owned vessel. This rate is fixed for a two-year period and will increase thereafter by 3% annually, unless otherwise agreed. The fee for the ship management services provided by the Manager is a daily fee of \$0.03 per day per chartered-in vessel. Drydocking expenses under this agreement will be reimbursed by Navios Holdings at cost. The agreement also provides for payment of a termination fee, equal to the fees charged for the full calendar year preceding the termination date, by Navios Holdings in the event the Management Agreement is terminated on or before August 29, 2024.

**Prepaid Voyage Costs:** Prepaid voyage costs relate to cash paid in advance for expenses associated with voyages. These amounts are recognized as expenses over the voyage or charter period.

(s) **Employee benefits:**

**Pension and Retirement Obligations-Crew:** The Company's ship-owning subsidiaries employed the crew on board under short-term contracts (usually up to nine months) and, accordingly, were not liable for any pension or post-retirement benefits. Following the sale of the management division effected on August 30, 2019, outlined in Note 3, Navios Holdings does not employ any crew.

**Provision for Employees' Severance and Retirement Compensation:** The employees in the Company's office in Greece were protected by Greek labor law. According to the law, the Company was required to pay retirement indemnities to employees upon dismissal or upon leaving with an entitlement to a full security retirement pension. The amount of compensation was based on the number of years of service and the amount of remuneration at the date of dismissal or retirement up to a maximum of two years' salary. If the employees remained in the employment of the Company until normal retirement age, they were entitled to retirement compensation which was equal to 40% of the compensation amount that would be payable if they were dismissed at that time. The number of employees that would remain with the Company until retirement age was not known. The Company considered this plan equivalent to a lump sum defined benefit pension plan and accounted for it under relevant guidance on employer's accounting for pensions. The Company was required to annually value the statutory terminations indemnities liability. Management obtained a valuation from independent actuaries to assist in the calculation of the benefits. The Company provided, in full, for the employees' termination indemnities liability. Following the sale of the management division effected on August 30, 2019, outlined in Note 3, this liability amounted to \$0 at December 31, 2019 and to \$1,550 at December 2018.

**U.S. Retirement Savings Plan:** The Company sponsored a 401(k) retirement savings plan, which was categorized as a defined contribution plan. The plan was available to full time employees who met the plan's eligibility requirements. The plan permitted employees to make contributions up to 15% of their annual salary with the Company matching up to the first 6%. The Company made monthly contributions (matching contributions) to the plan based on amounts contributed by employees. Subsequent to making the matching contributions, the Company had no further obligations. The Company might make an additional discretionary contribution annually if such a contribution was authorized by the Board of Directors. The plan was administered by an independent professional firm that specialized in providing such services. See also Note 13. Following the sale of the management division effected on August 30, 2019, outlined in Note 3, these benefits are provided by NSM.

**Other Post-Retirement Obligations:** The Company had a legacy pension arrangement for certain Bahamian, Uruguayan and former Navios Corporation employees. The entitlement to these benefits was only to these former employees. The expected costs of these benefits were accrued each year, using an accounting methodology similar to that for defined benefit pension plans. Following the sale of the management division effected on August 30, 2019, outlined in Note 3, the Company has no such arrangements.

**Stock-Based Compensation:** In February and December 2019, the Company authorized the grant of restricted common stock. In February 2019, the Company authorized the grant of restricted common stock. In December 2017, the Company authorized the grant of restricted common stock and restricted stock units. These awards of restricted share units, share appreciation rights, restricted common stock, restricted stock units and stock options are based on service conditions only and vest over three and four years. See also Note 13.

The fair value of share appreciation rights and stock option grants is determined with reference to option pricing model and principally adjusted Black-Scholes models. The fair value of restricted share units, restricted stock and restricted stock units is determined by reference to the quoted stock price on the date of grant. Compensation expense, net of estimated forfeitures, is recognized based on a graded expense model over the vesting period. Compensation expense for the awards that vest upon achievement of the performance criteria is recognized when it is probable that the performance criteria will be met and are being accounted for as equity.

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- (t) **Financial Instruments:** Financial instruments carried on the balance sheet include cash and cash equivalents, restricted cash, trade receivables and payables, other receivables and other liabilities, long-term debt, capital leases and available-for-sale securities. The particular recognition methods applicable to each class of financial instrument are disclosed in the applicable significant policy description of each item, or included below as applicable.

**Financial Risk Management:** The Company's activities expose it to a variety of financial risks including fluctuations in future freight rates, time charter hire rates, fuel prices and credit and interest rates risk. Risk management is carried out under policies approved by executive management. Guidelines are established for overall risk management, as well as specific areas of operations.

**Credit Risk:** The Company closely monitors its exposure to customers and counterparties for credit risk. The Company has entered into the Management Agreement with the Manager, pursuant to which the Manager agreed to provide commercial and technical management services to Navios Holdings. When negotiating on behalf of Navios Holdings various employment contracts, the Manager has policies in place to ensure that it trades with customers and counterparties with an appropriate credit history.

**Liquidity Risk:** Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company monitors cash balances appropriately to meet working capital needs.

**Foreign Exchange Risk:** Foreign currency transactions are translated into the measurement currency at rates prevailing on the dates of the relevant transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of comprehensive (loss)/income.

- (u) **(Loss)/Earnings Per Share:** Basic (loss)/earnings per share are computed by dividing net (loss)/income attributable to Navios Holdings common stockholders by the weighted average number of shares of common stock outstanding during the periods presented. Net (loss)/income attributable to Navios Holdings common stockholders is calculated by adding to (if a discount) or deducting from (if a premium) net (loss)/income attributable to Navios Holdings common stockholders the difference between the fair value of the consideration paid upon redemption and the carrying value of the preferred stock, including the unamortized issuance costs of the preferred stock, and the amount of any undeclared dividend cancelled. Diluted (loss)/earnings per share reflect the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted. Dilution has been computed by the treasury stock method whereby all of the Company's dilutive securities (stock options and warrants) are assumed to be exercised and the proceeds are 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 (loss)/earnings per share computation. Restricted share units, restricted stock and restricted stock units (vested and unvested) are included in the calculation of the diluted (loss)/earnings per share, based on the weighted average number of restricted share units, restricted stock and restricted stock units assumed to be outstanding during the period. Convertible shares are included in the calculation of the diluted (loss)/earnings per share, based on the weighted average number of convertible shares assumed to be outstanding during the period. See also Note 20.
- (v) **Income Taxes:** The Company is a Marshall Islands corporation. Pursuant to various treaties and the United States Internal Revenue Code, the Company believes that substantially all its operations are exempt from income taxes in the Marshall Islands and the United States of America. The tax expense reflected in the Company's consolidated financial statements for the years ended December 31, 2019, 2018 and 2017 was mainly attributable to its subsidiaries in South America, which are subject to the Argentinean and Paraguayan income tax regimes.

The asset and liability method is used to account for future income taxes. Under this method, future income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts and the tax bases of assets and liabilities. Future income tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A deferred tax asset is recognized for temporary differences that will result in deductible amounts in future years. A valuation allowance is recognized if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized.

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On December 23, 2019, the Argentine government enacted the Law 27,541 that made changes to the income tax law in Argentina. The new law modifies the rates for income taxes applicable for the fiscal years beginning on January 1, 2020 and 2021. In measuring its income tax assets and liabilities, the Company used the rate that is expected to be enacted at the time of the reversal of the asset or liability in the calculation of the deferred tax for the items related to Argentina. An income tax rate of 30% was applied on temporary differences, whose reversal is expected to occur in 2020 and 2021, and a rate of 25% on temporary differences remaining thereafter. Due to these changes in the rate of the income tax, the Company has recorded an income tax benefit of \$2,837 during the year ended December 31, 2017, and an income tax expense of \$208 during the year ended December 31, 2019, within the caption “Income tax (expense)/ benefit” in the consolidated statements of comprehensive (loss)/income.

(w) **Dividends:** Dividends are recorded in the Company’s financial statements in the period in which they are declared. Navios Holdings paid \$0 to its common stockholders during each year ended December 31, 2019, 2018 and 2017, and \$0 to its preferred stockholders during each year ended December 31, 2019, 2018 and 2017. In November 2015, Navios Holdings announced that the Board of Directors decided to suspend the dividend to its common stockholders. In February 2016, Navios Holdings announced the suspension of payment of quarterly dividends on its preferred stock, including the Series G Cumulative Redeemable Perpetual Preferred Stock (the “Series G”) and Series H Cumulative Redeemable Perpetual Preferred Stock (the “Series H”). All inter-company dividends are eliminated upon consolidation.

(x) **Guarantees:** A liability for the fair value of an obligation undertaken in issuing the guarantee is recognized. The recognition of fair value is not required for certain guarantees such as the parent’s guarantee of a subsidiary’s debt to a third party or guarantees on product warranties. For those guarantees excluded from the above guidance requiring the fair value recognition provision of the liability, financial statement disclosures of their terms are made.

On November 15, 2012, the Company agreed to provide Navios Partners with guarantees against counterparty default on certain existing charters (see also Note 16).

(y) **Leases:** Vessel leases where Navios Holdings or/and Navios Containers is regarded as the lessor are classified as either finance leases or operating leases based on an assessment of the terms of the lease.

For charters classified as finance leases the minimum lease payments are recorded as the gross investment in the lease. The difference between the gross investment in the lease and the sum of the present values of the two components of the gross investment is recorded as unearned income which is amortized to income over the lease term as finance lease interest income to produce a constant periodic rate of return on the net investment in the lease.

For charters classified as operating leases where Navios Holdings or/and Navios Containers is regarded as the lessor, refer to Note 2(r).

For charters classified as operating leases where Navios Holdings or/and Navios Containers is regarded as the lessee, the expense is recognized on a straight-line basis over the rental periods of such charter agreements. The expense is included under the line item “Time charter, voyage and logistics business expenses”. In the transition to ASC 842, the right of use asset was adjusted for the carrying amount of the straight-line liability on that date.

Operating lease assets used by Navios Holdings are reviewed periodically for potential impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. Measurement of the impairment loss is based on the fair value of the asset. Navios Holdings determines the fair value of its assets based on management estimates and assumptions by making use of available market data. In evaluating carrying values of operating lease assets, certain indicators of potential impairment are reviewed, such as undiscounted projected operating cash flows, business plans and overall market conditions.

Undiscounted projected net operating cash flows are determined for each asset group and compared to the carrying value of the operating lease asset and the carrying value of deposits for the option to acquire a vessel including expenses and interest.

During the fourth quarter of fiscal year 2019, management concluded that events occurred and circumstances had changed, which indicated that potential impairment of Navios Holdings’ operating lease assets might exist. These indicators included continued volatility in the spot market, and the related impact of the current dry bulk sector has on management’s expectation for future revenues. As a result, an impairment assessment of operating lease assets (step one) was performed.

The Company determined undiscounted projected net operating cash flows for each chartered-in vessel and compared it to operating lease asset’s carrying value together with the carrying value of deposits for the option to acquire a vessel including expenses and interest. The significant factors and assumptions used in the undiscounted projected net operating cash flow analysis included: determining the projected net operating cash flows by considering the charter revenues from existing time charters for the fixed fleet days (the Company’s remaining charter agreement rates) and an estimated daily time charter equivalent for the



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unfixed days (based on three-year average historical time charter rates) over the remaining lease term, net of brokerage and address commissions excluding days of scheduled off-hires (for the bareboat chartered-in vessels), management fees in accordance with the terms of management agreement (assuming an annual increase of 3.0% every second year for the bareboat chartered-in vessels).

As of December 31, 2019, our assessment concluded that step two of the impairment analysis was required for certain charter-in vessels, which involves a discounted cash flow analysis using the Company's WACC. As a result, the Company recorded an impairment loss of \$38,636, being the difference between the fair value of the operating lease asset and its carrying value, presented within the caption "Impairment loss/ loss on sale of vessels, net" in the consolidated statements of comprehensive (loss)/income.

- (z) **Treasury Stock:** Treasury stock is accounted for using the cost method. Excess of the purchase price of the treasury stock acquired, plus direct acquisition costs over its par value is recorded in additional paid-in capital.
- (aa) **Trade Accounts Receivable:** The amount shown as accounts receivable, trade, at each balance sheet date, includes receivables from charterers for hire, freight and demurrage billings, net of a provision for doubtful accounts. At each balance sheet date, all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate provision for doubtful accounts.
- (ab) **Convertible Preferred Stock:** The Company's 2% Mandatorily Convertible Preferred Stock ("Preferred Stock") is recorded at fair market value on the date of issuance. The fair market value is determined using a binomial valuation model. The model which is used takes into account the credit spread of the Company, the volatility of its stock, as well as the price of its stock at the issuance date. Each preferred share has a par value of \$0.0001. Each holder of Preferred Stock is entitled to receive an annual dividend equal to 2.0% on the nominal value of the Preferred Stock, payable quarterly, until such time as the Preferred Stock converts into common stock. Five years after the issuance date, 30.0% of the then-outstanding shares of Preferred Stock shall automatically convert into shares of common stock at a conversion price equal to \$10.00 per share of common stock with the remaining balance of the then-outstanding shares of Preferred Stock being converted into shares of common stock under the same terms 10 years after their issuance date. At any time following the third anniversary from their issuance date, if the closing price of the common stock has been at least \$20.00 per share, for 10 consecutive business days, the remaining balance of the then-outstanding preferred shares shall automatically convert at a conversion price equal to \$14.00 per share of common stock. The holders of Preferred Stock are entitled, at their option, at any time following their issuance date and prior to their final conversion date, to convert all or any such then-outstanding preferred shares into common stock at a conversion price equal to \$14.00 per common stock. See also Note 17.
- (ac) **Cumulative Redeemable Perpetual Preferred Stock:** The Company's 2,000,000 American Depositary Shares, Series G and the 4,800,000 American Depositary Shares, Series H are recorded at fair market value on issuance. Each of the shares represents 1/100th of a share of the Series G, with a liquidation preference of \$2,500.00 per share (\$25.00 per American Depositary Share). Dividends are payable quarterly in arrears on the Series G at a rate of 8.75% per annum and on the Series H at a rate of 8.625% per annum of the stated liquidation preference. At any time on or after January 28, 2019, the Series G may be redeemed at the Company's option and at any time on or after July 8, 2019, the Series H may be redeemed at the Company's option (and the American Depositary Shares can be caused to be redeemed), in whole or in part, out of amounts legally available therefore, at a redemption price of \$2,500.00 per share (equivalent to \$25.00 per American Depositary Share) plus an amount equal to all accumulated and unpaid dividends thereon to the date of redemption, whether or not declared. The Company has accounted for these shares as equity. See also Note 17.
- (ad) **Investment in Available-for-Sale Securities:** The Company classifies its existing marketable equity securities as available-for-sale. These securities are carried at fair value, with unrealized gains and losses reflected directly in the consolidated statements of comprehensive (loss)/income at each reporting period. Management evaluates securities for other-than-temporary impairment ("OTTI") on a quarterly basis. Consideration is given to (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near-term prospects of the investee, and (iii) the intent and ability of the Company to retain its investment in the investee for a period of time sufficient to allow for any anticipated recovery in fair value.
- Investment in Equity Securities:** Navios Holdings evaluates its investments in Navios Acquisition, Navios Partners, Navios Europe I, Navios Europe II and Navios Containers (following the deconsolidation) for OTTI on a quarterly basis. Consideration is given to (i) the length of time and the extent to which the fair value has been less than the carrying value, (ii) the financial condition and near-term prospects of Navios Partners, Navios Acquisition, Navios Europe I, Navios Europe II and Navios Containers, and (iii) the intent and ability of the Company to retain its investment in Navios Acquisition, Navios Partners, Navios Europe I, Navios Europe II and Navios Containers, for a period of time sufficient to allow for any anticipated recovery in fair value. If the Company considers any decline to be "other-than-temporary", then the Company would write down the carrying amount of the investment to its estimated fair value.
- (ae) **Financial Instruments and Fair Value:** Guidance on Fair Value Measurements provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to unobservable inputs (Level III measurements).



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A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. In determining the appropriate levels, the Company performs a detailed analysis of the assets and liabilities that are subject to guidance on Fair Value Measurements.

**(af) Recent Accounting Pronouncements:**

In December 2019, the Financial Accounting Standards Board ("FASB") issued ASU 2019-12, Income Taxes (Topic 740), which modifies ASC 740 to simplify the accounting for income taxes. It removes certain exceptions to the general principles in Topic 740 and amends existing guidance to improve consistent application. The amendments in ASU 2019-12 are effective for public business entities for fiscal years beginning after December 15, 2020, including interim periods therein. Early adoption of the standard is permitted, including adoption in interim or annual periods for which financial statements have not yet been issued. The Company is currently assessing the impact that adopting this new accounting guidance will have on its consolidated financial statements.

In October 2018, FASB issued ASU 2018-17, Consolidation (Topic 810): "Targeted Improvements to Related Party Guidance for Variable Interest Entities" ("ASU 2018-17"). ASU 2018-17 provides that indirect interests held through related parties in common control arrangements should be considered on a proportional basis for determining whether fees paid to decision makers and service providers are variable interests. This is consistent with how indirect interests held through related parties under common control are considered for determining whether a reporting entity must consolidate a VIE. For public business entities the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. The Company believes that this ASU will not have a material impact on its consolidated financial statements.

In August 2018, FASB issued ASU 2018-14, "Compensation-Retirement Benefits-Defined Benefit Plans (Topic 715-20): Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans". This update modifies the disclosure requirements for defined benefit pension plans and other postretirement plans. ASU 2018-14 is effective for public business entities that are SEC filers beginning in the first quarter of fiscal year 2021, and earlier adoption is permitted. The Company is currently assessing the impact that adopting this new accounting guidance will have on its disclosures to the consolidated financial statements.

In August 2018, FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement". This update modifies the disclosure requirements on fair value measurements. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019, and earlier adoption is permitted. The Company believes that this ASU will not have a material impact on its consolidated financial statements.

In January 2017, FASB issued ASU 2017-04, "Intangibles-Goodwill and Other (Topic 350)". This update addresses concerns expressed about the cost and complexity of the goodwill impairment test and simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. The amendments in this ASU are required for public business entities and other entities that have goodwill reported in their financial statements and have not elected the private company alternative for the subsequent measurement of goodwill. The amendments are effective for public business entities that are SEC filers for fiscal years beginning after December 15, 2019. Early adoption is permitted for all entities. The Company believes that this ASU will not have a material impact on its consolidated financial statements.

In June 2016, FASB issued ASU No. 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." This standard requires entities to measure all expected credit losses of financial assets held at a reporting date based on historical experience, current conditions, and reasonable and supportable forecasts in order to record credit losses in a timelier manner. ASU 2016-13 also amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The standard is effective for interim and annual reporting periods beginning after December 15, 2019, although early adoption is permitted for interim and annual periods beginning after December 15, 2018. In November 2018, FASB issued ASU 2018-19 "Codification Improvements to topic 326, Financial Instruments-Credit Losses". The amendments in this update clarify that operating lease receivables are not within the scope of ASC 326-20 and should instead be accounted for under the new leasing standard, ASC 842. In April 2019, FASB issued ASU 2019-04 "Codification Improvements to topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments". In May 2019, FASB issued ASU 2019-05, "Financial Instruments-Credit Losses (Topic 326): Targeted Transition Relief". The amendments in this update provide entities that have certain instruments within the scope of Subtopic 326-20, Financial Instruments-Credit Losses-Measured at Amortized Cost, with an option to irrevocably elect the fair value option in Subtopic 825-10, Financial Instruments-Overall, applied on an instrument-by-instrument basis for eligible

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instruments, upon adoption of Topic 326. The fair value option election does not apply to held-to-maturity debt securities. An entity that elects the fair value option should subsequently apply the guidance in Subtopics 820-10, Fair Value Measurement-Overall, and 825-10. In November 2019, FASB issued ASU 2019-10, “Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)”. This update has been issued to apply changes in the effective dates for: (i) ASU 2016-13; (ii) ASU No. 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities (Hedging); and (iii) ASU 2016-02. This update also amends the mandatory effective date for the elimination of Step 2 from the goodwill impairment test (ASU 2017-04). In December 2019, FASB issued ASU No. 2019-11, Codification Improvements to Topic 326, Financial Instruments—Credit Losses. This update introduced an expected credit loss model for the impairment of financial assets measured at amortized cost basis. That model replaces the probable, incurred loss model for those assets. The standard is effective for interim and annual reporting periods beginning after December 15, 2019, although early adoption is permitted for interim and annual periods beginning after December 15, 2018. The Company has assessed all the expected credit losses of its financial assets and the adoption of this ASU does not have a material impact on the Company’s consolidated financial statements.

### NOTE 3: SALE OF MANAGEMENT & CONSOLIDATION/DECONSOLIDATION OF NAVIOS CONTAINERS

#### Sale of Management

In August 2019, Navios Holdings sold its ship management division, the general partnership interests in Navios Partners (except for the incentive distribution rights) and Navios Containers GP LLC (the “Transaction”) to NSM, affiliated with Company’s Chairman and Chief Executive Officer, Angeliki Frangou. The Company received aggregate consideration of \$20,000 (including assumption of liabilities). (Refer to Note 16).

As a result of the Transaction the Company is a holding company owning dry bulk vessels and various investments in entities owning maritime and infrastructure assets. NSM owns all entities providing ship management services and employs all associated people. NSM owns the general partner interests in Navios Containers and Navios Partners. The Company deconsolidated Navios Containers from August 30, 2019 onwards.

The Company simultaneously entered into a secured credit facility with NSM whereby the Company agreed to repay NSM a loan of \$141,795 (including post-closing adjustments). See also in Note 16 “NSM Loan”.

The difference between the carrying value of the identifiable net liabilities sold as of August 30, 2019 and the loan payable to NSM assumed by Navios Holdings, and the sale proceeds, net of expenses, resulted in a gain on sale of \$9,802.

The gain on sale was calculated as follows:

<b>Proceeds received:</b>	
Cash consideration	3,000
Less: Transaction fees	\$ (1,088)
	<b>1,912</b>
<b>Carrying value of assets and liabilities:</b>	
Net liabilities derecognized	158,795
Loan payable to NSM assumed	(141,795)
Book value of general partner interest in Navios Partners	(3,212)
Book value of Other fixed assets	(6,213)
Lease liability, net	315
	<b>7,890</b>
<b>Gain on sale</b>	<b>\$ 9,802</b>

#### Consolidation/ Deconsolidation of Navios Containers

Navios Maritime Containers Inc. was incorporated in the Republic of the Marshall Islands on April 28, 2017 (date of inception) and on November 30, 2018, was converted into a limited partnership. In connection with the conversion, Navios Maritime Containers GP LLC, a Republic of the Marshall Islands limited liability company and wholly-owned subsidiary of Navios Holdings, was admitted as Navios Containers’ general partner and holds a non-economic interest that does not provide the holder with any rights to profits or losses of, or distribution by, the partnership. As a result of holding the general partner interest, control was obtained by Navios

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Holdings due to the fact that the general partner has exclusive management authority over Navios Containers’ operations, controls the appointment of three of the seven members of Navios Containers’ board of directors and has veto rights over certain significant actions of Navios Containers. The limited partners may not remove the general partner without the affirmative vote of at least 75% of the outstanding units (including units held by the general partner and its affiliates), voting as a single class. In addition, limited partners had no right to participate in the operation, management or control of Navios Containers’ business or transact any business in Navios Containers’ name. The general partner had the power to oversee and direct the partnership’s operations and to manage and determine the partnership’s strategies and policies on an exclusive basis and therefore, had the power to govern the financial and operating policies of Navios Containers. As of that date, the results of operations of Navios Containers were consolidated under Navios Holdings.

Following the sale of Navios Containers’ general partnership interest effected on August 30, 2019 along with the sale of the management division, referred above, Navios Holdings deconsolidated Navios Containers from that date onwards in accordance with ASC 810. As a result, since August 30, 2019, Navios Containers is not a controlled subsidiary of the Company and the investment in Navios Containers is accounted for under the equity method due to Navios Holdings’ significant influence over Navios Containers.

The difference between the carrying value of Navios Containers’ identifiable net assets and noncontrolling interest derecognized as of August 30, 2019 amounted to \$57,999 and the loss from the remeasurement of Navios Holdings’ interest in Navios Containers to its fair value of \$2,527 amounted to \$3,742 and are included in the caption “Loss on loss of control” in the consolidated statements of comprehensive (loss)/income. The fair value of the 1,263,276 shares of Navios Containers owned by Navios Holdings was determined by using the closing share price of \$2.00 as of that date.

Amounts recorded in respect of discontinued operations in the years ended December 31, 2019 and 2018, respectively are as follows:

	Period from January 1 to August 30, 2019	Period from November 30 to December 31, 2018
Revenue	\$ 89,925	\$ 12,053
Time charter, voyage and port terminal expenses	(3,976)	(546)
Direct vessel expenses	(44,088)	(5,282)
General and administrative expenses	(6,706)	(873)
Depreciation and amortization	(22,858)	(3,060)
Interest expense and finance cost	(10,519)	(1,204)
Other expense, net	(5,896)	(336)
<b>Net (loss)/income from discontinued operations</b>	<b>\$ (4,118)</b>	<b>\$ 752</b>
Less: Net loss/(income) attributable to the noncontrolling interest	\$ 3,968	\$ (725)
<b>Net (loss)/income attributable to Navios Holdings common stockholders</b>	<b>\$ (150)</b>	<b>\$ 27</b>

Navios Containers accounted for the control obtained in November 2018 as a business combination which resulted in the application of the “acquisition method”, as defined under ASC 805 Business Combinations, as well as the recalculation of Navios Holdings’ equity interest in Navios Containers to its fair value at the date of obtaining control and the recognition of a gain in the consolidated statements of comprehensive (loss)/income. The excess of the fair value of Navios Containers’ identifiable net assets of \$229,865 over the total fair value of Navios Containers’ total shares outstanding as of November 30, 2018 of \$171,743, resulted in a bargain gain upon obtaining control in the amount of \$58,122. The fair value of the 34,603,100 total Navios Container’s shares outstanding as of November 30, 2018 was determined by using the closing share price of \$4.96, as of that date.

As of November 30, 2018, Navios Holdings’ interest in Navios Containers with a carrying value of \$6,078 was remeasured to fair value of \$6,269, resulting in a gain on obtaining control in the amount of \$191 and is presented within “Bargain gain upon obtaining control” in the consolidated statements of comprehensive (loss)/income.

The results of operations of Navios Containers are included in Navios Holdings’ consolidated statements of comprehensive (loss)/income following the completion of the conversion of Navios Maritime Containers Inc. into a limited partnership on November 30, 2018.

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The following table summarizes the fair value of Navios Containers outstanding shares, the fair value of assets and liabilities and the fair value of the noncontrolling interest in Navios Containers assumed on November 30, 2018:

<b>Fair value of Navios Containers' outstanding shares:</b>	
Fair value of Navios Holdings' interest (3.7%)	\$ 6,269
Fair value of noncontrolling interest (96.3%)	165,474
<b>Total fair value of Navios Containers' outstanding shares</b>	<b>171,743</b>
<b>Fair value of Navios Containers' assets and liabilities:</b>	
Current assets (including cash and restricted cash of \$24,400)	\$ 27,705
Vessels	376,133
Favorable lease terms	31,342
Long term receivable from affiliate companies	7,313
Other long term assets	1,099
Long term debt assumed (including current portion)	(199,000)
Current liabilities	(14,727)
<b>Fair value of Navios Containers' net assets</b>	<b>229,865</b>
<b>Bargain gain upon obtaining control</b>	<b>\$ 58,122</b>

The transaction resulted in a bargain purchase gain as a result of the share price of Navios Containers trading at a discount to its net asset value ("NAV").

The fair value of the vessels was determined based on vessel valuations, obtained from independent third party shipbrokers, which are among other things, based on recent sales and purchase transactions of similar vessels. The fair value of the favorable lease terms (intangible assets) was determined by reference to market data and the discounted amount of expected future cash flows. The key assumptions that were used in the discounted cash flow analysis were as follows: 1) the contracted charter rate of the acquired charter over the remaining lease term compared to 2) the current market charter rates for a similar contract and 3) discounted using our weighted average cost of capital of 8.95%.

The intangible assets listed below as determined at the date of obtaining control were amortized under the straight-line method over the period indicated below:

	<u>Weighted Average Amortization (years)</u>	<u>Amortization per Year</u>
Favorable lease terms	1.4	\$ (22,391)

**NOTE 4: CASH AND CASH EQUIVALENTS AND RESTRICTED CASH**

Cash and cash equivalents and restricted cash consisted of the following:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand and at banks	\$ 77,041	\$ 131,432
Short-term deposits and highly liquid funds	950	6,450
Restricted cash	736	12,892
<b>Cash and cash equivalents and restricted cash</b>	<b>\$ 78,727</b>	<b>\$ 150,774</b>

Short-term deposits and highly liquid funds relate to amounts held in banks for general financing purposes and represent deposits with an original maturity of less than three months.

Cash deposits and cash equivalents in excess of amounts covered by government-provided insurance are exposed to loss in the event of non-performance by financial institutions. Navios Holdings does maintain cash deposits and equivalents in excess of government provided insurance limits. Navios Holdings reduces exposure to credit risk by dealing with a diversified group of major financial institutions. See also Note 2(e).

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**NOTE 5: ACCOUNTS RECEIVABLE, NET**

Accounts receivable consisted of the following:

	December 31, 2019	December 31, 2018
Accounts receivable	\$ 68,309	\$ 76,376
Less: provision for doubtful receivables	(16,377)	(16,086)
<b>Accounts receivable, net</b>	<b>\$ 51,932</b>	<b>\$ 60,290</b>

Changes to the provisions for doubtful accounts are summarized as follows:

<b>Allowance for doubtful receivables</b>	<b>Balance at Beginning of Period</b>	<b>Charges to Costs and Expenses</b>	<b>Amount Utilized</b>	<b>Balance at End of Period</b>
Year ended December 31, 2017	\$ (19,437)	\$ (269)	\$ —	\$(19,706)
Year ended December 31, 2018	\$ (19,706)	\$ (575)	\$4,195	\$(16,086)
Year ended December 31, 2019	\$ (16,086)	\$ (999)	\$ 708	\$(16,377)

Concentration of credit risk with respect to accounts receivable is limited due to the Company's large number of customers, who are internationally dispersed and have a variety of end markets in which they sell. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Company's trade receivables. For the year ended December 31, 2019, two customers accounted for 17.1% and 14.4%, respectively, of the Company's revenue from continuing operations and are the same customers who accounted for 13.1% and 11.6%, respectively, of the Company's revenue from continuing operations in the year ended December 31, 2018. For the year ended December 31, 2017, no customers accounted for more than 10% of the Company's revenue.

**NOTE 6: PREPAID EXPENSES AND OTHER CURRENT ASSETS**

Prepaid expenses and other current assets consisted of the following:

	December 31, 2019	December 31, 2018
Prepaid voyage and operating costs	\$ 5,726	\$ 9,261
Claims receivable	3,826	22,224
Prepaid other taxes	1,012	2,682
Advances for working capital purposes	—	18
Other	1,675	6,005
<b>Total prepaid expenses and other current assets</b>	<b>\$ 12,239</b>	<b>\$ 40,190</b>

Claims receivable mainly represents claims against vessels' insurance underwriters in respect of damages arising from accidents or other insured risks, as well as claims under charter contracts including off-hires. While it is anticipated that claims receivable will be recovered within one year, such claims may not all be recovered within one year due to the attendant process of settlement. Nonetheless, amounts are classified as current as they represent amounts currently due to the Company. All amounts are shown net of applicable deductibles.

As of December 31, 2018, claims receivable include \$11,571 related to insurance claim at the iron ore port terminal in Nueva Palmira, Uruguay.

**NOTE 7: VESSELS, PORT TERMINALS AND OTHER FIXED ASSETS, NET**

<b>Vessels</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
<b>Balance December 31, 2016</b>	<b>\$1,930,950</b>	<b>\$ (521,535)</b>	<b>\$1,409,415</b>
Additions	—	(73,017)	(73,017)
Impairment losses	(104,157)	58,034	(46,123)
Disposals	(11,828)	—	(11,828)
<b>Balance December 31, 2017</b>	<b>1,814,965</b>	<b>(536,518)</b>	<b>1,278,447</b>

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Additions	398	(66,405)	(66,007)
Vessel impairment	(411,265)	212,399	(198,866)
Disposals	(101,717)	—	(101,717)
Vessel acquisition	22,385	(458)	21,927
<b>Balance December 31, 2018</b>	<b>1,324,766</b>	<b>(390,982)</b>	<b>933,784</b>
Additions	4,747	(48,812)	(44,065)
Vessel impairment	(274,067)	159,834	(114,233)
Disposals	(48,830)	—	(48,830)
Vessel acquisition	14,735	(44)	14,691
<b>Balance December 31, 2019</b>	<b>\$1,021,351</b>	<b>\$(280,004)</b>	<b>\$ 741,347</b>

<u>Port Terminals (Navios Logistics)</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
<b>Balance December 31, 2016</b>	<b>\$109,224</b>	<b>\$ (27,391)</b>	<b>\$ 81,833</b>
Additions	5,060	(5,237)	(177)
Transfers from deposits for vessels, port terminals and other fixed assets	137,357	—	137,357
<b>Balance December 31, 2017</b>	<b>251,641</b>	<b>(32,628)</b>	<b>219,013</b>
Additions	2,530	(7,284)	(4,754)
Transfers from oil storage plant and port facilities for liquid cargoes	(629)	—	(629)
Transfers to other long-term assets	(26)	—	(26)
Disposals	(156)	137	(19)
<b>Balance December 31, 2018</b>	<b>253,360</b>	<b>(39,775)</b>	<b>213,585</b>
Additions	602	(7,186)	(6,584)
<b>Balance December 31, 2019</b>	<b>\$253,962</b>	<b>\$ (46,961)</b>	<b>\$207,001</b>

<u>Tanker vessels, barges and pushboats (Navios Logistics)</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
<b>Balance December 31, 2016</b>	<b>\$475,378</b>	<b>(150,038)</b>	<b>325,340</b>
Additions	5,531	(17,603)	(12,072)
Disposals	(3,585)	3,585	—
Revaluation of vessels due to termination of capital lease obligation	(5,243)	—	(5,243)
<b>Balance December 31, 2017</b>	<b>472,081</b>	<b>(164,056)</b>	<b>308,025</b>
Additions	3,581	(18,528)	(14,947)
Transfers	629	—	629
Transfers from deposits for vessels, port terminal and other fixed assets, net	49,421	—	49,421
<b>Balance December 31, 2018</b>	<b>525,712</b>	<b>(182,584)</b>	<b>343,128</b>
Additions	2,403	(19,038)	(16,635)
Write offs	(2,064)	866	(1,198)
<b>Balance December 31, 2019</b>	<b>\$526,051</b>	<b>\$ (200,756)</b>	<b>\$325,295</b>

<u>Containerships (Navios Containers)</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
<b>Balance December 31, 2017</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
Vessels upon obtaining control	376,133	(882)	375,251
Vessel acquisition	24,763	(35)	24,728
<b>Balance December 31, 2018</b>	<b>400,896</b>	<b>(917)</b>	<b>399,979</b>
Additions	1,715	(7,497)	(5,782)
Vessel acquisition	53,097	(649)	52,448
Navios Containers Deconsolidation	(455,708)	9,063	(446,645)
<b>Balance December 31, 2019</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

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<u>Other fixed assets</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
<b>Balance December 31, 2016</b>	<b>\$ 13,936</b>	<b>\$ (9,423)</b>	<b>\$ 4,513</b>
Additions	531	(1,257)	(726)
Disposals	(75)	28	(47)
Write offs	(32)	32	—
<b>Balance December 31, 2017</b>	<b>14,360</b>	<b>(10,620)</b>	<b>3,740</b>
Additions	5,845	(1,572)	4,273
Write offs	(329)	295	(34)
<b>Balance December 31, 2018</b>	<b>19,876</b>	<b>(11,897)</b>	<b>7,979</b>
Additions	2,161	(1,056)	1,105
Write offs	(14,206)	7,993	(6,213)
<b>Balance December 31, 2019</b>	<b>\$ 7,831</b>	<b>\$ (4,960)</b>	<b>\$ 2,871</b>

<u>Total</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
<b>Balance December 31, 2016</b>	<b>\$2,529,488</b>	<b>\$ (708,387)</b>	<b>\$1,821,101</b>
Additions	11,122	(97,114)	(85,992)
Impairment losses	(104,157)	58,034	(46,123)
Disposals	(15,488)	3,613	(11,875)
Write offs	(32)	32	—
Revaluation of vessels due to termination of capital lease obligation	(5,243)	—	(5,243)
Transfers from deposits for vessels, port terminals and other fixed assets	137,357	—	137,357
<b>Balance December 31, 2017</b>	<b>2,553,047</b>	<b>(743,822)</b>	<b>1,809,225</b>
Vessels upon obtaining control	376,133	(882)	375,251
Additions	12,354	(93,789)	(81,435)
Vessel acquisition	47,148	(493)	46,655
Vessel impairment	(411,265)	212,399	(198,866)
Vessel disposals	(101,717)	—	(101,717)
Disposals	(156)	137	(19)
Write offs	(329)	295	(34)
Transfers from deposits for vessels, port terminals and other fixed assets	49,421	—	49,421
Transfers to other long-term assets	(26)	—	(26)
<b>Balance December 31, 2018</b>	<b>2,524,610</b>	<b>(626,155)</b>	<b>1,898,455</b>
Additions	11,628	(83,589)	(71,961)
Vessel acquisition	67,832	(693)	67,139
Vessel impairment	(274,067)	159,834	(114,233)
Vessel disposals	(48,830)	—	(48,830)
Write offs	(16,270)	8,859	(7,411)
Navios Containers Deconsolidation	(455,708)	9,063	(446,645)
<b>Balance December 31, 2019</b>	<b>\$ 1,809,195</b>	<b>\$ (532,681)</b>	<b>\$1,276,514</b>

*Deposits for Vessels and Port Terminals Acquisitions*

On November 21, 2019, Navios Logistics entered into a shipbuilding contract, for the construction of six liquid barges for a total consideration of \$15,800. Pursuant to this agreement, the Company has secured the availability of credit for up to 75% of the purchase price, and up to a five-year repayment period starting from the delivery of each vessel. The barges are expected to be delivered starting from the third quarter of 2020 through the fourth quarter of 2020. As of December 31, 2019, Navios Logistics had paid \$4,046 for the construction of these barges, which are included within “Other long-term assets”.

As of December 31, 2019, Navios Logistics had paid \$458 for capitalized expenses for the development of its port operations in Port Murtinho region, Brazil.



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During the third quarter of 2018, a river and estuary tanker was delivered to Navios Logistics. As of December 31, 2018, a total of \$17,389 had been transferred to “Vessels, port terminals and other fixed assets, net” in the consolidated balance sheets of which capitalized interest amounted to \$628. As of December 31, 2017, Navios Logistics had paid \$6,141 for the construction of the river and estuary tanker (including supervision cost).

During the first quarter of 2018, three new pushboats were delivered to Navios Logistics. As of December 31, 2018, a total of \$32,032 had been transferred to “Vessels, port terminals and other fixed assets, net” in the consolidated balance sheets of which capitalized interest amounted to \$3,874. As of December 31, 2017, Navios Logistics had paid \$30,708 for the construction of the three new pushboats.

During the second quarter of 2017, Navios Logistics substantially completed the expansion of its dry port in Uruguay. As of December 31, 2017, a total of \$137,357 had been transferred to “Vessels, port terminals and other fixed assets, net” in the consolidated balance sheets of which capitalized interest amounted to \$9,971.

*Impairment loss/ loss on sale of vessels, net*

During the year ended December 31, 2019, Navios Holdings recorded an impairment loss of \$84,584 for two of its dry bulk vessels.

On January 15, 2020, Navios Holdings completed the sale to an unrelated third party of the Navios Hios, a 2003-built Ultra Handymax vessel of 55,180 dwt, for a net sale price of \$7,497, paid in cash. The impairment loss amounted to \$7,429 (including \$611 remaining carrying balance of dry dock and special survey costs) and is included in the consolidated statements of comprehensive (loss)/income under “Impairment loss/loss on sale of vessels, net”.

On September 19, 2019, Navios Holdings completed the sale to an unrelated third party of the Navios Primavera, a 2007-built Ultra Handymax vessel of 53,464 dwt, for a net sale price of \$9,891, paid in cash. The loss due to sale amounted to \$1,673 and is included in the consolidated statements of comprehensive (loss)/income under “Impairment loss/loss on sale of vessels, net”.

On August 13, 2019, Navios Holdings completed the sale to an unrelated third party of the Navios Mercator, a 2002-built Ultra Handymax vessel of 53,553 dwt, for a net sale price of \$6,664, paid in cash. The impairment loss amounted to \$4,849 (including \$490 remaining carrying balance of dry dock and special survey costs) and is included in the consolidated statements of comprehensive (loss)/income under “Impairment loss/loss on sale of vessels, net”.

On July 18, 2019, Navios Holdings completed the sale to an unrelated third party of the Navios Arc, a 2003-built Ultra Handymax vessel of 53,514 dwt, for a net sale price of \$7,105, paid in cash. The impairment loss amounted to \$5,149 (including \$685 remaining carrying balance of dry dock and special survey costs) and is included in the consolidated statements of comprehensive (loss)/income under “Impairment loss/loss on sale of vessels, net”.

On June 11, 2019, Navios Holdings completed the sale to an unrelated third party of the Navios Vector, a 2002-built Ultra Handymax vessel of 50,296 dwt, for a net sale price of \$6,860, paid in cash. The loss due to sale amounted to \$10,039 (including \$673 remaining carrying balance of dry dock and special survey costs) and is included in the consolidated statements of comprehensive (loss)/income under “Impairment loss/loss on sale of vessels, net”.

On May 3, 2019, Navios Holdings completed the sale to an unrelated third party of the Navios Equator Prosper, a 2000-built Capesize vessel of 171,191 dwt, for a net sale price of \$11,520, paid in cash. The gain due to sale amounted to \$1,784 and is included in the consolidated statements of comprehensive (loss)/income under “Impairment loss/loss on sale of vessels, net”.

On March 26, 2019, Navios Holdings completed the sale to an unrelated third party of the Navios Meridian, a 2002-built Ultra Handymax vessel of 50,316 dwt, for a net sale price of \$6,790, paid in cash. The loss due to sale amounted to \$5,531 (including \$778 remaining carrying balance of dry dock and special survey costs) and is included in the consolidated statements of comprehensive (loss)/income under “Impairment loss/loss on sale of vessels, net”.

During the year ended December 31, 2018, Navios Holdings recorded an impairment loss of \$179,186 for four of its dry bulk vessels.

In December 2018, Navios Holdings completed the sale to an unrelated third party, of the Navios Magellan, a 2000-built Panamax vessel of 74,333 dwt, for a total net sale price of \$6,950 paid in cash. The loss due to the sale amounted to \$5,402 (including \$726 remaining carrying balance of dry dock and special survey costs) and is included in the consolidated statements of comprehensive (loss)/income under “Impairment loss/ loss on sale of vessels, net”.

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In August 2018, Navios Holdings completed the sale to its affiliate, Navios Partners, of the Navios Mars, a 2016-built, 181,259 dwt vessel, and of the Navios Sphera, a 2016-built, 84,872 dwt vessel, for a total sale price of \$79,000. The loss due to the sale amounted to \$2,759 and is included in the consolidated statements of comprehensive (loss)/income under “Impairment loss/ loss on sale of vessels, net”.

In July 2018, Navios Holdings completed the sale to an unrelated third party of the Navios Achilles, a 2001-built, 52,063 dwt vessel, for a total net sale price of \$8,085 paid in cash. The impairment loss recognized due to the sale amounted to \$6,595 (including \$584 remaining carrying balance of dry dock and special survey costs).

In March 2018, Navios Holdings completed the sale to an unrelated third party of the Navios Herakles, a 2001-built, 52,061 dwt vessel, for a total net sale price of \$7,682 paid in cash. The impairment loss due to the sale amounted to \$6,715 (including \$481 remaining carrying balance of dry dock and special survey costs).

During the year ended December 31, 2017, Navios Holdings recorded an impairment loss of \$32,930 for one of its dry bulk vessels.

On June 16, 2017, Navios Holdings completed the sale to an unrelated third party of the Navios Ionian, a 2000 built Japanese dry bulk vessel of 52,067 dwt, for a total net sale price of \$5,280 paid in cash. As of December 31, 2017, Navios Holdings total impairment loss recognized due to the sale amounted to \$9,098 (including \$551 remaining carrying balance of dry dock and special survey costs).

On July 13, 2017 Navios Holdings completed the sale to an unrelated third party of the Navios Horizon, a 2001 built Japanese dry bulk vessel of 50,346 dwt, for a total net sale price of \$6,548 paid in cash. As of December 31, 2017, Navios Holdings total impairment loss recognized due to the sale amounted to \$5,141 (including \$495 remaining carrying balance of dry dock and special survey costs).

#### *Vessel Acquisitions*

In August 2019, Navios Holdings acquired from an unrelated third party, a previously chartered-in vessel, Navios Victory, a 2014-built Panamax vessel of 77,095 dwt, for a total acquisition cost of \$14,735 which was paid in cash.

In November 2018, Navios Holdings took delivery of the Navios Primavera, a 2007-built, 53,464 dwt, a previously chartered-in vessel, for a total acquisition cost of \$12,130, of which \$10,980 was paid in cash.

In February 2018, Navios Holdings acquired from an unrelated third party, a previously chartered-in vessel, Navios Equator Prosper, a 2000-built, 171,191 dwt vessel, for a total acquisition cost of \$10,255 which was paid in cash.

#### *Navios Logistics*

On November 12, 2018, Navios Logistics acquired approximately 3.5 hectares of undeveloped land located in Port Murtinho region, Brazil. Navios Logistics plans to develop this land for its port operations. As of December 31, 2019, Navios Logistics had paid \$1,155 for the land acquisition.

On September 4, 2017, Navios Logistics signed an agreement for the construction of covers for dry barges for a total consideration of \$1,115. As of December 31, 2019, Navios Logistics had paid the whole amount.

On May 18, 2017, Navios Logistics acquired two product tankers, Ferni H (16,871 DWT) and San San H (16,871 DWT) for \$11,239 which were previously leased with an obligation to purchase in 2020. Following the acquisition of the two product tankers, the remaining capital lease obligation was terminated and the carrying value of the tankers was adjusted for the difference between the purchase price and the carrying value.

In February 2017, two self-propelled barges of the Navios Logistics’ fleet, Formosa and San Lorenzo, were sold for a total amount of \$1,109, to be paid in cash. The sale price will be received in installments in the form of lease payments through 2023. The barges may be transferred at the lessee’s option, at no cost, at the end of the lease period. As of December 31, 2019 and 2018, the current portion of the outstanding receivable amounted to \$96 and \$174, respectively and is included in “Prepaid expenses and other current assets” and the non-current portion of the outstanding receivable amounted to \$375 and \$428, respectively and is included in “Other long-term assets” in the consolidated balance sheets. During the year ended December 31, 2017 gain on sale of assets of \$1,075 was included in the statement of comprehensive (loss)/income within the caption of “Gain on sale of assets”.

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*Navios Containers*

On April 23, 2019, Navios Containers purchased from an unrelated third party the Navios Constellation, a 2011-built of 10,000 TEU containership, for an acquisition cost of \$53,097.

On December 17, 2018, Navios Containers purchased from an unrelated third party the Bermuda, a 2010-built 4,360 TEU containership, for an acquisition cost of approximately \$11,098 (including \$398 capitalized expenses).

On December 7, 2018, Navios Containers purchased from an unrelated third party the Bahamas, a 2010-built 4,360 TEU containership, for an acquisition cost of approximately \$13,422 (including \$522 capitalized expenses).

**NOTE 8: INTANGIBLE ASSETS/LIABILITIES OTHER THAN GOODWILL**

**Net Book Value of Intangible Assets other than Goodwill as at December 31, 2019**

	Acquisition Cost	Accumulated Amortization	Net Book Value December 31, 2019
Trade name (*)	\$ 90,000	\$ (40,357)	\$ 49,643
Port terminal operating rights	53,152	(12,837)	40,315
Customer relationships	35,490	(21,294)	14,196
Favorable lease terms	31,342	(16,855)	14,487
Navios Containers deconsolidation	(31,342)	16,855	(14,487)
<b>Total Intangible assets</b>	<b>\$ 178,642</b>	<b>\$ (74,488)</b>	<b>\$ 104,154</b>

**Net Book Value of Intangible Assets other than Goodwill as at December 31, 2018**

	Acquisition Cost	Accumulated Amortization	Transfer/ Write off	Net Book Value December 31, 2018
Trade name	\$ 100,420	\$ (47,966)	\$ —	\$ 52,454
Port terminal operating rights	53,152	(11,838)	—	41,314
Customer relationships	35,490	(19,520)	—	15,970
Favorable lease terms(**)	32,492	(2,143)	(1,150)	29,199
<b>Total Intangible assets</b>	<b>\$ 221,554</b>	<b>\$ (81,467)</b>	<b>\$ (1,150)</b>	<b>\$ 138,937</b>

(\*) The decrease in cost basis and accumulated amortization includes \$10,420 write off relating to Navios Logistics' trade name which was fully amortized.

(\*\*) During the year ended December 31, 2018, acquisition costs of \$1,150 of favorable lease terms were capitalized as part of the cost of one vessel due to the exercise of the purchase option (See also Note 2(n)). As of December 31, 2018, intangible assets associated with the favorable lease terms included an amount of \$31,342 associated with the favorable lease terms of certain charter out contracts of Navios Containers which were recognized as of November 30, 2018 (see Note 3). During the year ended December 31, 2017, acquisition costs of \$10,398 and accumulated amortization of \$7,001 of favorable lease terms were considered impaired and were written off resulting in a loss of \$3,397 included in the statement of comprehensive (loss)/income within the caption of "Impairment loss/ loss on sale of vessels, net".

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	Amortization Expense and Write Offs Year Ended December 31, 2019	Amortization Expense and Write Offs Year Ended December 31, 2018	Amortization Expense and Write Offs Year Ended December 31, 2017
Trade name	\$ 2,811	\$ 2,811	\$ 3,853
Port terminal operating rights	999	950	727
Customer relationships	1,774	1,774	1,775
Favorable lease terms	—	—	4,038
<b>Total</b>	<b>\$ 5,584</b>	<b>\$ 5,535</b>	<b>\$ 10,393</b>

The remaining aggregate amortization of acquired intangibles as of December 31, 2019 was as follows:

Description	Within one year	Year Two	Year Three	Year Four	Year Five	Thereafter	Total
Trade name	\$ 2,818	\$ 2,811	\$ 2,811	\$ 2,811	\$ 2,818	\$ 35,574	\$ 49,643
Port terminal operating rights	995	995	995	995	995	35,340	40,315
Customer relationships	1,775	1,775	1,775	1,775	1,775	5,321	14,196
<b>Total amortization</b>	<b>\$ 5,588</b>	<b>\$ 5,581</b>	<b>\$ 5,581</b>	<b>\$ 5,581</b>	<b>\$ 5,588</b>	<b>\$ 76,235</b>	<b>\$ 104,154</b>

**NOTE 9: INVESTMENTS IN AFFILIATES AND INVESTMENTS IN AVAILABLE –FOR–SALE SECURITIES**

**Navios Partners**

On August 7, 2007, Navios Holdings formed Navios Partners under the laws of Marshall Islands. Navios GP L.L.C. (the “General Partner”), a wholly owned subsidiary of Navios Holdings, was also formed on that date to act as the general partner of Navios Partners and received a 2.0% general partner interest.

On April 25, 2019, Navios Partners announced a 1-for-15 reverse stock split of its issued and outstanding shares of common units and general partners units. The reverse stock split was effective on May 21, 2019. All issued and outstanding shares of common units and general partner units contained to the notes to the consolidated financial statements until May 21, 2019, are presented before reverse stock split.

On March 17, 2017, Navios Holdings transferred to Navios Partners its participation in the Navios Revolving Loans I and the Navios Term Loans I, both as defined herein, and relating to Navios Europe I, for a consideration of \$33,473, comprised of \$4,050 in cash and 13,076,923 newly issued common units of Navios Partners with a fair value of \$29,423 (based on Navios Partners’ trading price as of the closing of the transaction). Concurrently, Navios Holdings acquired 266,876 common units in Navios Partners in order to maintain its 2% general partner interest for a cash consideration of \$468. See also Note 16.

On March 20, 2017, Navios Partners announced that it has closed an offering of 47,795,000 common units at \$2.10 per common unit. Navios Holdings acquired 975,408 common units in Navios Partners in order to maintain its 2% general partner interest for a cash consideration of \$2,048.

During the first quarter of 2017, Navios Partners also issued 2,040,000 of common units to certain Navios Partners’ directors and/or officers, and 1,200,442 common units pursuant to Navios Partners’ Continuous Offering Program Sales Agreement. Concurrently, Navios Holdings acquired 66,131 common units in Navios Partners in order to maintain its 2% general partner interest for a cash consideration of \$110.

In September 2017, Navios Holdings acquired 7,376 common units in Navios Partners in order to maintain its 2% general partner interest for a cash consideration of \$12.

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During the first quarter of 2018, Navios Partners also issued 1,370,044 of common units to Navios Partners' directors and/or officers. Concurrently, Navios Holdings acquired 27,960 common units in Navios Partners in order to maintain its 2.0% general partner interest for a cash consideration of \$64.

On February 21, 2018, Navios Partners closed an offering of 18,422,000 common units which includes the sale of \$5,000 of common units to Navios Holdings. In addition, Navios Holdings paid \$714 to retain its 2.0% general partnership interest.

In December 2018, Navios Partners also issued 1,464,494 of restricted common units to Navios Partners' directors and/or officers. Concurrently, Navios Holdings acquired 29,888 common units in Navios Partners in order to maintain its 2.0% general partner interest for a cash consideration of \$27.

In January 2019, the Board of Directors of Navios Partners authorized a common unit repurchase program for up to \$50,000 of Navios Partners' common units over a two-year period. As of December 31, 2019, Navios Partners had repurchased 4,694,279 common units.

In February 2019, Navios Partners issued 380,952 of restricted common units to Navios Partners' directors and/or officers. Concurrently, Navios Holdings acquired 7,775 common units in Navios Partners in order to maintain its 2.0% general partner interest for a cash consideration of \$8.

Following the sale of Navios Partners general partnership interest effected on August 30, 2019, referred to in Note 3, as of December 31, 2019, Navios Holdings held a total of 2,070,216 (post reverse stock split) common units representing a 18.5% interest in Navios Partners, and the investment in Navios Partners is accounted for under the equity method. Incentive distribution rights are held by Navios GP L.L.C.

As of December 31, 2019 and 2018, the unamortized difference between the carrying amount of the investment in Navios Partners and the amount of the Company's underlying equity in net assets of Navios Partners was \$101,492 and \$126,034, respectively. As a result of the OTTI loss recorded as at December 31, 2018, the Company has recomputed this difference which is amortized through "Equity in net (losses)/earnings of affiliated companies" over the remaining life of Navios Partners' tangible and intangible assets.

As of December 31, 2019 and 2018, the carrying amount of the investment in Navios Partners was \$35,116 and \$29,328, respectively. During the years ended December 31, 2019, 2018 and 2017, the Company recognized an OTTI loss of \$0, \$55,524 and \$0, respectively relating to its investment in Navios Partners and the amounts are included in "Equity in net (losses)/earnings of affiliated companies".

Total equity method income/(loss) and amortization of deferred gain of \$13,526, \$16,171 and \$12,570, excluding OTTI loss, were recognized in "Equity in net (losses)/earnings of affiliated companies" for the years ended December 31, 2019, 2018 and 2017, respectively.

Dividends received during the years ended December 31, 2019, 2018, and 2017 were \$2,692, \$2,068, and \$0, respectively.

As of December 31, 2019, the market value of the investment in Navios Partners was \$38,547.

### **Acropolis**

On December 6, 2018, Navios Holdings completed the sale of its investment in Acropolis for a cash consideration of \$1,000 resulting in a gain of \$866 which is included in "Other income". The amount of \$500 of the cash consideration was received in December 2018 and the remaining amount of \$500 was received in December, 2019. Navios Holdings, until the sale of its investment, had a 50% interest in Acropolis, a brokerage firm for freight and shipping charters. Although Navios Holdings owned 50% of Acropolis' stock, Navios Holdings agreed with the other shareholder that the earnings and amounts declared by way of dividends would be allocated 35% to the Company with the balance to the other shareholder. As of December 31, 2019 and 2018, the carrying amount of the investment was \$0 for both periods. Dividends received for each of the years ended December 31, 2019, 2018, and 2017 were \$0, \$170 and \$55, respectively.

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**Navios Acquisition**

In February 2018, the Board of Directors of Navios Acquisition authorized a stock repurchase program for up to \$25,000 of Navios Acquisition's common stock, for two years. Stock repurchases will be made from time to time for cash in open market transactions at prevailing market prices or in privately negotiated transactions. As of December 31, 2019, Navios Acquisition had repurchased 735,251 shares of common stock.

On November 9, 2018, the Stockholders of Navios Acquisition approved a one-for-15 reverse stock split of all outstanding common stock shares of Navios Acquisition, which was effected on November 14, 2018.

On December 13, 2018, Navios Acquisition completed the merger contemplated by the previously announced Agreement and Plan of Merger (the "Merger Agreement"), dated as of October 7, 2018, by and among Navios Acquisition, its direct wholly-owned subsidiary NMA Sub LLC ("Merger Sub"), Navios Maritime Midstream Partners L.P. ("Navios Midstream") and Navios Midstream Partners GP LLC. Pursuant to the Merger Agreement, Merger Sub merged with and into Navios Midstream, with Navios Midstream surviving as a wholly-owned subsidiary of Navios Acquisition.

As of December 31, 2019, Navios Holdings had a 30.6% voting and a 31.0% economic interest in Navios Acquisition.

As of December 31, 2019 and 2018, the unamortized difference between the carrying amount of the investment in Navios Acquisition and the amount of the Company's underlying equity in net assets of Navios Acquisition was \$79,477 and \$87,500, respectively. As a result of the OTTI loss recorded as at June 30, 2019, the Company has recomputed this difference which is amortized through "Equity in net (losses)/earnings of affiliated companies" over the remaining life of Navios Acquisition tangible and intangible assets.

As of December 31, 2019 and 2018, the carrying amount of the investment in Navios Acquisition was \$19,894 and \$50,374, respectively. During the year ended December 31, 2019, the Company recognized an OTTI loss of \$13,543 relating to its investment in Navios Acquisition and the amount was included in "Equity in net (losses)/earnings of affiliated companies".

Total equity method loss of \$(11,098), \$(43,378) and \$(9,875), excluding OTTI loss, were recognized in "Equity in net (losses)/earnings of affiliated companies" for the years ended December 31, 2019, 2018, and 2017, respectively.

Dividends received for each of the years ended December 31, 2019, 2018 and 2017 were \$4,379, \$5,838 and \$14,595, respectively.

As of December 31, 2019, the market value of the investment in Navios Acquisition was \$41,354.

**Navios Europe I**

On December 18, 2013, Navios Europe I acquired ten vessels for aggregate consideration consisting of (i) cash (which was funded with the proceeds of senior loan facilities (the "Senior Loans I") and loans aggregating to \$10,000 from Navios Holdings, Navios Acquisition and Navios Partners (in each case, in proportion to their economic interests in Navios Europe I) (collectively, the "Navios Term Loans I") and (ii) the assumption of a junior participating loan facility (the "Junior Loan I"). In addition to the Navios Term Loans I, Navios Holdings, Navios Acquisition and Navios Partners would also make available to Navios Europe I revolving loans up to \$24,100 to fund working capital requirements (collectively, the "Navios Revolving Loans I"). In December 2018, the amount of the Navios Revolving Loans I increased by \$30,000.

On an ongoing basis, Navios Europe I was required to distribute cash flows (after payment of operating expenses and amounts due pursuant to the terms of the Senior Loans I) according to a defined waterfall calculation.

Navios Holdings had evaluated its investment in Navios Europe I under ASC 810 and had concluded that Navios Europe I was a VIE and that it was not the party most closely associated with Navios Europe I and, accordingly, was not the primary beneficiary of Navios Europe I.

Navios Holdings had further evaluated its investment in the common stock of Navios Europe I under ASC 323 and had concluded that it had the ability to exercise significant influence over the operating and financial policies of Navios Europe I and, therefore, its investment in Navios Europe I had been accounted for under the equity method.

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The initial amount provided for in Navios Europe I of \$4,750, at the inception included the Company's share of the basis difference between the fair value and the underlying book value of the assets of Navios Europe I, which amounted to \$6,763. This difference had been amortized through "Equity in net (losses)/earnings of affiliated companies" over the remaining life of Navios Europe I. As of December 31, 2019 and December 31, 2018, the unamortized basis difference of Navios Europe II was \$0 and \$3,357, respectively.

As of December 31, 2019, the Company received in cash all balances relating to Navios Europe I following the liquidation of the structure (Note 16). As of December 31, 2018, the estimated maximum potential loss by Navios Holdings in Navios Europe I would have been \$35,069, which represents the Company's carrying value of its investment and balance of Navios Term Loans I of \$8,994 including accrued interest, plus the Company's balance of the Navios Revolving Loans I of \$26,075, including accrued interest, and does not include the undrawn portion of the Navios Revolving Loans I.

Income/(Loss) of \$0, \$0 and \$(1,089) was recognized in "Equity in net (losses)/earnings of affiliated companies" for the years ended December 31, 2019, 2018 and 2017, respectively.

As of December 31, 2019 and 2018 the carrying amount of the investment in Navios Europe I and the balance of Navios Term Loans I was \$0 and \$4,750, respectively.

### **Navios Europe II**

On February 18, 2015, Navios Holdings, Navios Acquisition and Navios Partners established Navios Europe II. From June 8, 2015 through December 31, 2015, Navios Europe II acquired 14 vessels for aggregate consideration consisting of: (i) cash (which was funded with the proceeds of a senior loan facility (the "Senior Loans II") and loans aggregating to \$14,000 from Navios Holdings, Navios Acquisition and Navios Partners (in each case, in proportion to their economic interests in Navios Europe II) (collectively, the "Navios Term Loans II") and (ii) the assumption of a junior participating loan facility (the "Junior Loan II"). In addition to the Navios Term Loans II, Navios Holdings, Navios Acquisition and Navios Partners will also make available to Navios Europe II revolving loans up to \$43,500 to fund working capital requirements (collectively, the "Navios Revolving Loans II"). The Navios Term Loans II will be repaid from the future sale of vessels owned by Navios Europe II. In March 2017, the amount of the Navios Revolving Loans II increased by \$14,000. On April 21, 2020, Navios Europe II and the lenders agreed to fully release the liabilities under the Junior Loan II for \$5,000. On December 31, 2019, Navios Holdings had a \$44,300 receivable from Navios Europe II. The structure is expected to be liquidated during the second quarter of 2020.

On an ongoing basis, Navios Europe II is required to distribute cash flows (after payment of operating expenses, amounts due pursuant to the terms of the Senior Loans II) according to a defined waterfall calculation.

Navios Holdings evaluated its investment in Navios Europe II under ASC 810 and concluded that Navios Europe II is a VIE and that it is not the party most closely associated with Navios Europe II and, accordingly, is not the primary beneficiary of Navios Europe II.

Navios Holdings further evaluated its investment in the common stock of Navios Europe II under ASC 323 and concluded that it has the ability to exercise significant influence over the operating and financial policies of Navios Europe II and, therefore, its investment in Navios Europe II is accounted for under the equity method.

The initial amount provided for in Navios Europe II of \$6,650, at the inception included the Company's share of the basis difference between the fair value and the underlying book value of the assets of Navios Europe II, which amounted to \$9,419. This difference is amortized through "Equity in net (losses)/earnings of affiliated companies" over the remaining life of Navios Europe II. As of December 31, 2019 and December 31, 2018, the unamortized basis difference of Navios Europe II was \$5,128 and \$6,069, respectively.

As of December 31, 2019 and 2018, the estimated maximum potential loss by Navios Holdings in Navios Europe II would have been \$44,300 and \$29,370, respectively, which represents the Company's carrying value of its investment and balance of Navios Term Loans II of \$14,208 and \$12,432, respectively, plus the Company's balance of the Navios Revolving Loans II of \$30,092 and \$16,938, respectively, including accrued interest, and does not include the undrawn portion of the Navios Revolving Loans II.

Income of \$1,775, \$2,032 and \$2,456 was recognized in "Equity in net (losses)/earnings of affiliated companies" for the years ended December 31, 2019, 2018 and 2017, respectively.



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As of December 31, 2019 and December 31, 2018, the carrying amount of the investment in Navios Europe II and the balance of Navios Terms Loans II was \$6,650 for both periods.

**Navios Containers (Consolidated from November 30, 2018 to August 30, 2019)**

On June 8, 2017, Navios Maritime Containers Inc. closed a private placement of 10,057,645 shares of its common stock at a subscription price of \$5.00 per share resulting in gross proceeds of \$50,288. Navios Holdings invested \$5,000, and Navios Partners invested \$30,000 in Navios Maritime Containers Inc. Each of Navios Holdings and Navios Partners also received warrants for the purchase of an additional 1.7% and 6.8%, respectively, of the equity of Navios Maritime Containers Inc.

On March 13, 2018, Navios Maritime Containers Inc. closed an additional private placement in which Navios Holdings invested \$500.

On November 30, 2018, Navios Maritime Containers Inc. was converted into a limited partnership. All of the warrants described above issued to Navios Partners and Navios Holdings expired. On December 3, 2018, Navios Partners distributed approximately 2.5% of the outstanding equity of Navios Containers to the unitholders of Navios Partners in connection with the listing of Navios Containers on the Nasdaq Global Select Market.

Navios Holdings until November 30, 2018 had evaluated its investment in the common stock of Navios Containers under ASC 323 and concluded that it had the ability to exercise significant influence over the operating and financial policies of Navios Maritime Containers Inc. and, therefore, its investment in Navios Maritime Containers Inc. was accounted for under the equity method.

As of December 31, 2019, and following the above mentioned placements and the conversion of Navios Maritime Containers Inc. into a limited partnership, Navios Holdings owned 3.7% of the equity of Navios Containers.

Following the sale of Navios Containers general partnership interest effected on August 30, 2019, referred in Note 3, Navios Holdings evaluated its investment in the common stock of Navios Containers under ASC 323 and concluded that it had the ability to exercise significant influence over the operating and financial policies of Navios Containers and, therefore, its investment in Navios Containers is accounted for under the equity method.

Total equity method income of \$155, \$417 and \$161 were recognized in “Equity in net (losses)/earnings of affiliated companies” for the period from August 30, 2019 (date of loss of control) to December 31, 2019, for the period from January 1, 2018 to November 30, 2018 (date of obtaining control) and for the year ended December 31, 2017, respectively.

As of December 31, 2019, the carrying amount of the investment in Navios Containers was \$2,682.

As of December 31, 2019, the market value of the investment in Navios Containers was \$2,716.

Following the results of the significant tests performed by the Company, it was concluded that two affiliates met the significant threshold requiring summarized financial information of all affiliated companies being presented.

Summarized financial information of the affiliated companies is presented below:

	December 31, 2019					December 31, 2018				
	Navios Partners	Navios Acquisition	Navios Europe I	Navios Europe II	Navios Containers	Navios Partners	Navios Acquisition	Navios Europe I	Navios Europe II	
<b>Balance Sheet</b>										
Cash and cash equivalents, including restricted cash	\$ 30,402	\$ 44,051	\$ —	\$ 27,431	\$ 18,109	\$ 61,455	\$ 46,609	\$ 19,160	\$ 27,544	
Current assets	\$ 75,990	\$ 114,008	\$ —	\$ 32,249	\$ 29,450	\$ 111,112	\$ 103,978	\$ 22,732	\$ 33,479	
Non-current assets	\$1,177,527	\$1,441,947	\$ —	\$179,688	\$ 430,852	\$1,203,021	\$1,523,406	\$139,955	\$195,805	
Current liabilities	\$ 79,784	\$ 241,939	\$ —	\$ 57,078	\$ 71,397	\$ 52,333	\$ 92,159	\$ 83,059	\$ 39,150	
Long- term debt including current portion, net	\$ 489,028	\$1,173,117	\$ —	\$ 89,025	\$ 245,658	\$ 507,485	\$1,205,837	\$ 64,818	\$ 99,153	
Non-current liabilities	\$ 445,714	\$1,000,164	\$ —	\$163,123	\$ 198,925	\$ 485,047	\$1,154,873	\$ 61,035	\$168,195	

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<b>Income Statement</b>	<b>December 31, 2019</b>				
	<b>Navios Partners</b>	<b>Navios Acquisition</b>	<b>Navios Europe I</b>	<b>Navios Europe II</b>	<b>Navios Containers</b>
Revenue	\$219,379	\$ 280,117	\$ 36,822	\$ 46,718	\$141,532
Net (loss)/ income before non-cash change in fair value of Junior Loan I and Junior Loan II	\$ (62,134)	\$ (65,707)	\$ (18,575)	\$ (30,203)	\$ 7,507
Net (loss)/income	\$ (62,134)	\$ (65,707)	\$ (18,575)	\$ (30,203)	\$ 7,507

<b>Income Statement</b>	<b>December 31, 2018</b>				<b>December 31, 2017</b>				
	<b>Navios Partners</b>	<b>Navios Acquisition</b>	<b>Navios Europe I</b>	<b>Navios Europe II</b>	<b>Navios Partners</b>	<b>Navios Acquisition</b>	<b>Navios Europe I</b>	<b>Navios Europe II</b>	<b>Navios Containers</b>
Revenue	\$231,361	\$ 187,946	\$ 34,885	\$ 49,870	\$211,652	\$ 227,288	\$ 37,468	\$ 38,633	\$ 39,188
Net (loss)/ income before non-cash change in fair value of Junior Loan I and Junior Loan II	\$ (13,081)	\$ (82,233)	\$ (22,881)	\$ (12,899)	\$ (15,090)	\$ (75,153)	\$ (20,778)	\$ 22,749	\$ 2,638
Net (loss)/income	\$ (13,081)	\$ (82,233)	\$ (3,197)	\$ (12,169)	\$ (15,090)	\$ (75,153)	\$ 9,762	\$ (9,086)	\$ 2,638

**Available-for-sale securities (“AFS Securities”)**

During the year ended December 31, 2017, the Company received shares of Pan Ocean Co. Ltd (“STX”) as partial compensation for the claims filed under the Korean court for all unpaid amounts in respect of the employment of the Company’s vessels. The shares were recorded at fair value upon their issuance and subsequent changes in market value are recognized within accumulated other comprehensive income/(loss) or since January 1, 2018, when the Company adopted ASU 2016-01, “Financial Instruments – Overall (Subtopic 825-10) – Recognition and Measurement of Financial Assets and Financial Liabilities”, within consolidated statement of comprehensive (loss)/income. The unrealized holding gain was \$2 as of December 31, 2017.

The shares received from STX were accounted for under the guidance for AFS Securities. The Company has no other types of AFS Securities.

As of December 31, 2019 and 2018, the carrying amount of the AFS Securities related to STX was \$189 and \$192, respectively and was recorded under “Other long-term assets” in the consolidated balance sheet. During the year ended December 31, 2019, the unrealized holding losses related to these AFS Securities included in “Other expense” was \$3. During the year ended December 31, 2018, the unrealized holding losses related to these AFS Securities included in “Other expense” was \$46.

**NOTE 10: ACCRUED EXPENSES AND OTHER LIABILITIES**

Accrued expenses and other liabilities as of December 31, 2019 and 2018 consisted of the following:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Payroll	\$ 6,701	\$ 15,264
Accrued interest	35,926	40,903
Accrued voyage expenses	—	3,643
Accrued running costs	—	42,212
Provision for estimated losses on vessels under time charter	—	1,604
Audit fees and related services	234	292
Accrued taxes	8,002	6,268
Professional fees	317	1,251
Other accrued expenses	—	12,215
<b>Total accrued expenses</b>	<b>\$ 51,180</b>	<b>\$ 123,652</b>

**NOTE 11: BORROWINGS**

Borrowings as of December 31, 2019 and 2018 consisted of the following:

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	December 31, 2019	December 31, 2018
<i>Navios Holdings borrowings</i>		
HCOB (\$15,300)	11,475	13,005
Loan Facility Credit Agricole (\$28,745)	—	26,415
Loan Facility Credit Agricole (\$23,000)	12,600	12,031
Loan Facility Credit Agricole (\$23,000)	12,900	12,350
Loan Facility DVB Bank SE (\$72,000)	41,073	45,741
Loan Facility DVB Bank SE (\$40,000)	5,556	15,333
Loan Facility Alpha Bank (\$31,000)	22,000	23,800
Loan Facility Alpha Bank (\$16,125)	14,025	15,125
2022 Senior Secured Notes	305,000	305,000
2022 Notes	497,604	614,339
2024 Notes	8,626	—
NSM Loan (incl. \$2,163 accrued interest)	130,538	—
<b>Total Navios Holdings borrowings</b>	<b>\$ 1,061,397</b>	<b>\$ 1,083,139</b>
<i>Navios Logistics borrowings</i>		
	December 31, 2019	December 31, 2018
2022 Logistics Senior Notes	\$ 375,000	\$ 375,000
Navios Logistics Notes Payable	22,469	26,875
Navios Logistics BBVA Loan Facility	14,275	19,300
Navios Logistics Alpha Bank Loan	10,500	11,900
Navios Logistics Term Loan B Facility	98,000	99,000
Navios Logistics Credit Agreement	—	5,909
Other long-term loans	115	184
<b>Total Navios Logistics borrowings</b>	<b>\$ 520,359</b>	<b>\$ 538,168</b>
<i>Navios Containers borrowings</i>		
	December 31, 2019	December 31, 2018
ABN AMRO Bank N.V. (\$50,000)	\$ —	\$ 50,000
BNP Paribas (\$25,000)	—	23,611
BNP Paribas (\$24,000)	—	29,464
HCOB (\$36,000)	—	32,000
Navios Containers Financial liability (\$119,000)	—	87,530
<b>Total Navios Containers borrowings</b>	<b>\$ —</b>	<b>\$ 222,605</b>
<i>Total</i>		
	December 31, 2019	December 31, 2018
<b>Total borrowings</b>	<b>\$ 1,581,756</b>	<b>\$ 1,843,912</b>
Less: current portion, net	(50,110)	(69,051)
Less: deferred finance costs and discount, net	(18,509)	(27,905)
<b>Total long-term borrowings</b>	<b>\$ 1,513,137</b>	<b>\$ 1,746,956</b>

**Navios Holdings Debt**

*2022 Senior Secured Notes*

On November 21, 2017, the Company and its wholly owned subsidiary, Navios Maritime Finance II (US) Inc. (together with the Company, the “Co-Issuers”) issued \$305,000 of 11.25% Senior Notes due 2022 (the “2022 Senior Secured Notes”), at a price of 97%.

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The 2022 Senior Secured Notes are secured by a first priority lien on certain capital stock owned by certain of the subsidiary guarantors of Navios Holdings in each of Navios Maritime Acquisition Corporation, Navios South American Logistics Inc. and Navios Maritime Containers Inc., as well as by the vessel Navios Azimuth. The 2022 Senior Secured Notes are unregistered and guaranteed by all of the Company's direct and indirect subsidiaries, except for certain subsidiaries designated as unrestricted subsidiaries, including Navios Logistics. The subsidiary guarantees are "full and unconditional", except that the indenture provides for an individual subsidiary's guarantee to be automatically released in certain customary circumstances, such as when a subsidiary is sold or all of the assets of the subsidiary are sold, the capital stock is sold, when the subsidiary is designated as an "unrestricted subsidiary" for purposes of the indenture, upon liquidation or dissolution of the subsidiary or upon legal or covenant defeasance or satisfaction and discharge of the 2022 Senior Secured Notes. The net proceeds of the offering were used to complete a cash tender offer for its Co-Issuers' then outstanding 8.125% Senior Notes due 2019 described below (the "2019 Notes") and to redeem notes not purchased in the tender offer, including the payment of related fees and expenses and any redemption premium. The effect of this transaction was the recognition of a \$2,695 extinguishment loss in the consolidated statements of comprehensive (loss)/income under "Gain/(loss) on bond and debt extinguishment" in the year ended December 31, 2017.

The Co-Issuers have the option to redeem the 2022 Senior Secured Notes in whole or in part, at any time at par.

Upon occurrence of certain change of control events, the holders of the 2022 Senior Secured Notes may require the Co-Issuers to repurchase some or all of the 2022 Senior Secured Notes at 101% of their face amount. The 2022 Senior Secured Notes contain covenants which, among other things, limit the incurrence of additional indebtedness, issuance of certain preferred stock, the payment of dividends, redemption or repurchase of capital stock or making restricted payments and investments, creation of certain liens, transfer or sale of assets, entering in transactions with affiliates, merging or consolidating or selling all or substantially all of the Co-Issuers' properties and assets and creation or designation of restricted subsidiaries. The indenture governing the 2022 Senior Secured Notes includes customary events of default. The Co-Issuers were in compliance with the covenants as of December 31, 2019.

#### *Senior Notes*

On January 28, 2011, the Company and its wholly owned subsidiary, Navios Maritime Finance II (US) Inc. completed the sale of \$350,000 of 2019 Notes. During July, August and October 2016, the Company repurchased \$58,906 of its 2019 Notes for a cash consideration of \$30,671 resulting in a gain on bond extinguishment of \$27,670, net of deferred fees written-off. On November 21, 2017, Co-Issuers completed the sale of 2022 Senior Secured Notes. The net proceeds of the offering of the 2022 Senior Secured Notes have been used: (i) to repay, in full, the outstanding amount of the 2019 Notes; and (ii) for general corporate purposes.

#### *Ship Mortgage Notes*

On November 29, 2013, the Co-Issuers completed the sale of \$650,000 of its 2022 Notes. During September 2018, the Company repurchased \$35,661 of its 2022 Notes for a cash consideration of \$28,796 resulting in a gain on bond extinguishment of \$6,464, net of deferred fees written-off. During 2019, Navios Logistics repurchased \$35,500 in par value of the 2022 Notes from unaffiliated third parties in open market transactions for a cash consideration of \$17,642. During 2019, the Company repurchased \$81,235 in par value of its 2022 Notes for a cash consideration of \$50,683. These transactions resulted in a gain on bond extinguishment of \$47,430, net of deferred fees written-off. (Refer to Note 16, "Secured credit facility with Navios Logistics"). During 2020, the Company repurchased \$20,782 in par value of its 2022 Notes for a cash consideration of \$9,443 resulting in a gain on bond extinguishment of \$11,204, net of deferred fees written-off.

The 2022 Notes are senior obligations of Navios Holdings and Navios Maritime Finance II (US) Inc. (the "2022 Co-Issuers") and were originally secured by first priority ship mortgages on 23 dry bulk vessels owned by certain subsidiary guarantors and certain other associated property and contract rights. In June 2017, Navios Ionian and Navios Horizon were released from the 2022 Notes and replaced by the Navios Galileo. In March 2018, Navios Herakles was released from the 2022 Notes and replaced by the Navios Equator Prosper. In July 2018, Navios Achilles was released from the 2022 Notes and replaced by the Navios Primavera. In December 2018 and in March 2019, Navios Magellan and Navios Meridian, respectively, were released from the 2022 Notes and the total proceeds of \$14,000 were restricted in an escrow account and considered as a cash collateral. In May 2019 and June 2019, Navios Equator Prosper, Navios Vector and the cash collaterals in escrow accounts were released from the 2022 Notes and replaced by the N Bonanza and N Amalthia and the total proceeds of \$7,410 were restricted in an escrow account and considered as cash collateral. In July 2019 and August 2019, Navios Arc and Navios Mercator, respectively, were released from the 2022 Notes. In August 2019, the cash collateral in escrow accounts were released from the 2022 Notes and replaced by Navios Victory. In September 2019, Navios Primavera was released from the 2022 Notes and the total proceeds of \$10,129 were restricted in escrow accounts and considered as cash collateral. In November 2019, Navios Victory and the cash collateral in escrow accounts were released and replaced by the

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Navios Northern Star, Navios Taurus and Navios Serenity. In January 2020 and February 2020, Navios Hios and Navios Kypros were released from the 2022 Notes and were replaced by Navios Amitie and \$5,971 of cash collateral kept in an escrow account. The 2022 Notes are unregistered and fully and unconditionally guaranteed, jointly and severally by all of the Company's direct and indirect subsidiaries, other than Navios Maritime Finance (US) Inc., Navios Logistics and its subsidiaries and Navios GP L.L.C.

The guarantees of the Company's subsidiaries that own mortgaged vessels are senior secured guarantees and the guarantees of the Company's subsidiaries that do not own mortgaged vessels are senior unsecured guarantees. In addition, the 2022 Co-Issuers have the option to redeem the 2022 Notes in whole or in part at par.

Upon occurrence of certain change of control events, the holders of the 2022 Notes may require the 2022 Co-Issuers to repurchase some or all of the 2022 Notes at 101% of their face amount. The 2022 Notes contain covenants, which among other things, limit the incurrence of additional indebtedness, issuance of certain preferred stock, the payment of dividends, redemption or repurchase of capital stock or making restricted payments and investments, creation of certain liens, transfer or sale of assets, entering into certain transactions with affiliates, merging or consolidating or selling all or substantially all of the 2022 Co-Issuers' properties and assets and creation or designation of restricted subsidiaries. The indenture governing the 2022 Notes includes customary events of default. The 2022 Co-Issuers were in compliance with the covenants as of December 31, 2019.

#### 2024 Notes

On March 21, 2019, Navios Holdings issued \$4,747 of 9.75% Senior Notes due 2024 (the "2024 Notes") as an exchange for a total of 10,930 Series H which were validly tendered as of that date (Refer to Note 17).

On April 21, 2019, Navios Holdings issued \$3,879 of 9.75% Senior Notes due 2024 (the "2024 Notes") as an exchange for a total of 8,841 Series G which were validly tendered as of that date. (Refer to Note 17).

The 2024 Notes are Navios Holding's senior unsecured general obligations and rank senior in right of payment to any of Navios Holding's existing and future debt that expressly provides that it is subordinated to the 2024 Notes, *pari passu* in right of payment with all of Navios Holding's existing and future senior obligations, structurally subordinated in right of payment to the obligations of Navios Holding's subsidiaries, and effectively subordinated in right of payment to any existing and future obligations of Navios Holdings that are secured by property or assets that do not secure the 2024 Notes, including the 2022 Senior Secured Notes and the 2022 Notes, to the extent of the value of any such property and assets securing such other obligations. The 2024 Notes are not guaranteed by any of Navios Holdings' subsidiaries.

The indenture governing the 2024 Notes does not contain restrictive covenants but does include customary events of default. Navios Holdings has the option to redeem the 2024 Notes, in whole or in part, at its option at any time, at a redemption price equal to 100% of the principal amount of the 2024 Notes to be redeemed, plus accrued interest.

#### Secured Credit Facilities

*Credit Agricole (formerly Emporiki) Facilities:* In December 2012, the Emporiki Bank of Greece's facilities were transferred to Credit Agricole Corporate and Investment Bank.

In September 2010, Navios Holdings entered into a facility agreement with Emporiki Bank of Greece for an amount of up to \$40,000 in order to partially finance the construction of one newbuilding Capesize vessel. In December 2017, the Company agreed to extend the last payment date to August 2021. The loan bears interest at a rate of LIBOR plus 275 basis points. The loan facility requires compliance with certain financial covenants. As of December 31, 2018 the facility was refinanced and repaid in full and there was no outstanding amount.

In August 2011, Navios Holdings entered into a facility agreement with Emporiki Bank of Greece for an amount of up to \$23,000 in order to partially finance the construction of one Panamax vessel. As of December 31, 2019, the facility was refinanced and the outstanding amount under this facility is repayable in five semi-annual installments of \$750, with a final balloon payment of \$8,850 on the last payment date. The loan bears interest at a rate of LIBOR plus 275 basis points. The loan facility requires compliance with certain covenants. As of December 31, 2019, the outstanding amount under this facility was \$12,600.

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In December 2011, Navios Holdings entered into a facility agreement with Emporiki Bank of Greece for an amount of up to \$23,000 in order to partially finance the construction of one newbuilding bulk carrier. As of December 31, 2019, the facility was refinanced and the outstanding amount under the loan facility was repayable in five semi-annual equal installments of \$750 after the drawdown date, with a final balloon payment of \$9,150 on the last payment date. The loan bears interest at a rate of LIBOR plus 325 basis points. The loan facility requires compliance with certain covenants. As of December 31, 2019, the outstanding amount under this facility was \$12,900.

On December 20, 2013, Navios Holdings entered into a facility with Credit Agricole Corporate and Investment Bank for an amount of up to \$22,500 in two equal tranches, in order to finance the acquisition of two Panamax vessels. The two tranches bear interest at a rate of LIBOR plus 300 basis points. In December 2017, the Company agreed to extend the last payment date to August 2021. The loan facility requires compliance with certain financial covenants. As of December 31, 2018 the facility was refinanced and repaid in full and there was no outstanding amount.

On February 14, 2018, Navios Holdings entered into a facility with Credit Agricole Corporate and Investment Bank for an amount of up to \$28,745 in three advances to be drawn simultaneously for the purpose of a) to repay all amounts outstanding under the facility agreement dated September 2010 and b) to repay all amounts outstanding under the facility agreement dated December 20, 2013.

The loan bore interest at a rate of LIBOR plus 280 basis points. The loan facility required compliance with certain covenants. As of December 31, 2018, the first tranche drawn amount was \$15,245 and was repayable in six semi-annual installments of \$1,205 with a final balloon payment of \$6,810 on the last payment date, the second tranche drawn amount was \$6,750 and was repayable in six semi-annual installments of \$563 with a final balloon payment of \$2,813 on the last payment date and the third tranche drawn amount was \$6,750 and was repayable in six semi-annual installments of \$563 with a final balloon payment of \$2,813 on the last payment date. The loan bore interest at a rate of LIBOR plus 280 basis points. The loan facility required compliance with certain financial covenants. As of December 31, 2019 the facility was repaid in full and there was no outstanding amount.

*Commerzbank Facility:* In June 2009, Navios Holdings entered into a facility agreement for an amount of up to \$240,000 (divided into four tranches of \$60,000) with Commerzbank AG in order to partially finance the acquisition of a Capesize vessel and the construction of three Capesize vessels. Following the delivery of two Capesize vessels, Navios Holdings cancelled two of the four tranches and in October 2010 fully repaid their outstanding loan balances of \$53,600 and \$54,500, respectively. During October 2016, the Company fully prepaid the third tranche of the facility, which had an outstanding balance of \$15,319, using \$13,802 of cash, thus achieving a \$1,517 benefit to nominal value. During May 2017, the Company fully repaid the fourth tranche of the facility, which had an outstanding loan balance of \$17,322, using \$15,607 of cash, thus achieving a \$1,715 benefit to nominal value.

*Hamburg Commercial Bank AG Facility:* On May 23, 2017, Navios Holdings entered into a facility agreement with Hamburg Commercial Bank AG for an amount of up to \$15,300 in order to partially refinance the fourth tranche of the Commerzbank facility. As of December 31, 2019, the facility is repayable in seven quarterly equal installments of \$383, with a final balloon payment of \$8,798 on the last payment date. The loan bears interest at a rate of LIBOR plus 300 basis points. The loan facility requires compliance with certain covenants. As of December 31, 2019, the outstanding amount under this facility was \$11,475.

*DVB Bank SE Facilities:* On March 23, 2012, Navios Holdings entered into a facility agreement with a syndicate of banks led by DVB Bank SE for an amount of up to \$42,000 in two tranches: (i) the first tranche is for an amount of up to \$26,000 in order to finance the acquisition of a Handysize vessel; and (ii) the second tranche is for an amount of up to \$16,000 to refinance the outstanding debt of an Ultra-Handymax vessel. On June 27, 2014, Navios Holdings refinanced the existing facility, adding a new tranche for an amount of \$30,000 in order to finance the acquisition of a Capesize vessel, which was delivered in June 2014. On November 12, 2019, Navios Holdings amended this facility agreement with DVB Bank SE in order to extend the maturity of the outstanding balance originally due in the first and second quarter of 2020 for one year, to June 2021 and released from collateral one Handysize vessel which was substituted by one Panamax vessel. The facility bears interest at a rate of LIBOR plus 293 basis points. As of December 31, 2019, the first tranche is repayable in six quarterly installments of \$363, with a final balloon payment of \$10,098 on the last repayment date, the second tranche is repayable in six quarterly installments of \$268, with a final balloon payment of \$3,968 on the last repayment date and the third tranche is repayable in six quarterly installments of \$469, with a final balloon payment of \$20,411 on the last repayment date. The loan facility requires compliance with certain financial covenants. As of December 31, 2019, the total outstanding amount was \$41,073.

In September 2013, Navios Holdings entered into a facility agreement with DVB Bank SE for an amount of up to \$40,000 in order to finance the acquisition of four Panamax vessels, delivered in August and September 2013. The facility bore interest at a rate of LIBOR plus 325 basis points. During 2017, Navios Holdings prepaid the indebtedness originally maturing in the third quarter of



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2018 and released from collateral one Panamax vessel. In December 2017, Navios Holdings entered into a facility agreement with DVB Bank SE in order to extend the maturity of the outstanding balance originally due by September 2018 for three years, to September 2021. In December 2015, one newbuilding Panamax vessel and one newbuilding Capesize vessel were added as collateral to this facility. During 2019, Navios Holdings partially prepaid the indebtedness originally maturing in the third quarter of 2021 and released from collateral two Panamax vessels. As of December 31, 2019, the facility is repayable in seven quarterly installments of \$444, with a final balloon payment of \$2,445 payable on the last repayment date. The loan facility requires compliance with certain financial covenants. As of December 31, 2019, the outstanding amount was \$5,556 and was fully prepaid in the first quarter of 2020.

In January 2016, Navios Holdings entered into a facility agreement with DVB Bank SE for an amount of up to \$41,000 to be drawn in two tranches, to finance the acquisition of one newbuilding Panamax vessel and one newbuilding Capesize vessel. The facility bears interest at a rate of LIBOR plus 255 basis points. The total amount drawn under the facility was \$39,900. During August 2018, the Company completed the sale of the two vessels and fully prepaid the two tranches of the facility, which had a total outstanding balance of \$31,769.

*Alpha Bank A.E.:* On November 6, 2014, Navios Holdings entered into a facility agreement with Alpha Bank A.E. for an amount of up to \$31,000 in order to finance part of the acquisition of a Capesize vessel. The loan bears interest at a rate of LIBOR plus 300 basis points. As of December 31, 2019, the facility is repayable in 12 quarterly installments of \$450, with a final balloon payment of \$16,600 on the last repayment date. The loan facility requires compliance with certain financial covenants. As of December 31, 2019, the outstanding amount was \$22,000.

On November 3, 2016, Navios Holdings entered into a facility agreement with Alpha Bank A.E. for an amount of up to \$16,125 in order to refinance one Capesize vessel. The facility bears interest at a rate of LIBOR plus 300 basis points. As of December 31, 2019, the facility is repayable in 12 quarterly installments of \$275 each, with a final balloon payment of \$10,725 payable on the last repayment date. The loan facility requires compliance with certain financial covenants. As of December 31, 2019, the outstanding amount was \$14,025.

The facilities are secured by first priority mortgages on certain of Navios Holdings' vessels and other collateral.

The credit facilities contain a number of restrictive covenants that limit Navios Holdings and/or certain of its subsidiaries from, among other things: incurring or guaranteeing indebtedness; entering into affiliate transactions; charging, pledging or encumbering the vessels securing such facilities; changing the flag, class, management or ownership of certain Navios Holdings' vessels; changing the commercial and technical management of certain Navios Holdings' vessels; selling or changing the ownership of certain Navios Holdings' vessels; and subordinating the obligations under the credit facilities to any general and administrative costs relating to the vessels. The credit facilities also require the vessels to comply with the ISM Code and ISPS Code and to maintain valid safety management certificates and documents of compliance at all times. Additionally, the credit facilities require compliance with the covenants contained in the indentures governing the 2022 Senior Secured Notes, the 2022 Notes and the 2024 Notes (as defined herein). Among other events, it will be an event of default under the credit facilities if the financial covenants are not complied with or if Angeliki Frangou and her affiliates, together, own less than 20% of the outstanding share capital of Navios Holdings.

The majority of the Company's senior secured credit facilities require compliance with maintenance covenants, including (i) value-to-loan ratio covenants, based on charter-free valuations, ranging from over 120% to 135%, (ii) minimum liquidity up to a maximum of \$30,000, and (iii) net total debt divided by total assets, as defined in each senior secured credit facility, ranging from a maximum of 75% to 80%. Certain covenants in our senior secured credit facilities have been amended for a specific period to increase the covenant levels for the applicable net total debt divided by total assets maintenance covenants, as defined in each senior secured credit facility, to a maximum of 85%.

As of December 31, 2019, the Company was in compliance with all of the covenants under each of its credit facilities.

#### *Navios Acquisition Loan*

On November 3, 2017, the Company prepaid in full the outstanding amount of \$55,132 under its secured loan facility of up to \$70,000 with Navios Acquisition entered into in September 2016. The prepayment amount consisted of the \$50,000 drawn under the facility and \$5,132 of accrued interest. Please see also Note 16.

#### *NSM Loan*



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On August 29, 2019, Navios Holdings entered into a secured loan agreement of \$141,795 (including post-closing adjustments) with Navios Shipmanagement Holdings Corporation. During December 2019, Navios Holdings repaid the amount of \$13,420 under the terms of this facility. Please see also Note 16.

***Navios Logistics Debt***

***2022 Logistics Senior Notes***

On April 22, 2014, Navios Logistics and its wholly-owned subsidiary Navios Logistics Finance (US) Inc. (“Logistics Finance” and, together with Navios Logistics (the “Logistics Co-Issuers”) issued \$375,000 in aggregate principal amount of its Senior Notes due on May 1, 2022 (the “2022 Logistics Senior Notes”), at a fixed rate of 7.25%. The 2022 Logistics Senior Notes are unregistered are fully and unconditionally guaranteed, jointly and severally, by all of Navios Logistics’ direct and indirect subsidiaries except for Horam do Brasil Navegação Ltda (“Horam do Brasil”), Naviera Alto Parana S.A. (“Naviera Alto Parana”) and Terra Norte Group S.A. (“Terra Norte”), which are deemed to be immaterial, and Logistics Finance, which is the co-issuer of the 2022 Logistics Senior Notes. The subsidiary guarantees are “full and unconditional” except that the indenture provides for an individual subsidiary’s guarantee to be automatically released in certain customary circumstances, such as in connection with a sale or other disposition of all or substantially all of the assets of the subsidiary, in connection with the sale of a majority of the capital stock of the subsidiary, if the subsidiary is designated as an “unrestricted subsidiary” in accordance with the indenture, upon liquidation or dissolution of the subsidiary or upon legal or covenant defeasance or satisfaction and discharge of the 2022 Logistics Senior Notes.

The Logistics Co-Issuers have the option to redeem the 2022 Logistics Senior Notes in whole or in part, at their option, at any time on or after May 1, 2019, at a fixed price of 101.813%, which price declines ratably until it reaches par in May 2020. In addition, upon the occurrence of certain change of control events, the holders of the 2022 Logistics Senior Notes will have the right to require the Logistics Co-Issuers to repurchase some or all of the 2022 Logistics Senior Notes at 101% of their face amount, plus accrued and unpaid interest to the repurchase date.

The indenture governing the 2022 Logistics Senior Notes contains covenants which, among other things, limit the incurrence of additional indebtedness, issuance of certain preferred stock, the payment of dividends, redemption or repurchase of capital stock or making restricted payments and investments, creation of certain liens, transfer or sale of assets, entering into transactions with affiliates, merging or consolidating or selling all or substantially all of Navios Logistics’ properties and assets and creation or designation of restricted subsidiaries.

The indenture governing the 2022 Logistics Senior Notes include customary events of default.

In addition, there are no significant restrictions on (i) the ability of the parent company, any issuer (or co-issuer) or any guarantor subsidiaries of the 2022 Logistics Senior Notes to obtain funds by dividend or loan from any of their subsidiaries or (ii) the ability of any subsidiaries to transfer funds to the issuer (or co-issuer) or any guarantor subsidiaries.

The Logistics Co-Issuers were in compliance with the covenants as of December 31, 2019.

***Navios Logistics Notes Payable***

In connection with the purchase of mechanical equipment for the expansion of its dry port terminal, Corporacion Navios S.A. (“CNSA”) entered into an unsecured export financing line of credit for a total amount of \$41,964, including all related fixed financing costs of \$5,949, available in multiple drawings upon the completion of certain milestones (“Drawdown Events”). CNSA incurs the obligation for the respective amount drawn by signing promissory notes (“Navios Logistics Notes Payable”). Each drawdown is repayable in 16 consecutive semi-annual installments, starting six months after the completion of each Drawdown Event. Together with each Note Payable, CNSA shall pay interest equal to six-month LIBOR. The unsecured export financing line is fully and unconditionally guaranteed by Ponte Rio S.A. As of December 31, 2019, Navios Logistics had drawn the total available amount and the outstanding balance of Notes Payable was \$22,469.

***Navios Logistics BBVA Loan Facility***

On December 15, 2016, Navios Logistics entered into a \$25,000 facility with Banco Bilbao Vizcaya Argentaria Uruguay S.A. (“BBVA”), for general corporate purposes. The loan bears interest at a rate of LIBOR (180 days) plus 325 basis points. The loan is repayable in 20 quarterly installments, the first payment of which was due on June 19, 2017, and secured by assignments of certain

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receivables. As of December 31, 2019, the outstanding amount of the loan was \$14,275. On February 14, 2020, Navios Logistics agreed to a \$25,000 loan facility (the “New BBVA Facility”) with BBVA, which can be drawn if certain conditions are met. The new BBVA Facility can be used to repay the existing loan facility with BBVA, which as of December 31, 2019 had an outstanding amount of \$14,275, and for general corporate purposes. The new loan will bear interest at a rate of LIBOR (180 days) plus 325 basis points, will be repayable in equal quarterly installments with final maturity in March 31, 2022 and will be secured by assignments of certain receivables.

Navios Logistics was in compliance with the covenants set forth in the Navios Logistics BBVA Loan Facility as of December 31, 2019.

*Navios Logistics Alpha Bank Loan*

On May 18, 2017, Navios Logistics entered into a \$14,000 term loan facility in order to finance the acquisition of two product tankers (“Navios Logistics Alpha Bank Loan”). The Navios Logistics Alpha Bank Loan bears interest at a rate of LIBOR (90 days) plus 315 basis points and is repayable in 20 quarterly installments with a final balloon payment of \$7,000 on the last repayment date. As of December 31, 2019, the outstanding amount of the loan was \$10,500.

Navios Logistics was in compliance with the covenants set forth in the Navios Logistics Alpha Bank Loan as of December 31, 2019.

*Navios Logistics Credit Agreement*

On August 17, 2018, Navios Logistics entered into a \$6,781 (€6,200) credit agreement in order to finance the 50% of the purchase price of a river and estuary tanker. The credit agreement bears interest at a fixed rate of 675 basis points and is repayable in 24 monthly installments with the final repayment in August 17, 2020. On August 26, 2019, Navios Logistics prepaid the total outstanding balance of the credit agreement, which was \$3,472 (€3,100).

*Navios Logistics Term Loan B Facility*

On November 3, 2017, Navios Logistics and Navios Logistics Finance (US) Inc., as co-borrowers, completed the issuance of a new \$100,000 Term Loan B Facility (the “Term Loan B Facility”). The Term Loan B Facility bears an interest rate of LIBOR plus 475 basis points and has a four-year term with 1.0% amortization per annum. The Term Loan B Facility is fully and unconditionally guaranteed jointly and severally, by all of Navios Logistics’ direct and indirect subsidiaries except for Horemor do Brasil, Naviera Alto Parana and Terra Norte, which are deemed to be immaterial, and Logistics Finance, which is the co-borrower of the Term Loan B Facility. The subsidiary guarantees are “full and unconditional,” except that the credit agreement governing the Term Loan B Facility provides for an individual subsidiary’s guarantee to be automatically released in certain circumstances. The Term Loan B Facility is secured by first priority mortgages on four tanker vessels servicing our cabotage business (on August 28, 2019, one tanker vessel was added as collateral in substitution of two tanker vessels), as well as by assignments of the revenues arising from certain time charter contracts, and an iron ore port contract.

The Term Loan B Facility contains restrictive covenants including restrictions on indebtedness, liens, acquisitions and investments, restricted payments and dispositions. The Term Loan B Facility also provides for customary events of default, including change of control.

As of December 31, 2019, a balance of \$98,000 was outstanding under the Term Loan B Facility.

Navios Logistics was in compliance with the covenants set forth in the Term Loan B Facility as of December 31, 2019.

*Navios Logistics Other indebtedness*

In connection with the acquisition of Hidronave S.A. on October 29, 2009, Navios Logistics assumed a \$817 loan facility that was entered into by Hidronave S.A. in 2001, in order to finance the construction of the pushboat Nazira. As of December 31, 2019, the outstanding loan balance was \$115. The loan facility bears interest at a fixed rate of 600 basis points. The loan is repayable in monthly installments of \$6 each and the final repayment must occur prior to August 10, 2021.

Navios Logistics was in compliance with all the covenants set forth in this facility as of December 31, 2019.

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***Navios Containers Debt***

From August 30, 2019, Navios Containers has been considered as an affiliate entity of Navios Holdings and not as a controlled subsidiary of the Company. As a result, Navios Containers has been accounted for under the equity method of accounting, and its loans are not consolidated in Navios Holdings balance sheet as of December 31, 2019 and, consequently, additional disclosures for Navios Containers loans for 2019 have not been included.

***ABN AMRO Bank N.V.***

On July 27, 2017, Navios Containers entered into a facility agreement with ABN AMRO for an amount of up to \$21,000 to finance part of the purchase price of seven containerships. This loan bears interest at a rate of LIBOR plus 400 basis points. Navios Containers has drawn the entire amount. On December 1, 2017, Navios Containers extended the facility dated July 27, 2017, for an additional amount of \$50,000 to finance part of the purchase price of four containerships. Pursuant to the supplemental agreement dated June 29, 2018, the additional loan bears interest at a rate of LIBOR plus 400 basis points. Navios Containers had drawn the entire amount under the additional loan. On December 6, 2018, Navios Containers fully prepaid the July 27, 2017 credit facility. As of December 31, 2018, there was no outstanding amount under this facility.

On December 3, 2018, Navios Containers entered into a facility agreement with ABN AMRO BANK N.V. for an amount of up to \$50,000 divided in two tranches: (i) the first tranche is for an amount of up to \$41,200 in order to refinance the outstanding debt of four containerships and to partially finance the acquisition of one containership and (ii) the second tranche is for an amount of \$8,800 in order to partially finance the acquisition of one containership. This loan bears interest at a rate of LIBOR plus 350 basis points. Navios Containers drew the entire amount under this facility, net of the loan's discount of \$500 in the fourth quarter of 2018. The facility is repayable in 16 consecutive quarterly installments, the first four in the amount of \$4,000, the fifth in the amount of \$3,375 and the subsequent 11 installments each in the amount of \$1,650 along with a final balloon payment of \$12,475 payable together with the last installment falling due in December 2022. The outstanding loan amount under this facility as of December 31, 2018 was \$50,000.

***BNP Paribas***

On May 25, 2018, Navios Containers entered into a facility agreement with BNP Paribas for an amount of up to \$25,000, to finance part of the purchase price of one containership. This loan bears interest at a rate of LIBOR plus 300 basis points. As of December 31, 2018, the Company had drawn \$25,000 under this facility. As of December 31, 2018, the outstanding loan amount under this facility was \$23,611 and is repayable in 18 equal consecutive quarterly installments, each in the amount of \$695 along with a final balloon payment of \$11,110 payable together with the last installment, falling due in May 2023.

On December 20, 2017, Navios Containers entered into a facility agreement with BNP Paribas for an amount of up to \$24,000 (divided in four tranches of up to \$6,000 each) to finance part of the purchase price of four containerships. This loan bears interest at a rate of LIBOR plus 300 basis points. Navios Containers drew the entire amount under this facility. As of December 31, 2018, the outstanding loan amount of the three tranches under this facility was \$15,428 and is repayable in 16 equal consecutive quarterly installments, each in the amount of \$643 along with a final balloon payment of \$5,142 payable together with the last installment, falling due on December 22, 2022. The outstanding loan amount of the fourth tranche is \$5,357 and is repayable in 17 equal consecutive quarterly installments each in the amount of \$214 along with a final balloon payment of \$1,714 payable together with the last installment due on February 28, 2023.

In September 2018, Navios Containers entered into a facility agreement with BNP Paribas to extend the facility dated December 20, 2017, for an additional amount of \$9,000 to partially finance the purchase price of one containership. This loan bears interest at a rate of LIBOR plus 300 basis points. Navios Containers drew the entire amount. As of December 31, 2018, the outstanding loan amount of the additional tranche is \$8,679 and is repayable in 19 quarterly consecutive installments of \$322 each plus a balloon installment of \$2,570 payable together with the last installment. The additional tranche matures in September 2023.

***Hamburg Commercial Bank AG***

On June 28, 2018, Navios Containers entered into a facility agreement with Hamburg Commercial Bank AG and Alpha Bank A.E. for an amount of up to \$36,000 to finance part of the purchase price of two containerships. This loan bears interest at a rate of LIBOR plus 325 basis points. Navios Containers drew the entire amount. The facility bears interest at a rate of LIBOR plus 325 basis

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points per annum. The facility is repayable in 14 consecutive quarterly installments each in an amount of \$1,200 plus a final balloon payment of \$15,200 payable together with the last installment falling due in June 2022. As of December 31, 2018, the outstanding loan amount under the facility was \$32,000.

On November 9, 2018, Navios Containers entered into a facility agreement with Hamburg Commercial Bank AG divided into four tranches of up to \$31,800 each to finance part of the purchase price of up to four 10,000 TEU containerships. This loan bears interest at a rate of LIBOR plus 325 basis points and commitment fee of 0.75% per annum on the undrawn loan amount. Each tranche of the facility is repayable in 19 consecutive quarterly installments each in an amount of \$678 together with a final balloon payment of \$18,918 payable together with the last installment falling due in July 2023. No amount had been drawn under this facility as of December 31, 2018.

*Navios Containers Financial liability*

On May 25, 2018, Navios Containers entered into a \$119,000 sale and leaseback transaction with Minsheng Financial Leasing Co. Ltd in order to refinance the outstanding balance of the existing facilities of 18 containerships. Navios Containers has a purchase obligation to acquire the vessels at the end of the lease term and under ASC 842-40, the transfer of the vessels was determined to be a failed sale. In accordance with ASC 842-40, Navios Containers did not derecognize the respective vessels from its balance sheet and accounted for the amounts received under the sale and leaseback transaction as a financial liability. From June 29, 2018 until November 9, 2018, Navios Containers completed the sale and leaseback of 14 vessels for \$90,200. Navios Containers does not intend to proceed with the sale and leaseback transaction of the four remaining vessels. Navios Containers is obligated to make 60 monthly payments in respect of all 14 vessels of approximately \$1,097 each. Navios Containers also has an obligation to purchase the vessels at the end of the fifth year for \$45,100. As of December 31, 2018, the outstanding balance under the sale and leaseback transaction was \$87,530.

As of December 31, 2018, Navios Containers was in compliance with all of the covenants under all of its credit facilities and its agreements governing its financial liabilities.

During the year ended December 31, 2019, the Company in relation to its secured credit facilities paid, \$59,194 related to scheduled repayment installments, \$31,228 related to the prepayment of two of Navios Holdings' credit facilities, \$13,420 related to the repayment of NSM loan, \$3,390 related to the prepayment of one of Navios Logistics' credit facilities, and \$53,075 related to the prepayment of two of Navios Containers' credit facilities. During the year ended December 31, 2019, the proceeds from long-term loans for Navios Holdings and for Navios Containers were \$4,000 and \$123,171, respectively, net of deferred fees.

The annual weighted average interest rates of the Company's total borrowings were 7.70%, 7.78%, and 7.11% for the years ended December 31, 2019, 2018 and 2017, respectively.

The maturity table below reflects the principal payments for the next five years and thereafter of all borrowings of Navios Holdings (including Navios Logistics) outstanding as of December 31, 2019, based on the repayment schedules of the respective loan facilities and the outstanding amount due under the debt securities.

<u>Year</u>	
2020	\$ 51,679
2021	188,012
2022	1,272,990
2023	36,467
2024	32,608
2025 and thereafter	—
<b>Total</b>	<b><u>\$1,581,756</u></b>

**NOTE 12: FAIR VALUE OF FINANCIAL INSTRUMENTS**

**Fair value of financial instruments**

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

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**Cash and cash equivalents:** The carrying amounts reported in the consolidated balance sheets for interest bearing deposits and money market funds approximate their fair value because of the short maturity of these investments.

**Restricted cash:** The carrying amounts reported in the consolidated balance sheets for interest bearing deposits approximate their fair value because of the short maturity of these investments.

**Borrowings:** The book value has been adjusted to reflect the net presentation of deferred financing costs. The outstanding balance of the floating rate loans continues to approximate their fair value, excluding the effect of any deferred finance costs. The 2022 Notes, the 2022 Logistics Senior Notes, the 2022 Senior Secured Notes and two Navios Logistics' loans are fixed rate borrowings and their fair value was determined based on quoted market prices.

**Loan receivable from affiliate companies:** The carrying amount of the fixed rate loan approximates its fair value.

**Loan payable to affiliate companies:** The carrying amount of the fixed rate loan approximates its fair value.

**Investments in available-for-sale securities:** The carrying amount of the investments in available-for-sale securities reported in the consolidated balance sheets represents unrealized gains and losses on these securities, which were reflected directly in equity unless an unrealized loss was considered "other-than-temporary", in which case it was transferred to the consolidated statements of comprehensive (loss)/income. Since January 1, 2018 the unrealized gains and losses on these securities are reflected in the consolidated statements of comprehensive (loss)/income.

**Long-term receivable from affiliate companies:** The carrying amount of long-term receivable from affiliate companies approximates their fair value.

**Long-term payable to affiliate companies:** The carrying amount of long-term payables to affiliate companies approximates their fair value.

The estimated fair values of the Company's financial instruments were as follows:

	December 31, 2019		December 31, 2018	
	Book Value	Fair Value	Book Value	Fair Value
Cash and cash equivalents	\$ 77,991	\$ 77,991	\$ 137,882	\$ 137,882
Restricted cash	\$ 736	\$ 736	\$ 12,892	\$ 12,892
Investments in available-for-sale-securities	\$ 189	\$ 189	\$ 192	\$ 192
Loan receivable from affiliate companies	\$ 24,495	\$ 24,495	\$ 46,089	\$ 46,089
Long-term receivable from affiliate company	\$ 5,328	\$ 5,328	\$ —	\$ —
Senior and ship mortgage notes, net	\$(1,170,679)	\$(875,228)	\$(1,272,108)	\$(966,402)
Long-term debt, including current portion	\$ (262,030)	\$(264,498)	\$ (543,899)	\$(549,078)
Loan payable to affiliate companies, including current portion	\$ (130,538)	\$(130,538)	\$ —	\$ —
Long-term payable to affiliate companies	\$ (5,000)	\$ (5,000)	\$ (67,154)	\$ (67,154)

The following table sets forth our assets that are measured at fair value on a recurring basis categorized by fair value hierarchy level. As required by the fair value guidance, assets are categorized in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Total	Fair Value Measurements as of December 31, 2019		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
Investments in available-for-sale-securities	\$189	\$ 189	\$ —	\$ —
<b>Total</b>	<b>\$189</b>	<b>\$ 189</b>	<b>\$ —</b>	<b>\$ —</b>

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	Fair Value Measurements as of December 31, 2018			
	Total	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
Investments in available-for-sale-securities	\$192	\$ 192	\$ —	\$ —
<b>Total</b>	<b>\$192</b>	<b>\$ 192</b>	<b>\$ —</b>	<b>\$ —</b>

The Company's assets measured at fair value on a non-recurring basis were:

	Fair Value Measurements as of December 31, 2019			
	Total	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
Vessels, port terminals and other fixed assets, net	\$ 62,397	\$ 7,497	\$ 54,900	\$ —
Operating lease assets	\$ 89,945	\$ —	\$ 89,945	\$ —
<b>Total</b>	<b>\$152,342</b>	<b>\$ 7,497</b>	<b>\$ 144,845</b>	<b>\$ —</b>

The Company recorded an impairment loss of \$92,013 during the year ended December 31, 2019 for three of its vessels, thus reducing vessels' net book value to \$62,397, as at December 31, 2019.

The Company recorded an impairment loss of \$38,636 during the year ended December 31, 2019 for certain of its chartered in vessels, thus reducing operating lease assets' value to \$89,945, as at December 31, 2019.

	Fair Value Measurements as of December 31, 2018			
	Total	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
Vessels, port terminals and other fixed assets, net	\$100,250	\$ —	\$ 100,250	\$ —
Investments in affiliates	\$ 29,328	\$ 29,328	\$ —	\$ —
<b>Total</b>	<b>\$129,578</b>	<b>\$ 29,328</b>	<b>\$ 100,250</b>	<b>\$ —</b>

The Company recorded an impairment loss of \$179,186 during the year ended December 31, 2018 for four of its vessels, thus reducing vessels' net book value to \$100,250, as at December 31, 2018.

The Company recorded an OTTI loss of \$55,524 on its investment in Navios Partners during the year ended December 31, 2018, thus reducing its total carrying value to \$29,328 as at December 31, 2018.

**Fair Value Measurements**

The estimated fair value of our financial instruments that are not measured at fair value on a recurring basis, categorized based upon the fair value hierarchy, are as follows:

Level I: Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets that the Company has the ability to access. Valuation of these items does not entail a significant amount of judgment.

Level II: Inputs other than quoted prices included in Level I that are observable for the asset or liability through corroboration with market data at the measurement date.

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Level III: Inputs that are unobservable.

	<b>Fair Value Measurements at December 31, 2019</b>			
	<b>Total</b>	<b>(Level I)</b>	<b>(Level II)</b>	<b>(Level III)</b>
Cash and cash equivalents	\$ 77,991	\$ 77,991	\$ —	\$ —
Restricted cash	\$ 736	\$ 736	\$ —	\$ —
Investments in available-for-sale-securities	\$ 189	\$ 189	\$ —	\$ —
Loan receivable from affiliate companies <sup>(2)</sup>	\$ 24,495	\$ —	\$ 24,495	\$ —
Long-term receivable from affiliate company	\$ 5,328	\$ —	\$ 5,328	\$ —
Senior and ship mortgage notes	\$(875,228)	\$(866,602)	\$ (8,626)	\$ —
Long-term debt, including current portion <sup>(1)</sup>	\$(264,498)	\$ —	\$(264,498)	\$ —
Loan payable to affiliate companies, including current portion	\$(130,538)	\$ —	\$(130,538)	\$ —
Long-term payable to affiliate companies <sup>(2)</sup>	\$ (5,000)	\$ —	\$ (5,000)	\$ —

	<b>Fair Value Measurements at December 31, 2018</b>			
	<b>Total</b>	<b>(Level I)</b>	<b>(Level II)</b>	<b>(Level III)</b>
Cash and cash equivalents	\$ 137,882	\$ 137,882	\$ —	\$ —
Restricted cash	\$ 12,892	\$ 12,892	\$ —	\$ —
Investments in available-for-sale-securities	\$ 192	\$ 192	\$ —	\$ —
Loan receivable from affiliate companies <sup>(2)</sup>	\$ 46,089	\$ —	\$ 46,089	\$ —
Senior and ship mortgage notes	\$(966,402)	\$(966,402)	\$ —	\$ —
Long-term debt, including current portion <sup>(1)</sup>	\$(549,078)	\$ —	\$(549,078)	\$ —
Long-term payable to affiliate companies <sup>(2)</sup>	\$ (67,154)	\$ —	\$ (67,154)	\$ —

- (1) The fair value of the Company's long-term debt is estimated based on currently available debt with similar contract terms, interest rates and remaining maturities, published quoted market prices as well as taking into account the Company's creditworthiness.
- (2) The fair value of the Company's loan receivable from/payable to affiliate companies and long-term receivable from/payable to affiliate companies is estimated based on currently available debt with similar contract terms, interest rate and remaining maturities as well as taking into account the counterparty's creditworthiness.

**NOTE 13: EMPLOYEE BENEFIT PLANS**

**Retirement Saving Plan**

The Company sponsored an employee saving plan covering all of its employees in the United States. The Company's contributions to the employee saving plan during the years ended December 31, 2019, 2018, and 2017, were approximately \$73, \$132 and \$115, respectively, which included a discretionary contribution of \$0, \$36, and \$22, respectively. Following the sale of the management division effected on August 30, 2019, outlined in Note 3, these benefits are provided by NSM.

**Defined Benefit Pension Plan**

The Company sponsored a legacy unfunded defined benefit pension plan that covered certain Bahamian and Uruguayan nationals and former Navios Corporation employees. The liability related to the plan was recognized based on actuarial valuations. The current portion of the liability was included in accrued expenses and the non-current portion of the liability was included in other long-term liabilities. There were no pension plan assets. Following the sale of the management division effected on August 30, 2019, outlined in Note 3, these benefits are provided by NSM.

The Greek office employees were protected by the Greek Labor Law. According to the law, the Company was required to pay retirement indemnities to employees on dismissal, or on leaving with an entitlement to a full security retirement pension. Please refer to Note 2(s). Following the sale of the management division effected on August 30, 2019, outlined in Note 3, these benefits are provided by NSM.

**Stock Plan**

The Company has awarded restricted share units, shares of restricted common stock and restricted stock units to its employees,



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officers and directors. The restriction lapses in two, three or four equal tranches, over the requisite service periods, of one, two, three and four years from the grant date. The Company has also awarded share appreciation rights and stock options to its officers and directors only, based on service conditions, which vest in three equal tranches over the requisite service periods of one, two and three years from the grant date. Each option expires seven years after its grant date. Please refer to Note 2(s).

During the years ended December 31, 2019, 2018 and 2017, the Company did not award any restricted stock, restricted stock units or stock options, which vest upon achievement of certain performance conditions.

The fair value of all share appreciation rights awards and stock option awards has been calculated based on the modified Black-Scholes method. A description of the significant assumptions used to estimate the fair value of the stock option awards is set out below:

- *Expected term:* The Company began granting stock options in October 2007. The first stock option exercise was in 2010 and the number of options exercised (adjusted to reflect the Reverse Stock Split) during each of the years ended December 31, 2014 (14,319), 2013 (15,356), 2012 (2,925), 2011 (13,058) and 2010 (13,058) was small in relation to the total number of options granted. No stock options were exercised during the years ended December 31, 2019, 2018 and 2017. Therefore, due to limited historical share option exercise experience to provide for a reasonable basis upon which to estimate expected term, the Company opted to apply the simplified method.

The “simplified method” used includes taking the average of the weighted average time to vesting and the contractual term of the share appreciation rights and option awards. The service conditions share appreciation rights and option awards vest over three years at 33.3%, 33.3% and 33.4%, respectively, resulting in a weighted average time to vest of approximately 2 years. The contractual term of the award is 7 years. Utilizing the simplified approach formula, the derived expected term estimate for the Company’s service conditions share appreciation rights and option award is 4.5 years.

- *Expected volatility:* The historical volatility of Navios Holdings’ shares was used in order to estimate the volatility of the share appreciation rights and stock option awards. The final expected volatility estimate, which equals the historical estimate, for the service conditions option awards was 84.71% and 55.17% for 2016 and 2015, respectively.
- *Expected dividends:* The expected dividend is based on the current dividend, our historical pattern of dividend changes and the market price of our stock.
- *Risk-free rate:* Navios Holdings has selected to employ the risk-free yield-to-maturity rate to match the expected term estimated under the “simplified method”. For the service conditions share appreciation rights and option awards, the 4.5-year yield-to-maturity rate as of the grant date was 1.81% and 1.46% for 2016 and 2015, respectively.

The fair value of restricted share unit, restricted stock and restricted stock unit grants excludes dividends to which holders of restricted share units, restricted stock and restricted stock units are not entitled. The expected dividend assumption used in the valuation of restricted share unit, restricted stock and restricted stock units grant is \$0 for 2019, 2018 and 2017.

The weighted average grant date fair value of restricted stock granted during the year ended December 31, 2019 was \$2.84.

The weighted average grant date fair value of restricted stock granted during the year ended December 31, 2018 was \$3.0.

The weighted average grant date fair value of restricted units and restricted stock granted during the year ended December 31, 2017 was \$12.7 and \$12.7, respectively.

The effect of compensation expense arising from the stock-based arrangements described above amounted to \$2,885, \$4,556 and \$4,296 for the years ended December 31, 2019, 2018 and 2017, respectively and it was reflected in general and administrative expenses on the consolidated statements of comprehensive (loss)/income. The recognized compensation expense for the year is presented as an adjustment to reconcile net income to net cash provided by operating activities on the consolidated statements of cash flows.

The outstanding stock-based awards as of August 30, 2019, date of the sale of the management division, relate to grants to the Company’s officers and directors.

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The summary of stock-based awards is summarized as follows (in thousands except share and per share data which have been adjusted to reflect the Reverse Stock Split):

<u>Options</u>	<u>Shares</u>	<u>Weighted average exercise price</u>	<u>Weighted average remaining term</u>	<u>Aggregate fair value</u>
<b>Outstanding as of December 31, 2016</b>	<b>879,625</b>	<b>\$ 32.0</b>	<b>4.41</b>	<b>\$ 9,804</b>
Vested at December 31, 2016	121,082	—	—	—
Exercisable at December 31, 2016	121,082	—	—	—
Forfeited or expired	(89,167)	—	—	(2,265)
Granted	—	—	—	—
<b>Outstanding as of December 31, 2017</b>	<b>790,458</b>	<b>\$ 29.8</b>	<b>3.80</b>	<b>\$ 7,539</b>
Vested at December 31, 2017	136,011	—	—	—
Exercisable at December 31, 2017	136,011	—	—	—
Forfeited or expired	(128,481)	—	—	(1,843)
Granted	—	—	—	—
<b>Outstanding as of December 31, 2018</b>	<b>661,977</b>	<b>\$ 28.2</b>	<b>3.36</b>	<b>\$ 5,696</b>
Vested at December 31, 2018	116,667	—	—	—
Exercisable at December 31, 2018	116,667	—	—	—
Forfeited or expired	(132,209)	—	—	(682)
<b>Outstanding as of December 31, 2019</b>	<b>529,768</b>	<b>26.6</b>	<b>2.96</b>	<b>5,014</b>
<b>Restricted stock and restricted stock units</b>				
<b>Non Vested as of December 31, 2016</b>	<b>450,253</b>	<b>\$ —</b>	<b>2.55</b>	<b>\$ 6,100</b>
Granted	435,398	—	—	5,530
Vested	(183,920)	—	—	(2,571)
Forfeited or expired	—	—	—	—
<b>Non Vested as of December 31, 2017</b>	<b>701,731</b>	<b>\$ —</b>	<b>3.09</b>	<b>\$ 9,059</b>
Granted	287,500	—	—	863
Vested	(279,071)	—	—	(3,425)
Forfeited or expired	(450)	—	—	(7)
<b>Non Vested as of December 31, 2018</b>	<b>709,710</b>	<b>\$ —</b>	<b>3.11</b>	<b>\$ 6,490</b>
Granted	167,515	—	—	476
Vested	(180,469)	—	—	(1,595)
Forfeited or expired	(3,367)	—	—	(42)
<b>Non Vested as of December 31, 2019</b>	<b>693,389</b>	<b>\$ —</b>	<b>2.32</b>	<b>\$ 5,329</b>

The estimated compensation cost relating to service conditions of non-vested (i) share appreciation rights and stock options and (ii) restricted share units, restricted stock and restricted stock unit awards, not yet recognized was \$0 and \$1,943, respectively, as of December 31, 2019 and is expected to be recognized over the weighted average period of 3.07 years.

**NOTE 14: COMMITMENTS AND CONTINGENCIES**

As of December 31, 2019, the Company was contingently liable for letters of guarantee and letters of credit amounting to \$10 (December 31, 2018: \$1,577 ) issued by various banks in favor of various organizations and the total amount was collateralized by cash deposits, which were included as a component of restricted cash.

In December 2017, the Company agreed to charter-in, under a ten year bareboat contract, from an unrelated third party the Navios Galaxy II, a newbuilding bulk carrier vessel of about 81,789 dwt. On March 30, 2020, Navios Holdings took delivery of Navios Galaxy II. The Company has agreed to pay in total \$5,410 representing a deposit for the option to acquire the vessel, of which \$2,705 was paid during the year ended December 31, 2017 and the remaining \$2,705 was paid during April 2019. As of December 31, 2019, the total amount of \$6,169, including expenses and interest, is presented under the caption “Other long-term assets”.

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In January 2018, Navios Holdings agreed to charter-in, under two ten-year bareboat contracts, from an unrelated third party the Navios Herakles I and the Navios Uranus, two newbuilding bulk carriers of 82,036 dwt and 81,516 dwt, respectively. On August 28, 2019 Navios Holdings took delivery of Navios Herakles I. On November 28, 2019 Navios Holdings took delivery of Navios Uranus. Navios Holdings has agreed to pay in total \$11,140, representing a deposit for the option to acquire these vessels, of which \$8,340 was paid during the period ended December 31, 2018 and the remaining \$2,800 was paid during January 2019. As of December 31, 2019, the total amount of \$14,070, including expenses and interest, is presented under the caption “Other long-term assets”.

In April 2018, Navios Holdings agreed to charter-in, under one ten-year bareboat contract, from an unrelated third party the Navios Felicity I, a newbuilding bulk carrier of 81,946 dwt. On January 17, 2020 Navios Holdings took delivery of Navios Felicity I. Navios Holdings has agreed to pay in total \$5,590, representing a deposit for the option to acquire this vessel, of which \$2,795 was paid during the period ended December 31, 2018 and the remaining \$2,795 was paid during February 2019. As of December 31, 2019, the total amount of \$6,601, including expenses and interest, is presented under the caption “Other long-term assets”.

Navios Holdings agreed to charter-in, under one ten-year bareboat contract, from an unrelated third party the Navios Magellan II, a newbuilding bulk carrier of about 81,000 dwt, expected to be delivered in the second quarter of 2020. Navios Holdings has agreed to pay in total \$5,820, representing a deposit for the option to acquire this vessel, of which \$2,910 was paid upon signing of the contract in October 2018 and the remaining \$2,910 was paid during June 2019. As of December 31, 2019, the total amount of \$6,534, including expenses and interest, is presented under the caption “Other long-term assets”.

Navios Logistics has issued a guarantee and indemnity letter that guarantees the performance by Petrolera San Antonio S.A. (a consolidated subsidiary) of all its obligations to Vitol S.A. up to \$12,000. This guarantee expires on March 1, 2021.

The Company is involved in various disputes and arbitration proceedings arising in the ordinary course of business. Provisions have been recognized in the financial statements for all such proceedings where the Company believes that a liability may be probable, and for which the amounts can be reasonably estimated, based upon facts known on the date the financial statements were prepared. Although the Company cannot predict with certainty the ultimate resolutions of these matters, in the opinion of management, the ultimate disposition of these matters is not expected to have a material adverse effect on the Company’s financial position, results of operations or liquidity.

On July 22, 2016, Navios Logistics guaranteed the compliance of certain obligations related to Edolmix S.A. and Energías Renovables del Sur S.A. (entities wholly owned by Navios Logistics) under their respective direct user agreements with the Free Zone of Nueva Palmira, for the amounts of \$847 and \$519, respectively.

On August 16, 2018, there was a fire incident at the iron ore port terminal in Nueva Palmira, Uruguay, for which Navios Logistics maintains property and loss of earnings insurance coverage for such types of events (subject to applicable deductibles and other customary limitations). As of September 12, 2019, the full amount has been collected in relation to this insurance claim.

**NOTE 15: LEASES**

On January 1, 2019, the Company adopted ASC 842. ASC 842 revises the accounting for leases. Under the new lease standard, lessees are required to recognize a right-of-use asset and a lease liability for substantially all leases. The new lease standard will continue to classify leases as either financing or operating, with classification affecting the pattern of expense recognition. The accounting applied by a lessor under the new guidance will be substantially equivalent to current lease accounting guidance.

The following are the type of contracts that fall under ASC 842:

*Time charter out contracts*

The Company’s contract revenues from time chartering are governed by ASC 842. Upon adoption of ASC 842, the timing and recognition of earnings from the time charter contracts to which the Company is party did not change from previous practice. In a time charter contract, the Company is responsible for all the costs incurred for running the vessel such as crew costs, vessel insurance, repairs and maintenance and lubes. The charterer bears the voyage related costs such as bunker expenses, port charges and canal tolls during the hire period. The Company has determined to recognize lease revenue as a combined single lease component for all time charters (operating leases) as the related lease component and non-lease component will have the same timing and pattern of the revenue recognition of the combined single lease component. The performance obligations in a time charter contract are satisfied over

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the term of the contract beginning when the vessel is delivered to the charterer until it is redelivered back to the Company. The Company determined that all time charter contracts are considered operating leases and therefore fall under the scope of ASC 842 because: (i) the vessel is an identifiable asset; (ii) the Company 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.

The transition guidance associated with ASC 842 allows for certain practical expedients to the lessors. The Company elected to not separate the lease and non-lease components included in the time charter revenue because (i) the pattern of revenue recognition for the lease and non-lease components (included in the daily hire rate) is the same. The daily hire rate represents the hire rate for a bare boat charter as well as the compensation for expenses incurred running the vessel such as crewing expense, repairs, insurance, maintenance and lubes. Both the lease and non-lease components are earned by passage of time.

As a result of the adoption of these standards, there was no effect on the Company's opening retained earnings, consolidated balance sheets and consolidated statements of comprehensive (loss)/income.

*Time charter in contracts*

As of December 31, 2019, Navios Holdings had time charter-in contracts whose remaining lease terms ranged from 0.1 years to 10.1 years. Certain operating leases have optional periods. Based on management estimates and market conditions, the lease term of these leases is being assessed at each balance sheet date. Regarding leases that have not yet commenced refer to Note 14. The Company will continue to recognize the lease payments for all operating leases as charter hire expense on the consolidated statements of comprehensive (loss)/income on a straight-line basis over the lease term.

*Land lease agreements*

As of December 31, 2019, Navios Logistics had land lease agreements whose remaining lease terms range from 46.2 years to 46.6 years.

*Office lease agreements*

As of December 31, 2019, Navios Logistics had office lease agreements whose remaining lease terms ranged from 0.2 years to 3.8 years, respectively. Following the sale of the management division effected on August 30, 2019, outlined in Note 3, Navios Holdings has no office lease obligations.

Under ASC 842, leases are classified as either finance or operating arrangements, with such classification affecting the pattern and classification of expense recognition in an entity's income statement. For operating leases, ASC 842 requires recognition in an entity's income statement of a single lease expense, calculated so that the cost of the lease is allocated over the lease term, generally on a straight-line basis. Right-of-use assets represent a right to use an underlying asset for the lease term and the related lease liability represents an obligation to make lease payments pursuant to the contractual terms of the lease agreement.

In connection with its adoption of ASC 842, the Company elected the "package of 3" practical expedients permitted under the transition guidance based on which the Company is allowed to not (i) reassess whether any expired or existing contracts are considered or contain leases; (ii) reassess the lease classification for any expired or existing leases; and (iii) reassess initial direct costs for any existing leases.

Additionally, the Company elected the practical expedient allowed under the transition guidance of ASC 842 to not separate the lease and non-lease components related to a lease contract and to account for them as a single lease component for the purposes of the recognition and measurement requirements of ASC 842.

Prior to January 1, 2019, the Company recognized lease expense in accordance with then-existing U.S. GAAP ("prior GAAP"). Because both ASC 842 and prior GAAP generally recognize operating lease expense on a straight-line basis over the term of the lease arrangement and the Company only has operating lease arrangements, there were no differences between the timing and amount of lease expense recognized under the two accounting methodologies.

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	Drybulk Vessel Operations December 31, 2019	Drybulk Vessel Operations January 1, 2019	Logistics Business December 31, 2019	Logistics Business January 1, 2019	Total December 31, 2019	Total January 1, 2019
<b>Operating lease assets</b>						
Charter-in contracts (1)	\$ 255,153	\$342,353	\$ —	\$ —	\$ 255,153	\$342,353
Land lease agreements	—	—	7,660	7,427	7,660	7,427
Office lease agreements	—	12,453	1,192	1,619	1,192	14,072
<b>Total</b>	<b>\$ 255,153</b>	<b>\$354,806</b>	<b>\$ 8,852</b>	<b>\$ 9,046</b>	<b>\$ 264,005</b>	<b>\$363,852</b>
<b>Operating lease liabilities, current portion (2)</b>						
Charter-in contracts	\$ 86,636	\$ 89,236	\$ —	\$ —	\$ 86,636	\$ 89,236
Land lease agreements	—	—	(218)	535	(218)	535
Office lease agreements	—	1,230	685	584	685	1,814
<b>Total</b>	<b>\$ 86,636</b>	<b>\$ 90,466</b>	<b>\$ 467</b>	<b>\$ 1,119</b>	<b>\$ 87,103</b>	<b>\$ 91,585</b>
<b>Operating lease liabilities, net of current portion (2)</b>						
Charter-in contracts	\$ 217,932	\$267,301	\$ —	\$ —	\$ 217,932	\$267,301
Land lease agreements	—	—	7,878	6,892	7,878	6,892
Office lease agreements	—	11,223	519	1,035	519	12,258
<b>Total</b>	<b>\$ 217,932</b>	<b>\$278,524</b>	<b>\$ 8,397</b>	<b>\$ 7,927</b>	<b>\$ 226,329</b>	<b>\$286,451</b>

- (1) On January 1, 2019, operating lease assets were adjusted for \$14,184 representing the balance of the carrying amount of the liabilities regarding straight line and the provision for losses on the time charters and voyages in progress recognized in the consolidated balance sheet as of December 31, 2018.
- (2) Based on the net present value of the remaining charter-in and rental payments for existing operating leases.

At lease commencement, the Company determines a discount rate to calculate the present value of the lease payments so that it can determine lease classification and measure the lease liability. In determining the discount rate to be used at lease commencement, the Company used its incremental borrowing rate as there was no implicit rate included in charter-in contracts, land lease and office lease agreements that can be readily determinable. The incremental borrowing rate is the rate that reflects the interest a lessee would have to pay to borrow funds on a collateralized basis over a similar term and in a similar economic environment. The Company then applied the respective incremental borrowing rates to each lease based on the remaining lease term of the specific lease. Navios Holdings' and Navios Logistics' incremental borrowing rates upon adoption were 8.25% and 7.25%, respectively.

The tables below present the components of the Company's lease expense for the years ended December 31, 2019, 2018 and 2017:

	Drybulk Vessel Operations Year Ended December 31, 2019	Logistics Business Year Ended December 31, 2019	Total
Lease expense for charter-in contracts	\$ 119,801	\$ 3,865	\$123,666
Lease expense for land lease agreements	—	552	552
Lease expense for office lease agreements	1,825	676	2,501
<b>Total</b>	<b>\$ 121,626</b>	<b>\$ 5,093</b>	<b>\$126,719</b>
	Drybulk Vessel Operations Year Ended December 31, 2018	Logistics Business Year Ended December 31, 2018	Total
Lease expense for charter-in contracts	\$ 131,438	\$ 114	\$131,552
Lease expense for land lease agreements	—	344	344
Lease expense for office lease agreements	2,174	702	2,876
<b>Total</b>	<b>\$ 133,612</b>	<b>\$ 1,160</b>	<b>\$134,772</b>

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	Drybulk Vessel Operations Year Ended December 31, 2017	Logistics Business Year Ended December 31, 2017	Total
Lease expense for charter-in contracts	\$ 126,533	\$ 1,564	\$128,097
Lease expense for land lease agreements	—	303	303
Lease expense for office lease agreements	1,971	677	2,648
<b>Total</b>	<b>\$ 128,504</b>	<b>\$ 2,544</b>	<b>\$131,048</b>

Lease expenses for charter-in contracts are included in the consolidated statement of comprehensive (loss)/ income within the caption “Time charter, voyage and logistics business expenses”. Lease expenses for land lease agreements and office lease agreements are included in the consolidated statement of comprehensive (loss)/income within the captions “Time charter, voyage and logistics business expenses” and “General and administrative expenses”, respectively.

During the year ended December 31, 2019, Navios Holdings recorded an impairment loss of \$38,636 for certain of its chartered-in vessels.

The Company entered into new lease liabilities amounting to \$47,064 during the year ended December 31, 2019.

The table below provides the total amount of lease payments on an undiscounted basis on our chartered-in contracts, office lease agreements and land lease agreements as of December 31, 2019:

	Charter-in vessels in operation	Land Leases	Office space
December 31, 2020	\$109,574	\$ 556	\$ 753
December 31, 2021	85,399	556	356
December 31, 2022	57,282	556	101
December 31, 2023	47,603	556	81
December 31, 2024	34,025	556	—
December 31, 2025 and thereafter	33,481	23,002	—
<b>Total</b>	<b>\$367,364</b>	<b>\$25,782</b>	<b>\$ 1,291</b>
<b>Operating lease liabilities, including current portion</b>	<b>\$304,568</b>	<b>\$ 7,660</b>	<b>\$ 1,204</b>
<b>Discount based on incremental borrowing rate</b>	<b>\$ 62,796</b>	<b>\$18,122</b>	<b>\$ 87</b>

As of December 31, 2019, the weighted average remaining lease terms on our charter-in contracts, office lease agreements and land leases are 4.5 years, 1.9 years and 46.3 years, respectively.

As of December 31, 2018, the Company’s future minimum commitments, net of commissions under chartered-in vessels, land lease and office space were as follows:

	Charter-in vessels in operation	Charter-in vessels to be delivered	Land leases	Office space
2019	\$ 114,668	\$ 5,165	\$ 556	\$ 2,652
2020	100,829	14,261	556	1,961
2021	72,826	15,391	556	1,590
2022	47,695	15,119	556	1,750
2023	38,986	14,298	556	1,655
2024 and thereafter	42,685	58,389	23,561	7,346
<b>Total</b>	<b>\$ 417,689</b>	<b>\$ 122,623</b>	<b>\$26,341</b>	<b>\$ 16,954</b>

The above table incorporates the lease commitments on all offices as disclosed above.

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**Chartered-out vessels, barges and pushboats:**

The future minimum revenue, net of commissions, (i) for dry bulk vessels, expected to be earned on non-cancelable time charters; and (ii) for the Company's logistics business, expected to be earned on non-cancelable time charters, COA's with minimum guaranteed volumes and contracts with minimum guaranteed throughput in Navios Logistics' ports expected to be earned on non-cancelable time charters, are as follows:

	Dry bulk vessels	Logistics business
2020	22,266	129,437
2021	4,607	97,544
2022	3,445	75,425
2023	—	69,250
2024	—	60,200
2025 and thereafter	—	642,479
<b>Total minimum revenue, net of commissions</b>	<b><u>\$30,318</u></b>	<b><u>\$1,074,335</u></b>

Revenues from time charters are not generally received when a vessel is off-hire, which includes time required for scheduled maintenance of the vessel.

**NOTE 16: TRANSACTIONS WITH RELATED PARTIES**

**Sale of Management:** In August 2019, Navios Holdings sold its ship management division, the general partnership interests in Navios Partners (except for the incentive distribution rights) and Navios Containers GP LLC to NSM, affiliated with Company's Chairman and Chief Executive Officer, Angeliki Frangou. The Company received aggregate consideration of \$20,000 (including assumption of liabilities) and five-year service agreements under which NSM provides technical and commercial management services at a fixed rate of \$3.7 per day per vessel for a two-year period which will increase thereafter by 3% annually, unless otherwise agreed, and administrative services, reimbursed at allocable cost. As a result of the Transaction the Company is a holding company owning dry bulk vessels and various investments in entities owning maritime and infrastructure assets. NSM owns all entities providing ship management services and employs all associated people. NSM owns the general partner interests in Navios Containers and Navios Partners. The Company simultaneously entered into a secured credit facility with NSM whereby the Company agreed to repay NSM a loan of \$141,795 (including post-closing adjustments). See also "NSM Loan" below.

**Office Rent:** The Company had entered into lease agreements with Goldland Ktimatiki-Ikodomiki-Touristiki Xenodohiaki Anonimos Eteria, Emerald Ktimatiki-Ikodomiki Touristiki Xenodohiaki Anonimos Eteria and Infraco Limited, all of which are Greek corporations that are currently majority-owned by Angeliki Frangou, Navios Holdings' Chairman and Chief Executive Officer. The lease agreements provided for the leasing of facilities located in Piraeus, Greece to house the operations of most of the Company's subsidiaries. Following the sale of the management division effected on August 30, 2019, outlined in Note 3, Navios Holdings has no office lease obligations.

**Purchase of Services:** The Company utilized its former affiliate company, Acropolis, as a broker until the sale of its investment on December 6, 2018. Commissions charged from Acropolis for each of the years ended December 31, 2019, 2018 and 2017 were \$0 for all periods. Included in the trade accounts payable at both December 31, 2019 and 2018 was an amount due to Acropolis of \$76.

**Vessels Charter Hire:** From 2012, Navios Holdings has entered into charter-in contracts for certain of Navios Partners' vessels, all of which have been redelivered by April 2016.

In 2015, the Company entered into various charters with Navios Partners for the Navios Gemini, Navios Hyperion, Navios Soleil, Navios Harmony, Navios Orbiter, Navios Fantastiks, Navios Alegria, Navios Pollux and Navios Sun. The terms of these charters were approximately nine to twelve months, at a net daily rate of \$7.6, \$12.0, \$12.0, \$12.0, \$12.0, \$12.5, \$12.0, \$11.4 and \$12.0, respectively plus 50/50 profit sharing based on actual earnings at the end of the period.

In November 2016, the Company entered into a charter with Navios Partners for the Navios Fulvia, a 2010-built Capesize vessel. The term of this charter was approximately three months from November 2016, at a net daily rate of \$11.5.



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Total charter hire expense for all vessels for the years ended December 31, 2019, 2018 and 2017 was \$0, \$0 and \$651, respectively, and was included in the consolidated statements of comprehensive (loss)/income under “Time charter, voyage and logistics business expenses”.

**Management Fees:** Navios Holdings provided commercial and technical management services to Navios Partners’ vessels for a daily fixed fee. This daily fee covered all of the vessels’ operating expenses, including the cost of drydock and special surveys. In February 2016, the Company amended its existing management agreement to fix the fees for ship management services of its owned fleet at: (i) \$4.1 daily rate per Ultra-Handymax vessel; (ii) \$4.2 daily rate per Panamax vessel; (iii) \$5.25 daily rate per Capesize vessel; (iv) \$6.7 daily rate per container vessel of TEU 6,800; (v) \$7.4 daily rate per container vessel of more than TEU 8,000; and (vi) \$8.75 daily rate per very large container vessel of more than TEU 13,000 through December 31, 2017. In November 2017, the Company further amended its existing management agreement to fix the fees for ship management services of its owned fleet at: (i) \$4.2 daily rate per Ultra-Handymax vessel; (ii) \$4.3 daily rate per Panamax vessel; (iii) \$5.25 daily rate per Capesize vessel; (iv) \$6.7 daily rate per container vessel of TEU 6,800; (v) \$7.4 daily rate per container vessel of more than TEU 8,000; and (vi) \$8.75 daily rate per very large container vessel of more than TEU 13,000 through December 31, 2019. Following the sale of the management division effected on August 30, 2019, outlined in Note 3, these services are provided by NSM. For the period from January 1, 2019 to August 30, 2019 certain extraordinary fees and costs related to regulatory requirements under Navios Partners’ management agreement amounted to \$7,560 (for each of the years ended December 31, 2018 and 2017: \$0) and are presented under the caption “Other income”. Drydocking expenses were reimbursed by Navios Partners at cost.

Total management fees for the period from January 1, 2019 to August 30, 2019 and the years ended December 31, 2018 and 2017 amounted to \$44,264, \$68,871 and \$62,157, respectively, and are presented net under the caption “Direct vessel expenses”.

Navios Holdings provided commercial and technical management services to Navios Acquisition’s vessels for a daily fee that was fixed. This daily fee covered all of the vessels’ operating expenses, other than certain fees and costs. Actual operating costs and expenses would be determined in a manner consistent with how the initial fixed fees were determined. In May 2014, Navios Holdings extended the duration of its existing management agreement with Navios Acquisition until May 2020 and fixed the fees for ship management services of Navios Acquisition owned fleet for two additional years through May 2016 at \$6.0 per owned MR2 product tanker and chemical tanker vessel, \$7.0 per owned LR1 product tanker vessel and reduced the daily rate to \$9.5 per VLCC vessel. In May 2016, Navios Holdings amended its agreement with Navios Acquisition to fix the fees for ship management services of Navios Acquisition owned fleet at a daily fee of (i) \$6.35 per MR2 product tanker and chemical tanker vessel; (ii) \$7.15 per LR1 product tanker vessel; and (iii) \$9.5 per VLCC through May 2018. In May 2018, Navios Holdings amended its agreement with Navios Acquisition to fix the fees for ship management services of Navios Acquisition owned fleet at a daily fee of (i) \$6.5 per MR2 product tanker and chemical tanker vessel; (ii) \$7.15 per LR1 product tanker vessel; and (iii) \$9.5 per VLCC through May 2020.

Following the sale of the management division effected on August 30, 2019, outlined in Note 3, these services are provided by NSM. For the period from January 1, 2019 to August 30, 2019, certain extraordinary fees and costs related to regulatory requirements under Navios Acquisition’s management agreement amounted to \$8,190 (for each of the years ended December 31, 2018 and 2017: \$0) and are presented under the caption “Other income”. Drydocking expenses under this agreement were reimbursed at cost for all vessels. Following the merger of Navios Midstream with Navios Acquisition completed on December 13, 2018, the management agreement also covered vessels acquired. Total management fees for the period from January 1, 2019 to August 30, 2019 and the years ended December 31, 2018 and 2017 amounted to \$72,624, \$92,993 and \$94,973, respectively, and are presented net under the caption “Direct vessel expenses”.

Pursuant to a management agreement dated December 13, 2013, Navios Holdings provided commercial and technical management services to Navios Europe I’s tanker and container vessels. The term of this agreement was for a period of six years. Management fees under this agreement were reimbursed at cost. Following the sale of the management division effected on August 30, 2019, outlined in Note 3, these services are provided by NSM. Total management fees for the period from January 1, 2019 to August 30, 2019 and the years ended December 31, 2018 and 2017 amounted to \$14,506, \$22,377 and \$21,472, respectively, and are presented net under the caption “Direct vessel expenses”.

Pursuant to a management agreement dated November 18, 2014, as further amended in October 2016, Navios Holdings provided commercial and technical management services to Navios Midstream’s vessels for a daily fixed fee of \$9.5 per owned VLCC vessel, effective through December 31, 2018. Drydocking expenses under this agreement were reimbursed at cost for all vessels. The term of this agreement was for a period of five years. Total management fees for the years ended December 31, 2018 and 2017 amounted to \$20,739 and \$20,805, respectively, and are presented net under the caption “Direct vessel expenses”.

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Pursuant to a management agreement dated June 5, 2015, Navios Holdings provided commercial and technical management services to Navios Europe II's dry bulk and container vessels. The term of this agreement was for a period of six years. Management fees under this agreement were reimbursed at cost. Following the sale of the management division effected on August 30, 2019, outlined in Note 3, these services are provided by NSM. Total management fees for the period from January 1, 2019 to August 30, 2019 and the years ended December 31, 2018 and 2017, amounted to \$17,790, \$22,186 and \$22,055, respectively, and are presented net under the caption "Direct vessel expenses".

Pursuant to a management agreement dated June 7, 2017, as amended in November 2017, in April 2018 and in June 2018, Navios Holdings, provided commercial and technical management services to Navios Containers' vessels. The term of this agreement was for an initial period of five years with an automatic extension period of five years thereafter unless a notice for termination was received by either party. The fee for the ship management services provided by Navios Holdings was a daily fee of \$6.1 per day for up to 5,500 TEU container vessels, \$6.7 per day for above 5,500 TEU and up to 8,000 TEU container vessels and \$7.4 per day for above 8,000 TEU and up to 10,000 TEU container vessels until the end of 2019. Following the sale of the management division effected on August 30, 2019, outlined in Note 3, these services are provided by NSM. For the period from January 1, 2019 to August 30, 2019, certain extraordinary fees and costs related to regulatory requirements under Navios Containers' management agreement amounted to \$6,090 and have been eliminated upon consolidation through August 30, 2019. Drydocking expenses under this agreement were reimbursed by Navios Containers at cost. Total management fees for the period from January 1, 2019 to August 30, 2019 amounted to \$43,239 and have been eliminated upon consolidation through August 30, 2019. From November 30, 2018 (date of obtaining control) until December 31, 2018, Navios Containers' management fees amounted to \$5,281 and have been eliminated upon consolidation. Total management fees for the period from January 1, 2018 until November 30, 2018 and from April 28, 2017 (date of incorporation) until December 31, 2017 amounted to \$48,490 and \$16,702, respectively, and are presented net under the caption "Direct vessel expenses".

Following the sale of the management division effected on August 30, 2019, outlined in Note 3 and pursuant to the Management Agreement, NSM provides commercial and technical management services to Navios Holdings' vessels. The term of this agreement is for an initial period of five years with an automatic extension period of five years thereafter unless a notice for termination is received by either party. The fee for the ship management services provided by NSM is a daily fee of \$3.7 per day per owned vessel. This rate is fixed for a two-year period and will increase thereafter by 3% annually, unless otherwise agreed. The fee for the ship management services provided by NSM is a daily fee of \$0.03 per day per chartered-in vessel. Drydocking expenses under this agreement will be reimbursed by Navios Holdings at cost. The agreement also provides for payment of a termination fee, equal to the fees charged for the full calendar year preceding the termination date, by Navios Holdings in the event the Management Agreement is terminated on or before August 29, 2024. Total management fees for the period from August 30, 2019 to December 31, 2019 amounted to \$14,372 and are presented under the caption "Direct vessel expenses".

**Navios Partners Guarantee:** In November 2012 (as amended in March 2014), the Company entered into an agreement with Navios Partners (the "Navios Partners Guarantee") to provide Navios Partners with guarantees against counterparty default on certain existing charters, which had previously been covered by the charter insurance for the same vessels, same periods and same amounts. The Navios Partners Guarantee provides for a maximum possible payout of \$20,000 by the Company to Navios Partners. Premiums that are calculated on the same basis as the restructured charter insurance are included in the management fee that is paid by Navios Partners to Navios Holdings pursuant to the management agreement. As of December 31, 2019, Navios Partners has submitted one claim under this agreement to the Company. As of June 30, 2019 and December 31, 2018, the fair value of the claim was estimated at \$14,362 and \$18,001, respectively, and the change in estimate of the guarantee claim of \$3,638 and \$1,999 was included in "Other income" for the years ended December 31, 2019 and 2018, respectively. As at December 31, 2019, the outstanding balance of the claim was \$10,000. The final settlement of the amount due will be made at specific dates, in accordance with a signed letter of agreement between the parties.

**General and Administrative Expenses incurred on behalf of affiliates/Administrative fee revenue from affiliates:** Navios Holdings provided administrative services to Navios Partners. Navios Holdings was reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. Following the sale of the management division effected on August 30, 2019, outlined in Note 3, these services are provided by NSM. Total general and administrative fees for the period from January 1, 2019 to August 30, 2019 and the years ended December 31, 2018 and 2017, amounted to \$6,823, \$9,344 and \$8,347, respectively.

Navios Holdings provided administrative services to Navios Acquisition. Navios Holdings extended the duration of its existing administrative services agreement with Navios Acquisition until May 2020 pursuant to its existing terms. Navios Holdings was reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. Following the sale of the management division effected on August 30, 2019, outlined in Note 3, these services are provided by NSM. Total general and

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administrative fees for the period from January 1, 2019 to August 30, 2019 and the years ended December 31, 2018 and 2017 amounted to \$7,456, \$8,810 and \$9,000, respectively.

Following the merger of Navios Midstream with Navios Acquisition completed on December 13, 2018, the administrative services agreement also covered vessels acquired.

Navios Holdings provided administrative services to Navios Logistics. In April 2016, Navios Holdings extended the duration of its existing administrative services agreement with Navios Logistics until December 2021 pursuant to its existing terms. Navios Holdings was reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. Following the sale of the management division effected on August 30, 2019, outlined in Note 3, these services are provided by NSM. Total general and administrative fees for the period from January 1, 2019 to August 30, 2019 and the years ended December 31, 2018 and 2017 amounted to \$763, \$1,000 and \$1,000, respectively. The general and administrative fees for these periods have been eliminated upon consolidation. Total general and administrative fees charged for the period from August 30, 2019 to December 31, 2019 amounted to \$381.

Pursuant to an administrative services agreement dated December 13, 2013, Navios Holdings provided administrative services to Navios Europe I's tanker and container vessels. The term of this agreement was for a period of six years. Navios Holdings was reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. Following the sale of the management division effected on August 30, 2019, outlined in Note 3, these services are provided by NSM. Total general and administrative fees for the period from January 1, 2019 to August 30, 2019 and the years ended December 31, 2018 and 2017 amounted to \$1,081, \$1,330 and \$1,187, respectively.

Pursuant to an administrative services agreement dated November 18, 2014, Navios Holdings provided administrative services to Navios Midstream. The term of this agreement was for a period of five years. Navios Holdings was reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. Total general and administrative fees for the years ended December 31, 2018 and 2017 amounted to \$1,494 and \$1,500, respectively.

Pursuant to an administrative services agreement dated June 5, 2015, Navios Holdings provided administrative services to Navios Europe II's dry bulk and container vessels. The term of this agreement was for a period of six years. Navios Holdings was reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. Following the sale of the management division effected on August 30, 2019, outlined in Note 3, these services are provided by NSM. Total general and administrative fees charged for the period from January 1, 2019 to August 30, 2019 and the years ended December 31, 2018 and 2017 amounted to \$1,631, \$2,041 and \$1,766, respectively.

Pursuant to the administrative services agreement dated June 7, 2017, Navios Holdings provided administrative services to Navios Containers. Navios Holdings was reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. The term of this agreement was for an initial period of five years with an automatic extension for a period of five years thereafter unless a notice of termination was received by either party. Following the sale of the management division effected on August 30, 2019, outlined in Note 3, these services are provided by NSM. Total general and administrative fees attributable to this agreement for the period from January 1, 2019 to August 30, 2019 amounted to \$5,298 and have been eliminated upon consolidation through August 30, 2019. From November 30, 2018 (date of obtaining control) until December 31, 2018, Navios Containers' general and administrative expenses amounted to \$579 and have been eliminated upon consolidation. Total general and administrative expenses for the period ended November 30, 2018 and December 31, 2017 amounted to \$5,373 and \$1,868, respectively.

Following the sale of the management division effected on August 30, 2019, outlined in Note 3 and pursuant to the Administrative Services Agreement, NSM provides administrative services to Navios Holdings. NSM is reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. The term of this agreement is for an initial period of five years with an automatic extension for a period of five years thereafter unless a notice of termination is received by either party. The agreement also provides for payment of a termination fee, equal to the fees charged for the full calendar year preceding the termination date, by Navios Holdings in the event the Administrative Services Agreement is terminated on or before August 29, 2024. Total general and administrative expenses attributable to this agreement for the period from August 30, 2019 to December 31, 2019, amounted to \$2,952.

**Balance due to/from affiliates (excluding Navios Europe I and Navios Europe II):** Balance due to NSM as of December 31, 2019 amounted to \$1,353 (December 31, 2018: \$0), and the Long-term receivable from NSM amounted to \$5,328 (December 31, 2018: \$0). Balance due to Navios Partners as of December 31, 2019 amounted to \$5,000 (December 31, 2018: \$34,765), and the

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Long-term payable to Navios Partners amounted to \$5,000 in relation to the Navios Partners Guarantee (December 31, 2018: \$17,891). Balance due from Navios Acquisition as of December 31, 2019 amounted to \$1,460 and related to declared dividend (December 31, 2018: \$10,113), and the Long-term payable to Navios Acquisition amounted to \$0 (December 31, 2018: \$13,847). Balance due from Navios Containers as of December 31, 2019 amounted to \$0 (December 31, 2018: \$4,065), and the Long-term payable to Navios Containers amounted to \$0 (December 31, 2018: \$7,862) and were eliminated upon consolidation through August 30, 2019. Prior to the Transaction the balances mainly consisted of management fees, administrative fees, drydocking, ballast water treatment system and other expenses prepaid by the affiliates according to our management agreements and other amounts payable to affiliates. As of December 31, 2019 the balance mainly consisted of management fees, prepaid to NSM in accordance with the Management agreement and other amounts payable to affiliates.

**Omnibus Agreements:** Navios Holdings has entered into an omnibus agreement with Navios Partners (the “Partners Omnibus Agreement”) in connection with the closing of Navios Partners’ IPO governing, among other things, when Navios Holdings and Navios Partners may compete against each other as well as rights of first offer on certain dry bulk carriers. Pursuant to the Partners Omnibus Agreement, Navios Partners generally agreed not to acquire or own Panamax or Capesize dry bulk carriers under time charters of three or more years without the consent of an independent committee of Navios Partners. In addition, Navios Holdings has agreed to offer to Navios Partners the opportunity to purchase vessels from Navios Holdings when such vessels are fixed under time charters of three or more years.

Navios Holdings entered into an omnibus agreement with Navios Acquisition and Navios Partners (the “Acquisition Omnibus Agreement”) in connection with the closing of Navios Acquisition’s initial vessel acquisition, pursuant to which, among other things, Navios Holdings and Navios Partners agreed not to acquire, charter-in or own liquid shipment vessels, except for container vessels and vessels that are primarily employed in operations in South America, without the consent of an independent committee of Navios Acquisition. In addition, Navios Acquisition, under the Acquisition Omnibus Agreement, agreed to cause its subsidiaries not to acquire, own, operate or charter dry bulk carriers subject to specific exceptions. Under the Acquisition Omnibus Agreement, Navios Acquisition and its subsidiaries granted to Navios Holdings and Navios Partners, a right of first offer on any proposed sale, transfer or other disposition of any of its dry bulk carriers and related charters owned or acquired by Navios Acquisition. Likewise, Navios Holdings and Navios Partners agreed to grant a similar right of first offer to Navios Acquisition for any liquid shipment vessels it might own. These rights of first offer will not apply to a (i) sale, transfer or other disposition of vessels between any affiliated subsidiaries, or pursuant to the terms of any charter or other agreement with a counterparty, or (ii) merger with or into, or sale of substantially all of the assets to, an unaffiliated third party.

Navios Holdings entered into an omnibus agreement with Navios Midstream, Navios Acquisition and Navios Partners in connection with the Navios Midstream IPO, pursuant to which Navios Acquisition, Navios Holdings, Navios Partners and their controlled affiliates generally have agreed not to acquire or own any VLCCs, crude oil tankers, refined petroleum product tankers, LPG tankers or chemical tankers under time charters of five or more years without the consent of Navios Midstream. The omnibus agreement contains significant exceptions that will allow Navios Acquisition, Navios Holdings, Navios Partners or any of their controlled affiliates to compete with Navios Midstream under specified circumstances.

Navios Holdings entered into an omnibus agreement with Navios Containers, Navios Acquisition and Navios Partners, pursuant to which Navios Acquisition, Navios Holdings and Navios Partners and their controlled affiliates generally have granted a right of first refusal to Navios Containers over any container vessels to be sold or acquired in the future, subject to significant exceptions that would allow Navios Acquisition, Navios Holdings and Navios Partners or any of their controlled affiliates to compete with Navios Containers under specified circumstances.

**Midstream General Partner Option Agreement:** Navios Holdings entered into an option agreement, with Navios Acquisition under which Navios Acquisition, which owns and controls Navios Maritime Midstream Partners GP LLC (“Midstream General Partner”), granted Navios Holdings the option to acquire a minimum of 25% of the outstanding membership interests in Midstream General Partner and the incentive distribution rights in Navios Midstream representing the right to receive an increasing percentage of the quarterly distributions when certain conditions are met. The option shall expire on November 18, 2024. The purchase price for the acquisition for all or part of the option interest shall be an amount equal to its fair market value. As of December 31, 2019, Navios Holdings had not exercised any part of that option.

**Sale of Vessels and Sale of Rights to Navios Partners:** Upon the sale of vessels to Navios Partners, Navios Holdings recognizes the gain immediately in earnings only to the extent of the interest in Navios Partners owned by third parties and defers recognition of the gain to the extent of its own ownership interest in Navios Partners (the “deferred gain”). Subsequently, the deferred gain is amortized to income over the remaining useful life of the vessel. The recognition of the deferred gain is accelerated in the event that (i) the vessel is subsequently sold or otherwise disposed of by Navios Partners or (ii) the Company’s ownership interest in Navios

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Partners is reduced. In connection with the public offerings of common units by Navios Partners and the sale of Navios Partners general partnership interest effected on August 30, 2019, referred in Note 3, a pro rata portion of the deferred gain is released to income upon dilution of the Company's ownership interest in Navios Partners. As of December 31, 2019 and 2018, the unamortized deferred gain for all vessels and rights sold totaled \$6,285 and \$8,126, respectively. For the years ended December 31, 2019, 2018 and 2017, Navios Holdings recognized \$1,842, \$1,828 and \$1,892 of the deferred gain, respectively, in "Equity in net (losses)/earnings of affiliated companies".

**Participation in Offerings of Affiliates:** Refer to Note 9 for Navios Holdings' participation in Navios Acquisition's and Navios Partners' offerings. On February 4, 2015, Navios Holdings entered into a share purchase agreement with Navios Partners pursuant to which Navios Holdings made an investment in Navios Partners by purchasing common units, and general partnership interests, in order to maintain its 20.0% partnership interest in Navios Partners following its equity offering in February 2015. In connection with this agreement, Navios Holdings entered into a registration rights agreement with Navios Partners pursuant to which Navios Partners provided Navios Holdings with certain rights relating to the registration of the common units. Navios Holdings has entered into additional share purchase agreements on December 30, 2016, March 3, 2017, March 23, 2017, March 31, 2017, January 11, 2018, February 21, 2018, December 20, 2018 and February 1, 2019 for the purchase up to a total of 1,754,981 general partnership units.

**The Navios Acquisition Credit Facilities:** On September 19, 2016, Navios Holdings entered into a secured credit facility of up to \$70,000 with Navios Acquisition. This credit facility was secured by all of the Company's interest in Navios Acquisition and 78.5% of the Company's interest in Navios Logistics, representing a majority of the shares outstanding of Navios Logistics. This facility was provided for an arrangement fee of \$700. On November 3, 2017, Navios Holdings prepaid in full the outstanding amount under this credit facility with Navios Acquisition and all collateral was released.

**The Navios Partners Credit Facility:** In May 2015, Navios Partners entered into a credit facility with Navios Holdings of up to \$60,000. The Navios Partners Credit Facility bears an interest of LIBOR plus 300 bps. The final maturity date was January 2, 2017. As of December 31, 2019 and 2018, there was no outstanding amount under this facility. In April 2016, Navios Partners has drawn \$21,000 from the Navios Partners Credit Facility, which was fully repaid during April 2016.

**Balance due from Navios Europe I:** Following the liquidation, the balance due from Navios Europe I as of December 31, 2019 was \$0. As a result of this liquidation, Navios Holdings received the outstanding receivable amount of \$13,420, in December 2019. Balance due from Navios Europe I as of December 31, 2018 was \$12,013 which included the net current receivable amount of \$7,769 mainly consisting of management fees, drydocking, ballast water treatment system and other expenses and accrued interest income earned under the Navios Revolving Loans I (as defined in Note 9) and other expenses and the non-current amount receivable of \$4,244 related to the accrued interest income earned under the Navios Term Loans I (as defined in Note 9).

The Navios Revolving Loans I and the Navios Term Loans I earned interest and an annual preferred return, respectively, at 1,270 basis points per annum, on a quarterly compounding basis and were repaid from free cash flow (as defined in the loan agreement) to the fullest extent possible at the end of each quarter. There were no covenant requirements or stated maturity dates.

As of December 31 2019 and 2018, the outstanding amount relating to Navios Holdings' portion under the Navios Revolving Loans I was \$0 and \$19,125, respectively, under the caption "Loan receivable from affiliate companies". During 2018, Navios Holdings funded with \$8,000 Navios Europe I under the Navios Revolving Loans I. During 2019, Navios Holdings funded with \$4,000 Navios Europe I under the Navios Revolving Loans I.

On March 17, 2017, Navios Holdings transferred to Navios Partners its rights to the Navios Revolving Loans I and the Navios Term Loans I (including the respective accrued receivable interest), with a total carrying value of \$21,384 for a total consideration of \$33,473, comprised of \$4,050 in cash and 13,076,923 newly issued common units of Navios Partners with a fair value of \$29,423 (based on Navios Partners' trading price as of the closing of the transaction). The Company evaluated this transaction in accordance with ASC 860, classifying it as a secured borrowing arrangement. At the date of this transaction, the Company recognized a long-term liability of \$33,473, including a premium of \$12,089 which will be amortized through "Interest income" over the term of the loans until 2023, and is included within "Long-term payable to affiliate companies". Navios Holdings could be required from Navios Partners, under certain conditions, to repurchase the loans after the third anniversary of the date of the transaction based on the then-outstanding balance of the loans. See also Note 9. As of December 31, 2019 and 2018, the balance payable to Navios Partners amounted to \$0 and \$35,417, respectively, including the unamortized premium of \$0 and \$8,359, respectively.

**Balance due from Navios Europe II:** Balance due from Navios Europe II as of December 31, 2019, amounted to \$20,712 (December 31, 2018: \$5,312), which included the net current receivable amount mainly consisting of \$13,154 (December 31, 2018:



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\$470 net current payable) of accrued interest income earned under the Navios Revolving Loans II (as defined in Note 9) and the net non-current amount receivable of \$7,558 (December 31, 2018: \$5,782) related to the accrued interest income earned under the Navios Term Loans II (as defined in Note 9).

The Navios Revolving Loans II and the Navios Term Loans II earn interest and an annual preferred return, respectively, at 1,800 basis points per annum, on a quarterly compounding basis and are repaid from free cash flow (as defined in the loan agreement) to the fullest extent possible at the end of each quarter. There are no covenant requirements or stated maturity dates.

As of December 31, 2019, the outstanding amount relating to Navios Holdings' portion under the Navios Revolving Loans II was \$16,938 (December 31, 2018: \$16,938), under the caption "Loan receivable from affiliate companies." As of December 31, 2019, the amount undrawn from the Navios Revolving Loans II was \$4,503, of which Navios Holdings may be required to fund an amount ranging from \$0 to \$4,503.

**Secured credit facility with Navios Logistics:** On April 25, 2019, Navios Holdings entered into a secured credit facility of \$50,000 with Navios Logistics to be used for general corporate purposes, including the repurchase of 2022 Notes. This credit facility is secured by (i) any 2022 Notes purchased by Navios Holdings with these funds and (ii) equity interests in five subsidiaries of the Company that have entered into certain bareboat contracts. The credit facility is available in multiple drawings, has an arrangement fee of \$500, a fixed interest rate of 12.75% for the first year and a fixed interest rate of 14.75% for the second year, payable annually. The secured credit facility includes negative covenants substantially similar to the 2022 Notes and customary events of default. In December 2019, Navios Holdings and Navios Logistics agreed to increase the amount by \$20,000 and amended the interest rate of the whole facility to 12.75% or 10.0% if certain conditions are met. The credit facility matures in April 2021 or December 2024 if certain conditions are met. As of March 3, 2020, the amount of \$70,000 was drawn under this facility of which \$18,726 was used to acquire the 2022 Notes from Navios Logistics and the remaining amount was used to repurchase 2022 Notes.

**NSM Loan:** On August 29, 2019, Navios Holdings entered into a secured credit facility of \$141,795 (including post-closing adjustments) with Navios Shipmanagement Holdings Corporation, a wholly owned subsidiary of NSM. In general, the amount owed reflects the excess of (i) the liabilities of the ship management business (including liabilities for advances previously made by affiliates to the Company for ongoing operating costs, including technical management services, supplies, dry-docking and related expenses) other than liabilities the assumption of which forms part of the consideration for the Transaction over (ii) the short term assets of the ship management business. The Company's obligations under the NSM Loan are guaranteed by substantially the same subsidiaries that guarantee the 2022 Notes and secured by assets of the Company that do not secure the Ship Mortgage Notes or the Company's 11.25% Senior Secured Notes due 2022. The credit facility is repayable over a five-year period; of the total amount, \$47,000 is repayable in 2020 in equal quarterly installments, with the remaining principal repayment in equal quarterly installments over the following 48 months. In certain cases, principal payments can be deferred provided that no more than \$20,000 of deferral may be outstanding during the first or second year and \$10,000 outstanding in the third year. The loan agreement provides for interest at 5% annually, and 7% annually for deferred principal amounts. During December 2019, Navios Holdings repaid the amount of \$13,420 under the terms of this facility.

As of December 31, 2019, the outstanding balance (including post-closing adjustment) was \$128,375 and the accrued interest was \$2,163. Of the outstanding amount, \$22,552 is included in "Current portion of loan payable to affiliate companies", due to deferral of \$20,000 for the period to December 31, 2020.

**Navios Logistics' Shareholders Agreement:** On November 19, 2019, Navios Holdings entered into a shareholder agreement with Peers Business Inc. granting certain protections to minority shareholders in certain events.

**NOTE 17: PREFERRED AND COMMON STOCK**

All issued and outstanding shares of common stock, conversion terms of preferred stock, options to purchase common stock and per share amounts contained in the consolidated financial statements, have been retroactively adjusted to reflect the Reverse Stock Split for all periods presented.

*Vested, Surrendered and Forfeited*

During 2019, 825 and 334 restricted stock units, issued to the Company's employees in 2017 and 2016 vested.

During 2018, 85,000 and 825 restricted stock units, issued to the Company's employees in 2016 and 2017, vested.

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During 2017, 84,333 restricted stock units, issued to the Company's employees in 2016, vested.

During the year ended December 31, 2019, 2018, and 2017, 3,379, 656 and 423 restricted shares of common stock, respectively, were forfeited upon termination of employment.

*Conversion of Preferred Stock*

During the year ended December 31, 2019, 3,289 shares of convertible preferred stock were converted into 352,770 shares of common stock including 23,870 shares of common stock being unpaid dividend. The shares of convertible preferred stock were converted pursuant to their original terms, which provided that ten years after the issuance date the then-outstanding shares of preferred stock would automatically convert into a number of fully paid and non-assessable shares of common stock determined by dividing the amount of the liquidation preference (\$10,000 per share) by a conversion price equal to \$10.00 per share of common stock. Following the conversion of 1,980 shares, the Company cancelled the undeclared preferred dividend of the converted shares of \$1,471. The cancelled undeclared dividend was converted to 14,711 shares of common stock with a fair value of \$75 at the date of issuance (See also Note 20). Following the conversion of 1,309 shares, the Company cancelled the undeclared preferred dividend of the converted shares of \$916. The cancelled undeclared dividend was converted to 9,159 shares of common stock with a fair value of \$41 at the date of issuance (See also Note 20).

During the year ended December 31, 2018, there were no conversions of preferred stock.

During the year ended December 31, 2017, 2,436 shares of convertible preferred stock were converted into 174,000 shares of common stock. The shares of convertible preferred stock were converted pursuant to their original terms, which provided the option to the holders of these shares to convert all or any such then-outstanding shares of preferred stock into a number of fully paid and non-assessable shares of common stock determined by dividing the amount of the liquidation preference (\$10,000 per share) by a conversion price equal to \$14.00 per share of common stock. Following this conversion, the Company cancelled the undeclared preferred dividend of the converted shares of \$702, and issued 5,015 shares of common stock with a fair value of \$84 at the date of issuance (See also Note 20).

*Issuance of Cumulative Perpetual Preferred Stock*

The Company's 2,000,000 American Depositary Shares, Series G and the 4,800,000 American Depositary Shares, Series H are recorded at fair market value on issuance. Each of the shares represents 1/100th of a share of the Series G and Series H, with a liquidation preference of \$2,500 per share (\$25.00 per American Depositary Share). Dividends are payable quarterly in arrears on the Series G at a rate of 8.75% per annum and on the Series H at a rate of 8.625% per annum of the stated liquidation preference. The Company has accounted for these shares as equity.

*Series G and Series H American Depositary Shares Exchange Offer*

On December 21, 2018, Navios Holdings announced that it commenced an offer to exchange cash and/or newly issued 2024 Notes for approximately 66 2/3% of each of the outstanding Series G Depositary Shares and Series H Depositary Shares.

As of March 21, 2019, a total of 10,930 Series H were validly tendered representing a net aggregate nominal value of approximately \$26,297. Navios Holdings paid \$997 for tender offer expenses, approximately \$4,188 as cash consideration and a total of approximately \$4,747 in aggregate principal amount of 2024 Notes. The difference between the carrying amount of the preferred shares redeemed and the fair value of the consideration transferred amounting to \$16,365 was recorded in retained earnings. Following the completion of the offer, the Company cancelled the undeclared preferred dividend of Series H of \$7,678.

As of April 18, 2019, a total of 8,841 Series G were validly tendered representing a net aggregate nominal value of approximately \$21,271. Navios Holdings paid \$620 for tender offer expenses, approximately \$4,423 cash consideration and issued a total of approximately \$3,879 principal amount of 2024 Notes. The difference between the carrying amount of the preferred shares redeemed and the fair value of the consideration transferred amounting to \$12,568 was recorded in retained earnings. Following the completion of the offer, the company cancelled the undeclared preferred dividend of series G of \$6,798.

On April 19, 2017, Navios Holdings announced the completion of the offer commenced on March 21, 2017, to exchange newly issued shares of the Company's common stock for any and all outstanding American Depositary Shares, each representing 1/100th of a share of either Series G or Series H. 360 Series G and 406 Series H shares were validly tendered, representing an aggregate nominal value of approximately \$1,843. Navios Holdings paid for tender offer expenses \$571, and issued a total of 62,582 shares of common



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stock with a fair value of \$1,127. Following the completion of the offer, the Company cancelled the undeclared preferred dividend of Series G and Series H of \$270 (See also Note 20).

In February 2016, Navios Holdings announced the suspension of payment of quarterly dividends on its preferred stock, including the Series G and Series H. Total undeclared preferred dividends as of December 31, 2019 were \$20,249 (net of cancelled dividends).

On July 15, 2017, the Company reached six quarterly dividend payments in arrears relating to its Series G and Series H and as a result the respective dividend rate increased by 0.25%.

*Issuances to Employees, Officers and Directors*

On December 18, 2019, pursuant to the stock plan approved by the Board of Directors, 16,000 common stock was granted to Navios Holdings officers and directors and issued on December 18, 2019.

On February 1, 2019, pursuant to the stock plan approved by the Board of Directors, 151,515 common stock was granted to Navios Holdings employees, officers and directors.

On December 10, 2018, pursuant to the stock plan approved by the Board of Directors, 287,500 common stock was granted to Navios Holdings employees, officers and directors and issued on December 27, 2018.

On December 11, 2017, pursuant to the stock plan approved by the Board of Directors, 432,098 common stock was granted to Navios Holdings employees, officers and directors and issued on January 16, 2018.

*Acquisition of Treasury Stock*

In November 2015, the Board of Directors approved a share repurchase program for up to \$25,000 of the Navios Holdings' common stock. Share repurchases were made pursuant to a program adopted under Rule 10b5-1 under the Securities Exchange Act. Repurchases were subject to restrictions under the terms of the Company's credit facilities and indenture. The program did not require any minimum purchase or any specific number or amount of shares and may be suspended or reinstated at any time in the Company's discretion and without notice. In particular, Navios Holdings, pursuant to the terms of its Series G and Series H, may not redeem, repurchase or otherwise acquire its common stock or preferred shares, including the Series G and Series H (other than through an offer made to all holders of Series G and Series H) unless full cumulative dividends on Series G and Series H, when payable, have been paid. As of December 31, 2016, 94,858 shares, were repurchased under this program, for a total consideration of \$818. In total, up until February 2016, 114,791 shares were repurchased under this program, for a total consideration of \$1,070. Since that time, this program has been suspended by the Company.

Navios Holdings had outstanding as of December 31, 2019 and 2018, 13,360,356 and 12,843,414 shares of common stock, respectively, and preferred stock 23,242 (5,350 Series G, 17,682 Series H and 210 shares of convertible preferred stock) and 46,302 (14,191 Series G, 28,612 Series H and 3,499 shares of convertible preferred stock), respectively.

**NOTE 18: INTEREST EXPENSE AND FINANCE COST**

Interest expense and finance cost consisted of the following:

	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Interest expense	\$ 125,496	\$ 129,941	\$ 115,099
Amortization and write-off of deferred financing costs	7,746	7,866	6,391
Other	237	109	121
<b>Interest expense and finance cost</b>	<b>\$ 133,479</b>	<b>\$ 137,916</b>	<b>\$ 121,611</b>

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**NOTE 19: SEGMENT INFORMATION**

The Company through August 30, 2019 had three reportable segments from which it derived its revenues: Dry Bulk Vessel Operations, Logistics Business and Containers Business. The Containers Business became a reportable segment as a result of the consolidation of Navios Containers since November 30, 2018 (date of obtaining control) (see also Note 3). Following the reclassification of the results of Navios Containers as discontinued operations (see also Note 3), the Company currently has two reportable segments from which it derives its revenues: Dry Bulk Vessel Operations and Logistics. The reportable segments reflect the internal organization of the Company and are strategic businesses that offer different products and services. The Dry Bulk Vessel Operations consists of the transportation and handling of bulk cargoes through the ownership, operation, and trading of vessels. The Logistics Business consists of operating ports and transfer station terminals, handling of vessels, barges and pushboats as well as upriver transport facilities in the Hidrovia region.

The Company measures segment performance based on net income/ (loss) attributable to Navios Holdings common stockholders. Inter-segment sales and transfers are not significant and have been eliminated and are not included in the following tables. Summarized financial information concerning each of the Company's reportable segments is as follows:

	Dry Bulk Vessel Operations for the Year Ended December 31, 2019	Logistics Business for the Year Ended December 31, 2019	Total for the Year Ended December 31, 2019
Revenue	\$ 254,178	\$ 228,271	\$ 482,449
Administrative fee revenue from affiliates	16,991	—	16,991
Interest income	9,610	1,052	10,662
Interest expense and finance cost	(92,948)	(40,531)	(133,479)
Depreciation and amortization	(52,288)	(29,435)	(81,723)
Equity in net (losses)/earnings of affiliated companies	(9,185)	—	(9,185)
Net (loss)/ income attributable to Navios Holdings common stockholders	(212,623)	20,513	(192,110)
Total assets	1,511,517	631,338	2,142,855
Goodwill	56,240	104,096	160,336
Capital expenditures	(36,628)	(7,943)	(44,571)
Investment in affiliates	64,352	—	64,352
Cash and cash equivalents	32,386	45,605	77,991
Restricted cash	736	—	736
Long-term debt, net (including current and noncurrent portion)	\$ 1,048,318	\$ 514,929	1,563,247

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	Dry Bulk Vessel Operations for the Year Ended December 31, 2018	Logistics Business for the Year Ended December 31, 2018	Containers Business for the Year Ended December 31, 2018	Total for the Year Ended December 31, 2018
Revenue	\$ 298,052	\$ 207,634	\$ 12,053	\$ 517,739
Administrative fee revenue from affiliates	28,972	—	(579)	28,393
Interest income	8,231	517	—	8,748
Interest expense and finance cost	(98,247)	(39,669)	(1,204)	(139,120)
Depreciation and amortization	(70,472)	(29,307)	(3,060)	(102,839)
Equity/ (Loss) in net earnings of affiliated companies	(80,205)	—	—	(80,205)
Net (loss)/ income attributable to Navios Holdings common stockholders	(273,125)	4,380	27	(268,718)
Total assets	1,558,581	677,343	446,572	2,682,496
Goodwill	56,240	104,096	—	160,336
Capital expenditures	(41,003)	(19,879)	(24,763)	(85,645)
Investment in affiliates	91,111	—	—	91,111
Cash and cash equivalents	44,452	76,472	16,958	137,882
Restricted cash	10,958	—	1,934	12,892
Long-term debt, net (including current and noncurrent portion)	\$ 1,063,762	\$ 530,186	\$ 222,059	\$ 1,816,007

	Dry Bulk Vessel Operations for the Year Ended December 31, 2017	Logistics Business for the Year Ended December 31, 2017	Total for the Year Ended December 31, 2017
Revenue	\$ 250,433	\$ 212,616	\$ 463,049
Administrative fee revenue from affiliates	23,667	—	23,667
Interest income	6,593	238	6,831
Interest expense and finance cost	(93,264)	(28,347)	(121,611)
Depreciation and amortization	(77,245)	(26,867)	(104,112)
Equity/ (Loss) in net earnings of affiliated companies	4,399	—	4,399
Net (loss)/ income attributable to Navios Holdings common stockholders	(167,892)	1,982	(165,910)
Total assets	1,947,777	682,204	2,629,981
Goodwill	56,240	104,096	160,336
Capital expenditures	(3,071)	(46,521)	(49,592)
Investment in affiliates	183,160	—	183,160
Cash and cash equivalents	47,744	79,888	127,632
Restricted cash	6,558	—	6,558
Long-term debt, net (including current and noncurrent portion)	\$ 1,149,742	\$ 532,746	\$ 1,682,488

As of December 31, 2018, Navios Containers' negative working capital position amounted to \$22,974.

The following table sets out the Company's revenue by geographic region. Dry Bulk Vessel Operations (excluding administrative fee revenue from affiliates), Logistics Business and Containers Business revenue are allocated on the basis of the geographic region in which the customer is located. Dry bulk vessels and container vessels operate worldwide. Logistics Business operates different types of tanker vessels, pushboats, and wet and dry barges for delivering a wide range of products between ports in the Paraná, Paraguay and Uruguay River systems in South America (commonly known as the "Hidrovia" or the "waterway").

Revenues from specific geographic regions which contribute over 10% of revenue are disclosed separately.

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**Revenue by Geographic Region**

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
North America	\$ 2,259	\$ 4,248	\$ 5,513
Europe	179,009	142,688	124,857
Asia	67,468	135,614	91,552
South America	232,394	208,751	212,616
Other	1,319	26,438	28,511
Total	<u>\$ 482,449</u>	<u>\$ 517,739</u>	<u>\$ 463,049</u>

Vessels operate on a worldwide basis and are not restricted to specific locations. Accordingly, it is not possible to allocate the assets of these operations to specific countries. The total net book value of long-lived assets for dry bulk vessels amounted to \$741,347 and \$933,784 at December 31, 2019 and 2018, respectively. For the Logistics Business, all long-lived assets are located in South America. The total net book value of long-lived assets for the Logistics Business amounted to \$536,342 (including constructions in progress of \$4,046, referred to in Note 7) and \$556,713 at December 31, 2019 and 2018, respectively. The total net book value of long-lived assets for the Containers Business amounted to at December 31, 2018 \$399,979.

**NOTE 20: LOSS PER COMMON SHARE**

Loss per share is calculated by dividing net loss attributable to Navios Holdings common stockholders by the weighted average number of shares of Navios Holdings outstanding during the periods presented. Net (loss)/income attributable to Navios Holdings common stockholders is calculated by adding to (if a discount) or deducting from (if a premium) net (loss)/ income attributable to Navios Holdings common stockholders the difference between the fair value of the consideration paid upon redemption and the carrying value of the preferred stock, including the unamortized issuance costs of the preferred stock, and the amount of any undeclared dividend cancelled

For the year ended December 31, 2019, 843,097 potential common shares and 227,496 potential shares of convertible preferred stock have an anti-dilutive effect (i.e. those that increase income per share or decrease loss per share) and are therefore excluded from the calculation of diluted net loss per share.

On December 21, 2018 the Company's common stockholders approved a one-for-ten reverse stock split of the Company's outstanding shares of common stock. Following the effectiveness of the reverse stock split, as of January 3, 2019, any historical per share information has been adjusted reflect the Reverse Stock Split.

For the year ended December 31, 2018, 664,709 potential common shares and 349,900 potential shares of convertible preferred stock have an anti-dilutive effect (i.e. those that increase income per share or decrease loss per share) and are therefore excluded from the calculation of diluted net loss per share.

For the year ended December 31, 2017, 503,316 potential common shares and 456,684 potential shares of convertible preferred stock have an anti-dilutive effect (i.e. those that increase income per share or decrease loss per share) and are therefore excluded from the calculation of diluted net loss per share.

**NAVIOS MARITIME HOLDINGS INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in thousands of U.S. dollars — except share data)

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
<b>Numerator:</b>			
Net loss attributable to Navios Holdings common stockholders	\$ (192,110)	\$ (268,718)	\$ (165,910)
Less:			
Declared and undeclared dividend on preferred stock and on unvested restricted shares	(7,178)	(10,241)	(10,421)
Plus:			
Tender Offer — Redemption of preferred stock Series G and H including \$16,863 and \$972 of undeclared preferred dividend cancelled for the year ended December 31, 2019 and December 31, 2017, respectively	45,680	—	1,033
Loss attributable to Navios Holdings common stockholders, basic and diluted	\$ (153,608)	\$ (278,959)	\$ (175,298)
<b>Denominator:</b>			
Denominator for basic and diluted net loss per share attributable to Navios Holdings common stockholders —adjusted weighted shares	12,356,024	11,958,959	11,667,346
Basic and diluted net loss per share attributable to Navios Holdings common stockholders	\$ (12.43)	\$ (23.33)	\$ (15.02)

**NOTE 21: INCOME TAXES**

Marshall Islands, Liberia, Panama and Malta do not impose a tax on international shipping income. Under the laws of Marshall Islands, Malta, Liberia and Panama, the countries of incorporation of the Company and its subsidiaries and the vessels' registration, the companies are subject to registration and tonnage taxes which have been included in direct vessel expenses in the accompanying consolidated statements of comprehensive (loss)/income.

Certain of the Company's subsidiaries have registered offices in Greece under Greek Law 27/75 as amended and in force (former law 89/67). These companies are allowed to conduct the specific business activities provided in their license and the provisions of the above legislation. The same law (27/75) provides that these companies are exempted in Greece from any tax, duty, levy, contribution or deduction in respect of income.

In accordance with the currently applicable Greek law, ship owning companies of foreign-flagged vessels that are managed by Greek or foreign ship management companies having established an office/branch in Greece under law 27/75 are subject to duties towards the Greek state which are calculated on the basis of the relevant vessel's tonnage. In case that tonnage tax and/or similar taxes/duties are paid by the shipowning companies to the vessel's flag state, these are deducted from the amount of the duty to be paid in Greece by the ship owner. The payment of said duties exhausts the tax liability of the foreign ship owning company against any tax, duty, charge or contribution payable on income from the exploitation of the foreign-flagged vessel.

In Belgium, taxation on ocean shipping is based on the tonnage of the sea-going vessels from which the profit is obtained ("tonnage tax").

Pursuant to Section 883 of the Internal Revenue Code of the United States (the "Code"), U.S. source income from the international operation of ships is generally exempt from U.S. federal income tax if the company that is treated for U.S. federal income tax purposes as earning such income meets certain requirements set forth in Section 883 of the Code and the U.S. Treasury regulations thereunder. Among other things, in order to qualify for this exemption, each relevant company must be incorporated in a country outside the United States which grants an "equivalent exemption" from income taxes to U.S. corporations. In addition, either (i) the stock of each relevant company must be treated under Section 883 of the Code and the U.S. Treasury regulations thereunder as "primarily traded" and "regularly traded" on an "established securities market" in the United States or in another country that grants an "equivalent exemption" or (ii) more than 50% of the value of the stock of each relevant company must be owned, directly or indirectly, by (a) individuals who are residents in countries that grant an "equivalent exemption," (b) foreign corporations organized in countries that grant an "equivalent exemption" and that meet the test described in (i) and/or (c) certain other shareholders described in Section 883 of the Code and the U.S. Treasury regulations thereunder. The management of the Company believes that the Company and each of its relevant subsidiaries qualifies for the tax exemption under Section 883 of the Code, provided that the Company's common stock continues to be listed on the NYSE and represents more than 50% of the total combined voting power of all classes of the Company's stock entitled to vote and of the total value of the Company's stock, and less than 50% of the Company's common stock is owned, actually or constructively under specified stock attribution rules, on more than half the number of days in the relevant year by persons who each own 5% or more of the vote and value of the Company's common stock, but no assurance can be given that the Company will satisfy these requirements or qualify for this exemption.

The income tax benefit / (expense) reflected in the Company's consolidated financial statements for the years ended December 31, 2019, 2018 and 2017 is mainly attributable to Navios Holdings' subsidiaries in South America, which are subject to the Argentinean, Brazilian and Paraguayan income tax regime.

CNSA and Corporacion Navios Granos S.A. are located in a tax free zone and are not liable to income tax. Navios Logistics' current operations in Uruguay are exempted from income taxes.

**NAVIOS MARITIME HOLDINGS INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in thousands of U.S. dollars — except share data)

As a result of the tax reform voted by the Argentinean Parliament in December 2017, and the Law 27,541 voted in December 2019, the corporate income tax rate has decreased from 35% in 2017 to 30% for the period from 2018 to 2021, and will further decrease to 25% for the period from 2022 onwards. Tax rates and tax laws used to assess the income tax liability are those that are effective on the close of the fiscal period. Additionally, until the fiscal year 2018 inclusive, local companies in Argentina had to calculate an assets tax, the Minimum Presumed Income Tax, by applying the effective tax rate of 1.0% over the gross value of the corporate assets (based on tax law criteria). Following the tax reform voted by the Argentinean Parliament in December 2017, and the subsequent resolution in-force since May 2018, this tax does not longer apply as of the fiscal year 2019.

Under the tax laws of Argentina, the subsidiaries of the Company in that country are subject to taxes levied on gross revenues. Rates differ depending on the jurisdiction where revenues are earned for tax purposes. Average rates were approximately 2.0% for the year ended December 31, 2019 (3.0% for 2018 and 5.0% for 2017, respectively).

There are two possible options to determine the income tax liability of Paraguayan companies. Under the first option income tax liabilities for the current and prior periods are measured at the amount expected to be paid to the taxation authorities, by applying the tax rate of 10% on the fiscal profit and loss. 50% of revenues derived from international freights are considered Paraguayan sourced (and therefore taxed) if carried between Paraguay and Argentina, Bolivia, Brazil or Uruguay. Alternatively, only 30% of revenues derived from international freights with destination Paraguay are considered Paraguayan sourced. Companies whose operations are considered international freights can choose to pay income taxes on their revenues at an effective tax rate of 1% on such revenues, without considering any other kind of adjustments. Fiscal losses, if any, are neither deducted nor carried forward.

The corporate income tax rate in Brazil and Paraguay is 34% and 10%, respectively, for the year ended December 31, 2019.

The Company's deferred taxes as of December 31, 2019 and 2018, relate primarily to deferred tax liabilities on acquired intangible assets recognized in connection with Navios Logistics.

As of January 1, 2007, the Company adopted the provisions of FASB for Accounting for Uncertainty in Income Taxes. This guidance requires application of a more likely than not threshold to the recognition and derecognition of uncertain tax positions. This guidance permits the Company to recognize the amount of tax benefit that has a greater than 50% likelihood of being ultimately realized upon settlement. It further requires that a change in judgment related to the expected ultimate resolution of uncertain tax positions be recognized in earnings in the quarter of such change. Kleimar's open tax years are 2016 and onwards. Argentinean companies have open tax years ranging from 2013 and onwards and Paraguayan and Brazilian companies have open tax years ranging from 2015 and onwards. In relation to these open tax years, the Company believes that there are no material uncertain tax positions.

**NOTE 22: OTHER INCOME — OTHER EXPENSE**

During the years ended December 31, 2019, 2018, and 2017, taxes other-than-income taxes of Navios Logistics amounted to \$7,745, \$7,056, and \$9,018, respectively, and were included in the statements of comprehensive (loss)/income within the caption "Other expense".

**NOTE 23: SUBSEQUENT EVENTS**

- a) In March 2020, the Company acquired from an unrelated third party, a previously chartered-in vessel, the Navios Corali, a 2015-built Capesize vessel of 181,249 dwt, for an acquisition price of \$36,626, which was paid in cash. The acquisition was financed through a sale and leaseback transaction with unrelated third party.
- b) In February 2020, the Company sold to an unrelated third party the Navios Kypros, a 2003-built Ultra Handymax vessel of 55,222 dwt, for a sale price of approximately \$9,131, including insurance proceeds covering unrepaired damages plus expenses (subject to applicable deductibles and other customary limitations). The loss due to sale is expected to be approximately \$5,552.
- c) Navios Logistics' board of directors declared a \$27,500 dividend, which was paid on February 21, 2020, out of which the amount of \$17,552 was paid to Navios Holdings.
- d) In February 2020, the Company agreed to sell to an unrelated third party the Navios Star, a 2002-built Panamax vessel of 76,662 dwt, for a sale price of approximately \$6,451. The vessel is expected to be delivered to the buyers in the second quarter of 2020. The loss due to sale is expected to be approximately \$5,697.
- e) In January 2020, the Company acquired from an unrelated third party, a previously chartered-in vessel, the Dream Canary, a 2015-built Capesize vessels of 180,528 dwt, for an acquisition price of \$34,893, which was paid in cash. The acquisition was financed through a sale and leaseback transaction with unrelated third party.

**DESCRIPTION OF THE RIGHTS OF EACH CLASS OF SECURITIES  
REGISTERED UNDER SECTION 12 OF THE EXCHANGE ACT**

The following summary is a brief description of the securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) of Navios Maritime Holdings Inc., a Marshall Islands corporation. Unless the context requires otherwise, references to “we,” “us,” “our,” “Navios,” “Navios Holdings” and “the company” refer to Navios Maritime Holdings Inc. Capitalized terms used and not defined herein have the meaning ascribed to them in our annual report on Form 20-F to which this description of securities is an exhibit.

**Authorized and Outstanding Capital Stock**

As of December 31, 2019, under our articles of incorporation, as amended, our authorized capital stock consists of 120,000,000 shares of common stock, par value \$0.0001 per share, of which 13,360,356 were issued and outstanding, and 1,000,000 shares of preferred stock, par value \$0.0001 per share, of which 5,350 shares of 8.75% Series G Cumulative Redeemable Perpetual Preferred Stock (“Series G Preferred Stock”) and 17,682 shares of 8.625% Series H Cumulative Redeemable Perpetual Preferred Stock (“Series H Preferred Stock”) were issued and outstanding. Series G Preferred Stock and Series H Preferred Stock are both represented by American Depositary Shares (the “Depositary Shares”).

**Common Stock**

As of December 31, 2019, we had 13,360,356 shares outstanding. 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 the board of directors out of funds legally available for dividends. Holders of stock do not have conversion, redemption or preemptive rights to subscribe to any of our securities. All outstanding shares of common stock are 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.

Our common stock is listed on the NYSE under the symbol “NM”.

**Series G Preferred Stock and Depositary Shares**

The following description of the Series G Preferred Stock and the Depositary Shares does not purport to be complete and is subject to, and qualified in its entirety by reference to, the Certificate of Designation designating the Series G Preferred Stock and setting forth the rights, preferences and limitations of the Series G Preferred Stock (the “Certificate of Designation”) and the terms of the Deposit Agreement which established the terms of the Depositary Shares.

*General*

In general, each Depositary Share will represent, and entitle the holder, subject to the terms of the Deposit Agreement, to proportional rights and preferences (including dividends, voting, redemption and liquidation rights and preferences) as if such holder held 1/100th of one share of Series G Preferred Stock. The material terms of the Series G Preferred Stock and the Depositary Shares are summarized below.

The holders of our common stock are entitled to receive, to the extent permitted by law, such dividends as may from time to time be declared by our board of directors. Upon any liquidation, dissolution or winding up of our affairs, whether voluntary or involuntary, the holders of our common stock are entitled to receive distributions of our assets, after we have satisfied or made provision for our debts and other obligations and for payment to the holders any class or series of shares (including the Series G Preferred Stock) having preferential rights to receive distributions of our assets.



The Series G Preferred Stock entitles the holders thereof (“Series G Preferred Shareholders”) to receive cumulative cash dividends when, as and if declared by our board of directors out of legally available funds for such purpose. No fractional shares of Series G Preferred Stock have been issued. The Series G Preferred Stock represented by the Depositary Shares are fully paid and nonassessable and the Depositary Shares are validly issued and entitled to the benefits of the Deposit Agreement. Each share of Series G Preferred Stock has a fixed liquidation preference of \$2,500.00 per share (equivalent to \$25.00 per Depositary Share) and upon liquidation will also be entitled to an amount equal to accumulated and unpaid dividends thereon to the date fixed for payment, whether or not declared. Please see the section entitled “—Liquidation Rights.”

The Series G Preferred Stock represents perpetual equity interests in us and, unlike our indebtedness, will not give rise to a claim for payment of a principal amount at a particular date. As such, the Series G Preferred Stock ranks junior to all of our indebtedness and other liabilities with respect to assets available to satisfy claims against us.

The Series G Preferred Stock is not convertible into common stock or any other of our securities and does not have exchange rights or are entitled or subject to any preemptive or similar rights. The Series G Preferred Stock is not subject to mandatory redemption or to any sinking fund requirements. The Series G Preferred Stock is subject to redemption, in whole or in part, at our option. Please see the section entitled “—Redemption.”

#### *Listing*

The Depositary Shares are listed on the NYSE under the symbol “NM-PG.” The Series G Preferred Stock represented by the Depositary Shares is not listed but is registered in connection with the Depositary Shares pursuant to the requirements of the SEC.

#### *Ranking*

The Series G Preferred Stock, with respect to anticipated quarterly dividends and distributions upon the liquidation, winding-up and dissolution of our affairs, ranks:

- senior to our common stock, and to each other class or series of capital stock established after the original issue date of the Series G Preferred Stock that is not expressly made senior to or on parity with the Series G Preferred Stock as to the payment of dividends and amounts payable upon liquidation, dissolution, or winding up, whether voluntary or involuntary (“Junior Securities”);
- on a parity with the Parity Securities; and
- junior to all of our indebtedness and other liabilities with respect to assets available to satisfy claims against us, and each other class or series of capital stock expressly made senior to the Series G Preferred Stock as to the payment of dividends and amounts payable upon liquidation, dissolution or winding up, whether voluntary or involuntary (“Senior Securities”).

Under the Certificate of Designation, we may issue Junior Securities from time to time in one or more series without the consent of the holders of the Series G Preferred Stock. Our board of directors has the authority to determine the preferences, powers, qualifications, limitations, restrictions and special or relative rights or privileges, if any, of any such series before the issuance of any shares of that series. Our board of directors also determines the number of shares constituting each series of securities. Our ability to issue additional Parity Securities in certain circumstances or Senior Securities is limited as described under “—Voting Rights.”

#### *Liquidation Rights*

The holders of outstanding Series G Preferred Stock are entitled, in the event of any liquidation, dissolution or winding up of our affairs, whether voluntary or involuntary, to receive the liquidation preference of \$2,500.00 per share (equivalent to \$25.00 per Depositary Share) in cash plus an amount equal to accumulated and unpaid dividends thereon to the date fixed for payment of such amount (whether or not declared), and no more, before any distribution will be made to the holders of our common stock, our existing preferred stock or any other Junior Securities. A consolidation or merger of us with or into any other entity, individually or in a series of transactions,

will not be deemed a liquidation, dissolution or winding up of our affairs for this purpose. In the event that our assets available for distribution to holders of the outstanding Series G Preferred Stock and any Parity Securities are insufficient to permit payment of all required amounts, our assets then remaining will be distributed among the Series G Preferred Stock and any Parity Securities, as applicable, ratably on the basis of their relative aggregate liquidation preferences plus the amount of any accumulated and unpaid dividends thereon (whether or not declared). After payment of all required amounts to the holders of the outstanding Series G Preferred Stock and Parity Securities, our remaining assets and funds will be distributed among the holders of our common stock, our existing preferred stock and any other Junior Securities then outstanding according to their respective rights.

#### *Voting Rights*

The Series G Preferred Stock have no voting rights except as set forth below or as otherwise provided by Marshall Islands law. In the event that one quarterly dividend payable on the Series G Preferred Stock is in arrears (whether or not such dividend shall have been declared and whether or not there are profits, surplus, or other funds legally available for the payment of dividends), we will use commercially reasonable efforts to obtain an amendment to our articles of incorporation to effectuate any and all such changes thereto as may be necessary to permit the Series G Preferred Shareholders to exercise the voting rights described in clause (x) of the following sentence. If and when dividends payable on the Series G Preferred Stock are in arrears for six or more quarterly periods, whether or not consecutive (and whether or not such dividends shall have been declared and whether or not there are profits, surplus, or other funds legally available for the payment of dividends), then (x) if our articles of incorporation have been amended as described in the preceding sentence, the Series G Preferred Shareholders will have the right, voting as a class together with holders of any other Parity Securities upon which like voting rights have been conferred and are exercisable, to elect one member of our board of directors, and the size of our board of directors will be increased as needed to accommodate such change (unless the size of our board of directors already has been increased by reason of the election of a director by holders of Parity Securities upon which like voting rights have been conferred and with which the Series G Preferred Stock voted as a class for the election of such director), and (y) if our articles of incorporation have not been amended as described in the preceding sentence, then, until such amendment is fully approved and effective, the dividend rate on the Series G Preferred Stock shall increase by 25 basis points. There can be no assurance that any such amendment to our articles of incorporation will be approved by our common stockholders. For avoidance of doubt, commercially reasonable efforts shall not be deemed to include the requirement to pay any consent or other fee to obtain such amendment. Dividends payable on the Series G Preferred Stock will be considered to be in arrears for any quarterly period for which full cumulative dividends through the most recent dividend payment date have not been paid on all outstanding Series G Preferred Stock. Any such amendment to our articles of incorporation, if obtained, shall also provide that the right of such Series G Preferred Shareholders to elect members of our board of directors will continue until such time as all dividends accumulated and in arrears on the Series G Preferred Stock have been paid in full or sufficient funds for such payment have been declared and set apart for such purpose, at which time such right will terminate, subject to the reversion of such right in the event of each and every subsequent failure to pay six quarterly dividends as described above. Upon any termination of the right of the holders of the Series G Preferred Stock and any other Parity Securities to vote as a class for such director, the term of office of such directors then in office elected by such holders voting as a class will terminate immediately. Any director elected by the holders of the Series G Preferred Stock and any other Parity Securities shall each be entitled to one vote per director on any matter before our board of directors.

Unless we have received the affirmative vote or consent of the holders of at least two-thirds of the outstanding Series G Preferred Stock, voting as a single class, we may not adopt any amendment to our articles of incorporation that materially and adversely alters the preferences, powers or rights of the Series G Preferred Stock.

In addition, unless we have received the affirmative vote or consent of the holders of at least two-thirds of the outstanding Series G Preferred Stock, voting as a class together with holders of any other Parity Securities upon which like voting rights have been conferred and are exercisable, we may not:

- issue any Parity Securities if the cumulative dividends payable on outstanding Series G Preferred Stock are in arrears; or
- create or issue any Senior Securities.

On any matter described above in which the Series G Preferred Shareholders are entitled to vote as a class, such holders shall be entitled to one vote per share. Any shares of Series G Preferred Stock held by us or any of our subsidiaries or affiliates shall not be entitled to vote.

No vote or consent of Series G Preferred Shareholders shall be required for (i) the creation or incurrence of any indebtedness, (ii) the authorization or issuance of any common stock or other Junior Securities or (iii) except as expressly provided above, the authorization or issuance of any of our preferred stock.

Series G Preferred Stock held in nominee or street name account shall be voted by the broker or other nominee in accordance with the instruction of the beneficial owner unless the arrangement between the beneficial owner and his nominee provides otherwise.

## *Dividends*

### General

Holders of Series G Preferred Stock are entitled to receive, when, as and if declared by our board of directors out of legally available funds for such purpose, cumulative cash dividends.

### Dividend Rate

Dividends on Series G Preferred Stock will be cumulative, until such time as we pay the dividend or redeem the Series G Preferred Stock in full in accordance with the provisions under the heading entitled “—Redemption”, whether or not such dividends shall have been declared and whether or not there are profits, surplus, or other funds legally available for the payment of dividend.

Dividends on the Series G Preferred Stock accrue at a rate of 8.75% per annum per \$2,500.00 stated liquidation preference per share of Series G Preferred Stock (equivalent to \$25.00 per Depositary Share). The dividend rate is subject to increase in the limited circumstances described above under “—Voting Rights.”

### Dividend Payment Dates

The “Dividend Payment Dates” for the Series G Preferred Stock are each January 15, April 15, July 15 and October 15. Dividends accumulate in each dividend period from and including the preceding Dividend Payment Date or the initial issue date, as the case may be, to but excluding the next applicable Dividend Payment Date for such dividend period, and dividends will accrue on accumulated dividends at the applicable dividend date. If any Dividend Payment Date otherwise would fall on a day that is not a Business Day, declared dividends will be paid on the immediately succeeding Business Day without the accumulation of additional dividends. Dividends on the Series G Preferred Stock will be payable based on a 360-day year consisting of twelve 30-day months. “Business Day” means a day on which the NYSE is open for trading and which is not a Saturday, a Sunday or other day on which banks in New York City are authorized or required to close.

### Payment of Dividends

Not later than 5:00 pm, New York City time, on each Dividend Payment Date, we will pay those dividends, if any, on the Series G Preferred Stock that have been declared by our board of directors to the Paying Agent or, if there is no Paying Agent at the relevant time, the holders of such shares as such holders’ names appear on our share transfer books maintained by the Registrar and Transfer Agent on the applicable Record Date. The applicable record date (the “Record Date”) is the fifth Business Day immediately preceding the applicable Dividend Payment Date, except that in the case of payments of dividends in arrears, the Record Date with respect to a Dividend Payment Date will be such date as may be designated by our board of directors in accordance with the Certificate of Designation, our articles of incorporation and our bylaws.

Declared dividends shall be paid to the Paying Agent in same-day funds on each Dividend Payment Date. The Paying Agent is responsible for holding or disbursing such payments to holders of the Series G Preferred Stock in accordance with the instructions of such holders. In other circumstances, dividends may be paid by check mailed to the registered address of the holder of Series G Preferred Stock, unless, in any particular case, we elect to pay the wire transfer.

No dividend may be declared or paid or set apart for payment on any Junior Securities (other than a dividend payable solely in Junior Securities) unless full cumulative dividends have been or contemporaneously are being paid or provided for on all outstanding Series G Preferred Stock and any Parity Securities through the most recent respective dividend payment dates. Accumulated dividends in arrears for any past dividend period may be declared by our board of directors and paid on any date fixed by our board of directors, whether or not a Dividend Payment Date, to holders of the Series G Preferred Stock on the record date for such payment, which may not be more than 60 days, nor less than five days, before such payment date. Subject to the next succeeding sentence, if all accumulated dividends in arrears on all outstanding Series G Preferred Stock and any Parity Securities have not been declared and paid, or sufficient funds for the payment thereof have not been declared and set apart, payment of accumulated dividends in arrears will be made in order of their respective dividend payment dates, commencing with the earliest. If less than all dividends payable with respect to all Series G Preferred Stock and any Parity Securities are paid, any partial payment will be made pro rata with respect to the Series G Preferred Stock and any Parity Securities entitled to a dividend payment at such time in proportion to the aggregate amounts remaining due in respect of such shares at such time. Holders of the Series G Preferred Stock are not entitled to any dividend, whether payable in cash, property or shares, in excess of full cumulative dividends. Except insofar as dividends accrue on the amount of any accumulated and unpaid dividends as described under “Dividends—Dividend Payment Dates,” no interest or sum of money in lieu of interest shall be payable in respect of any dividend payment which may be in arrears on the Series G Preferred Stock.

### *Redemption*

#### Optional Redemption

We may redeem, at our option, in whole or in part, the Series G Preferred Stock (and cause the redemption of the Depositary Shares) at a redemption price in cash equal to \$2,500.00 per share (equivalent to \$25.00 per Depositary Share) plus an amount equal to all accumulated and unpaid dividends thereon to the date of redemption, whether or not declared. Any such optional redemption shall be effected only out of funds legally available for such purpose. We may undertake multiple partial redemptions.

#### Redemption Procedures

We will give notice of any redemption by mail, postage prepaid, not less than 30 days and not more than 60 days before the scheduled date of redemption, to the holders of any shares to be redeemed as such holders' names appear on our share transfer books maintained by the Registrar and Transfer Agent at the address of such holders shown therein. Such notice shall state: (1) the redemption date, (2) the number of Series G Preferred Stock to be redeemed and, if less than all outstanding shares of Series G Preferred Stock are to be redeemed, the number (and the identification) of shares to be redeemed from such holder, (3) the redemption price, (4) the place where the shares of Series G Preferred Stock are to be redeemed and shall be presented and surrendered for payment of the redemption price therefor and (5) that dividends on the shares to be redeemed will cease to accumulate from and after such redemption date.

If fewer than all of the outstanding shares of Series G Preferred Stock are to be redeemed, the number of shares to be redeemed will be determined by us, and such shares of Series G Preferred Stock will be redeemed by such method of selection as the Paying Agent shall determine, either pro rata or by lot, with adjustments to avoid redemption of fractional shares.

The redemption price will be paid by the Paying Agent to the holders of the Series G Preferred Stock on the redemption date.

The aggregate redemption price for any such partial redemption of the outstanding Series G Preferred Stock shall be allocated correspondingly among the redeemed shares of Series G Preferred Stock. The shares of Series G Preferred Stock not redeemed shall remain outstanding and entitled to all the rights and preferences provided in the Certificate of Designation (including our right, if it elects so, to redeem all or part of the Series G Preferred Stock outstanding at any relevant time in accordance with the redemption provisions described herein).

If we give or cause to be given a notice of redemption, then we will deposit with the Paying Agent funds sufficient to redeem the Series G Preferred Stock as to which notice has been given no later than 5:00 pm, New York City time, on the Business Day immediately preceding the date fixed for redemption, and will give the Paying Agent irrevocable instructions and authority to pay the redemption price to the holder or holders thereof upon surrender or deemed surrender of the certificates therefor. If notice of redemption shall have been given, then from and after the date fixed for redemption, unless we default in providing funds sufficient for such redemption at the time and place specified for payment pursuant to the notice, all dividends on such shares will cease to accumulate and all rights of holders of such shares of Series G Preferred Stock as Series G Preferred Shareholders will cease, except the right to receive the redemption price, including an amount equal to accumulated and unpaid dividends through the date fixed for redemption, whether or not declared. We will be entitled to receive from the Paying Agent the interest income, if any, earned on such funds deposited with the Paying Agent (to the extent that such interest income is not required to pay the redemption price of the shares to be redeemed), and the holders of any shares so redeemed will have no claim to any such interest income. Any funds deposited with the Paying Agent hereunder by us for any reason, including, but not limited to, redemption of Series G Preferred Stock, that remain unclaimed or unpaid after two years after the applicable redemption date or other payment date, shall be, to the extent permitted by law, repaid to us upon our written request, after which repayment the holders of the Series G Preferred Stock entitled to such redemption or other payment shall have recourse only to us.

If only a portion of the Series G Preferred Stock represented by a certificate has been called for redemption, upon surrender of the certificate to the Paying Agent, the Paying Agent will issue to the holder of such shares a new certificate (or adjust the applicable book-entry account) representing the number of shares of Series G Preferred Stock represented by the surrendered certificate that have not been called for redemption.

Notwithstanding any notice of redemption, there will be no redemption of any Series G Preferred Stock called for redemption until funds sufficient to pay the full redemption price of such shares, including all accumulated and unpaid dividends to the date of redemption, whether or not declared, have been deposited by us with the Paying Agent.

We and our affiliates may from time to time purchase shares of the Series G Preferred Stock, subject to compliance with all applicable securities and other laws. Neither we nor any of our affiliates has any obligation, or any present plan or intention, to purchase any Series G Preferred Stock. Any shares repurchased and canceled by us will revert to the status of authorized but unissued preferred stock undesignated by us.

Notwithstanding the foregoing, in the event that full cumulative dividends on the Series G Preferred Stock and any Parity Securities have not been paid or declared and set apart for payment, we and our affiliates may not repurchase, redeem or otherwise acquire, in whole or in part, any Series G Preferred Stock or Parity Securities except pursuant to a purchase or exchange offer made on the same terms to all holders of Series G Preferred Stock and any Parity Securities. Common stock, our existing preferred stock and any other Junior Securities may not be redeemed, repurchased or otherwise acquired unless full cumulative dividends on the Series G Preferred Stock and any Parity Securities for all prior and the then-ending dividend periods have been paid or declared and set apart for payment.

#### *No Sinking Fund*

The Series G Preferred Stock does not have the benefit of any sinking fund.

#### *Depositary Shares*

The following is a summary of the terms and provisions of the Depositary Shares. The following summary does not set forth the full terms or provisions of the Depositary Shares, which is set forth in the Deposit Agreement.

### *Dividends and Other Distributions*

We pay all cash dividends and other cash distributions to the Depositary through the Paying Agent, or if there is no Paying Agent at the relevant time, directly to the Depositary as the holder of the Series G Preferred Stock. The Depositary has agreed to pay to Depositary Shareholders the cash dividends or other distributions it or the custodian receives on shares of Series G Preferred Stock or other deposited securities, after deducting its fees and expenses. You shall receive these distributions in proportion to the number of shares of Series G Preferred Stock that your Depositary Shares represent.

#### Cash

Before making any cash dividend or other cash distribution, any withholding taxes or other governmental charges that must be paid will be deducted. The Depositary will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent.

#### Shares

The Depositary may, and shall if we request in writing, distribute additional Depositary Shares representing any shares of Series G Preferred Stock we distribute as a share dividend or other distribution. The Depositary will only distribute whole Depositary Shares. It will sell shares of Series G Preferred Stock which would require it to deliver a fractional Depositary Share and distribute the net proceeds in the same way as it does with cash. If the Depositary does not distribute additional Depositary Shares, the outstanding Depositary Shares will also represent the new shares of Series G Preferred Stock. The Depositary may sell a portion of the distributed shares of Series G Preferred Stock sufficient to pay its fees and expenses in connection with that distribution.

### *Rights to Purchase Additional Shares of Series G Preferred Stock*

If we offer holders of our securities any rights to subscribe for additional shares of Series G Preferred Stock or any other rights, the Depositary may make these rights available to Depositary Shareholders. If the Depositary reasonably determines, after consultation with us to the extent practicable, it is not legal and practical to make the rights available but that it is practical to sell the rights, the Depositary will use reasonable efforts to sell the rights and distribute the proceeds in the same way as it does with cash. The Depositary will allow rights that are not distributed or sold to lapse. In that case, you will receive no value for the rights.

If the Depositary makes rights available to Depositary Shareholders, it will exercise the rights and purchase the shares of Series G Preferred Stock on your behalf. The Depositary will then deposit the shares of Series G Preferred Stock and deliver Depositary Shares to the persons entitled to them. It will only exercise rights if you pay it the exercise price and any other charges the rights require you to pay.

U.S. securities laws may restrict transfers and cancellation of the Depositary Shares represented by shares of Series G Preferred Stock purchased upon exercise of rights. For example, you may not be able to trade these Depositary Shares freely in the United States. In this case, the Depositary may deliver restricted Depositary Shares that have the same terms as the Depositary Shares described in this section except for changes needed to put the necessary restrictions in place.

### *Other Distributions*

The Depositary will send to Depositary Shareholders anything else we distribute on the Series G Preferred Stock or other deposited securities by any means, as promptly as practicable, after consultation with us, it thinks is legal, fair and practical. If it cannot make the distribution in that way, the Depositary may decide to sell what we distributed and distribute the net proceeds, in the same way as it does with cash, or it may decide to hold what we distributed, in which case Depositary Shares will also represent the newly distributed property. However, the Depositary is not required to distribute any securities (other than Depositary Shares) to Depositary Shareholders unless it receives reasonably satisfactory evidence from us that it is legal to make that distribution. The Depositary may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution.

Neither the Company nor the Depositary is responsible if the Depositary determines that it is unlawful or impractical to make a distribution available to any Depositary Shareholders. We have no obligation to register Depositary Shares, shares of Series G Preferred Stock, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of Depositary Shares, shares of Series G Preferred Stock, rights or anything else to Depositary Shareholders. This means that you may not receive the distributions we make on our shares of Series G Preferred Stock or any value for them if it is illegal or impractical for us to make them available to you.

### *Redemption*

If we give notice of a redemption of any Series G Preferred Stock or other deposited securities, the Depositary will call for surrender of a corresponding number of Depositary Shares. The Depositary will surrender the redeemed Series G Preferred Stock or other deposited securities on the redemption date. Holders of the Depositary Shares that were called for surrender will be entitled to receive the redemption amount, net of the Depositary's fees and expenses, upon surrenders by them of those Depositary Shares. We must give our notice of redemption in respect of the deposited securities to the Depositary before the redemption date and the Depositary will give notice as promptly as practicable to all holders of Depositary Shares.

### *Voting Rights*

If holders of Series G Preferred Stock or other deposited securities acquire voting rights, Depositary Shareholders may instruct the Depositary how to vote the number of deposited shares of Series G Preferred Stock or other deposited securities, their Depositary Shares represent. The Depositary will notify Depositary Shareholders of Series G Preferred Shareholders' meetings and arrange to deliver our voting materials to them if we ask it to. Those materials will describe the matters to be voted on and explain how Depositary Shareholders may instruct the Depositary how to vote. For instructions to be valid, they must reach the Depositary by a date set by the Depositary. Otherwise, you will not be able to exercise your right to vote unless you withdraw the shares of Series G Preferred Stock. However, you may not know about the meeting far enough in advance to withdraw the shares of Series G Preferred Stock represented by your Depositary Shares.

If we instruct the Depositary to notify the Depositary Shareholders and deliver to them voting materials related to a Series G Preferred Shareholders' meeting at least 30 days in advance of the meeting date, and if instructions are not delivered to the Depositary by the date set by the Depositary for such purpose, then the Depositary Shareholders will be deemed to have instructed the Depositary to give a discretionary proxy to a person designated by us with respect to the matter to be voted upon and amount of Depositary Shares, although no such discretionary proxy will be given if we inform the Depositary in writing that substantial opposition exists to the matter, the matter adversely affects the rights of Series G Preferred Shareholders or that we otherwise do not wish such proxy to be given.

The Depositary will try, as far as practical, subject to the laws of the Marshall Islands and to our articles of incorporation or similar documents, to vote or to have its agents vote the shares of Series G Preferred Stock or other deposited securities as instructed by Depositary Shareholders. The Depositary will only vote or attempt to vote as instructed or as described in the preceding paragraph.

In order to give you a reasonable opportunity to instruct the Depositary as to the exercise of voting rights relating to Deposited Securities, if we request the Depositary to act, we agree to give the Depositary notice of any such meeting and details concerning the matters to be voted upon at least 30 days in advance of the meeting date.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the Depositary to vote the shares of Series G Preferred Stock represented by your Depositary Shares. In addition, the Depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that you may not be able to exercise your right to vote and you may have no recourse if your shares of Series G Preferred Stock are not voted as you requested.



**If we take any of the following actions:**

- Change the nominal or par value of our shares of Series G Preferred Stock
- Reclassify, split up or consolidate any of the deposited securities
- Distribute securities on the shares of Series G Preferred Stock that are not distributed to you
- Recapitalize, reorganize, merge, liquidate, sell all or substantially all of our assets, or take any similar action

**Then:**

The cash, shares of Series G Preferred Stock or other securities received by the Depositary will become deposited securities. Each Depositary Share will automatically represent its equivalent share of the new deposited securities.

The Depositary may, with our consent, distribute new Depositary Shares representing the new deposited securities or ask you to surrender your outstanding American Depositary Receipts (“ADRs”) in exchange for new ADRs identifying the new deposited securities.

*Amendment and Termination*

*Amendment*

We may agree with the Depositary to amend the Deposit Agreement and the ADRs without your consent for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges or expenses of the Depositary for registration fees, facsimile costs, delivery charges or similar items, or prejudices a substantial right of Depositary Shareholders, it will not become effective for outstanding Depositary Shares until 30 days after the Depositary notifies Depositary Shareholders of the amendment. At the time an amendment becomes effective, you are considered, by continuing to hold your Depositary Shares, to agree to the amendment and to be bound by the ADRs and the Deposit Agreement as amended.

*Termination*

The Depositary will terminate the Deposit Agreement at our direction by mailing notice of termination to the Depositary Shareholders then outstanding at least 30 days prior to the date fixed in such notice for such termination. The Depositary may also terminate the Deposit Agreement by mailing notice of termination to us and the Depositary Shareholders if 60 days have passed since the Depositary told us it wants to resign but a successor Depositary has not been appointed and accepted its appointment.

After termination, the Depositary and its agents will do the following under the Deposit Agreement but will not be obligated to do anything else: collect distributions on the deposited securities, sell rights and other property, and deliver shares of Series G Preferred Stock and other deposited securities upon cancellation of Depositary Shares. Four months after termination, the Depositary may sell any remaining deposited securities by public or private sale. After that, the Depositary will hold the money it received on the sale, as well as any other cash it is holding under the Deposit Agreement for the pro rata benefit of the Depositary Shareholders that have not surrendered their Depositary Shares. It will not invest the money and has no liability for interest. The Depositary’s only obligations will be to account for the money and other cash. After termination, our only obligations will be to indemnify the Depositary and to pay fees and expenses of the Depositary that we agreed to pay.

The Deposit Agreement expressly limits our obligations and the obligations of the Depositary. It also limits our liability and the liability of the Depositary. We and the Depositary:

- are only obligated to take the actions specifically set forth in the Deposit Agreement without negligence or bad faith;
- are not liable if we are or it is prevented or delayed by law or circumstances beyond our control from performing our or its obligations under the Deposit Agreement;
- are not liable if we or it exercises discretion permitted under the Deposit Agreement;
- are not liable for the inability of any holder of Depositary Shares to benefit from any distribution on deposited securities that is not made available to holders of Depositary Shares under the terms of the Deposit Agreement, or for any special, consequential or punitive damages for any breach of the terms of the Deposit Agreement;
- are not liable for the failure of any holder to obtain the benefits of credits on the basis of non-U.S. tax paid against the holder's income tax liability or for any tax consequences that may be incurred by holders on account of their ownership of the Depositary Shares;
- have no obligation to become involved in a lawsuit or other proceeding related to the Depositary Shares or the Deposit Agreement on your behalf or on behalf of any other person; and
- may rely upon any documents we believe or it believes in good faith to be genuine and to have been signed or presented by the proper person.

In the Deposit Agreement, we and the Depositary agree to indemnify each other under certain circumstances.

### ***Right to Receive the Shares Underlying the Depositary Shares***

Depositary Shareholders have the right to cancel their Depositary Shares and withdraw the underlying shares of Series G Preferred Stock at any time except:

- when temporary delays arise because: (i) the Depositary has closed its transfer books or we have closed our transfer books; (ii) the transfer of shares of Series G Preferred Stock is blocked to permit voting at a Series G Preferred Shareholders' meeting; or (iii) we are paying a dividend on our shares of Series G Preferred Stock;
- when you owe money to pay fees, taxes and similar charges; or
- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to Depositary Shares or to the withdrawal of shares of Series G Preferred Stock or other deposited securities.

This right of withdrawal may not be limited by any other provision of the Deposit Agreement.

### ***Series H Preferred Stock and Depositary Shares***

The following description of the Series H Preferred Stock and the Depositary Shares does not purport to be complete and is subject to, and qualified in its entirety by reference to, the Certificate of Designation designating the Series H Preferred Stock and setting forth the rights, preferences and limitations of the Series H Preferred Stock and the terms of the Deposit Agreement which established the terms of the Depositary Shares.

#### ***General***

In general, each Depositary Share will represent, and entitle the holder, subject to the terms of the Deposit Agreement, to proportional rights and preferences (including dividends, voting, redemption and liquidation rights and preferences) as if such holder held 1/100th of one share of Series H Preferred Stock. The material terms of the Series H Preferred Stock and the Depositary Shares are summarized below.

The holders of our common stock are entitled to receive, to the extent permitted by law, such dividends as may from time to time be declared by our board of directors. Upon any liquidation, dissolution or winding up of our affairs, whether voluntary or involuntary, the holders of our common stock are entitled to receive distributions of our assets, after we have satisfied or made provision for our debts and other obligations and for payment to the holders any class or series of shares (including the Series H Preferred Stock) having preferential rights to receive distributions of our assets.

The Series H Preferred Stock entitles the holders thereof (“Series H Preferred Shareholders”) to receive cumulative cash dividends when, as and if declared by our board of directors out of legally available funds for such purpose. No fractional shares of Series H Preferred Stock have been issued. The Series H Preferred Stock represented by the Depositary Shares are fully paid and nonassessable and the Depositary Shares are validly issued and entitled to the benefits of the Deposit Agreement. Each share of Series H Preferred Stock has a fixed liquidation preference of \$2,500.00 per share (equivalent to \$25.00 per Depositary Share) and upon liquidation will also be entitled to an amount equal to accumulated and unpaid dividends thereon to the date fixed for payment, whether or not declared. Please see the section entitled “—Liquidation Rights.”

The Series H Preferred Stock represents perpetual equity interests in us and, unlike our indebtedness, will not give rise to a claim for payment of a principal amount at a particular date. As such, the Series H Preferred Stock ranks junior to all of our indebtedness and other liabilities with respect to assets available to satisfy claims against us.

The Series H Preferred Stock is not convertible into common stock or any other of our securities and does not have exchange rights or be entitled or subject to any preemptive or similar rights. The Series H Preferred Stock is subject to mandatory redemption or to any sinking fund requirements. The Series H Preferred Stock is subject to redemption, in whole or in part, at our option or at any time after the occurrence of a fundamental change. Please see the section entitled “—Redemption.”

### *Listing*

The Depositary Shares are listed on the NYSE under the symbol “NM-PH.” The Series H Preferred Stock represented by the Depositary Shares is not listed but is registered in connection with the Depositary Shares pursuant to the requirements of the SEC.

### *Ranking*

The Series H Preferred Stock will, with respect to anticipated quarterly dividends and distributions upon the liquidation, winding-up and dissolution of our affairs, rank:

- senior to the Junior Securities (including all of our outstanding previously-issued convertible preferred stock and our common stock);
- on a parity with the Parity Securities (including the Series G Preferred Stock); and
- junior to the Senior Securities.

Under the Certificate of Designation, we may issue Junior Securities from time to time in one or more series without the consent of the holders of the Series H Preferred Stock. Our board of directors has the authority to determine the preferences, powers, qualifications, limitations, restrictions and special or relative rights or privileges, if any, of any such series before the issuance of any shares of that series. Our board of directors also determines the number of shares constituting each series of securities. Our ability to issue additional Parity Securities in certain circumstances or Senior Securities is limited as described under “—Voting Rights.”

### *Liquidation Rights*

The holders of outstanding Series H Preferred Stock are entitled, in the event of any liquidation, dissolution or winding up of our affairs, whether voluntary or involuntary, to receive the liquidation preference of \$2,500.00 per share (equivalent to \$25.00 per Depositary Share) in cash plus an amount equal to accumulated and unpaid dividends thereon to the date fixed for payment of such amount (whether or not declared), and no more, before any distribution will be made to the holders of our common stock, our convertible preferred stock or any other Junior

Securities. A consolidation or merger of us with or into any other entity, individually or in a series of transactions, will not be deemed a liquidation, dissolution or winding up of our affairs for this purpose. In the event that our assets available for distribution to holders of the outstanding Series H Preferred Stock and any Parity Securities are insufficient to permit payment of all required amounts, our assets then remaining will be distributed among the Series H Preferred Stock and any Parity Securities, as applicable, ratably on the basis of their relative aggregate liquidation preferences plus the amount of any accumulated and unpaid dividends thereon (whether or not declared). After payment of all required amounts to the holders of the outstanding Series H Preferred Stock and Parity Securities, our remaining assets and funds will be distributed among the holders of our common stock, our convertible preferred stock and any other Junior Securities then outstanding according to their respective rights.

#### *Voting Rights*

The Series H Preferred Stock have no voting rights except as set forth below or as otherwise provided by Marshall Islands law. In the event that one quarterly dividend payable on the Series H Preferred Stock is in arrears (whether or not such dividend shall have been declared and whether or not there are profits, surplus, or other funds legally available for the payment of dividends), we will use commercially reasonable efforts to obtain an amendment to our articles of incorporation to effectuate any and all such changes thereto as may be necessary to permit the Series H Preferred Shareholders to exercise the voting rights described in clause (x) of the following sentence. If and when dividends payable on the Series H Preferred Stock are in arrears for six or more quarterly periods, whether or not consecutive (and whether or not such dividends shall have been declared and whether or not there are profits, surplus, or other funds legally available for the payment of dividends), then (x) if our articles of incorporation have been amended as described in the preceding sentence, the Series H Preferred Shareholders will have the right, voting as a class together with holders of any other Parity Securities upon which like voting rights have been conferred and are exercisable, to elect one member of our board of directors, and the size of our board of directors will be increased as needed to accommodate such change (unless the size of our board of directors already has been increased by reason of the election of a director by holders of Parity Securities upon which like voting rights have been conferred and with which the Series H Preferred Stock voted as a class for the election of such director), and (y) if our articles of incorporation have not been amended as described in the preceding sentence, then, until such amendment is fully approved and effective, the dividend rate on the Series H Preferred Stock shall increase by 25 basis points. There can be no assurance that any such amendment to our articles of incorporation will be approved by our common stockholders. For avoidance of doubt, commercially reasonable efforts shall not be deemed to include the requirement to pay any consent or other fee to obtain such amendment. Dividends payable on the Series H Preferred Stock will be considered to be in arrears for any quarterly period for which full cumulative dividends through the most recent dividend payment date have not been paid on all outstanding Series H Preferred Stock. Any such amendment to our articles of incorporation, if obtained, shall also provide that the right of such Series H Preferred Shareholders to elect members of our board of directors will continue until such time as all dividends accumulated and in arrears on the Series H Preferred Stock have been paid in full or sufficient funds for such payment have been declared and set apart for such purpose, at which time such right will terminate, subject to the reversion of such right in the event of each and every subsequent failure to pay six quarterly dividends as described above. Upon any termination of the right of the holders of the Series H Preferred Stock and any other Parity Securities to vote as a class for such director, the term of office of such directors then in office elected by such holders voting as a class will terminate immediately. Any director elected by the holders of the Series H Preferred Stock and any other Parity Securities shall each be entitled to one vote per director on any matter before our board of directors.

Unless we have received the affirmative vote or consent of the holders of at least two-thirds of the outstanding Series H Preferred Stock, voting as a single class, we may not adopt any amendment to our articles of incorporation that materially and adversely alters the preferences, powers or rights of the Series H Preferred Stock.

In addition, unless we have received the affirmative vote or consent of the holders of at least two-thirds of the outstanding Series H Preferred Stock, voting as a class together with holders of any other Parity Securities upon which like voting rights have been conferred and are exercisable, we may not:

- issue any Parity Securities if the cumulative dividends payable on outstanding Series H Preferred Stock are in arrears; or

- create or issue any Senior Securities.

On any matter described above in which the Series H Preferred Shareholders are entitled to vote as a class, such holders shall be entitled to one vote per share. Any shares of Series H Preferred Stock held by us or any of our subsidiaries or affiliates shall not be entitled to vote.

No vote or consent of Series H Preferred Shareholders shall be required for (i) the creation or incurrence of any indebtedness, (ii) the authorization or issuance of any common stock or other Junior Securities or (iii) except as expressly provided above, the authorization or issuance of any of our preferred stock.

Series H Preferred Stock held in nominee or street name account shall be voted by the broker or other nominee in accordance with the instruction of the beneficial owner unless the arrangement between the beneficial owner and his nominee provides otherwise.

## Dividends

### General

Holders of Series H Preferred Stock are entitled to receive, when, as and if declared by our board of directors out of legally available funds for such purpose, cumulative cash dividends.

### Dividend Rate

Dividends on Series H Preferred Stock will be cumulative, until such time as we pay the dividend or redeem the Series H Preferred Stock in full in accordance with the provisions under the heading entitled “—Redemption”, whether or not such dividends shall have been declared and whether or not there are profits, surplus, or other funds legally available for the payment of dividend.

Dividends on the Series H Preferred Stock accrue at a rate of 8.625% per annum per \$2,500.00 stated liquidation preference per share of Series H Preferred Stock (equivalent to \$25.00 per Depositary Share). The dividend rate is subject to increase in the limited circumstances described above under “—Voting Rights.”

### Dividend Payment Dates

The “Dividend Payment Dates” for the Series H Preferred Stock are each January 15, April 15, July 15 and October 15. Dividends accumulate in each dividend period from and including the preceding Dividend Payment Date or the initial issue date, as the case may be, to but excluding the next applicable Dividend Payment Date for such dividend period, and dividends will accrue on accumulated dividends at the applicable dividend date. If any Dividend Payment Date otherwise would fall on a day that is not a Business Day, declared dividends will be paid on the immediately succeeding Business Day without the accumulation of additional dividends. Dividends on the Series H Preferred Stock will be payable based on a 360-day year consisting of twelve 30-day months. “Business Day” means a day on which the NYSE is open for trading and which is not a Saturday, a Sunday or other day on which banks in New York City are authorized or required to close.

### Payment of Dividends

Not later than 5:00 pm, New York City time, on each Dividend Payment Date, we will pay those dividends, if any, on the Series H Preferred Stock that have been declared by our board of directors to the Paying Agent or, if there is no Paying Agent at the relevant time, the holders of such shares as such holders’ names appear on our share transfer books maintained by the Registrar and Transfer Agent on the applicable Record Date. The applicable record date (the “Record Date”) is the fifth Business Day immediately preceding the applicable Dividend Payment Date, except that in the case of payments of dividends in arrears, the Record Date with respect to a Dividend Payment Date will be such date as may be designated by our board of directors in accordance with the Certificate of Designation, our articles of incorporation and our bylaws.

Declared dividends shall be paid to the Paying Agent in same-day funds on each Dividend Payment Date. The Paying Agent is responsible for holding or disbursing such payments to holders of the Series H Preferred Stock in accordance with the instructions of such holders. In other circumstances, dividends may be paid by check mailed to the registered address of the holder of Series H Preferred Stock, unless, in any particular case, we elect to pay the wire transfer.

No dividend may be declared or paid or set apart for payment on any Junior Securities (other than a dividend payable solely in Junior Securities) unless full cumulative dividends have been or contemporaneously are being paid or provided for on all outstanding Series H Preferred Stock and any Parity Securities through the most recent respective dividend payment dates. Accumulated dividends in arrears for any past dividend period may be declared by our board of directors and paid on any date fixed by our board of directors, whether or not a Dividend Payment Date, to holders of the Series H Preferred Stock on the record date for such payment, which may not be more than 60 days, nor less than five days, before such payment date. Subject to the next succeeding sentence, if all accumulated dividends in arrears on all outstanding Series H Preferred Stock and any Parity Securities have not been declared and paid, or sufficient funds for the payment thereof have not been declared and set apart, payment of accumulated dividends in arrears will be made in order of their respective dividend payment dates, commencing with the earliest. If less than all dividends payable with respect to all Series H Preferred Stock and any Parity Securities are paid, any partial payment will be made pro rata with respect to the Series H Preferred Stock and any Parity Securities entitled to a dividend payment at such time in proportion to the aggregate amounts remaining due in respect of such shares at such time. Holders of the Series H Preferred Stock are not be entitled to any dividend, whether payable in cash, property or shares, in excess of full cumulative dividends. Except insofar as dividends accrue on the amount of any accumulated and unpaid dividends as described under “Dividends—Dividend Payment Dates,” no interest or sum of money in lieu of interest shall be payable in respect of any dividend payment which may be in arrears on the Series H Preferred Stock.

## *Redemption*

### Optional Redemption

We may redeem, at our option, in whole or in part, the Series H Preferred Stock (and cause the redemption of the Depositary Shares) at a redemption price in cash equal to \$2,500.00 per share (equivalent to \$25.00 per Depositary Share) plus an amount equal to all accumulated and unpaid dividends thereon to the date of redemption, whether or not declared. Any such optional redemption shall be effected only out of funds legally available for such purpose. We may undertake multiple partial redemptions.

In addition, at any time after the occurrence of a “fundamental change,” we may redeem, at our option, in whole or from time to time in part, the Series H Preferred Stock at a redemption price in cash equal to \$2,500.00 per share (equivalent to \$25.00 per Depositary Share) plus an amount equal to all accumulated and unpaid dividends thereon to the date of redemption, whether or not declared. Any such optional redemption would be effected only out of funds legally available for such purpose.

A “fundamental change” means an event that shall be deemed to have occurred at the time after the date hereof when our common stock ceases to be listed or admitted for trading on the NYSE, the NASDAQ Capital Market, the NASDAQ Global Market or the NASDAQ Global Select Market (or any of their respective successors).

### Redemption Procedures

We will give notice of any redemption by mail, postage prepaid, not less than 30 days and not more than 60 days before the scheduled date of redemption, to the holders of any shares to be redeemed as such holders' names appear on our share transfer books maintained by the Registrar and Transfer Agent at the address of such holders shown therein. Such notice shall state: (1) the redemption date, (2) the number of Series H Preferred Stock to be redeemed and, if less than all outstanding shares of Series H Preferred Stock are to be redeemed, the number (and the identification) of shares to be redeemed from such holder, (3) the redemption price, (4) the place where the shares of Series H Preferred Stock are to be redeemed and shall be presented and surrendered for payment of the redemption price therefor and (5) that dividends on the shares to be redeemed will cease to accumulate from and after such redemption date.

If fewer than all of the outstanding shares of Series H Preferred Stock are to be redeemed, the number of shares to be redeemed will be determined by us, and such shares of Series H Preferred Stock will be redeemed by such method of selection as the Paying Agent shall determine, either pro rata or by lot, with adjustments to avoid redemption of fractional shares.

The redemption price will be paid by the Paying Agent to the holders of the Series H Preferred Stock on the redemption date.

The aggregate redemption price for any such partial redemption of the outstanding Series H Preferred Stock shall be allocated correspondingly among the redeemed shares of Series H Preferred Stock. The shares of Series H Preferred Stock not redeemed shall remain outstanding and entitled to all the rights and preferences provided in the Certificate of Designation (including our right, if it elects so, to redeem all or part of the Series H Preferred Stock outstanding at any relevant time in accordance with the redemption provisions described herein).

If we give or cause to be given a notice of redemption, then we will deposit with the Paying Agent funds sufficient to redeem the Series H Preferred Stock as to which notice has been given no later than 5:00 pm, New York City time, on the Business Day immediately preceding the date fixed for redemption, and will give the Paying Agent irrevocable instructions and authority to pay the redemption price to the holder or holders thereof upon surrender or deemed surrender of the certificates therefor. If notice of redemption shall have been given, then from and after the date fixed for redemption, unless we default in providing funds sufficient for such redemption at the time and place specified for payment pursuant to the notice, all dividends on such shares will cease to accumulate and all rights of holders of such shares of Series H Preferred Stock as Series H Preferred Shareholders will cease, except the right to receive the redemption price, including an amount equal to accumulated and unpaid dividends through the date fixed for redemption, whether or not declared. We will be entitled to receive from the Paying Agent the interest income, if any, earned on such funds deposited with the Paying Agent (to the extent that such interest income is not required to pay the redemption price of the shares to be redeemed), and the holders of any shares so redeemed will have no claim to any such interest income. Any funds deposited with the Paying Agent hereunder by us for any reason, including, but not limited to, redemption of Series H Preferred Stock, that remain unclaimed or unpaid after two years after the applicable redemption date or other payment date, shall be, to the extent permitted by law, repaid to us upon our written request, after which repayment the holders of the Series H Preferred Stock entitled to such redemption or other payment shall have recourse only to us.

If only a portion of the Series H Preferred Stock represented by a certificate has been called for redemption, upon surrender of the certificate to the Paying Agent, the Paying Agent will issue to the holder of such shares a new certificate (or adjust the applicable book-entry account) representing the number of shares of Series H Preferred Stock represented by the surrendered certificate that have not been called for redemption.

Notwithstanding any notice of redemption, there will be no redemption of any Series H Preferred Stock called for redemption until funds sufficient to pay the full redemption price of such shares, including all accumulated and unpaid dividends to the date of redemption, whether or not declared, have been deposited by us with the Paying Agent.

We and our affiliates may from time to time purchase shares of the Series H Preferred Stock, subject to compliance with all applicable securities and other laws. Neither we nor any of our affiliates has any obligation, or any present plan or intention, to purchase any Series H Preferred Stock. Any shares repurchased and canceled by us will revert to the status of authorized but unissued preferred stock undesignated by us.

Notwithstanding the foregoing, in the event that full cumulative dividends on the Series H Preferred Stock and any Parity Securities have not been paid or declared and set apart for payment, we and our affiliates may not repurchase, redeem or otherwise acquire, in whole or in part, any Series H Preferred Stock or Parity Securities except pursuant to a purchase or exchange offer made on the same terms to all holders of Series H Preferred Stock and any Parity Securities. Common stock, our convertible preferred stock and any other Junior Securities may not be redeemed, repurchased or otherwise acquired unless full cumulative dividends on the Series H Preferred Stock and any Parity Securities for all prior and the then-ending dividend periods have been paid or declared and set apart for payment.



### *No Sinking Fund*

The Series H Preferred Stock does not have the benefit of any sinking fund.

### ***Depository Shares***

The following is a summary of the terms and provisions of the Depository Shares. The following summary does not set forth the full terms or provisions of the Depository Shares, which is set forth in the Deposit Agreement.

#### *Dividends and Other Distributions*

We pay all cash dividends and other cash distributions to the Depository through the Paying Agent, or if there is no Paying Agent at the relevant time, directly to the Depository as the holder of the Series H Preferred Stock. The Depository has agreed to pay to Depository Shareholders the cash dividends or other distributions it or the custodian receives on shares of Series H Preferred Stock or other deposited securities, after deducting its fees and expenses. You shall receive these distributions in proportion to the number of shares of Series H Preferred Stock that your Depository Shares represent.

#### *Cash*

Before making any cash dividend or other cash distribution, any withholding taxes or other governmental charges that must be paid will be deducted. The Depository will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent.

#### *Shares*

The Depository may, and shall if we request in writing, distribute additional Depository Shares representing any shares of Series H Preferred Stock we distribute as a share dividend or other distribution. The Depository will only distribute whole Depository Shares. It will sell shares of Series H Preferred Stock which would require it to deliver a fractional Depository Share and distribute the net proceeds in the same way as it does with cash. If the Depository does not distribute additional Depository Shares, the outstanding Depository Shares will also represent the new shares of Series H Preferred Stock. The Depository may sell a portion of the distributed shares of Series H Preferred Stock sufficient to pay its fees and expenses in connection with that distribution.

#### *Rights to Purchase Additional Shares of Series H Preferred Stock*

If we offer holders of our securities any rights to subscribe for additional shares of Series H Preferred Stock or any other rights, the Depository may make these rights available to Depository Shareholders. If the Depository reasonably determines, after consultation with us to the extent practicable, it is not legal and practical to make the rights available but that it is practical to sell the rights, the Depository will use reasonable efforts to sell the rights and distribute the proceeds in the same way as it does with cash. The Depository will allow rights that are not distributed or sold to lapse. In that case, you will receive no value for the rights.

If the Depository makes rights available to Depository Shareholders, it will exercise the rights and purchase the shares of Series H Preferred Stock on your behalf. The Depository will then deposit the shares of Series H Preferred Stock and deliver Depository Shares to the persons entitled to them. It will only exercise rights if you pay it the exercise price and any other charges the rights require you to pay.

U.S. securities laws may restrict transfers and cancellation of the Depository Shares represented by shares of Series H Preferred Stock purchased upon exercise of rights. For example, you may not be able to trade these Depository Shares freely in the United States. In this case, the Depository may deliver restricted Depository Shares that have the same terms as the Depository Shares described in this section except for changes needed to put the necessary restrictions in place.

### *Other Distributions*

The Depositary will send to Depositary Shareholders anything else we distribute on the Series H Preferred Stock or other deposited securities by any means, as promptly as practicable, after consultation with us, it thinks is legal, fair and practical. If it cannot make the distribution in that way, the Depositary may decide to sell what we distributed and distribute the net proceeds, in the same way as it does with cash, or it may decide to hold what we distributed, in which case Depositary Shares will also represent the newly distributed property. However, the Depositary is not required to distribute any securities (other than Depositary Shares) to Depositary Shareholders unless it receives reasonably satisfactory evidence from us that it is legal to make that distribution. The Depositary may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution.

Neither the Company nor the Depositary is responsible if the Depositary determines that it is unlawful or impractical to make a distribution available to any Depositary Shareholders. We have no obligation to register Depositary Shares, shares of Series H Preferred Stock, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of Depositary Shares, shares of Series H Preferred Stock, rights or anything else to Depositary Shareholders. This means that you may not receive the distributions we make on our shares of Series H Preferred Stock or any value for them if it is illegal or impractical for us to make them available to you.

### *Redemption*

If we give notice of a redemption of any Series H Preferred Stock or other deposited securities, the Depositary will call for surrender of a corresponding number of Depositary Shares. The Depositary will surrender the redeemed Series H Preferred Stock or other deposited securities on the redemption date. Holders of the Depositary Shares that were called for surrender will be entitled to receive the redemption amount, net of the Depositary's fees and expenses, upon surrenders by them of those Depositary Shares. We must give our notice of redemption in respect of the deposited securities to the Depositary before the redemption date and the Depositary will give notice as promptly as practicable to all holders of Depositary Shares.

### *Voting Rights*

If holders of Series H Preferred Stock or other deposited securities acquire voting rights, Depositary Shareholders may instruct the Depositary how to vote the number of deposited shares of Series H Preferred Stock or other deposited securities, their Depositary Shares represent. The Depositary will notify Depositary Shareholders of Series H Preferred Shareholders' meetings and arrange to deliver our voting materials to them if we ask it to. Those materials will describe the matters to be voted on and explain how Depositary Shareholders may instruct the Depositary how to vote. For instructions to be valid, they must reach the Depositary by a date set by the Depositary. Otherwise, you will not be able to exercise your right to vote unless you withdraw the shares of Series H Preferred Stock. However, you may not know about the meeting far enough in advance to withdraw the shares of Series H Preferred Stock represented by your Depositary Shares.

If we instruct the Depositary to notify the Depositary Shareholders and deliver to them voting materials related to a Series H Preferred Shareholders' meeting at least 30 days in advance of the meeting date, and if instructions are not delivered to the Depositary by the date set by the Depositary for such purpose, then the Depositary Shareholders will be deemed to have instructed the Depositary to give a discretionary proxy to a person designated by us with respect to the matter to be voted upon and amount of Depositary Shares, although no such discretionary proxy will be given if we inform the Depositary in writing that substantial opposition exists to the matter, the matter adversely affects the rights of Series H Preferred Shareholders or that we otherwise do not wish such proxy to be given.

The Depositary will try, as far as practical, subject to the laws of the Marshall Islands and to our articles of incorporation or similar documents, to vote or to have its agents vote the shares of Series H Preferred Stock or other deposited securities as instructed by Depositary Shareholders. The Depositary will only vote or attempt to vote as instructed or as described in the preceding paragraph.

In order to give you a reasonable opportunity to instruct the Depositary as to the exercise of voting rights relating to Deposited Securities, if we request the Depositary to act, we agree to give the Depositary notice of any such meeting and details concerning the matters to be voted upon at least 30 days in advance of the meeting date.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the Depositary to vote the shares of Series H Preferred Stock represented by your Depositary Shares. In addition, the Depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that you may not be able to exercise your right to vote and you may have no recourse if your shares of Series H Preferred Stock are not voted as you requested.

#### *Reclassifications, Recapitalizations and Mergers*

##### If we take any of the following actions:

- Change the nominal or par value of our shares of Series H Preferred Stock
- Reclassify, split up or consolidate any of the deposited securities
- Distribute securities on the shares of Series H Preferred Stock that are not distributed to you
- Recapitalize, reorganize, merge, liquidate, sell all or substantially all of our assets, or take any similar action

##### Then:

The cash, shares of Series H Preferred Stock or other securities received by the Depositary will become deposited securities. Each Depositary Share will automatically represent its equivalent share of the new deposited securities.

The Depositary may, with our consent, distribute new Depositary Shares representing the new deposited securities or ask you to surrender your outstanding ADRs in exchange for new ADRs identifying the new deposited securities.

#### *Amendment and Termination*

##### *Amendment*

We may agree with the Depositary to amend the Deposit Agreement and the ADRs without your consent for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges or expenses of the Depositary for registration fees, facsimile costs, delivery charges or similar items, or prejudices a substantial right of Depositary Shareholders, it will not become effective for outstanding Depositary Shares until 30 days after the Depositary notifies Depositary Shareholders of the amendment. At the time an amendment becomes effective, you are considered, by continuing to hold your Depositary Shares, to agree to the amendment and to be bound by the ADRs and the Deposit Agreement as amended.

##### *Termination*

The Depositary will terminate the Deposit Agreement at our direction by mailing notice of termination to the Depositary Shareholders then outstanding at least 30 days prior to the date fixed in such notice for such termination. The Depositary may also terminate the Deposit Agreement by mailing notice of termination to us and the Depositary Shareholders if 60 days have passed since the Depositary told us it wants to resign but a successor Depositary has not been appointed and accepted its appointment.

After termination, the Depositary and its agents will do the following under the Deposit Agreement but will not be obligated to do anything else: collect distributions on the deposited securities, sell rights and other property, and deliver shares of Series H Preferred Stock and other deposited securities upon cancellation of Depositary Shares. Four months after termination, the Depositary may sell any remaining deposited securities by public or private sale. After that, the Depositary will hold the money it received on the sale, as well as any other cash it is holding under the Deposit Agreement for the pro rata benefit of the Depositary Shareholders that have not surrendered their Depositary Shares. It will not invest the money and has no liability for interest. The Depositary's only obligations will be to account for the money and other cash. After termination, our only obligations will be to indemnify the Depositary and to pay fees and expenses of the Depositary that we agreed to pay.

*Limits on our Obligations and the Obligations of the Depositary; Limits on Liability to Holders of Depositary Shares*

The Deposit Agreement expressly limits our obligations and the obligations of the Depositary. It also limits our liability and the liability of the Depositary. We and the Depositary:

- are only obligated to take the actions specifically set forth in the Deposit Agreement without negligence or bad faith;
- are not liable if we are or it is prevented or delayed by law or circumstances beyond our control from performing our or its obligations under the Deposit Agreement;
- are not liable if we or it exercises discretion permitted under the Deposit Agreement;
- are not liable for the inability of any holder of Depositary Shares to benefit from any distribution on deposited securities that is not made available to holders of Depositary Shares under the terms of the Deposit Agreement, or for any special, consequential or punitive damages for any breach of the terms of the Deposit Agreement;
- are not liable for the failure of any holder to obtain the benefits of credits on the basis of non-U.S. tax paid against the holder's income tax liability or for any tax consequences that may be incurred by holders on account of their ownership of the Depositary Shares;
- have no obligation to become involved in a lawsuit or other proceeding related to the Depositary Shares or the Deposit Agreement on your behalf or on behalf of any other person; and
- may rely upon any documents we believe or it believes in good faith to be genuine and to have been signed or presented by the proper person.

In the Deposit Agreement, we and the Depositary agree to indemnify each other under certain circumstances.

*Right to Receive the Shares Underlying the Depositary Shares*

Depositary Shareholders have the right to cancel their Depositary Shares and withdraw the underlying shares of Series H Preferred Stock at any time except:

- when temporary delays arise because: (i) the Depositary has closed its transfer books or we have closed our transfer books; (ii) the transfer of shares of Series H Preferred Stock is blocked to permit voting at a Series H Preferred Shareholders' meeting; or (iii) we are paying a dividend on our shares of Series H Preferred Stock;
- when you owe money to pay fees, taxes and similar charges; or
- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to Depositary Shares or to the withdrawal of shares of Series H Preferred Stock or other deposited securities.

This right of withdrawal may not be limited by any other provision of the Deposit Agreement.

**Transfer Agent and Warrant Agent**

The transfer agent for Navios Holdings' securities is Continental Stock Transfer & Trust Company, 17 Battery Place, New York, New York 10004.

**DATED 25 April 2019**

**NAVIOS MARITIME HOLDINGS INC. (1)**

**as borrower**

**and**

**NAVIOS SOUTH AMERICAN LOGISTICS INC. (2)**

**as lender**

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**LOAN AGREEMENT**

**in respect of**

**a loan of up to USD50,000,000**

**in up to ten Advances**

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**THIS AGREEMENT** is dated 25 April 2019 and made **BETWEEN**:

- (1) **NAVIOS MARITIME HOLDINGS INC.** as Borrower; and
- (2) **NAVIOS SOUTH AMERICAN LOGISTICS INC.** as Lender.

**IT IS AGREED** as follows:

1 **PURPOSE AND DEFINITIONS**

1.1 **Purpose**

This Agreement sets out the terms and conditions upon which the Lender agrees to make available to the Borrower a loan facility of up to USD50,000,000 in up to ten Advances for general corporate purposes (including to enable it to repurchase the Notes and to pay fees and expenses related to the loan facility).

1.2 **Definitions**

In this Agreement, unless the context otherwise requires:

“**Account Pledge**” the US governed law pledge required to be executed hereunder by the Borrower over its Securities Account;

“**Advance**” means the principal amount of each drawing to be made in respect of the Loan pursuant to Clause 2.2;

“**Banking Day**” means a day on which dealings in deposits in USD are carried on in the London Interbank Eurocurrency Market and a day (other than Saturday or Sunday) on which banks are open for general business in London, Piraeus, Hamburg and New York City;

“**Bareboat Owners**” means each of the companies listed in Schedule 6 and in the plural means all of them;

“**Bareboat Owners’ Shares Pledge**” means, in relation to each Bareboat Owner, a pledge of all the shares of and in that Bareboat Owner required to be executed hereunder by the Shareholder in favour of the Lender, in such form as the Lender may agree or require in its sole discretion, and in the plural means all of them;



**“Borrowed Money”** means Indebtedness in respect of (i) money borrowed and debit balances at banks, (ii) any bond, note, loan stock, debenture or similar debt instrument, (iii) acceptance or documentary credit facilities, (iv) receivables sold or discounted (otherwise than on a non-recourse basis), (v) deferred payments for assets or services acquired, (vi) finance leases and hire purchase contracts, (vii) swaps, forward exchange contracts, futures and other derivatives, (viii) any other transaction (including without limitation forward sale or purchase agreements) having the commercial effect of a borrowing or of any of (ii) to (vii) above and (ix) guarantees in respect of Indebtedness of any person falling within any of (i) to (viii) above;

**“Borrower”** means Navios Maritime Holdings Inc. a company incorporated in the Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands, MH96960;

**“Certified Copy”** means in relation to any document delivered or issued by or on behalf of any company, a copy of such document certified as a true, complete and up to date copy of the original by any of the directors or officers for the time being of such company or by such company’s attorneys or solicitors;

**“Closing Date”** means the date on which the conditions precedent set out in Clause 9 have been satisfied or waived by the Lender;

**“Commitment”** means, in relation to the Loan, the maximum amount which the Lender has agreed to lend to the Borrower under clause 2.1 as reduced by any relevant term of this Agreement;

**“Compliance Certificate”** means a certificate substantially in the form set out in schedule 5 signed by a director of the Borrower;

**“Default”** means any Event of Default or any event or circumstance which with the giving of notice or lapse of time or the satisfaction of any other condition (or any combination thereof) would constitute an Event of Default;

**“Dollars”** and **“USD”** mean the lawful currency of the USA and in respect of all payments to be made under any of the Loan Documents means funds which are for same day settlement in

the New York Clearing House Interbank Payments System (or such other US dollar funds as may at the relevant time be customary for the settlement of international banking transactions denominated in US dollars);

“**Drawdown Date**” means, in respect of an Advance, any date being a Banking Day falling during the Drawdown Period, on which that Advance is, or is to be, made available;

“**Drawdown Notice**” means a notice substantially in the form of schedule 1;

“**Drawdown Period**” means the period commencing on the Closing Date and ending on the earlier of (i) 31 December 2019 or such other date as the Lender and the Borrower may agree and (ii) any date on which the Commitment is finally cancelled or fully drawn under the terms of this Agreement;

“**Encumbrance**” means any mortgage, charge, pledge, lien, hypothecation, assignment, title retention, preferential right, option, trust arrangement or security interest or any other encumbrance, security or arrangement conferring howsoever a priority of payment in respect of any obligation of any person;

“**Event of Default**” means any of the events or circumstances listed in clause 10.1;

“**Execution Date**” means the date on which this Agreement has been executed by all the parties hereto;

“**Existing Term Loan B**” means the Credit Agreement dated as of November 3, 2017 among Navios South American Logistics Inc. and Navios Logistics Finance (US) Inc., as the Borrowers, the Several Lenders from Time to Time Party thereto, Morgan Stanley Senior Funding, Inc., as Administrative Agent, Morgan Stanley Senior Funding, Inc., as Sole Lead Arranger and Bookrunner and S. Goldman Advisors LLC, as Manager;

“**Facility Period**” means the period starting on the Drawdown Date and ending on such date as the Lender determines that all payment obligations whatsoever of the Borrower under or pursuant to the Loan Documents whensoever arising, actual or contingent, have been irrevocably paid;

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“**FATCA**” means:

- (a) sections 1471 to 1474 of the Code or any associated regulations or other associated official guidance;
- (b) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of paragraph (a) above; or

- (c) any agreement pursuant to the implementation of paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction;

**“FATCA Application Date”** means:

- (a) in relation to a “withholdable payment” described in section 1473(1)(A)(i) of the Code (which relates to payments of interest and certain other payments from sources within the US), 1 July 2014; or
- (b) in relation to a “passthru payment” described in section 1471(d)(7) of the Code not falling within paragraph (a) above, the first date from which such payment may become subject to a deduction or withholding required by FATCA;

**“FATCA Deduction”** means a deduction or withholding from a payment under a Loan Document required by FATCA;

**“FATCA Exempt Party”** means a party that is entitled to receive payments free from any FATCA Deduction;

**“Group”** means at any relevant time the Borrower and its subsidiaries but not including any subsidiary which is listed on any public stock exchange;

**“Group Member”** means any member of the Group;

**“Indebtedness”** means any obligation howsoever arising (whether present or future, actual or contingent, secured or unsecured as principal, surety or otherwise) for the payment or repayment of money;

**“Indenture Excerpt”** means the excerpt from the Secured Indenture set out in Schedule 3;

**“Interest Period”** means each period for the calculation of interest in respect of the Loan ascertained in accordance with clauses 3.2 and 3.3;

**“Latest Accounts”** means, in respect of any financial year of the Group, the latest financial statements required to be prepared pursuant to clause 8.1.6;

**“Legal Reservations”** means:

- (a) the principle that equitable remedies may be granted or refused at the discretion of a court, the limitation of enforcement by laws relating to insolvency, reorganisation and other laws generally affecting the rights of creditors;
- (b) the time barring of claims under applicable limitation laws, the possibility that an undertaking to assume liability for or indemnify a person against non-payment of UK stamp duty may be void and defences of set-off or counterclaim;
- (c) any general principles, reservations or qualifications, in each case as to matters of law as set out in any legal opinion;
- (d) the principle that any additional interest imposed under any relevant agreement may be held to be unenforceable on the grounds that it is a penalty and thus void;
- (e) the principle that, in certain circumstances, security granted by way of fixed charge may be characterised as a floating charge or that security purported to be constituted by way of an assignment may be recharacterised as a charge;
- (f) the principle that the courts of England may not give effect to an indemnity for legal costs incurred by an unsuccessful litigant; and
- (g) similar principles, rights and defences under the laws of any Pertinent Jurisdiction

**“Lender”** means Navios South American Logistics Inc., a company incorporated in the Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands, MH96960;

**“Loan”** means the principal amount borrowed by the Borrower under this Agreement or (as the context may require) the principal amount owing to the Lender under this Agreement at any relevant time (as the same shall be increased from time to time by the capitalisation of interest in accordance with clause 3.1);

**“Loan Documents”** means this Agreement and the Security Documents;

**“Material Adverse Effect”** means, a material adverse effect on:

- (a) the business, assets or financial condition of the Borrower; or
- (b) the ability of the Borrower to perform its obligations under the Loan Documents; or
- (c) subject to the Legal Reservations and the Perfection Requirements, the validity or enforceability of, or the effectiveness or ranking of, any Encumbrance granted or purporting to be granted pursuant to any of the Security Documents;

**“Notes”** means those of the 7.375% First Priority Ship Mortgage Notes due in 2022 issued pursuant to the Secured Indenture that have been or will be purchased with the proceeds of the Loan;

**“Permitted Encumbrance”** means any Encumbrance created pursuant to or expressly permitted by the Loan Documents and Permitted Liens or otherwise permitted by the Lender and any lien arising by the operation of law;

**“Perfection Requirements”** means the making or procuring of appropriate registrations, filings, endorsements, notarisations, stampings and/or notifications of the Security Documents and/or the security expressed to be created under the Security Documents determined by the legal advisers to the Lender to be necessary in any Pertinent Jurisdiction for the enforceability or production in evidence of the relevant Security Document to the extent such matters are complied with within any timeframe specified by law or the relevant Security Document;

**“Pertinent Jurisdiction”** means any jurisdiction in which or where any Security Party is incorporated, resident, domiciled, has a permanent establishment or assets which are secured under the Security Documents;

**“Proceedings”** means any litigation, arbitration, legal action or complaint or judicial, quasi-judicial or administrative proceedings whatsoever arising or instigated by anyone in any court, tribunal, public office or other forum whatsoever and wheresoever (including, without limitation, any action for provisional or permanent attachment of any thing or for injunctive remedies or interim relief and any action instigated on an ex parte basis);

**“Prohibited Person”** means a person that is:

- (a) listed on, or owned or controlled by a person listed on any Sanctions List;
- (b) located, organised or resident in, a country or territory that is the target of country-wide Sanctions; or
- (c) otherwise a target of Sanctions.

**“Register”** has the meaning specified in clause 15.3

**“Repayment Date”** means the date which falls 24 months after the Closing Date;

**“Required Authorisation”** means any authorisation, consent, declaration, licence, permit, exemption, approval or other document, whether imposed by or arising in connection with any law, regulation, custom, contract, security or otherwise howsoever which must be obtained at any time from any person, government entity or central bank or other self-regulating or supra-national authority in order to enable the Borrower lawfully to draw the Loan and/or to enable any Security Party lawfully and continuously to continue its corporate existence and/or perform all its obligations whatsoever whensoever arising under the Loan Documents and/or grant security under the Security Documents and/or to ensure the continuous validity and enforceability thereof;



“**Sanctions**” means any economic or trade sanctions laws, regulations, embargoes or restrictive measures administered, enacted or enforced by:

- (a) the United States government;
- (b) the United Nations;
- (c) the European Union or any of its Member States;
- (d) the United Kingdom;
- (e) any country to which any Security Party is bound; or
- (f) the respective governmental institutions and agencies of any of the foregoing, including without limitation, the Office of Foreign Assets Control of the US Department of Treasury (“**OFAC**”), the United States Department of State, and Her Majesty’s Treasury (“**HMT**”) (together “**Sanctions Authorities**”).

“**Sanctions List**” means the “Specially Designated Nationals and Blocked Persons” list issued by OFAC, the “Consolidated List of Financial Sanctions Targets and Investment Ban List” issued by HMT, or any similar list issued or maintained or made public by any of the Sanctions Authorities.

“**Second Secured Indenture**” means the Indenture dated as of 21 November 2017 for USD 305,000,000 issued by the Borrower and Navios Maritime Finance II (US) Inc. for 11.25% Senior Secured Notes due in 2022;

“**Secured Indenture**” means the Indenture dated as of 29 November 2013 for USD 650,000,000 issued by the Borrower and Navios Maritime Finance II (US) Inc. for 7.375% First Priority Ship Mortgage Notes due in 2022;

“**Securities Account**” means a securities or brokerage account in the name of the Borrower and any associated cash account and includes any other account designated in writing by the Lender to be a Securities Account for the purpose of this Agreement;

“**Security Documents**” means, the Account Pledge, the Bareboat Owners’ Shares Pledges (unless released pursuant to the terms of this Agreement) and any other documents designated by the Borrower and the Lender as “Security Documents” or any other documents as may have been or shall from time to time after the date of this Agreement be executed in favour of the Lender to guarantee and/or to govern and/or to secure payment of all or any part of the Loan, interest thereon and other moneys from time to time owing by the Borrower pursuant to this Agreement;

“**Security Party**” means the Borrower, the Shareholder or any other person who may at any time be a party to any of the Loan Documents (other than the Lender);

“**Senior Notes**” means the Lender’s 7.250% Senior Noted due 2022;

“**Shareholder**” means Anemos Maritime Holdings Inc., a company incorporated in the Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960;

“**subsidiary**” of a person means any company or entity directly or indirectly controlled by such person, and for this purpose “control” means either the ownership of more than fifty per cent (50%) of the voting share capital (or equivalent rights of ownership) of such company or entity;

“**Taxes**” includes all present and future income, corporation, capital or value-added taxes and all stamp and other taxes and levies, imposts, deductions, duties, charges and withholdings

whatsoever together with interest thereon and penalties in respect thereto, if any, and charges, fees or other amounts made on or in respect thereof (and "Taxation" shall be construed accordingly);

"**Unlawfulness**" means any event or circumstance which either is or, as the case may be, might in the reasonable opinion of the Lender become the subject of a notification by the Lender to the Borrower under clause 12.1; and

Words and expressions defined in Schedule 4 shall have the meaning given to them when used in Schedule 3.

### 1.3 **Construction**

In this Agreement, unless the context otherwise requires:

- 1.3.1 clause headings and the index are inserted for convenience of reference only and shall be ignored in the construction of this Agreement;
- 1.3.2 references to clauses and schedules are to be construed as references to clauses of, and schedules to, this Agreement and references to this Agreement include its schedules;
- 1.3.3 references to (or to any specified provision of) this Agreement or any other document shall be construed as references to this Agreement, that provision or that document as in force for the time being and as duly amended and/or supplemented and/or novated;
- 1.3.4 references to a "regulation" include any present or future regulation, rule, directive, requirement, request or guideline (whether or not having the force of law) of any Government Entity, central bank or any self-regulatory or other supra-national authority (including, without limitation, any regulation implementing or complying with (1) the "*International Convergence of Capital Measurement and Capital Standards, a Revised Framework*" published by the Basel Committee on Banking Supervision in June 2004, in the form existing on the date of this Agreement ("**Basel II**") and/or (2) Basel III and/or (3) Basel IV and (4) any other law or regulation which, at any time and from time to time, implements and/or amends and/or supplements and/or re-enacts and/or supersedes, whether in whole or in part, Basel II and/or Basel III and/or Basel IV (including CRD IV and CRR), and whether such implementation, application or compliance is by a Government Entity, a lender or any company affiliated to it);

- 1.3.5 references to any person in or party to this Agreement shall include reference to such person's lawful successors and assigns and references to the Lender shall also include a Transferee;
- 1.3.6 words importing the plural shall include the singular and vice versa;
- 1.3.7 references to a time of day are, unless otherwise stated, to London time;
- 1.3.8 references to a person shall be construed as references to an individual, firm, company, corporation or unincorporated body of persons or any Government Entity;
- 1.3.9 references to a "guarantee" include references to an indemnity or any other kind of assurance whatsoever (including, without limitation, any kind of negotiable instrument, bill or note) against financial loss or other liability including, without limitation, an obligation to purchase assets or services as a consequence of a default by any other person to pay any Indebtedness and "guaranteed" shall be construed accordingly;
- 1.3.10 references to any statute or other legislative provision are to be construed as references to any such statute or other legislative provision as the same may be re-enacted or modified or substituted by any subsequent statute or legislative provision (whether before or after the date hereof) and shall include any regulations, orders, instruments or other subordinate legislation issued or made under such statute or legislative provision;

- 1.3.11 a certificate by the Lender as to any amount due or calculation made or any matter whatsoever determined in connection with this Agreement shall be conclusive and binding on the Borrower except for manifest error;
- 1.3.12 if any document, term or other matter or thing is required to be approved, agreed or consented to by the Lender such approval, agreement or consent must be obtained in writing unless the contrary is stated; and
- 1.3.13 the words “other” and “otherwise” shall not be construed eiusdem generis with any foregoing words where a wider construction is possible.

1.4 **Contracts (Rights of Third Parties Act) 1999**

Except for clause 17.6.4 no part of this Agreement shall be enforceable under the Contracts (Rights of Third Parties) Act 1999 by a person who is not a party to this Agreement.

2 **THE LENDER’S COMMITMENT, LOAN AND USE OF PROCEEDS**

2.1 **The Commitment**

In reliance upon each of the representations and warranties in clause 7, the Lender agrees to make available by way of loan to the Borrower on the terms of this Agreement the principal sum of up to USD50,000,000 for general corporate purposes (including to enable it to repurchase the Notes and to pay fees and expenses related to the loan facility).

2.2 **Drawdown**

On the terms and subject to the conditions of this Agreement, the Loan shall be advanced in up to ten Advances, each on a Drawdown Date following receipt by the Lender from the Borrower of a Drawdown Notice not later than 10 a.m. London time on the Banking Day before such proposed Drawdown Date. A Drawdown Notice shall be effective on actual receipt by the Lender and, once given, shall be irrevocable.

2.3 **Amount**

The principal amount specified in a Drawdown Notice for borrowing on a Drawdown Date shall, subject to the terms of this Agreement, not exceed (i) USD50,000,000 less (ii) the aggregate of such amounts as may prior thereto have been made available under this Agreement.

2.4 **Availability**

Upon receipt of a Drawdown Notice complying with the terms of this Agreement the Lender shall, subject to the provisions of clause 9, make an Advance available to the Borrower on the relevant Drawdown Date in payment to such account as the Borrower shall specify in the relevant Drawdown Notice.

2.5 **Cancellation**

If any part of the Loan is not drawn down by the end of the Drawdown Period, the Commitment shall thereupon be automatically cancelled and the Lender shall have no further obligation under this Agreement.

2.6 **Use of Proceeds**

The Lender shall have no responsibility for the Borrower's use of the proceeds of the Loan and is not bound to monitor or verify the application of any amount borrowed pursuant to the terms of this Agreement.

3 **INTEREST**

3.1 **Interest rate**

The Loan shall bear interest in respect of each Interest Period, at the rate of:

- (a) up to and including the first anniversary from the date hereof, 12.75% per annum; and
- (b) thereafter, 14.75% per annum,

in each case payable on the last day of such Interest Period, provided that, following the successful re-financing of (i) the Senior Notes and (ii) the Existing Term Loan B, if the Borrower

elects to be released from all its obligations under the Bareboat Owners' Shares' Pledge, then an additional rate in the amount of 3.00% per annum shall accrue over the interest rate referred to in paragraphs (a) and (b) above respectively with such additional interest to accrue and to be added to the Loan at the end of each Interest Period and to be payable on the Repayment Date provided that the Borrower may, at its option, pay all or any part of such capitalised interest in cash at any time.

**3.2 Selection of Interest Periods**

Subject to clause 3.3, the Borrower may by notice received by the Lender not later than 10:00 a.m. on the third Banking Day before the beginning of each Interest Period specify whether such Interest Period shall have a duration of twelve (12) months or such shorter period as the Borrower may select and the Lender may agree.

**3.3 Determination of Interest Periods**

Subject to Clause 3.3.1, every Interest Period shall be of the duration determined pursuant to clause 3.2 but so that:

3.3.1 the first Interest Period in respect of the Loan shall start on the date the Loan is drawn and each subsequent Interest Period shall start on the last day of the previous Interest Period;

3.3.2 if the Borrower fails to specify the duration of an Interest Period in accordance with the provisions of clause 3.2 and this clause 3.3, such Interest Period shall have a duration of twelve (12) months or such other period as shall comply with this clause 3.3.

**3.4 Default interest**

If the Lender fails to receive any sum whatsoever on its due date for payment under any of the Loan Documents, the Borrower must pay interest on such sum on demand from the due date up to the date of actual payment (as well after as before judgment) at a rate of two (2.0) per cent per annum over the interest rate referred to in Clause 3.1. Such interest shall be due and payable on demand, shall accrue daily and shall be compounded annually.



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4 **REPAYMENT AND PREPAYMENT**

4.1 **Repayment**

Subject as otherwise provided in this Agreement, the Borrower must repay the Loan on the Repayment Date.

4.2 **Voluntary prepayment**

The Borrower may prepay the Loan in whole or in part (being USD1,000,000 or any larger sum which is a whole multiple of USD1,000,000) at any time without premium or penalty.

4.3 **Mandatory Prepayment**

The Borrower shall prepay the Loan:

4.3.1 in full upon the occurrence of a “Change of Control” (as such term is defined in the Secured Indenture);

4.3.2 in full upon any Indebtedness being incurred by the Borrower contrary to the provisions of Clause 7.1.17 and the terms of this Agreement on the date such Indebtedness incurs; and

4.3.3 upon any of the Notes being retired by the Borrower, in an amount equal to the average price paid by the Borrower for Notes that have, at any time, being credited to the Securities Account multiplied by the number of Notes so retired, on the date such Notes are retired.

4.4 **Amounts payable on prepayment**

Any prepayment of all or part of the Loan under this Agreement shall be made together with:

4.4.1 accrued interest on the amount to be prepaid to the date of such prepayment;

4.4.2 any additional amount payable under clause 6.6;

4.4.3 if of the whole Loan, all other sums payable by the Borrower to the Lender under this Agreement or any of the other Loan Documents.

4.5 **Notice of prepayment; reduction of repayment instalments**

- 4.5.1 No prepayment may be effected under clause 4.2 unless the Borrower shall have given the Lender at least three (3) Banking Day's prior written notice of its intention to make such prepayment. Every notice of prepayment shall be effective only on actual receipt by the Lender, shall be irrevocable, shall specify the amount to be prepaid and shall oblige the Borrower to make such prepayment on the date specified.
- 4.5.2 The Borrower may not prepay any part of the Loan except as expressly provided in this Agreement.
- 4.5.3 No amount prepaid may be reborrowed.

5 **FEES AND EXPENSES**

5.1 **Fees**

The Borrower agrees to pay to the Lender on the Closing Date (whether from the proceeds of the Loan or elsewhere) a non-refundable upfront fee of USD500,000.

5.2 **Expenses**

The Borrower agrees to reimburse the Lender on a full indemnity basis on demand for all expenses and/or disbursements whatsoever:

- 5.2.1 in respect of, legal fees certified by the Lender as having been incurred by it from time to time and at any time and all other expenses and/or disbursements certified by the Lender as having been incurred by it in relation to the negotiation, consideration, approval and structuring of this Agreement and the arrangements contemplated hereby;
- 5.2.2 in connection howsoever with the negotiation, preparation, execution and, where relevant, registration of the Loan Documents and of any contemplated or actual amendment, indulgence or the granting of any waiver or consent howsoever in connection with any of the Loan Documents; and
- 5.2.3 in contemplation or furtherance of, or otherwise howsoever in connection with, the exercise or enforcement of, or preservation of any rights, powers, remedies or discretion under any of the Loan Documents or any amendment thereto or consideration of the Lender's rights thereunder

or any action proposed or taken with interest at the rate referred to in clause 3.3 from the date on which such expenses and/or disbursements were demanded by the Lender to the date of payment (as well after as before judgment).

5.3 **Value Added Tax**

All fees and expenses payable under to this clause 5 must be paid with value added tax or any similar tax (if any) properly chargeable thereon. Any value added tax chargeable in respect of any services supplied by the Lender under this Agreement must, on delivery of the value added tax invoice, be paid in addition to any sum agreed to be paid hereunder.

5.4 **Stamp and other duties**

The Borrower must pay all stamp, documentary, registration or other like duties or taxes (including any duties or taxes payable by the Lender) imposed on or in connection with any Loan Documents or the Loan and agree to indemnify the Lender against any liability arising by reason of any delay or omission by the Borrower to pay such duties or taxes other than to the extent such duties or taxes arise as a result of the Lender transferring its Loan or Commitments under this Agreement.

6 **PAYMENTS AND TAXES; ACCOUNTS AND CALCULATIONS**

6.1 **No set-off or counterclaim**

All payments to be made by the Borrower under any of the Loan Documents must be made in full, without any set-off or counterclaim whatsoever and, subject to clause 6.6, free and clear of any deductions or withholdings, in USD not later than 11 a.m. London time on the due date to such account of the Lender as the Lender may from time to time notify to the Borrower.

**6.2 Payment by the Lender**

The proceeds of the Loan to be advanced by the Lender to the Borrower under this Agreement must be remitted by in USD on the relevant Drawdown Date to the account or accounts specified in the relevant Drawdown Notice.

**6.3 Non-Banking Days**

When any payment under any of the Loan Documents would otherwise be due on a day which is not a Banking Day, the due date for payment shall be extended to the next following Banking Day.

**6.4 Calculations**

All interest and other payments of an annual nature under any of the Loan Documents shall accrue from day to day and be calculated on the basis of actual days elapsed and a 360 day year.

**6.5 Currency of account**

If any sum due from the Borrower under any of the Loan Documents, or under any order or judgment given or made in relation thereto or for any other reason whatsoever, must be converted from the currency (“the first currency”) in which the same is payable thereunder into another currency (“the second currency”) for the purpose of (i) making or filing a claim or proof against the Borrower, (ii) obtaining an order or judgment in any court or other tribunal or (iii) enforcing any order or judgment given or made in relation thereto, the Borrower undertakes to indemnify and hold harmless the Lender from and against any loss suffered as a result of any discrepancy between (a) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (b) the rate or rates of exchange at which the Lender may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. Any amount due from the Borrower under this clause 6.5 shall be due as a separate debt and shall not be affected by judgment being obtained for any other sums due under or in respect of any of the Loan Documents and the term “rate of exchange” includes any premium and costs of exchange payable in connection with the purchase of the first currency with the second currency.

6.6 **Grossing-up for Taxes**

If at any time the Borrower must make any deduction or withholding in respect of Taxes from any payment due under any of the Loan Documents, the sum due from the Borrower in respect of such payment must then be increased to the extent necessary to ensure that, after the making of such deduction or withholding, the Lender receives on the due date for such payment (and retains, free from any liability in respect of such deduction or withholding), a net sum equal to the sum which it would have received had no such deduction or withholding been made and the Borrower agrees to indemnify the Lender on demand against any losses or costs certified by the Lender to have been incurred by it by reason of any failure of the Borrower to make any such deduction or withholding or by reason of any increased payment not being made on the due date for such payment. The Borrower must promptly deliver to the Lender any receipts, certificates or other proof evidencing the amounts (if any) paid or payable in respect of any deduction or withholding as aforesaid. . The Lender shall use commercially reasonable efforts (including the delivery of properly completed and executed Tax forms or documentation prescribed by applicable law) to reduce or eliminate any deduction or withholding for Taxes from any payment due under any of the Loan Documents and to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to this clause 6.6.

6.7 **Loan account**

The Lender agrees to maintain a control account showing the Loan and other sums owing by the Borrower under the Loan Documents and all payments in respect thereof being made from time to time. The control account shall, in the absence of manifest error, absent prompt objection by the Borrower, be conclusive as to the amount from time to time owing by the Borrower under the Loan Documents.

6.8 **Partial payments**

If, on any date on which a payment is due to be made by the Borrower under any of the Loan Documents, the amount received by the Lender from the Borrower falls short of the total amount of the payment due to be made by the Borrower on such date then, without prejudice

to any rights or remedies available to the Lender under any of the Loan Documents, the Lender must apply the amount actually received from the Borrower in or towards discharge of the obligations of the Borrower under the Loan Documents in the following order, notwithstanding any appropriation made, or purported to be made, by the Borrower:

- 6.8.1 first, in or towards payment, on a pro-rata basis, of any unpaid costs and expenses of the Lender under any of the Loan Documents;
- 6.8.2 secondly, in or towards payment of any fees payable to the Lender under, or in relation to, the Loan Documents which remain unpaid;
- 6.8.3 thirdly, in or towards payment to the Lender of any accrued interest owing in respect of the Loan which shall have become due under any of the Loan Documents but remains unpaid;
- 6.8.4 fourthly, in or towards payment to the Lender of any principal in respect of the Loan which shall have become due but remains unpaid;
- 6.8.5 fifthly, in or towards payment to the Lender of any other sum which shall have become due under any of the Loan Documents but remains unpaid (and, if more than one such sum so remains unpaid, on a pro rata basis).

The order of application set out in clauses 6.8.1 to 6.8.5 may be varied by the Lender without any reference to, or consent or approval from, the Borrower.

## 6.9 **FATCA**

- 6.9.1 Subject to Clause 6.9.3 below, each party shall, within ten (10) Banking Days of a reasonable request by another party:
  - (a) confirm to that other party whether it is:
    - (i) a FATCA Exempt Party; or
    - (ii) not a FATCA Exempt Party; and
  - (b) supply to that other party such forms, documentation and other information relating to its status under FATCA (including its applicable passthru percentage or other information required under the Treasury Regulations or other official guidance including intergovernmental agreements) as that other party reasonably requests for the purposes of that other party's compliance with FATCA.

- 6.9.2 If a party confirms to another party pursuant to Clause 6.9.1(a) above that it is a FATCA Exempt Party and it subsequently becomes aware that it is not, or has ceased to be a FATCA Exempt Party, that party shall notify that other party reasonably promptly.
- 6.9.3 Clause 6.9.1(a) above shall not oblige the Lender to do anything which would or might in its reasonable opinion constitute a breach of:
- (a) any law or regulation;
  - (b) any policy of the Lender;
  - (c) any fiduciary duty; or
  - (d) any duty of confidentiality.
- 6.9.4 If the Borrower is required to make a FATCA Deduction, the Borrower shall make that FATCA Deduction and any payment required in connection with that FATCA Deduction within the time allowed and in the minimum amount required by FATCA;
- 6.9.5 The Borrower shall promptly upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of a FATCA Deduction) notify the Lender accordingly; and
- 6.9.6 Within thirty days of making either a FATCA Deduction or any payment required in connection with that FATCA Deduction, the Borrower shall deliver to the Lender evidence satisfactory to the Lender that the FATCA Deduction has been made or (as applicable) any appropriate payment paid to the relevant governmental or taxation authority.

## 7 REPRESENTATIONS AND WARRANTIES

### 7.1 Continuing representations and warranties

The Borrower represents and warrants to the Lender that:

#### 7.1.1 Due incorporation

each of the Security Parties is duly incorporated and validly existing in good standing, under the laws of the Marshall Islands as a corporation and has power to carry on its respective business as it is now being conducted and to own its property and other assets to which it has unencumbered legal and beneficial title except as disclosed to the Lender in writing;



#### 7.1.2 Corporate power

each of the Security Parties has power to execute, deliver and perform its obligations and, as the case may be, to exercise its rights under the Loan Documents to which it is a party; all necessary corporate, shareholder and other action has been taken to authorise the execution, delivery and on the execution of the Loan Documents performance of the same and no limitation on the powers of the Borrower to borrow or any other Security Party to howsoever incur liability and/or to provide or grant security will be exceeded as a result of borrowing any part of the Loan;

#### 7.1.3 Binding obligations

subject to the Legal Reservations and the Perfection Requirements, the Loan Documents, when executed, will constitute valid and legally binding obligations of the relevant Security Parties enforceable in accordance with their respective terms and admissible in evidence and the Security Documents will create first priority Encumbrances;

#### 7.1.4 No conflict with other obligations

the execution and delivery of, the performance of its obligations under, and compliance with the provisions of, the Loan Documents by the relevant Security Parties will not (i) contravene in any material respect any existing applicable law, statute, rule or regulation or any judgment, decree or permit of any Pertinent Jurisdiction to which any Security Party or other member of the Group is subject, (ii) conflict with, or result in any breach of any of the terms of, or constitute a default under, any agreement or other instrument to which any Security Party or any other member of the Group is a party or is subject or by which it or any of its property is bound which is likely to have a Material Adverse Effect, (iii) contravene or conflict with any provision of the constitutional documents of any Security Party or (iv) result in the creation or imposition of, or oblige any Security Party to create, any Encumbrance (other than a Permitted Encumbrance) on any of the undertakings, assets, rights or revenues of any Security Party secured under the Security Documents;

- 7.1.5 No default  
no Default has occurred which is continuing;
- 7.1.6 No litigation or judgments  
no Proceedings are current, pending or, to the knowledge of the officers of the Borrower, threatened against any Security Party or any other Group Members or their assets which could have a Material Adverse Effect and there exist no judgments, orders, injunctions which would materially affect the obligations of any Security Party under the Loan Documents other than have been publicly disclosed by the Borrower prior to the Execution Date;
- 7.1.7 No filings required  
it is not necessary to ensure the legality, validity, enforceability or admissibility in evidence of any of the Loan Documents that they or any other instrument be notarised, filed, recorded, registered or enrolled in any court, public office or elsewhere in any Pertinent Jurisdiction or that any stamp, registration or similar tax or charge be paid in any Pertinent Jurisdiction on or in relation to the Loan Documents and each of the Loan Documents is in proper form for its enforcement in the courts of each Pertinent Jurisdiction;
- 7.1.8 Required Authorisations and legal compliance  
all Required Authorisations have been obtained or effected and are in full force and effect and no Security Party has in any way contravened any applicable law, statute, rule or regulation (including all such as relate to money laundering);
- 7.1.9 Choice of law  
the choice of English law to govern this Agreement and the Bareboat Owners' Shares Pledge, the choice of US law to govern the Account Pledge and the submissions by the Security Parties to the jurisdiction of the English courts and the obligations of the Security Parties associated therewith, are valid and binding;

- 7.1.10 No immunity  
no Security Party nor any of their assets is entitled to immunity on the grounds of sovereignty or otherwise from any Proceedings whatsoever;
- 7.1.11 Financial statements correct and complete  
the Latest Accounts of the Borrower in respect of the relevant financial year as delivered to the Lender present fairly and accurately the financial position of the Borrower for the financial year, ended on such date and, as at such date, the Borrower had no material liabilities (contingent or otherwise) or any unrealised or anticipated losses which are not disclosed by, or reserved against or provided for in, such financial statements or notes thereto;
- 7.1.12 Pari passu  
the obligations of the Borrower under this Agreement are direct, general and unconditional obligations of the Borrower and rank at least pari passu with all present and future unsubordinated Indebtedness of the Borrower except for obligations which are mandatorily preferred by operation of law and not by contract;
- 7.1.13 Information/ Material Adverse Effect  
all written factual information, whatsoever provided by any Security Party to the Lender in connection with the negotiation and preparation of the Loan Documents or otherwise provided hereafter in relation to, or pursuant to this Agreement is true and accurate in all material respects and not misleading and the Borrower's public filings do or will not omit material facts and all reasonable enquiries have been made to verify the facts and statements contained therein as of such date and there has not occurred a Material Adverse Effect on any Security Party since such information was provided to the Lender;
- 7.1.14 Freedom from Encumbrances  
save as otherwise disclosed in writing by the Borrower to the Lender on or prior to the date of this Agreement, no properties or rights which are, or are to be, the subject of any of the Security Documents nor any part thereof will be subject to any Encumbrance except Permitted Encumbrances;

- 7.1.15 Copies true and complete  
the copies of the constitutional documents of the Security Parties delivered or to be delivered to the Lender pursuant to clause 9.1 are, or will when delivered be, true and complete copies; and there have been no amendments or variations thereof;
- 7.1.16 Indebtedness  
no Security Party has incurred any Indebtedness other than as permitted under the Secured Indenture and the Second Secured Indenture or as otherwise disclosed to the Lender in writing or as disclosed in the Group's public filings;
- 7.1.17 Use of proceeds  
the Borrower shall apply the Loan only for the purposes specified in clauses 1.1. and 2.1;
- 7.1.18 Filings  
subject to any permissible extensions, the Borrower has filed all material tax and other fiscal returns required to be filed with any tax authority to which it is subject;
- 7.1.19 Office  
the Borrower does not have an office in England;
- 7.1.20 Prohibited Persons, unlawful activity
- (a) none of the Group Members are a Prohibited Person; and
  - (b) to the best of its knowledge, no title in any property or other assets subject to an Encumbrance created by a Loan Document has been obtained in breach of any existing applicable law, statute, rule or regulation;
- 7.1.21 Insolvency  
none of the Security Parties is unable or has admitted inability to pay its debts as they fall due, has suspended making payments on any of its debts or has announced an intention to do so, is or has become insolvent; or, save as disclosed to the Lender prior to the Execution Date, or has suffered the declaration of a moratorium in respect of any of its Indebtedness;

7.1.22 Sanctions

no Security Party nor any director, officer, agent, employee of any Security Party or any person acting on behalf of any Security Party, is a Prohibited Person nor acts directly or indirectly on behalf of a Prohibited Person; and

7.2 **Repetition of representations and warranties**

On the Execution Date, the Drawdown Date and on the first day of each Interest Period, the Borrower shall be deemed to repeat the representations and warranties in clause 7.1 updated mutatis mutandis as if made with reference to the facts and circumstances existing on such day.

8 **UNDERTAKINGS**

8.1 **General**

The Borrower undertakes with the Lender that, from the Execution Date until the end of the Facility Period, it will:

8.1.1 Notice of Default and Proceedings

promptly inform (and any public filing of the Borrower containing the relevant information about the matters hereafter described shall constitute compliance with this covenant to inform) the Lender of (a) when required under the Secured Indenture and the Second Secured Indenture, any Default (including the occurrence of any Event of Default under (and as defined in) the Secured Indenture or the Second Secured Indenture,, in which case the Borrower shall also provide to the Lender copies of all demands or notices made in connection therewith) and of any other circumstances or occurrence which might materially and adversely affect the ability of the Borrower to perform its obligations under any of the Loan Documents and (b) as soon as the same is instituted or formally threatened in writing, details of any Proceedings involving the Borrower which could have a Material Adverse Effect on the Borrower and will from time to time, if so reasonably requested by the Lender, confirm to the Lender in writing that, save as otherwise stated in such confirmation, no Default has occurred and is continuing and no such Proceedings are on foot or have been formally threatened in writing;

8.1.2 Authorisation

obtain or cause to be obtained, maintain in full force and effect and comply fully with all Required Authorisations, provide the Lender, upon request, with Certified Copies of the same and do, or cause to be done, all other acts and things which may from time to time be necessary under any applicable law for the continued due performance of all the obligations of the Security Parties under each of the Loan Documents;

8.1.3 Corporate Existence/Ownership

ensure that each Security Party maintains its corporate existence as a body corporate duly organised and validly existing and in good standing under the laws of the Pertinent Jurisdiction and ensure that the Borrower is owned and controlled, directly or through other companies, by the persons disclosed to the Lender prior to the date hereof;

8.1.4 Use of proceeds

- (a) use the Loan exclusively for the purposes specified in clauses 1.1 and 2.1; and
- (b) any Notes purchased using the proceeds of the Loan shall be immediately credited to the Securities Account;

8.1.5 Pari passu

ensure that its obligations under this Agreement shall at all times rank at least pari passu with all its present and future unsecured and unsubordinated Indebtedness with the exception of any obligations which are mandatorily preferred by law and not by contract;

8.1.6 Financial statements

provide the Lender (or procure that is provided):

- (a) as soon as possible, but in no event later than 120 days after the end of each of its financial years, annual audited (prepared in accordance with US GAAP by a firm of accountants acceptable to the Lender) consolidated balance sheet and profit and loss accounts of the Borrower (commencing with the financial year ending 31 December 2019) and public filing in respect of the Borrower shall constitute delivery;

- (b) as soon as possible, but in no event later than 90 days after the end of each of its first three financial quarters, commencing with the first financial quarter of 2019, the Borrower's unaudited consolidated balance sheet and profit and loss accounts for that 3 month period certified as to their correctness by its chief financial officer;
- (c) prior to the start of each of its financial years, an annual forecast in respect of the Borrower;
- (d) details of any litigation, arbitration, administrative proceedings, Default and any other events or circumstances which are likely to have a Material Adverse Effect on the Borrower;

8.1.7 Compliance Certificates

deliver to the Lender on the dates on which the financial statements must be delivered to the Lender under clause 8.1.6(b), a Compliance Certificate and such other supporting information as the Lender may require;

8.1.8 Provision of further information

provide the Lender with such financial or other information concerning the Borrower, all vessels (including those under construction) owned, acquired, sold or managed by any Group Member, or any of its subsidiaries, including, commitments, financial standing, operations and in relation to Borrowed Moneys, repayment of Borrowed Money, as the Lender may from time to time reasonably require;

8.1.9 Compliance with Laws and payment of taxes

comply in all material respects with all relevant applicable laws, statutes, directives, decrees, rulings and analogous rules (including, but not limited to, those relating to Sanctions) and regulations (other than in the case of Sanctions) where failure to do so would be reasonably likely to have a Material Adverse Effect and pay all taxes for which it is liable as they fall due unless disputed in good faith;

8.1.10 Bareboat Owners' Shares Pledge etc.

It is hereby agreed that the Borrower may elect at any time, following the successful re-financing of (a) the Senior Notes and (b) the Existing Term Loan B, to request the Lender to release the Borrower from all its obligations under the Bareboat Owners' Shares' Pledges, in which case the provisions of clause 3.1 shall apply and the Lender shall promptly provide to the Borrower with an unconditional release of the Bareboat Owners Shares' Pledges;

8.1.11 Secured Indenture

comply with all of its obligations under the Secured Indenture which are set out in the Indenture Excerpt and the Borrower further agrees:

- (a) any terms defined in the Secured Indenture shall have those meanings when used in the Indenture Excerpt;
- (b) no waiver or variation of any term of the Secured Indenture by any person shall waive or vary the Borrower's obligations hereunder to comply with the obligations in the Indenture Excerpt, except with the consent of the Lender;
- (c) the Borrower shall continue to be bound by its obligations as set out in the Indenture Excerpt following a Covenant Defeasance (as defined in the Secured Indenture) or a Legal Defeasance (as defined in the Secured Indenture) or other termination or cancellation of the Secured Indenture; and



- (d) the Borrower will not vary any material term of the Secured Indenture without the prior written consent of the Lender, however this will not affect its right of partial or full prepayment of the Secured Indenture;

#### 8.1.12 Sanctions

will not and will use reasonable endeavours to ensure that no Group Member does, conduct or undertake any business:

- (a) in breach of any Sanctions of:
  - (i) the United Nations Security Council;
  - (ii) the European Union;
  - (iii) the United Kingdom;
  - (iv) the United States of America
  - (v) the Marshall Islandsas they apply to their members or nationals; or
- (b) in any trade, carriage of goods or business which is forbidden by the laws of the United Kingdom or the United States of America as they apply to their members or nationals, or any law applicable to the Borrower; or
- (c) in carrying illicit or prohibited goods; or
- (d) in a way which may make it liable to be condemned by a prize court or destroyed, seized or confiscated; or
- (e) to the knowledge of the Borrower, by or for the benefit of a Prohibited Person;

#### 8.1.13 Delivery of reports

deliver to the Lender upon request a copy of each report, circular, notice or like document issued by the Borrower to its shareholders or creditors generally;

8.1.14 Securities Account

hold the Notes in the Securities Account throughout the Facility Period, subject to any of the Notes being retired, following which the provisions of clause 4.3.3 shall apply;

8.1.15 Dividends

declare or pay dividends in accordance with the terms of the Secured Indenture for so long as no Event of Default has then occurred which is continuing, or would occur as a result of such declaration and/or payment;

8.1.16 Investments and payments

make certain investments and payments always in accordance with the terms of the Secured Indenture for so long as no Event of Default has then occurred which is continuing, or would occur as a result of such investment /or payment.

8.2 **Negative undertakings**

The Borrower undertakes with the Lender that, from the Execution Date until the end of the Facility Period, it will not, without the prior written consent of the Lender:

8.2.1 Negative pledge

without prejudice to the Secured Indenture, permit any Encumbrance (other than a Permitted Encumbrance or as otherwise disclosed in writing by the Borrower to the Lender on or prior to the date of this Agreement) to subsist, arise or be created or extended over any shares owned by the Borrower to secure or prefer any present or future Indebtedness or other liability or obligation of any Group Member or any other person;

8.2.2 **Ownership**

permit any Change of Control (as such term is defined in the Indenture Excerpt);

8.2.3 **No merger or transfer**

enter into any form of amalgamation, merger, consolidation, liquidation, dissolution, change in its organisational structure or any form of reconstruction or reorganisation (unless such change, reconstruction or reorganisation would not adversely affect the security constituted hereunder);

8.2.4 **Transactions**

enter into any transactions with or involving such a person or company on terms which are, in any respect, less favourable to the Borrower than those which it could obtain at arm's length; or

8.2.5 **Prohibited Persons**

, and shall use reasonable endeavours to procure that no Group Member will, have any course of dealings, directly or indirectly, with any Prohibited Person.

8.3 **Secured Indenture**

Notwithstanding anything in clause 8.2 of this Agreement:

- (a) any terms, transactions or events permitted by the Indenture Excerpt; and
- (b) save as otherwise expressly provided in clause 8.2, any other terms or transactions or events permitted by the Secured Indenture, shall be deemed to be permitted under clause 8.2 of this Agreement.

9 **CONDITIONS**

9.1 **Documents and evidence**

The Lender's obligation to make available the Loan is subject to the following conditions precedent:

- 9.1.1 that on or before the Drawdown Date, the Lender has received the documents described in Schedule 2 in form and substance satisfactory to the Lender;
- 9.1.2 the representations and warranties contained in clause 7.1 being then true and correct as if each was made with respect to the facts and circumstances existing at such time; and
- 9.1.3 no Default shall have occurred and be continuing and no Default would result from the making of the Loan.

9.2 **Waiver of conditions precedent**

The conditions specified in this clause 9 are inserted solely for the benefit of the Lender and may be waived by the Lender in whole or in part and with or without conditions.

9.3 **English language**

All documents required to be delivered under and/or supplied in connection with any of the Loan Documents must either be in the English language or accompanied by an English translation certified by a notary, lawyer or consulate acceptable to the Lender.

10 **EVENTS OF DEFAULT**

10.1 **Events**

Each of the following events shall constitute an Event of Default (whether such event shall occur voluntarily or involuntarily or by operation of law or regulation or in connection with any judgment, decree or order of any court or other authority or otherwise, howsoever):

- 10.1.1 **Non-payment:** the Borrower fails to pay any sum payable by it under any of the Loan Documents at the time, in the currency and in the manner stipulated in the Loan Documents (and so that, for this purpose, sums payable (i) under clause 4.1 shall be treated as having been paid at the stipulated time if (a) received by the Lender within five (5) days of the dates therein referred to and (b) such delay in receipt is caused by administrative or other delays or errors within the banking system and (ii) on demand shall be treated as having been paid at the stipulated time if paid within five (5) Banking Days of demand); or
- 10.1.2 **Breach of other obligations:** any Security Party commits any breach of or omits to observe any of its obligations or undertakings expressed to be assumed by it under any of the Loan

Documents (other than those referred to in clause 10.1.1 above) unless such breach or omission, in the reasonable opinion of the Lender is capable of remedy, in which case the same shall constitute an Event of Default if it has not been remedied within thirty (30) Business Days of the Lender giving written notice to the Borrower of, or the Borrower becoming aware of the occurrence thereof; or

- 10.1.3 **Misrepresentation:** any representation or warranty made or deemed to be made or repeated by or in respect of any Security Party in or pursuant to any of the Loan Documents or in any notice, certificate or statement referred to in or delivered under any of the Loan Documents is or proves to have been incorrect or misleading in any material respect unless the circumstances giving rise to the misrepresentation are in the reasonable opinion of the Lender capable of remedy and are remedied within thirty 30 Business Day of the Lender giving written notice to the Borrower of, or the Borrower becoming aware of, the occurrence thereof; or
- 10.1.4 **Cross-default:** any Indebtedness of the Borrower (which is not intra group or subordinated debt) in excess of USD30,000,000 is not paid when due (subject to applicable grace periods) or any Indebtedness of the Borrower becomes (whether by declaration or automatically in accordance with the relevant agreement or instrument constituting the same) due and payable prior to the date when it would otherwise have become due (unless as a result of the exercise by the Borrower of a voluntary right of prepayment), or any creditor of the Borrower becomes entitled to declare any such Indebtedness due and payable or any facility or commitment available to the Borrower relating to Indebtedness is withdrawn, suspended or cancelled by reason of any default (however described) of the person concerned (unless the relevant creditor has granted to the Borrower a waiver in respect thereof) ; or
- 10.1.5 **Execution:** any uninsured judgment or order made against the Borrower in an amount in excess of USD30,000,000 is not stayed, appealed against or complied with within twenty (20) days or a creditor attaches or takes possession of, or a distress, execution, sequestration or other process is levied or enforced upon or sued out against, any of the undertakings, assets, rights or revenues of the Borrower and is not discharged within thirty (30) days; or
- 10.1.6 **Insolvency:** the Borrower is unable or admits inability to pay its debts as they fall due; suspends making payments on all or substantially all of its debts or announces an intention to do so; becomes insolvent; or suffers the declaration of a moratorium in respect of all or substantially all of its Indebtedness; or

- 10.1.7 **Dissolution:** any corporate action, Proceedings or other steps are taken to dissolve or wind-up the Borrower or an order is made or resolution passed for the dissolution or winding up of the Borrower; or
- 10.1.8 **Administration:** any petition is presented, notice given or other steps are taken anywhere to appoint an administrator of any Security Party or an administration order is made in relation to any Security Party; or
- 10.1.9 **Appointment of receivers and managers:** any administrative or other receiver is appointed anywhere of any Security Party or any part of its assets and/or undertaking or any other steps are taken to enforce any Encumbrance over all or any part of the assets of any Security Party; or
- 10.1.10 **Compositions:** any corporate action, legal proceedings or other procedures are taken, by the Borrower or by any of its creditors with a view to the general readjustment or rescheduling of all or substantially all of its Indebtedness, or to proposing any kind of composition, compromise or arrangement involving such company and all or substantially all of its creditors; or
- 10.1.11 **Analogous proceedings:** there occurs, in relation to a Security Party, in any country or territory in which it carries on business or to the jurisdiction of whose courts any part of its assets is subject, any event which, in the reasonable opinion of the Lender, appears in that country or territory to correspond with, or have an effect equivalent or similar to, any of those mentioned in clauses 10.1.6 to 10.1.10 (inclusive) in respect of the Borrower or the Borrower otherwise becomes subject, in any such country or territory, to the operation of any law relating to insolvency, bankruptcy or liquidation; or
- 10.1.12 **Cessation of business:** any Security Party suspends or ceases to carry on its business; or
- 10.1.13 **Seizure:** all or a material part of the undertaking, assets, rights or revenues of, or shares or other ownership interests in, the Borrower are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any government entity; or
- 10.1.14 **Invalidity:** any of the Loan Documents shall, other than as a result of any act or omission of the Lender, at any time and for any reason become invalid or unenforceable or otherwise cease to remain in full force and effect, or if the validity or enforceability of any of the Loan Documents shall at any time and for any reason be contested by any Security Party which is a party thereto, or if any Security Party shall deny that it has any, or any further, liability thereunder; or

- 10.1.15 **Unlawfulness:** any Unlawfulness occurs or it becomes impossible or unlawful at any time for any Security Party, to fulfil any of the covenants and obligations expressed to be assumed by it in any of the Loan Documents or for the Lender to exercise the rights or any of them vested in it under any of the Loan Documents or otherwise; or
- 10.1.16 **Repudiation:** any Security Party repudiates any of the Security Documents or does or causes or permits to be done any act or thing evidencing an intention to repudiate any of the Security Documents; or
- 10.1.17 **Encumbrances enforceable:** any Encumbrance (other than Permitted Liens) in respect of any of the property (or part thereof) which is the subject of any of the Security Documents becomes enforceable; or
- 10.1.18 **Material events:** any other event occurs or circumstance arises which, in the reasonable opinion of the Lender, is likely to have a Material Adverse Effect or, if such event or circumstance is capable of remedy it is not remedied within 15 Business Days of the earlier of (i) the Lender notifying the Borrower of such event or (ii) the Borrower becoming aware of the same; or
- 10.1.19 **Litigation:** any Proceedings are current, pending or threatened against any of the Security Parties which could have a Material Adverse Effect; or
- 10.1.20 **Required Authorisations:** any Required Authorisation is revoked or withheld or modified or is otherwise not granted or fails to remain in full force and effect or if any exchange control or other law or regulation shall exist which would make any transaction under the Loan Documents or the continuation thereof, unlawful or would prevent the performance by any Security Party of any term of any of the Loan Documents;

10.1.21 **Change of Control:** there occurs a “Change of Control” (as such term is defined in the Indenture Excerpt);

10.1.22 **Money Laundering:** any Security Party is in breach of or fails to observe any law, requirement, measure or procedure implemented to combat “money laundering” as defined in Article 1 of the Directive (91/308 EEC) of the Council of the European Communities.

## 10.2 **Acceleration**

The Lender may, without prejudice to any other rights of the Lender, at any time after the happening of an Event of Default so long as the same is continuing by notice to the Borrower:

10.2.1 declare that the obligation of the Lender to make the Commitment available shall be terminated, whereupon the Commitment shall immediately be cancelled; and/or

10.2.2 declare that the Loan and all interest accrued and all other sums payable whensoever under the Loan Documents have become due and payable, whereupon the same shall, immediately or in otherwise accordance with the terms of such notice, become due and payable; and/or

10.2.3 exercise any or all of its rights, remedies, powers or discretions under the Loan Documents.

## 10.3 **Demand basis**

If, under clause 10.2.2, the Lender has declared the Loan to be due and payable on demand, at any time thereafter the Lender may by further notice to the Borrower demand repayment of the Loan on such date as may be specified whereupon the Loan shall become due and payable accordingly with all interest accrued and all other sums payable under this Agreement.

## 11 **INDEMNITIES**

### 11.1 **General indemnity**

The Borrower agrees to indemnify the Lender on demand, without prejudice to any of the Lender’s other rights under any of the Loan Documents, against any loss (including loss of interest), cost or expense which the Lender shall certify as sustained at any time by it in connection with this Agreement, including (without limitation) any such loss, cost or expense



arising from any action, claim, suit or proceeding directly or indirectly related to this Agreement, the other Loan Documents or the Loan (excluding any default by the Lender determined by a court of competent jurisdiction to have resulted from (i) the gross negligence, bad faith or wilful misconduct of the Lender or (ii) a material breach of the Loan Documents by the Lender).

## 12 UNLAWFULNESS AND INCREASED COSTS MITIGATION

### 12.1 Unlawfulness

Regardless of any other provision of this Agreement, in the event that the Lender notifies the Borrower that by reason of:

- (a) the introduction of or any change in any applicable law or regulation or any change in the interpretation or application thereof; or
- (b) compliance by the Lender with any directive, request or requirement (whether or not having the force of law) of any central bank or Government Entity

it becomes unlawful or it is prohibited by or contrary to such directive request or requirement for the Lender to maintain or give effect to any of its obligations in connection howsoever with this Agreement then (i) the Commitment shall be reduced to zero and (ii) the Borrower shall be obliged to prepay the Loan either immediately or on a future date (specified in the Lender's notice) not being earlier than the latest date permitted by the relevant law, regulation, directive, request or requirement with interest and commitment commission accrued to the date of prepayment and all other sums payable whensoever by the Borrower under this Agreement.

### 12.2 Increased costs

If the Lender certifies to the Borrower that at any time the effect of any applicable law, regulation or regulatory requirements or the interpretation or application thereof or any change therein is to:

- 12.2.1 subject the Lender to Taxes or change the basis of Taxation of the Lender relating to any payment under any of the Loan Documents (other than Taxes or Taxation on the overall net income of the Lender imposed in the jurisdiction in which its principal or lending office under this Agreement is located); and/or

- 12.2.2 increase the cost to, or impose an additional cost on, the Lender in making or keeping the Commitment available or maintaining or funding all or part of the Loan; and/or
- 12.2.3 reduce the amount payable or the effective return to the Lender under any of the Loan Documents; and/or
- 12.2.4 require the Lender to make a payment or forgo a return on or calculated by reference to any amount received or receivable by the Lender under any of the Loan Documents; and/or
- then and in each such case (subject to clause 12.3) the Borrower must on demand either:
- (a) pay to the Lender the amount which the Lender certifies (in a certificate setting forth the basis of the computation of such amount but not including any matters which the Lender or its holding company regards as confidential) is required to compensate the Lender for such liability to Taxes, cost, reduction, payment, forgone return or loss; or
  - (b) prepay the Loan, in respect of which prepayment the terms of clause 4.3 shall apply.

12.3 **Exception**

Nothing in clause 12.2 shall entitle the Lender to receive any amount relating to compensation for any such liability to Taxes, increased or additional cost, reduction, payment, foregone return or loss to the extent that the same is the subject of an additional payment under clause 5.3, 5.4 or 6.6.

13 **SECURITY, SET-OFF AND MISCELLANEOUS**

13.1 **Application of moneys**

All moneys received by the Lender under or pursuant to any of the Loan Documents and expressed to be applicable in accordance with the provisions of this clause 13.1 shall be applied by the Lender as follows:

- 13.1.1 first in or toward payment of all unpaid fees, sums which have been demanded by way of indemnity and expenses which may be owing to the Lender under any of the Loan Documents;
- 13.1.2 secondly in or towards payment of any arrears of interest owing in respect of the Loan or any part thereof;
- 13.1.3 thirdly in or towards repayment of the Loan (whether the same is due and payable or not);
- 13.1.4 fourthly in or towards payment to the Lender of any other sums which the Lender certifies are owing to it under any of the Loan Documents; and
- 13.1.5 fifthly the surplus (if any) shall be paid to the Borrower.

13.2 **Set-off**

- 13.2.1 The Borrower authorises the Lender following the occurrence of a Default that is continuing (without prejudice to any of the Lender's rights at law, in equity or otherwise), at any time and without notice to the Borrower, to apply any dividend to which the Borrower (as shareholder in the Lender) is then entitled in or towards satisfaction of any sum due and payable from the Borrower to the Lender under any of the Loan Documents.

- 13.2.2 The Lender shall not be obliged to exercise any right given to it by this clause 13.2. The Lender shall notify the Borrower prior to the exercise or purported exercise of any right of set-off.
- 13.2.3 Nothing in this clause 13.2 shall be effective to create a charge or other security interest.
- 13.3 **Further assurance**
- The Borrower will, at its expense, execute, sign, perfect and do, and will procure the execution, signing, perfecting and doing by each of the other Security Parties of, any and every such further assurance, document, act or thing as in the reasonable opinion of the Lender may be necessary or desirable for perfecting the security contemplated or constituted by the Loan Documents.
- 13.4 **Conflicts**
- In the event of any conflict between this Agreement and any of the other Loan Documents executed by the Borrower, the provisions of this Agreement shall prevail.
- 13.5 **No implied waivers, remedies cumulative**
- No failure or delay on the part of the Lender to exercise any power, right or remedy under any of the Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise by the Lender of any power, right or remedy preclude any other or further exercise thereof or the exercise of any other power, right or remedy. The remedies provided in the Loan Documents are cumulative and are not exclusive of any remedies provided by law. No waiver by the Lender shall be effective unless it is in writing.
- 13.6 **Severability**
- If any provision of this Agreement is prohibited, invalid, illegal or unenforceable in any jurisdiction, such prohibition, invalidity, illegality or unenforceability shall not affect or impair howsoever the remaining provisions thereof or affect the validity, legality or enforceability of such provision in any other jurisdiction.

13.7 **Force Majeure**

Regardless of any other provision of this Agreement the Lender shall not be liable for any failure to perform the whole or any part of this Agreement resulting directly or indirectly from (i) the action or inaction or purported action of any governmental or local authority (ii) any strike, lockout, boycott or blockade (including any strike, lockout, boycott or blockade effected by or upon the Lender or any of its representatives or employees) (iii) any act of God (iv) any act of war (whether declared or not) or terrorism (v) any failure of any information technology or other operational systems or equipment affecting the Lender or (vi) any other circumstances whatsoever outside the Lender's control.

13.8 **Amendments**

This Agreement may be amended or varied only by an instrument in writing executed by both parties hereto who irrevocably agree that the provisions of this clause 13.8 may not be waived or modified except by an instrument in writing to that effect signed by both of them.

13.9 **Counterparts**

This Agreement may be executed in any number of counterparts and all such counterparts taken together shall be deemed to constitute one and the same agreement which may be sufficiently evidenced by one counterpart.

13.10 **English language**

All documents required to be delivered under and/or supplied whensoever in connection howsoever with any of the Loan Documents and all notices, communications, information and other written material whatsoever given or provided in connection howsoever therewith must either be in the English language or accompanied by an English translation certified by a notary, lawyer or consulate acceptable to the Lender.

14 **ACCOUNT**

14.1 **General**

The Borrower undertakes with the Lender that it will ensure that:

14.1.1 it will on or before the Drawdown Date, open the Securities Account in respect of the Notes held in its name; and

14.1.2 all moneys payable to the Borrower in respect of the Notes shall, unless and until the Lender directs to the contrary, be paid to the Securities Account, and pending any such payment into the Securities Account any amount received by the Borrower will be held on Trust for the Lender.

14.2 **Securities Account: withdrawals**

The moneys then standing to the credit of the Securities Account may be applied from time to time (i) firstly to make the payments required under this Agreement and (ii) secondly, subject to no Event of Default having occurred and to there being at any time sufficient funds to maintain or pay amounts due under (i) as they fall due, for the general corporate purposes of the Borrower.

14.3 **Application of account**

At any time after the occurrence of an Event of Default, the Lender may, without notice to the Borrower, apply all moneys then standing to the credit of the Securities Account (together with interest from time to time accruing or accrued thereon) in or towards satisfaction of any sums outstanding to the Lender under the Loan Documents in the manner specified in clause 13.1.

14.4 **Charging of account**

The Securities Account and all amounts from time to time standing to the credit thereof shall be subject to the security constituted and the rights conferred by the Account Pledge.

15 **ASSIGNMENT, TRANSFER AND DISCLOSURE**

15.1 **Benefit and burden**

This Agreement shall be binding upon, and ensure for the benefit of, the Lender and the Borrower and their respective successors.

15.2 **No assignment by Borrower**

The Borrower may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Lender. Neither the Borrower nor any affiliate of the Borrower may become a Lender or a sub-participant.

15.3 **Assignment by Lender**

The Lender may not assign, sell, sub-participate all or any part of its rights under any Loan Document to another branch, subsidiary or affiliate of the Lender, another first class bank or financial institution, a member of the European System of Central Banks, an insurance company, a trust corporation or a capital investment company, without the prior written consent of the Borrower. . The Lender, acting solely for this purpose as an agent of the Borrower, shall maintain a register for the recordation of the names and addresses of any such assignee or participant of the Lender, and the Commitments of, and principal amounts (and stated interest) of the Loans owing to, each such assignee or participant pursuant to the terms hereof from time to time (the “**Register**”). The entries in the Register shall be conclusive absent manifest error, and the Borrower, the Lender, and any such assignee or participant of Lender shall treat each person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower, the Lender and any such assignee or participant of the Lender, at any reasonable time and from time to time upon reasonable prior notice. It is the intention that this Loan Agreement be treated as a registered obligation and in “registered form” within the meaning of Sections 163(f), 871(h)(2) and 881(c)(2) of the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations thereunder.

15.4 **Disclosure of information**

The Lender may disclose to a prospective assignee, transferee or to any other person who may propose entering into contractual relations with the Lender in relation to this Agreement such information about or in connection with any of the Security Parties and the Loan Documents as the Lender considers appropriate, provided that the Lender shall consult with the Borrower prior to disclosing (i) any such information which is not public or contained in the Loan Agreement and/or (ii) any documentation other than a copy of this Agreement or any other Security Document.

16 **NOTICES**

16.1 **General**

16.1.1 unless otherwise specifically provided herein, every notice under or in connection with this Agreement shall be given in English by letter delivered personally and/or sent by post and/or transmitted by fax;

16.1.2 in this clause “notice” includes any demand, consent, authorisation, approval, instruction, certificate, request, waiver or other communication.

16.2 **Addresses for communications, effective date of notices**

16.2.1 Subject to clause 16.2.2 notices to the Borrower shall be deemed to have been given and shall take effect when received in full legible form by the Borrower at the address and/or the fax number appearing below (or at such other address or fax number as the Borrower may hereafter specify for such purpose to the Lender by notice in writing);

Address 7, Avenue de Grande Bretagne

Office 11B2

MC 98000 Monaco

Fax no: +377 9798-2141

notwithstanding the provisions of clause 16.2.1, a notice of Default and/or a notice given pursuant to clause 10.2 or clause 10.3 shall be deemed to have been given and shall take effect when delivered, sent or transmitted by the Lender to the Borrower to the address or fax number referred to in clause 16.2.1;



16.2.2 notices to the Lender shall be deemed to be given, and shall take effect, when received in full legible form by the Lender at the address and/or the fax number appearing below (or at any such other address or fax number as the Lender may hereafter specify for such purpose to the Borrower by notice in writing);

Address      Aguada Park Free Zone  
                 Paraguay 2141, Of. 1603  
                 Montevideo, Uruguay

Fax no:        +598 2927-2219

if under clause 16.2.1 or clause 16.2.2 a notice would be deemed to have been given and effective on a day which is not a working day in the place of receipt or is outside the normal business hours in the place of receipt, the notice shall be deemed to have been given and to have taken effect at the opening of business on the next working day in such place.

17      **GOVERNING LAW**

17.1    **Law**

This Agreement and any non-contractual obligations arising out of or in connection with it is governed by and shall be construed in accordance with English law.

18      **JURISDICTION**

18.1    **Exclusive jurisdiction**

Subject to clause 18.4 below, the Borrower and the Lender hereby irrevocably agree that the courts of England shall have exclusive jurisdiction:

18.1.1 to settle any disputes or other matters whatsoever arising under or in connection with this Agreement (or any non-contractual obligation arising out of or in connection with this Agreement) and any disputes or other such matters arising in connection with the negotiation, validity or enforceability of this Agreement or any part thereof, whether the alleged liability shall arise under the laws of England or under the laws of some other country and regardless of whether a particular cause of action may successfully be brought in the English courts; and

18.1.2 to grant interim remedies or other provisional or protective relief.

**18.2 Submission and service of process**

Subject to clause 18.4 below, the Borrower and the Lender accordingly irrevocably and unconditionally submit to the jurisdiction of the English courts. Without prejudice to any other mode of service the Borrower:

- 18.2.1 irrevocably empowers and appoints Messrs Hill Dickinson Services (London) Ltd at present of The Broadgate Tower, 20 Primrose Street, London, EC2A 2EW, England as its agent to receive and accept on its behalf any process or other document relating to any proceedings before the English courts in connection with this Agreement;
- 18.2.2 agrees to maintain such an agent for service of process in England from the date hereof until the end of the Facility Period;
- 18.2.3 agrees that failure by a process agent to notify the Borrower of service of process will not invalidate the proceedings concerned;
- 18.2.4 without prejudice to the effectiveness of service of process on its agent under clause 18.2.1 above but as an alternative method, consents to the service of process relating to any such proceedings by mailing or delivering a copy of the process to its address for the time being applying under clause 16.2;
- 18.2.5 agrees that if the appointment of any person mentioned in clause 18.2.1 ceases to be effective, the Borrower shall immediately appoint a further person in England to accept service of process on its behalf in England and, failing such appointment within seven (7) days the Lender shall thereupon be entitled and is hereby irrevocably authorised by the Borrower in those circumstances to appoint such person by notice to the Borrower.

18.3 **Forum non conveniens and enforcement abroad**

The Borrower and the Lender:

- 18.3.1 waive any right and agree not to apply to the English court or other court in any jurisdiction whatsoever to stay or strike out any proceedings commenced in England on the ground that England is an inappropriate forum and/or that proceedings have been or will be started in any other jurisdiction in connection with any dispute or related matter falling within clause 17.1; and
- 18.3.2 agree that a final non-appealable judgment or order of an English court in a dispute or other matter falling within clause 18.1 shall be conclusive and binding on the Borrower and the Lender and may be enforced against them in the courts of any other jurisdiction.

18.4 **Right of Lender, but not Borrower, to bring proceedings in any other jurisdiction**

- 18.4.1 nothing in this clause 18 limits the right of the Lender to bring proceedings in connection with the enforcement of its security, or the enforcement or recovery of any judgment debt or judicial award or order made (i) in each case, in the courts of England and (ii) under or in relation to this Agreement or any Security Document, including third party proceedings, against the Borrower, or to apply for interim remedies, in any other court and/or concurrently in more than one jurisdiction; and
- 18.4.2 the obtaining by the Lender of judgment in one jurisdiction shall not prevent the Lender from bringing or continuing proceedings in any other jurisdiction proceedings in connection with the enforcement of its security, or the enforcement or recovery of any judgment debt or judicial award or order made (i) in each case, in the courts of England and (ii) under or in relation to this Agreement or any Security Document, whether or not these shall be founded on the same cause of action.

**IN WITNESS** whereof the parties to this Agreement have caused this Agreement to be duly executed on the date first above written.

Date December 02, 2019

**NAVIOS MARITIME HOLDINGS INC.**  
as Borrower

and

**NAVIOS SOUTH AMERICAN LOGISTICS INC.**  
as Lender

---

**SUPPLEMENTAL AGREEMENT**

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**in relation to a Loan Agreement dated 25<sup>th</sup> April 2019  
for a term loan facility of up to USD50,000,000**

**INCE  
PIRAEUS**

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**BETWEEN**

- (1) NAVIOS MARITIME HOLDINGS INC. as Borrower; and
- (2) NAVIOS SOUTH AMERICAN LOGISTICS INC. as Lender

**BACKGROUND**

- (A) Pursuant to a Loan Agreement dated 25<sup>th</sup> April 2019 made between the parties hereto, the Lender made available to the Borrower a term loan of (originally) up to USD50,000,00.
- (B) The Lender has agreed in principle to (a) to increase the amount of the Loan to USD70,000,000 and (b) to certain other amendments to the Loan Agreement.
- (C) This Agreement sets out the terms and conditions on which the Lender agrees, with effect on and from the Effective Date, at the request of the Borrower, to consent to the matters referred to at (B) above.

**IT IS AGREED** as follows:

**1 INTERPRETATION**

- 1.1 **Defined expressions.** Words and expressions defined in the Loan Agreement shall have the same meanings when used in this Agreement unless the context otherwise requires.
- 1.2 **Definitions.** In this Agreement, unless the contrary intention appears:
  - “**Effective Date**” means the Lending Day on which all the conditions precedent referred to in Clause 3 have been fulfilled by the Borrower to the satisfaction of the Lender (or such other date as the Lender may agree with the Borrower);
  - “**Loan Agreement**” means the Loan Agreement dated 25<sup>th</sup> April 2019 referred to in Recital (A).
- 1.3 **Application of construction and Interpretation provisions of Loan Agreement.** Clauses 1.3 and 1.4 of the Loan Agreement apply, with any necessary modifications, to this Agreement.

**2 AGREEMENT OF THE LENDER**

- 2.1 **Agreement of the Lender.** The Lender, relying upon the representations and warranties in Clause 4 and subject to Clause 3, agrees to amend the Loan Agreement in accordance with Clause 5.
- 2.2 **Effective Date.** The agreement of the Lender contained in Clause 2.1 shall have effect on and from the Effective Date.

**3 CONDITIONS PRECEDENT**

- 3.1 **Lender’s consent.** The consent of the Lender is conditional upon:
  - 3.1.1 the Lender having received the documents and evidence specified in Clause 3.2 in form and substance satisfactory to the Lender;

- 3.1.2 the representations and warranties contained in Clause 4 being true and correct as if each was made with respect to the facts and circumstances existing at such time; and
- 3.1.3 no Default having occurred and being continuing, other than any which is waived or cured by this Agreement.
- 3.2 **Conditions precedent.** The conditions referred to in Clause 3.1.1 are that the Lender shall have received the following documents on or before the date of this Agreement (or such later date as the Lender may agree with the Borrower):
- 3.2.1 Corporate documents
- Certified Copies of all documents which evidence or relate to the constitution of the Borrower and its current corporate existence;
- 3.2.2 Corporate authorities
- (i) Certified Copies of resolutions of the directors of the Borrower approving this Agreement and authorising the execution and delivery hereof and performance of the Borrower's obligations hereunder, additionally certified by an officer of the Borrower as having been duly passed at a duly convened meeting of the directors of the Borrower and not having been amended, modified or revoked and being in full force and effect; and
- (ii) original or Certified Copy of any power of attorney issued by the Borrower pursuant to such resolutions;
- 3.2.3 Certificate of incumbency
- a list of directors and officers of the Borrower, specifying the names and positions of such persons, certified by an officer of the Borrower respectively to be true, complete and up to date;
- 3.2.4 Laws of the Marshall Islands: opinion
- an opinion of Messrs Ince, special legal advisers to the Lender on Marshall Islands law;
- 3.2.5 Laws of England: opinion
- an opinion of Messrs Ince, special legal advisers to the Lender on English law;
- 3.2.6 London agent
- documentary evidence that the agent for service of process named in Clause 18 of the Loan Agreement has accepted its appointment in respect of this Agreement;
- 3.2.7 Endorsement
- evidence that all of the Security Parties are aware of the terms of this Agreement and agree that the Security Documents, respectively executed by them, shall continue in full force and effect; and
- 3.2.8 Further opinions, etc.
- any further opinions, consents, agreements and documents in connection with this Agreement and the Security Documents which the Lender may request by notice to the Borrower prior to the Effective Date.

#### 4 REPRESENTATIONS AND WARRANTIES

**Repetition of Loan Agreement representations and warranties.** The Borrower represents and warrants to the Lender that the representations and warranties in Clause 7 of the Loan Agreement, as amended and supplemented by this Agreement and updated with appropriate modifications to refer to this Agreement, remain true and not misleading if repeated on the date of this Agreement with reference to the circumstances now existing.

#### 5 AMENDMENTS TO LOAN AGREEMENT AND OTHER SECURITY DOCUMENTS

5.1 **Specific amendments to Loan Agreement.** With effect on and from the Effective Date the Loan Agreement shall be, and shall be deemed by this Agreement to be, amended as follows:

5.1.1 By deleting from Clause 1.2 the definition of “Repayment Date” and replacing it with:

“**Repayment Date**” means (a) the date which falls 24 months after the Closing Date or (b) if (i) the Senior Notes and (ii) the Existing Term Loan B are successfully refinanced before the date in (a), 31 December 2024;”;

5.1.2 by replacing the figures “USD50,000,000” in each of clause 2.1 and 2.3 and Schedule 1 and Schedule 5 with the figures “USD70,000,000”;

5.1.3 by deleting Clause 3.1 (interest rate) thereof and replacing it with the following:

##### “3.1 Interest rate

The Loan shall bear interest in respect of each Interest Period, at the rate of:

(a) up to (but not including) the date of the successful re-financing of (i) the Senior Notes and (ii) the Existing Term Loan B, 12.75% per annum; and

(b) thereupon and thereafter, 10.00% per annum,

in each case payable on the last day of such Interest Period, provided that, following the successful re-financing of (i) the Senior Notes and (ii) the Existing Term Loan B, if the Borrower elects to be released from all its obligations under the Bareboat Owners’ Shares’ Pledge, then an additional rate in the amount of 3.00% per annum shall accrue over the interest rate referred to in paragraphs (a) and (b) above respectively with such additional interest to accrue and to be added to the Loan at the end of each Interest Period and to be payable on the Repayment Date provided that the Borrower may, at its option, pay all or any part of such capitalised interest in cash at any time”;

5.1.4 By deleting Clause 4.1 and replacing it with:

##### “Repayment

“Subject as otherwise provided in this Agreement, the Borrower must repay the Loan (i) following the successful refinancing of the Senior Notes and the Existing Term Loan B, in four equal instalments of USD17,500,000 each, the first one payable on December 31, 2021 and annually thereafter and (b) in full on the Repayment Date.”

5.1.5 By deleting Clause 4.1 and replacing it with:

“4.5.3 No amount repaid pursuant to Clause 4.1 or otherwise prepaid may be reborrowed.”; and

5.1.6 by construing references throughout to “this Agreement”, “hereunder” and other like expressions as if the same referred to the Loan Agreement as amended and supplemented by this Agreement.



- 5.2 **Amendments to Security Documents.** With effect on and from the Effective Date each of the Security Documents other than the Loan Agreement, shall be, and shall be deemed by this Agreement to be, amended as follows:
- 5.2.1 the definition of, and references throughout each of the Security Documents to, the Loan Agreement and any of the other Security Documents shall be construed as if the same referred to the Loan Agreement and those Security Documents as amended and supplemented by this Agreement or the Third Mortgage Addendum;
- 5.2.2 by construing references throughout each of the Security Documents to “this Agreement”, “this Deed”, “hereunder” and other like expressions as if the same referred to such Security Documents as amended and supplemented by this Agreement or the Third Mortgage Addendum.
- 5.3 **Security Documents to remain in full force and effect.** The Security Documents shall remain in full force and effect as amended and supplemented by such further or consequential modifications as may be necessary to give full effect to the terms of this Agreement.

## 6 FURTHER ASSURANCES

**Borrower’s obligation to execute further documents etc.** The Borrower undertakes with the Lender to ensure that, throughout the Facility Period, the Security Documents shall create valid and binding obligations of the respective parties thereto and rights of the Lender enforceable in accordance with their respective terms and that it and any other party to any Security Document will, at their expense, execute, sign, perfect and do, and will procure the execution, signing, perfecting and doing by each of the other Security Parties of, any and every such further assurance, document, act or thing as in the reasonable opinion of the Lender may be necessary or desirable for perfecting the security contemplated or constituted by the Security Documents in light of this Agreement.

## 7 EXPENSES

- 7.1 **Expenses.** The provisions of Clause 5 (Fees and Expenses) of the Loan Agreement, as amended and supplemented by this Agreement, shall apply to this Agreement as if they were expressly incorporated in this Agreement with any necessary modifications.

## 8 NOTICES AND OTHER MATTERS

**General.** The provisions of Clause 16 (Notices) of the Loan Agreement, as amended and supplemented by this Agreement, shall apply to this Agreement as if they were expressly incorporated in this Agreement with any necessary modifications.

## 9 SUPPLEMENTAL

- 9.1 **Counterparts.** This Agreement may be executed in any number of counterparts.
- 9.2 **Third party rights.** A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

## 10 LAW AND JURISDICTION

- 10.1 **Governing law.** This Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.
- 10.2 **Incorporation of the Loan Agreement provisions.** The provisions of Clause 17 (Governing Law) and Clause 18 (Jurisdiction) of the Loan Agreement, as amended and supplemented by this Agreement, shall apply to this Agreement as if they were expressly incorporated in this Agreement with any necessary modifications.

**IN WITNESS** whereof the parties to this Agreement have caused this Agreement to be duly executed on the date first above written.

SIGNED as a deed for and on behalf of ) /s/ Georgios Akhniotis  
**NAVIOS MARITIME HOLDINGS INC.** )  
by **Georgios Akhniotis, CFO** )

SIGNED as a deed for and on behalf of ) /s/ Ioannis Karyotis  
**NAVIOS SOUTH AMERICAN LOGISTICS INC.** )  
by **Ioannis Karyotis, CFO** )

Witness to all the above )  
Signatures: )  
Name: )  
Address )

We on this 02 day of December 2019 hereby confirm and acknowledge that we have read and understood the terms and conditions of the above Supplemental Agreement and agree in all respects to the same and confirm that the Security Documents to which we are a party shall remain in full force and effect and shall continue to stand as security for the obligations of the Borrower under the Loan Agreement (as amended by the Supplemental Agreement) and shall, without limitation, secure the Loan.

/s/ Vasiliki Papaefthymiou  
Vasiliki Papaefthymiou  
for and on behalf of  
**ANEMOS MARITIME HOLDINGS INC.**

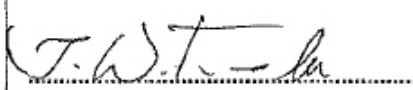
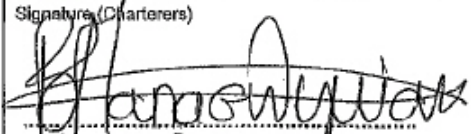
## 'BARECON 2001" STANDARD BAREBOAT CHARTER

PART I

1. Shipbroker Mitsui & CO.LTD		BIMCO STANDARD BAREBOAT CHARTER CODE NAME : "BARECON 2001" PART I	
		2. Place and date November 2019 27	
3. Owners / Place of business (Cl. 1) Anchor Trans Inc. Panama City, Republic of Panama guaranteed by Eifuku Kalun Co., Ltd.		4. Bareboat Charterers / Place of business (Cl. 1) Vornazza Shiptrade Inc. Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960, Marshall Islands guaranteed by Navios Maritime Partners L.P.	
5. Vessel's name, call sign, flag and IMO number (Cl. 1 and 3) Dream Canary, 3EBN6, Panamanian flag, 180,528 M.T. D/W Type Bulk Carrier, IMO Number 9583005			
6. Type of Vessel 180,528 M.T. D/W Type Bulk Carrier		7. GT / NT GT : 92,379 tons NT : 60,235 tons	
8. When / Where built March, 2016 at TSUNEISHI HEAVY INDUSTRIES (CEBU), INC.		9. Total DWT (abt.) in metric tons on summer-freeboard 180,528 M.T.	
10. Classification Society (Cl. 3) Nippon Kaiji Kyokai (NK)		11. Date of last special survey by the Vessel's classification society N/A	
12. Further particulars of Vessel (also indicate minimum number of months' validity of class certificates agreed acc. to Cl. 3) Cargoes to be carried; All lawful cargoes within the Vessel's capabilities/Class, IMO, flag, her insurance			
13. Port or Place of delivery (Cl.3) As per Clause 5 of the MOA (as defined in Clause 1 hereof)		14. Time for delivery (Cl.4) As per Clause 5 of the MOA See Also Clause 32.	15. Cancelling date (Cl.5) As per Clause 5 of the MOA
16. Port or Place of redelivery (Cl. 3) At one safe berth or one safe port worldwide in the Charterers' option but always within the Trading Limits		17. No. of months' validity of trading and class certificates upon redelivery (Cl. 15) 3 months	
18. Running days' notice if other than stated in Cl.4 N/A		19. Frequency of dry-docking Cl. 10(g) As per Classification Society and flag state requirements	
20. Trading Limits (Cl.6) Trading Limits: always safely afloat world-wide within International Navigation Conditions with the Charterer's option to break same paying extra insurance, but always in accordance with Clause 13 and 40. In any event, any country/place designated pursuant to any international or supranational law or regulation imposing trade and economic sanctions including countries/places sanctioned by UN/USA, prohibitions or restrictions (which may be amended from time to time during the Charter Period) shall always be excluded.			
21. Charter Period (Cl. 2) Twelves (12) years plus/minus 30 days in Charterers' option (See Clause 34)		22. Charter hire (Cl. 11) See Clause 35	
23. New class and other statutory requirements (state percentage of Vessel's insurance value acc. to Box 29 (Cl. 10(a)(ii)) N/A			
24. Rate of interest payable acc. to Cl.11(f) and, if applicable, acc. to PART IV N/A		25. Currency and method of payment (Cl.11) United States Dollars payable calendar monthly in advance	
26. Place of payment; also state beneficiary and bank account (Cl. 11) To be advised		27. Bank guarantee / bond (sum and place) (Cl. 24 (optional)) N/A	

28. Mortgage(s), if any (state whether Cl. 12(a) or (b) applies; if 12(b) applies, state date of Financial Instrument and name of Mortgagee(s)/Place of business) (Cl. 12) See Clause 44	29. Insurance (hull and machinery and war risks) (state value acc. to Cl.13(f) or, if applicable, acc. to Cl. 14(k)) (also state if Cl.14 applies) See Clause 40
30. Additional insurance cover, if any, for Owners' account limited to (Cl. 13(b) or, if applicable, Cl. 14(g)) N/A	31. Additional insurance cover, if any, for Charterers' account limited to (Cl. 13(b) or, if applicable, Cl. 14(g)) See Clause 40 (c)
32. Latent defects (only to be filled in if period other than stated in Cl.3) N/A	33. Brokerage commission and to whom payable (Cl.27)  N/A
34. Grace period (state number of clear banking days) (Cl. 26)  See Clause 41	35. Dispute Resolution (state 30(a), 30(b) or 30(c); if 30(c) agreed, Place of Arbitration <u>must</u> be stated (Cl. 30) London / English Law
36. War cancellation (indicate countries agreed) (Cl. 26(f)) N/A	
37. Newbuilding Vessel (indicate with 'yes' or 'no' whether PART III applies) (optional)  No	38. Name and place of Builders (only to be filled in if PART III applies) N/A
39. Vessel's Yard Building No. (only to be filled in if PART III applies)  No	40. Date of Building/Shipbuilding Contract (only to be filled in if PART III applies) N/A
41. Liquidated damages and costs shall accrue to (state party acc. to Cl. 1) a) N/A b) N/A c) N/A	
42. Hire/Purchase agreement (indicate with 'yes' or 'no' whether PART IV applies) (optional) N/A	43. Bareboat Charter Registry (indicate with 'yes' or 'no' whether PART IV applies) (optional) N/A See Clause 37(d)
44. Flag and Country of the Bareboat Charter Registry (only to be filled in if PART V applies) N/A See Clause 37 (d)	45. Country of the Underlying Registry (only to be filled in if PART V applies) N/A
46. Number of additional clauses covering special provisions, if agreed Clause 32 to 60 inclusive	

PREAMBLE - It is mutually agreed that this Contract shall be performed subject to the conditions contained in this Charter which shall include PART I and PART II. In the event of a conflict of conditions, the provisions of PART I shall prevail over those of PART II to the extent of such conflict but no further. It is further mutually agreed that PART III and/or PART IV and/or PART V shall only apply and shall only form part of this Charter if expressly agreed and stated in Boxes 37, 42 and 43. If PART III and/or PART IV and/or PART V apply, it is further agreed that in the event of a conflict of conditions, the provisions of PART I and PART II shall prevail over those of PART III and/or PART IV and/or PART V to the extent of such conflict but no further.

Signature (Owners)   By: <b>TAKUMI WATANABE</b> Title: <b>President</b>	Signature (Charterers)   By: <b>Vasiliki Papaefthymiou</b> Title: <b>Director</b>
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PART II  
 "BARECON 2001" Standard Bareboat Charter

1.	Definitions	1	hours after the cancelling date stated in Box 15, falling	66
	In this Charter, the following terms shall have the	2	meanings hereby assigned to them:	67
	"The Owners" shall mean the party identified in Box 3;	3		68
	"The Charterers" shall mean the party identified in Box 4;	4	(b) If it appears that the Vessel will be delayed beyond	69
	"The Vessel" shall mean the vessel named in Box 5 and	5	the cancelling date, the Owners may, as soon as they	70
	with particulars as stated in Boxes 6 to 12;	6	are in position to state with reasonable certainty the day	71
	"Financial Instrument" means the mortgage, deed of	7	on which the Vessel should be ready, give notice thereof	72
	covenant or other such financial security instrument as	8	to the Charterers asking whether they will exercise their	73
	annexed to this Charter and stated in Box 28.	9	option of cancelling, and the option must then be	74
	"MOA" means the Memorandum of Agreement	10	declared within one hundred and sixty-eight (168)	75
	entered into between the Owners as buyers and		running hours of the receipt by the Charterers of such	76
	SMALTIME SHIPPING CORPORATION of the Marshall		notice or within thirty-six (36) running hours after the	77
	Islands as Sellers (the "Sellers") dated 11 November		cancelling date, whichever is the earlier. If the Charterers	78
	2019 in respect of the Vessel.		do not then exercise their option of cancelling, the	79
	"Banking Days" shall mean the days identified in		seventh day after the readiness date stated in the	80
	Cl.36 (b)		Owners' notice shall be substituted for the cancelling	81
	"Total Loss" shall mean the situation identified in		date indicated in Box 16 for the purpose of this Clause 5.	82
	Cl.40 (a)		(c) Cancellation under this Clause 5 shall be without	83
2.	Charter Period	11	prejudice to any claim the Charterers may otherwise	84
	In consideration of the hire detailed in Box 22, the Owners	12	have on the Owners under this Charter.	
	have agreed to let and the Charterers have agreed to hire	13		
	the Vessel for the period stated in Box 21 (the 'Charter	14	6. Trading Restrictions	85
	Period').	15	The Vessel shall be employed in lawful trades for the	86
		16	carriage of suitable lawful merchandise within the trading	87
			limits indicated in Box 20.	88
3.	Delivery Also See Clause 32	16	The Charterers undertake not to employ the Vessel or	89
	The Vessel shall be delivered and taken over by the	17	suffer the Vessel to be employed otherwise than in	90
	Charterers as per Clause 32.	18	conformity with the terms of the contracts of insurance	91
	<i>(not applicable when PART III applies, as indicated in Box 37)</i>	19	(including any warranties expressed or implied therein)	92
	(a) The Owners shall before end at the time of delivery	20	without first obtaining the consent of the Insurers to such	93
	exercise due diligence to make the Vessel seaworthy and	21	employment and complying with such requirements as to	94
	in every respect ready in hull, machinery and equipment	22	extra premium or otherwise as the Insurers may	95
	for service under this Charter.	23	prescribe.	96
	The Vessel shall be delivered by the Owners and taken	24	The Charterers also undertake not to employ the Vessel	97
	over by the Charterers at the port or place indicated in Box	25	or suffer her employment in any trade or business which	98
	13 in such ready safe berth as the Charterers may direct.	26	is forbidden by the law of any country to which the Vessel	99
	(b) The Vessel shall be properly documented on	27	may sail or is otherwise illicit or in carrying illicit or	100
	delivery in accordance with the laws of the flag state	28	prohibited goods or in any manner whatsoever which	101
	indicated in Box 5 and the requirements of the	29	may render her liable to condemnation, destruction,	102
	classification society stated in Box 10. The Vessel upon	30	seizure or confiscation.	103
	delivery shall have her survey cycles up to date and	31	Notwithstanding any other provisions contained in this	104
	trading and class certificates valid for at least the number	32	Charter it is agreed that nuclear fuels or radioactive	105
	of months agreed in Box 12.	33	products or waste are specifically excluded from the	106
	(c) The delivery of the Vessel by the Owners and the	34	cargo permitted to be loaded or carried under this	107
	taking over of the Vessel by the Charterers shall	35	Charter. This exclusion does not apply to radio-isotopes	108
	constitute a full performance by the Owners of all the	36	used or intended to be used for any industrial,	109
	Owners' obligations under this Clause 3, and thereafter	37	commercial, agricultural, medical or scientific purposes	110
	the Charterers shall not be entitled to make or assert	38	provided the Owners' prior approval has been obtained	111
	any claim against the Owners on account of any	39	to loading thereof.	112
	conditions, representations or warranties expressed or	40	7. Surveys on Delivery and Redelivery	113
	implied with respect to the Vessel but the Owners shall be	41	<i>(not applicable when PART III applies, as indicated in Box 37)</i>	114
	liable for the cost of but not the time for repairs or	42	The Owners and Charterers have the right of shall each	115
	renewals occasioned by latent defects in the Vessel, her	43	appointing surveyors for the purpose of determining and	116
	machinery or appurtenances, existing at the time of	44	agreeing in writing the condition of the Vessel at the time	117
	delivery under this Charter, provided such defects have	45	of delivery, redelivery hereunder. The Owners shall bear	118
	manifested themselves within twelve (12) months after	46	all expenses of the On hire Survey including loss of time,	119
	delivery unless otherwise provided in Box 32.	47	if any, and the Charterers shall bear all expenses of the	120
4.	Time for Delivery See Clause 32	48	Off hire Survey including loss of time, if any, at the daily	121
	<i>(not applicable when PART III applies, as indicated in Box 37)</i>	49	equivalent to the rate of hire or pro-rata thereof.	122
	The Vessel shall not be delivered before the date	50	8. Inspection See Clause 59	123
	indicated in Box 14 without the Charterers' consent and	51	The Owners shall have the right maximum once per	124
	the Owners shall exercise due diligence to deliver the	52	year at any time after giving reasonable 1 month prior	125
	Vessel not later than the date indicated in Box 15.	53	notice to the Charterers to inspect or survey the Vessel	126
	Unless otherwise agreed in Box 18, the Owners shall give	54	or instruct a duly authorised surveyor to carry out such	127
	the Charterers not less than thirty (30) running days'	55	survey on their behalf; provided it does not interfere	128
	preliminary and not less than fourteen (14) running days'	56	with the operation/itinerary of the Vessel and/or crew	
	definite notice of the date on which the Vessel is expected	57	(a) to ascertain the condition of the Vessel and satisfy	129
	to be ready for delivery.	58	themselves that the Vessel is being properly repaired	130
	The Owners shall keep the Charterers closely advised of	59	and maintained. The costs and fees for such inspection	131
	possible changes in the Vessel's position.		or survey shall be paid by the Owners, unless the Vessel	132
5.	Cancelling	60	is found to require repairs or maintenance in order to	133
	<i>(not applicable when PART III applies, as indicated in Box 37)</i>	61	achieve the condition so provided;	134
	(a) Should the Vessel not be delivered latest by the	62	(b) in dry dock if the Charterers have not dry docked	135
	cancelling date indicated in Box 16, the Charterers shall	63	her in accordance with Clause 10(g). The costs and	136
	have the option of cancelling this Charter by giving the	64	fees for such inspection or survey shall be paid by the	137
	Owners notice of cancellation within thirty-six (36) running	65	Charterers; and	138

## PART II

## "BARECON 2001" Standard Bareboat Charter

<del>(c) for any other commercial reason they consider necessary (provided it does not unduly interfere with the commercial operation of the Vessel). The costs and fees for such inspection and survey shall be paid by the Owners.</del>	139 140 141 142 143	The Charterers shall make and maintain all arrangements by bond or otherwise as may be necessary to satisfy such requirements at the Charterers' sole expense and the Charterers shall indemnify the Owners against all consequences whatsoever (including loss of time) for any failure or inability to do so.	213 214 215 216 217 218
<del>All time used in respect of inspection, survey or repairs shall be for the Charterers' account and form part of the Charter Period.</del>	144 145 146	(b) <u>Operation of the Vessel</u> - The Charterers shall at their own expense and by their own procurement man, victual, navigate, operate, supply, fuel and, whenever required, repair the Vessel during the Charter Period and they shall pay all charges and expenses of every kind and nature whatsoever incidental to their use and operation of the Vessel under this Charter, including annual flag state fees and any foreign general municipality and/or state taxes. The Master, officers and crew of the Vessel shall be the servants of the Charterers for all purposes whatsoever, even if for any reason appointed by the Owners.	219 220 221 222 223 224 225 226 227 228 229 230
9. Inventories, Oil and Stores SEE CLAUSE 53	147 148 149 150 151	The Charterers shall also permit the Owners to inspect the Vessel's log books maximum once per year whenever reasonably requested and shall whenever required by the Owners furnish them with full information regarding any casualties or other accidents or damage to the Vessel.	231 232 233
<del>A complete inventory of the Vessel's entire equipment, outfit including spare parts, appliances and of all consumable stores on board the Vessel shall be made by the Charterers in conjunction with the Owners on delivery and again on redelivery of the Vessel. The Charterers and the Owners, respectively, shall at the time of delivery and redelivery take over and pay for all bunkers, lubricating oil, unbroached provisions, paints, ropes and other consumable stores (excluding spare parts) in the said Vessel at the then current market prices at the ports of delivery and redelivery, respectively. The Charterers shall ensure that all spare parts listed in the inventory and used during the Charter Period are replaced at their expense prior to redelivery of the Vessel. SEE ALSO CLAUSE 32, AND CLAUSE 46</del>	152 153 154 155 156 157 158 159 160 161 162 163 164 165 166 167	Charterers shall comply with the regulations regarding officers and crew in force in the country of the Vessel's flag or any other applicable law. (c) The Charterers shall keep the Owners and the mortgagee(s) advised of the intended employment, planned dry-docking and major repairs of the Vessel, as reasonably required. (d) <u>Flag and Name of Vessel</u> During the Charter Period, the Charterers shall have the liberty to paint the Vessel in their own colours, install and display their funnel insignia and fly their own house flag. The Charterers shall also have the liberty, with the Owners' consent, which shall not be unreasonably withheld, to change the flag and/or the name of the Vessel during the Charter Period. Painting and re-painting, instalment and re-instalment, registration and de-registration, if required by the Owners, shall be at the Charterers' expense and time. SEE CLAUSE 37 & 43 (e) <u>Changes to the Vessel</u> - Subject to Clause 10(a)(ii), the Charterers shall make no structural changes in the Vessel or changes in the machinery, boilers, appurtenances or spare parts thereof without in each instance first securing the Owners' approval thereof. If the Owners so agree, the Charterers shall, if the Owners so require, restore the Vessel to its former condition before the termination of this Charter. SEE CLAUSE 38 (f) <u>Use of the Vessel's Outfit, Equipment and Appliances</u> - The Charterers shall have the use of all outfit, equipment, and appliances on board the Vessel at the time of delivery, provided the same or their substantial equivalent shall be returned to the Owners on redelivery in substantially the same good order and condition as when received, ordinary wear and tear excepted. The Charterers shall from time to time during the Charter period replace such items of equipment as shall be so damaged or worn as to be unfit for use. The Charterers are to procure that all repairs to or replacement of any damaged, worn or lost parts or equipment be effected in such manner (both as regards workmanship and quality of materials) as not to diminish the value of the Vessel. The Charterers have the right to fit additional equipment at their expense and risk but the Charterers shall remove such equipment at the end of the period unless agreed otherwise by the Owners and the Charterers. If requested by the Owners, any equipment including radio equipment on hire on the Vessel at time of delivery shall be kept and maintained by the Charterers and the Charterers shall assume the obligations and liabilities of the Owners under any lease contracts in connection therewith and shall reimburse the Owners for all expenses incurred in connection therewith, also for any new equipment required in order to comply with radio regulations. (g) <u>Periodical Dry-Docking</u> - The Charterers shall dry-dock the Vessel and clean and paint her underwater parts whenever the same may be necessary, but not	234 235 236 237 238 239 240 241 242 243 244 245 246 247 248 249 250 251 252 253 254 255 256 257 258 259 260 261 262 263 264 265 266 267 268 269 270 271 272 273 274 275 276 277 278 279 280 281 282 283 284 285
10. Maintenance and Operation			
(a)(i) <u>Maintenance and Repairs</u> - During the Charter period the Vessel shall be in the full possession and at the absolute disposal for all purposes of the Charterers and under their complete control in every respect. The Charterers shall exercise due diligence to maintain the Vessel, her machinery, boilers, appurtenances and spare parts in a good state of repair, in efficient operating condition and in accordance with good commercial maintenance practice and, except as provided for in Clause 14(f), if applicable, at their own expense, they shall at all times keep the Vessel's Class unexpired fully up to date with the Classification Society indicated in Box 10 maintain all other necessary certificates in force at all times.	168 169 170 171 172 173 174 175 176 177 178 179 180 181 182		
(ii) <u>New Class and Other Safety Requirements</u> In the event of any improvement, structural changes or new equipment becoming necessary for the continued operation of the Vessel by reason of new class requirements or by compulsory legislation costing (excluding the Charterers' loss of time) more than the percentage stated in Box 23, or if Box 23 is left blank, 6 per cent. of the Vessel's insurance value as stated in Box 29, then the extent, if any, to which the rate of hire shall be varied and the ratio in which the cost of compliance shall be shared between the parties concerned in order to achieve a reasonable distribution thereof as between the Owners and the Charterers having regard, inter alia, to the length of the period remaining under this Charter, shall in the absence of agreement, be referred to the dispute resolution method agreed in Clause 30. SEE CLAUSE 38	183 184 185 186 187 188 189 190 191 192 193 194 195 196 197 198 199 200		
(iii) <u>Financial Security</u> - The Charterers shall maintain financial security or responsibility in respect of third party liabilities as required by any government, including federal, state or municipal or other division or authority thereof, to enable the Vessel, without penalty or charge, lawfully to enter, remain at, or leave any port, place, territorial or contiguous waters of any country, state or municipality in performance of this Charter without any delay. This obligation shall apply whether or not such requirements have been lawfully imposed by such government or division or authority thereof.	201 202 203 204 205 206 207 208 209 210 211 212		



	less than once during the period stated in Box 19 or, if Box 19 has been left blank, every sixty (60) calendar months after delivery or such other period as may be required by the Classification Society or flag state.	285 287 288 289	
11.	<b>Hire</b> SEE CLAUSE 36	290	
	(a) The Charterers shall pay hire due to the Owners punctually in accordance with the terms of this Charter in respect of which time shall be of the essence.	291 292 293	
	(b) The Charterers shall pay to the Owners for the hire of the Vessel a lump sum in the amount indicated in Box 22 which shall be payable not later than every thirty running days in advance, the first lump sum being payable on the date and hour of the Vessel's delivery to the Charterers. Hire shall be paid continuously throughout the Charter Period.	294 295 296 297 298 299 300	
	(c) Payment of hire shall be made in cash without discount in the currency and in the manner indicated in Box 25 and at the place mentioned in Box 26.	301 302 303	
	(d) Final payment of hire, if for a period of less than thirty (30) running days, shall be calculated proportionally according to the number of days remaining before redelivery and advance payment to be effected accordingly.	304 305 306 307 308	
	(e) Should the Vessel be lost or missing, hire shall cease from the date and time when she was lost or last heard of. The date upon which the Vessel is to be treated as lost or missing shall be ten (10) days after the Vessel was last reported or when the Vessel is posted as missing by Lloyd's, whichever occurs first. Any hire paid in advance to be adjusted accordingly.	309 310 311 312 313 314 315	
	(f) Any delay in payment of hire shall entitle the Owners to interest at the rate per annum as agreed in Box 24. If Box 24 has not been filled in, the three-months interbank offered rate in London (LIBOR or its successor) of the currency stated in Box 25, as quoted by the British Bankers' Association (BBA) on the date when the hire fell due, increased by 2 per cent, shall apply.	316 317 318 319 320 321 322	
	(g) Payment of interest due under sub-clause 11(f) shall be made within seven (7) running days of the date of the Owners' invoice specifying the amount payable or, in the absence of an invoice, at the time of the next hire payment date.	323 324 325 326 327	
12.	<b>Mortgage</b> SEE CLAUSE 44	328	
	(only to apply if Box 23 has been appropriately filled in)	329	
*)	(a) The Owners warrant that they have not effected any mortgage(s) of the Vessel and that they shall not effect any mortgage(s) without the prior consent of the Charterers, which shall not be unreasonably withheld.	330 331 332 333	
*)	(b) The Vessel chartered under this Charter is financed by a mortgage according to the Financial Instrument. The Charterers undertake to comply, and provide such information and documents to enable the Owners to comply, with all such instructions or directions in regard to the employment, insurance, operation, repairs and maintenance of the Vessel as laid down in the Financial Instrument or as may be directed from time to time during the currency of the Charter by the mortgagee(s) in conformity with the Financial Instrument. The Charterers confirm that, for this purpose, they have acquainted themselves with all relevant terms, conditions and provisions of the Financial Instrument and agree to acknowledge this in writing in any form that may be required by the mortgagee(s). The Owners warrant that they have not effected any mortgage(s) other than stated in Box 28 and that they shall not agree to any amendment of the mortgage(s) referred to in Box 28 or effect any other mortgage(s) without the prior consent of the Charterers, which shall not be unreasonably withheld.	334 335 336 337 338 339 340 341 342 343 344 345 346 347 348 349 350 351 352 353	
*)	(Optional, Clauses 12 (a) and 12 (b) are alternatives; indicate alternative agreed in Box 28).	354	
13.	<b>Insurance and Repairs</b> SEE CLAUSE 40	355	
	(a) During the Charter Period the Vessel shall be kept insured by the Charterers at their expense against hull	356 357 358 359	
	and machinery, war and Protection and Indemnity risks (and any risks against which it is compulsory to insure for the operation of the Vessel, including maintaining financial security in accordance with sub-clause 10(a)(ii)) in underwriter's standard form as the Owners have received, reviewed and shall in writing approved, which approval shall not be unreasonably withheld in such form as the Owners shall in writing approve, which approval shall not be unreasonably withheld. Such insurances shall be arranged by the Charterers to protect the interests of both the Owners and the Charterers and the mortgagees (if any), and the Charterers shall be at liberty to protect under such insurances the interests of any managers they may appoint. Insurance policies shall cover the Owners and the Charterers according to their respective interests. Subject to the provisions of the Financial Instrument, if any, and the approval of the Owners and the insurers, the Charterers shall effect all insured repairs and shall undertake settlement and reimbursement from the insurers of all costs in connection with such repairs as well as insured charges, expenses and liabilities to the extent of coverage under the insurances herein provided for.	360 361 362 363 364 365 366 367 368 369 370 371 372 373 374 375 376 377 378 379 380 381 382 383	
	The Charterers also to remain responsible for and to effect repairs and settlement of costs and expenses incurred thereby in respect of all other repairs not covered by the insurances and/or not exceeding any possible franchise(s) or deductibles provided for in the insurances.	384 385 386 387 388 389	
	All time used for repairs under the provisions of sub-clause 13(a) and for repairs of latent defects according to Clause 3(c) above, including any deviation, shall be for the Charterers' account.	390 391 392 393	
	(b) If the conditions of the above insurances permit additional insurance to be placed by the parties, such cover shall be limited to the amount for each party set out in Box 30 and Box 31, respectively. The Owners or the Charterers as the case may be shall immediately furnish the other party with particulars of any additional insurance effected, including copies of any cover notes or policies and the written consent of the insurers of any such required insurance in any case where the consent of such insurers is necessary.	394 395 396 397 398 399 400 401 402 403	
	(c) The Charterers shall upon the request of the Owners provide information and promptly execute such documents as may be reasonably required to enable the Owners to comply with the insurance provisions of the Financial Instrument.	404 405 406 407 408	
	(d) Subject to the provisions of the Financial Instrument, if any, should the Vessel become an actual, constructive, compromised or agreed total loss under the insurances required under sub-clause 13(a), all insurance payments for such loss shall be paid to the Owners who shall distribute the moneys between the Owners and the Charterers according to their respective interests. The Charterers undertake to notify the Owners and the mortgagee(s), if any, of any occurrences in consequence of which the Vessel is likely to become a total loss as defined in this clause. SEE CLAUSE 40	409 410 411 412 413 414 415 416 417 418 419	
	(e) The Owners shall, upon the request of the Charterers, promptly execute such documents as may be required to enable the Charterers to abandon the Vessel to insurers and claim a constructive total loss.	420 421 422 423	
	(f) For the purpose of insurance coverage against hull and machinery and war risks under the provisions of sub-clause 13(a), the value of the Vessel is the sum indicated in Box 29. SEE CLAUSE 40	424	
14.	<b>Insurance, Repairs and Classification</b> N/A	425	
	(Optional, only to apply if expressly agreed and stated in Box 29, in which event Clause 13 shall be considered deleted).	426 427 428	
	(a) During the Charter Period the Vessel shall be kept insured by the Owners at their expense against hull and machinery and war risks under the form of policy or	429 430 431	



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~~policies attached hereto. The Owners and/or Insurers shall not have any right of recovery or subrogation against the Charterers on account of loss of or any damage to the Vessel or her machinery or appurtenances covered by such insurance, or on account of payments made to discharge claims against or liabilities of the Vessel or the Owners covered by such insurance. Insurance policies shall cover the Owners and the Charterers according to their respective interests.~~

~~(b) During the Charter Period the Vessel shall be kept insured by the Charterers at their expense against Protection and Indemnity risks (and any risks against which it is compulsory to insure for the operation of the Vessel, including maintaining financial security in accordance with sub-clause 10(a)(iii)) in such form as the Owners shall in writing approve which approval shall not be unreasonably withheld.~~

~~(c) In the event that any act or negligence of the Charterers shall vitiate any of the insurance herein provided, the Charterers shall pay to the Owners all losses and indemnify the Owners against all claims and demands which would otherwise have been covered by such insurance.~~

~~(d) The Charterers shall, subject to the approval of the Owners or Owners' Underwriters, effect all insured repairs, and the Charterers shall undertake settlement of all miscellaneous expenses in connection with such repairs as well as all insured charges, expenses and liabilities, to the extent of coverage under the insurances provided for under the provisions of sub-clause 14(a). The Charterers to be secured reimbursement through the Owners' Underwriters for such expenditures upon presentation of accounts.~~

~~(e) The Charterers to remain responsible for and to effect repairs and settlement of costs and expenses incurred thereby in respect of all other repairs not covered by the insurances and/or not exceeding any possible franchise(s) or deductibles provided for in the insurances.~~

~~(f) All time used for repairs under the provisions of sub-clause 14(d) and 14(e) and for repairs of latent defects according to Clause 3 above, including any deviation, shall be for the Charterers' account and shall form part of the Charter Period. The Owners shall not be responsible for any expenses as are incident to the use and operation of the Vessel for such time as may be required to make such repairs.~~

~~(g) If the conditions of the above insurances permit additional insurance to be placed by the parties such cover shall be limited to the amount for each party set out in Box 30 and Box 31, respectively. The Owners or the Charterers as the case may be shall immediately furnish the other party with particulars of any additional insurance effected, including copies of any cover notes or policies and the written consent of the insurers of any such required insurance in any case where the consent of such insurers is necessary.~~

~~(h) Should the Vessel become an actual, constructive, compromised or agreed total loss under the insurances required under sub-clause 14 (a), all insurance payments for such loss shall be paid to the Owners, who shall distribute the moneys between themselves and the Charterers according to their respective interests.~~

~~(i) If the Vessel becomes an actual, constructive, compromised or agreed total loss under the insurances arranged by the Owners in accordance with sub-clause 14(a), this Charter shall terminate as of the date of such loss.~~

~~(j) The Charterers shall upon the request of the Owners, promptly execute such documents as may be required to enable the Owners to abandon the Vessel to the insurers and claim a constructive total loss.~~

~~(k) For the purpose of insurance coverage against hull and machinery and war risks under the provisions of sub-clause 14(a), the value of the Vessel is the sum~~

~~indicated in Box 29.~~

~~(l) Notwithstanding anything contained in sub-clause 10(a), it is agreed that under the provisions of Clause 14, if applicable, the Owners shall keep the Vessels' Class fully up to date with the Classification Society Indicated in Box 10 and maintain all other necessary certificates in force at all times.~~

**15. Redelivery ALSO SEE CLAUSE 46**

At the expiration of the Charter Period the Vessel shall be redelivered by the Charterers to the Owners at a safe berth or anchorage at a safe and ice-free port or place as indicated in Box 16, in such ready safe berth as the Owners may direct. The Charterers shall give the Owners not less than thirty (30) running days' preliminary notice of expected date, range of ports of redelivery or port or place of redelivery and not less than fourteen (14) running days' definite notice of expected date and port or place of redelivery. Any changes thereafter in Vessel's position shall be notified immediately to the Owners. The Charterers warrant that they will not permit the Vessel to commence a voyage (including any preceding ballast voyages) which cannot reasonably be expected to be completed in time to allow redelivery of the Vessel within the Charter Period. Notwithstanding the above, should the Charterers fail to redeliver the Vessel within the Charter Period, the Charterers shall pay the daily equivalent to the rate of hire stated in Box 22 plus 6 per cent or to the market rate, whichever is the higher, for the number of days by which the Charter Period is exceeded. All other terms, conditions and provisions of the Charter shall continue to apply. Subject to the provisions of Clause 10, the Vessel shall be redelivered to the Owners in substantially the same or as good structure, state, condition and class as that in which she was delivered, fair wear and tear not affecting class excepted. The Vessel upon redelivery shall have her survey cycles up to date and trading and class certificates valid for at least the number of months agreed in Box 17.

**16. Non-Lien ALSO SEE CLAUSE 47**

The Charterers will not suffer, nor permit to be continued, any lien or encumbrance incurred by them or their agents, which might have priority over the title and interest of the Owners in the Vessel. The Charterers further agree to fasten to the Vessel in a conspicuous place and to keep so fastened during the Charter Period a notice reading as follows:  
 This Vessel is the property of (name of Owners). It is under charter to (name of Charterers) and by the terms of the Charter Party neither the Charterers nor the Master have any right, power or authority to create, incur or permit to be imposed on the Vessel any lien whatsoever.

**17. Indemnity ALSO SEE CLAUSE 64**

(a) The Charterers shall indemnify the Owners against any loss, damage or expense incurred by the Owners arising out of or in relation to the operation of the Vessel by the Charterers, and against any lien of whatsoever nature arising out of an event occurring during the Charter Period. If the Vessel be arrested or otherwise detained by reason of claims or liens arising out of her operation hereunder by the Charterers, the Charterers shall at their own expense take all reasonable steps to secure that within a reasonable time the Vessel is released, including the provision of bail. Without prejudice to the generality of the foregoing, the Charterers agree to indemnify the Owners against all consequences or liabilities arising from the Master, officers or agents signing Bills of Lading or other documents.



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<p>(b) If the Vessel be arrested or otherwise detained by reason of a claim or claims against the Owners, the Owners shall at their own expense take all reasonable steps to secure that within a reasonable time the Vessel is released, including the provision of bail. In such circumstances the Owners shall indemnify the Charterers against any loss, damage or expense incurred by the Charterers (including hire paid under this Charter) as a direct consequence of such arrest or detention.</p> <p>18. Lien        The Owners to have a lien upon all cargoes, sub-hires and sub-freights belonging or due to the Charterers or any sub-charterers and any Bill of Lading freight for all claims under this Charter, and the Charterers to have a lien on the Vessel for all moneys paid in advance and not earned.</p> <p>19. Salvage        All salvage and towage performed by the Vessel shall be for the Charterers' benefit and the cost of repairing damage occasioned thereby shall be borne by the Charterers.</p> <p>20. Wreck Removal        In the event of the Vessel becoming a wreck or obstruction to navigation the Charterers shall indemnify the Owners against any sums whatsoever which the Owners shall become liable to pay and shall pay in consequence of the Vessel becoming a wreck or obstruction to navigation.</p> <p>21. General Average        The Owners shall not contribute to General Average.</p> <p>22. Assignment, Sub-Charter and Sale        (a) The Charterers shall not assign this Charter nor sub-charter the Vessel on a bareboat basis except with the prior consent in writing of the Owners, which shall not be unreasonably withheld, and subject to such terms and conditions as the Owners shall approve.  <del>(b) The Owners shall not sell the Vessel during the currency of this Charter except with the prior written consent of the Charterers, which shall not be unreasonably withheld, and subject to the buyer accepting an assignment of this Charter. SEE CLAUSE 48</del></p> <p>23. Contracts of Carriage        *) (a) The Charterers are to procure that all documents issued during the Charter Period evidencing the terms and conditions agreed in respect of carriage of goods shall contain a paramount clause incorporating any legislation relating to carrier's liability for cargo compulsorily applicable in the trade; if no such legislation exists, the documents shall incorporate the Hague-Visby Rules. The documents shall also contain the New Jason Clause and the Both-to-Blame Collision Clause.        *) <del>(b) The Charterers are to procure that all passenger tickets issued during the Charter Period for the carriage of passengers and their luggage under this Charter shall contain a paramount clause incorporating any legislation relating to carrier's liability for passengers and their luggage compulsorily applicable in the trade; if no such legislation exists, the passenger tickets shall incorporate the Athens Convention Relating to the Carriage of Passengers and their Luggage by Sea, 1974, and any protocol thereto.</del>        *) <del>Delete as applicable.</del></p> <p>24. Bank Guarantee        (Optional, only to apply if Box 22 filed in)        The Charterers undertake to furnish, before delivery of the Vessel, a first class bank guarantee or bond in the sum and at the place as indicated in Box 27 as guarantee for full performance of their obligations under this Charter.</p>	<p>577 578 579 580 581 582 583 584 585 586</p> <p>587 588 589 590 591 592 593</p> <p>594 595 596 597 598</p> <p>599 600 601 602 603 604 605</p> <p>606 607</p> <p>608 609 610 611 612 613 614 615 616 617 618</p> <p>619 620 621 622 623 624 625 626 627 628 629 630 631 632 633 634 635 636 637 638 639</p> <p>640 641 642 643 644 645 646</p>	<p>25. Requisition/Acquisition ALSO SEE CLAUSE 40 (a)(b)        (a) In the event of the requisition for Hire of the Vessel by any governmental or other competent authority (hereinafter referred to a "Requisition for Hire") irrespective of the date during the Charter Period when "Requisition for Hire" may occur and irrespective of the length thereof and whether or not it be for an indefinite or a limited period of time, and irrespective of whether it may or will remain in force for the remainder of the Charter Period, this Charter shall not be deemed thereby or thereupon to be frustrated or otherwise terminated and the Charterers shall continue to pay the stipulated hire in the manner provided by this Charter until the time when the Charter would have terminated pursuant to any of the provisions hereof always provided however that in the event of "Requisition for Hire" any Requisition Hire or compensation received or receivable by the Owners shall be payable to the Charterers during the remainder of the Charter Period or the period of the 'Requisition for Hire' whichever be the shorter.        (b) Notwithstanding the provisions of clause 25 (a), in the event of the Owners being deprived of their ownership in the Vessel by any Compulsory Acquisition of the Vessel or requisition for title by any governmental or other competent authority, which for the avoidance of any doubt, shall exclude requisition for use or hire not involving requisition of title (hereinafter referred to as 'Compulsory Acquisition'), then, irrespective of the date during the Charter Period when "Compulsory Acquisition" may occur, this Charter shall be deemed terminated as of the date of such "Compulsory Acquisition". In such event charter hire to be considered as earned and to be paid up to the date and time of such 'Compulsory Acquisition', but not thereafter.</p> <p>26. War        (a) For the purpose of this Clause, the words 'War Risks' shall include any war (whether actual or threatened), act of war, civil war, hostilities, revolution, rebellion, civil commotion, warlike operations, the laying of mines (whether actual or reported), acts of piracy, acts of terrorists, acts of hostility or malicious damage, blockades (whether imposed against all vessels or imposed selectively against vessels of certain flags or ownership, or against certain cargoes or crews or otherwise howsoever), by any person, body, terrorist or political group, or the Government of any state whatsoever, which may be dangerous or are likely to be or to become dangerous to the Vessel, her cargo, crew or other persons on board the Vessel.        (b) The Vessel, unless the written consent of the Owners be first obtained, shall not continue to or go through any port, place, area or zone (whether of land or sea), or any waterway or canal, where it reasonably appears that the Vessel, her cargo, crew or other persons on board the Vessel, in the reasonable judgement of the Owners, may be, or are likely to be, exposed to War Risks. Should the Vessel be within any such place as aforesaid, which only becomes dangerous or is likely to be or to become dangerous, after the entry into it, the Owners shall have the right to require the Vessel to leave such area.        (c) The Vessel shall not load contraband cargo, or to pass through any blockade, whether such blockade be imposed on all vessels, or is imposed selectively in any way whatsoever against vessels of certain flags or ownership, or against certain cargoes or crews or otherwise howsoever, or to proceed to an area where she shall be subject, or is likely to be subject to a belligerent's right of search and/or confiscation.        (d) <del>If the insurers of the war-risk insurance, when Clause 14 is applicable, should require payment of premiums and/or calls because, pursuant to the Charterers' orders, the Vessel is within, or is due to enter and remain within, any area or areas which are specified by such insurers as being subject to additional premiums because of War Risks, then such premiums and/or calls</del></p>	<p>647 648 649 650 651 652 653 654 655 656 657 658 659 660 661 662 663 664 665 666 667 668 669 670 671 672 673 674 675 676 677 678 679 680 681 682 683 684 685 686 687 688 689 690 691 692 693 694 695 696 697 698 699 700 701 702 703 704 705 706 707 708 709 710 711 712 713 714 715 716 717 718 719</p>
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shall be reimbursed by the Charterers to the Owners at the same time as the next payment of hire is due.	720	number of days stated in Box 34 of their receiving the Owners' notice as provided herein, shall entitle the Owners to withdraw the Vessel from the service of the Charterers and terminate the Charter without further notice;	795
(e) The Charterers shall have the liberty:	721	(ii) the Charterers fail to comply with the requirements of:	800
(i) to comply with all orders, directions, recommendations or advice as to departure, arrival, routes, sailing in convoy, ports of call, stoppages, destinations, discharge of cargo, delivery, or in any other way whatsoever which are given by the government of the nation under whose flag the vessel sails, or any other government, body or group whatsoever acting with the power to compel compliance with their orders or directions'	722	(1) Clause 6 (Trading Restrictions)	801
	723	(2) Clause 10(a) (Insurance and Repairs)	802
	724	provided that the Owners shall have the option, by written notice to the Charterers, to give the Charterers a specified number of days grace within which to rectify the failure without prejudice to the Owners' right to withdraw and terminate under this Clause if the Charterers fail to comply with such notice;	803
	725	(iii) the Charterers fail to rectify any failure to comply with the requirements of sub-clause 10(a)(ii) (Maintenance and Repairs) as soon as practically possible after the Owners have requested them in writing to do so and in any event so that the Vessel's insurance cover is not prejudiced.	804
	726	SEE CLAUSE 41 & 42	805
	727	(b) <u>Owners' Default</u>	806
	728	If the Owners shall by any act or omission be in breach of their obligations under this Charter to the extent that the Charterers are deprived of the use of the Vessel and such breach continues for a period of fourteen (14) running days after written notice thereof has been given by the Charterers to the Owners, the Charterers shall be entitled to terminate this Charter with immediate effect by written notice to the Owners.	807
	729	(c) <u>Loss of Vessel</u>	808
	730	This Charter shall be deemed to be terminated if the Vessel becomes a total loss or is declared as a constructive or compromised or arranged total loss. For the purpose of this sub-clause, the Vessel shall not be deemed to be lost unless she has either become an actual total loss or agreement has been reached with her underwriters in respect of her constructive, compromised or arranged total loss or if such agreement with her underwriters is not reached it is adjudged by a competent tribunal that a constructive loss of the Vessel has occurred. SEE CLAUSE 40 (d)(e)	809
	731	(d) Either party shall be entitled to terminate this Charter with immediate effect by written notice to the other party in the event of an order being made or resolution passed for the winding up, dissolution, liquidation or bankruptcy of the other party (otherwise than for the purpose of reconstruction or amalgamation) or if a receiver is appointed, or if it suspends payment, ceases to carry on business or makes any special arrangements or composition with its creditors.	810
(ii) to comply with the orders, directions or recommendations of any war risks underwriters who have the authority to give the same under the terms of the war risks insurance;	732	(e) The termination of this Charter shall be without prejudice to all rights accrued due between the parties prior to the date of termination and to any claim that either party might have.	811
	733		812
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(iii) to comply with the terms of any resolution of the Security Council of the United Nations, any directives of the European Community, the effective orders of any other supranational body which has the right to issue and give the same, and with national laws aimed at enforcing the same to which the Owners are subject, and to obey the orders and directions of those who are charged with their enforcement.	736		815
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(f) In the event of outbreak of war (whether there be a declaration of war or not) (i) between any two or more of the following countries: the United States of America; Russia; the United Kingdom; France; and the People's Republic of China, (ii) between any two or more of the countries stated in Box 36, both the Owners and the Charterers shall have the right to cancel this Charter, whereupon the Charterers shall redeliver the Vessel to the Owners in accordance with Clause 15; if the Vessel has cargo on board after discharge thereof at destination, or if debarred under this Clause from reaching and entering it at a near open and safe port as directed by the Owners, or if the Vessel has no cargo on board, at the port at which the Vessel then is or if at sea at a near, open and safe port as directed by the Owners. In all cases hire shall continue to be paid in accordance with Clause 14 and except as aforesaid all other provisions of this Charter shall apply until redelivery;	745		
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<b>27. Commission</b>	764		
The Owners to pay a commission at the rate indicated in Box 33 to the Brokers named in Box 33 on any hire paid under the Charter. If no rate is indicated in Box 33, the commission to be paid by the Owners shall cover the actual expenses of the Brokers and a reasonable fee for their work.	765		
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If the full hire is not paid owing to breach of the Charter by either of the parties, the party liable therefore shall indemnify the Brokers against their loss of commission. Should the parties agree to cancel the Charter, the Owners shall indemnify the Brokers against any loss of commission but in such case the commission shall not exceed the brokerage on one year's hire.	771		
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<b>28. Termination</b>	778		
(a) <u>Charterer's Default</u>	779		
The Owners shall be entitled to withdraw the Vessel from the service of the Charterers and terminate the Charter with immediate effect by written notice to the Charterers if:	780		
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(i) the Charterers fail to pay hire in accordance with Clause 11. However, where there is a failure to make punctual payment of hire due to oversight, negligence, errors or omissions on the part of the Charterers or their bankers, the Owners shall give the Charterers written notice of the number of clear banking days stated in Box 34 (as recognised at the agreed place of payment) in which to rectify the failure, and when so rectified within such number of days following the Owners' notice, the payment shall stand as regular and punctual. Failure by the Charterers to pay hire within the	782		
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		<b>29. Repossession</b>	
		In the event of the termination of this Charter in accordance with the applicable provisions of Clause 28, the Owners shall have the right to repossess the Vessel from the Charterers at her current or next port of call, or at a port or place convenient to them without hindrance or interference by the Charterers, courts or local authorities. Pending physical repossession of the Vessel in accordance with this Clause 29, the Charterers shall	846
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hold the Vessel as gratuitous bailee only to the Owners.	859	Contract:	935
The Owners shall arrange for an authorised representative to board the Vessel as soon as reasonably practicable following the termination of the Charter. The Vessel shall be deemed to be repossessed by the Owners from the Charterers upon the boarding of the Vessel by the Owners' representative. All arrangements and expenses relating to the setting of wages, disembarkation and repatriation of the Charterers' Master, officers and crew shall be the sole responsibility of the Charterers.	860-869	in the case of a dispute in respect of which arbitration has been commenced under (a), (b) or (c) above, the following shall apply:	936-938
30. Dispute Resolution	870	(i) Either party may at any time and from time to time elect to refer the dispute or part of the dispute to mediation by service on the other party of a written notice (the "Mediation Notice") (calling on the other party to agree to mediation.	939-943
*) (a) This Contract shall be governed by and construed in accordance with English law and any dispute arising out of or in connection with this Contract shall be referred to arbitration in London in accordance with the Arbitration Act 1996 or any statutory modification or re-enactment thereof save to the extent necessary to give effect to the provisions of this Clause.	871-877	(ii) The other party shall thereupon within 14 calendar days of receipt of the Mediation Notice confirm that they agree to mediation, in which case the parties shall thereafter agree a mediator within a further 14 calendar days, failing which on the application of either party a mediator will be appointed promptly by the Arbitration Tribunal (the "Tribunal") or such person as the Tribunal may designate for that purpose. The mediation shall be conducted in such place and in accordance with such procedure and on such terms as the parties may agree or, in the event of disagreement, as may be set by the mediator.	944-956
The arbitration shall be conducted in accordance with the London Maritime Arbitrators Association (LMAA) Terms current at the time when the arbitration proceedings are commenced.	878-880	(iii) If the other party does not agree to mediate, that fact may be brought to the attention of the Tribunal and may be taken into account by the Tribunal when allocating the costs of the arbitration as between the parties.	957-961
The reference shall be to three arbitrators. A party wishing to refer a dispute to arbitration shall appoint its arbitrator and send notice of such appointment in writing to the other party requiring the other party to appoint its own arbitrator within 14 calendar days of that notice and stating that it will appoint its arbitrator as sole arbitrator unless the other party appoints its own arbitrator and gives notice that it has done so within the 14 days specified. If the other party does not appoint its own arbitrator and give notice that it has done so within the 14 days specified, the party referring a dispute to arbitration may, without the requirement of any further prior notice to the other party, appoint its arbitrator as sole arbitrator and shall advise the other party accordingly. The award of a sole arbitrator shall be binding on both parties as if he had been appointed by agreement.	881-897	(iv) The mediation shall not affect the right of either party to seek such relief or take such steps as it considers necessary to protect its interest.	962-964
Nothing herein shall prevent the parties agreeing in writing to vary these provisions to provide for the appointment of a sole arbitrator.	898-900	(v) Either party may advise the Tribunal that they have agreed to mediation. The arbitration procedures shall continue during the conduct of the mediation by the Tribunal may take the mediation timetable into account when settling the timetable for steps in the arbitration.	965-970
In cases where neither the claim nor any counterclaim exceeds the sum of US\$50,000 (or such other sum as the parties may agree) the arbitration shall be conducted in accordance with the LMAA Small Claims Procedure current at the time when the arbitration proceedings are commenced.	901-906	(vi) Unless otherwise agreed or specified in the mediation terms, each party shall bear its own costs incurred in the mediation and the parties shall share equally the mediator's costs and expenses.	971-974
31. Notices	907	(vii) The mediation process shall be without prejudice and confidential and no information or documents disclosed during it shall be revealed to the Tribunal except to the extent that they are disclosable under the law and procedure governing the arbitration.	975-979
*) (b) This Contract shall be governed by and construed in accordance with Title 9 of the United States Code and the Maritime Law of the United States and any dispute arising out of or in connection with this Contract shall be referred to three persons at New York, one to be appointed by each of the parties hereto, and the third by the two so chosen; their decision or that of any two of them shall be final, and for the purposes of enforcing any award, judgment may be entered on an award by any court of competent jurisdiction. The proceedings shall be conducted in accordance with the rules of the Society of Maritime Arbitrators, Inc.	908-917	(Note: the parties should be aware that the mediation process may not necessarily interrupt time limits.)	980-981
In cases where neither the claim nor any counterclaim exceeds the sum of US\$50,000 (or such other sum as the parties may agree) the arbitration shall be conducted in accordance with the Shortened Arbitration Procedure of the Society of Maritime Arbitrators, Inc. current at the time when the arbitration proceedings are commenced.	918-925	(e) If Box 35 in Part I is not appropriately filled in, sub-clause 30(a) of this Clause shall apply. Sub-clause 30(e) shall apply in all cases.	982-984
*) (c) This Contract shall be governed by and construed in accordance with the laws of the place mutually agreed by the parties and any dispute arising out of or in connection with this Contract shall be referred to arbitration at a mutually agreed place, subject to the procedures applicable there.	926-931	Sub-clauses 30(a), 30(b) and 30(c) are alternatives; indicate alternative agreed in Box 35.	985-986
(d) Notwithstanding (a), (b) or (c) above, the parties may agree at any time to refer to mediation any difference and/or dispute arising out of or in connection with this	932-934	31. Notices SEE CLAUSE 51	987
		(a) Any notice to be given by either party to the other party shall be in writing and may be sent by fax, telex, registered or recorded mail or by personal service.	988-990
		(b) The address of the Parties for service of such communication shall be as stated in Boxes 3 and 4 respectively.	991-993

PART III  
 PROVISIONS TO APPLY FOR NEWBUILDING VESSELS ONLY  
 (Optional, only to apply if expressly agreed and stated in Box 37)

4.	Specifications and Shipbuilding Contract	1	and upon and after such acceptance, subject to Clause 69	69
	(a) The Vessel shall be constructed in accordance with the Building Shipbuilding Contract (hereafter called "the Shipbuilding Building Contract") as annexed to this Charter, made between the Builders and the Sellers Owners and in accordance with the specifications and plans annexed thereto, such Building Contract, specifications and plans having been countersigned as approved by the Charterers.	2	4(d), the Charterers shall not be entitled to make any claim against the Owners in respect of any conditions, representations or warranties, whether express or implied, as to the seaworthiness of the Vessel or in respect of delay in delivery.	70
	(b) No change shall be made in the Shipbuilding Building Contract or in the specifications or plans of the Vessel as approved by the Charterers as aforesaid without the Charterers' consent.	3	(b) If for any reason other than a default by the Sellers Owners under the Shipbuilding Contract, the Builders become entitled under that Contract not to deliver the Vessel to the Sellers, the Owners shall upon giving to the Charterers written notice of Builders becoming so entitled, be excused from giving delivery of the Vessel to the Charterers and upon receipt of such notice by the Charterers this Charter shall cease to have effect.	71
	(c) The Charterers shall have the right to send their representative to the Builders' Yard to inspect the Vessel during the course of her construction to satisfy themselves that construction is in accordance with such approved specifications and plans as referred to under sub-clause (a) of this Clause.	4	(c) If for any reason the Owners become entitled under the Building Contract to reject the Vessel the Owners shall, before exercising such right of rejection, consult the Charterers and thereupon	72
	(d) The Vessel shall be built in accordance with the Building Contract and shall be of the description set out therein. Subject to the provisions of sub-clause 2(e)(ii) hereunder, the Charterers shall be bound to accept the Vessel from the Owners, completed and constructed in accordance with the Building Contract, on the date of delivery by the Builders. The Charterers undertake that having accepted the Vessel they will not thereafter raise any claims against the Owners in respect of the Vessel's performance or specification or defects, if any. Nevertheless, in respect of any repairs, replacements or defects which appear within the first 12 months from delivery by the Builders, the Owners shall endeavour to compel the Builders to repair, replace or remedy any defects or to recover from the Builders any expenditure incurred in carrying out such repairs, replacements or remedies. However, the Owners' liability to the Charterers shall be limited to the extent the Owners have a valid claim against the Builders under the guarantee clause of the Building Contract (a copy whereof has been supplied to the Charterers). The Charterers shall be bound to accept such sums as the Owners are reasonably able to recover under this Clause and shall make no further claim on the Owners for the difference between the amount (e) so recovered and the actual expenditure on repairs, replacement or remedying defects or for any loss incurred. Any liquidated damages for physical defects or deficiencies shall accrue to the account of the party stated in Box 41(a) or if not filled in shall be shared equally between the parties. The costs of pursuing a claim or claims against the Builders under this Clause (including any liability to the Builders) shall be borne by the party stated in Box 41(b) or if not filled in shall be shared equally between the parties.	5	(i) if the Charterers do not wish to take delivery of the Vessel they shall inform the Owners within seven (7) running days by notice in writing and upon receipt by the Owners of such notice this Charter shall cease to have effect; or	73
	Time and Place of Delivery - SEE CLAUSE 33	6	(ii) If the Charterers wish to take delivery of the Vessel they may by notice in writing within seven (7) running days require the Owners to negotiate with the Builders as to the terms on which delivery should be taken and/or refrain from exercising their right of rejection and upon receipt of such notice the Owners shall commence such negotiations and/or take delivery of the Vessel from the Builders and deliver her to the Charterers;	74
2.	(e) Subject to the Vessel having completed her acceptance trials including trials of cargo equipment in accordance with the Building Contract and specifications to the satisfaction of the Charterers, the Owners shall give and the Charterers shall take delivery of the Vessel afloat when ready for delivery and properly documented at the Builders' Yard or some other safe and readily accessible dock, wharf or place as may be agreed between the parties hereto and the Builders. Under the Building Contract, the Builders have estimated that the Vessel will be ready for delivery to the Owners as therein provided but the delivery date for the purpose of the Charter shall be the date when the Vessel is in fact ready for delivery by the Builders after completion of trials whether that be before or after as indicated in the Building Contract. The Charterers shall not be entitled to refuse acceptance of delivery of the Vessel	7	(iii) in no circumstances shall the Charterers be entitled to reject the Vessel unless the Owners are able to reject the Vessel from the Builders; SEE CLAUSE 33	75
		8	(iv) If this Charter terminates under sub-clause (b) of this Clause, the Owners shall thereafter not be liable to the Charterers for any claim under or arising out of this Charter or its termination.	76
		9	(d) Any liquidated damages for delay in delivery under the Building Contract and any costs incurred in pursuing a claim therefor shall accrue to the account of the party stated in Box 41(c) or if not filled in shall be shared equally between the parties.	77
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PART IV  
HIRE/PURCHASE AGREEMENT

(Optional, only to apply if expressly agreed and stated in Box 42)

<del>On expiration of this Charter and provided the Charterers have fulfilled their obligations according to PART I and II as well as PART III, if applicable, it is agreed that on payment of the final payment of hire as per Clause 11 the Charterers have purchased the Vessel with everything belonging to her and the Vessel is fully paid for.</del>	<del>1 2 3 4 5 6 7</del>	<del>in exchange for payment of the last month's hire instalment the Sellers shall furnish the Buyers with a Bill of Sale duly attested and legalized, together with a certificate cutting out the registered encumbrances, if any. On delivery of the Vessel the Sellers shall provide for deletion of the Vessel from the Ship's Register and deliver a certificate of deletion to the Buyers.</del>	<del>28 29 30 31 32 33 34</del>
<del>In the following paragraphs the Owners are referred to as the Sellers and the Charterers as the Buyers.</del>	<del>8 9</del>	<del>The Sellers shall, at the time of delivery, hand to the Buyers all classification certificates (for hull, engines, anchors, chains, etc) as well as all plans which may be in Sellers' possession.</del>	<del>35 36 37 38</del>
<del>The Vessel shall be delivered by the Sellers and taken over by the Buyers on expiration of the Charter.</del>	<del>10 11</del>	<del>The wireless installation and nautical instruments, unless on hire, shall be included in the sale without any extra payment.</del>	<del>39 40 41</del>
<del>The Sellers guarantee that the Vessel, at the time of delivery, is free from all encumbrances and maritime liens or any debts whatsoever other than those arising from anything done or not done by the Buyers or any existing mortgage agreed not to be paid off by the time of delivery. Should any claims, which have been incurred prior to the time of delivery, be made against the Vessel, the Sellers hereby undertake to indemnify the Buyers against all consequences of such claims to the extent it can be proved that the Sellers are responsible for such claims. Any taxes, notarial, consular and other charges and expense connected with the purchase and registration under Buyers' flag shall be for Buyers' account. Any taxes, consular and other charges and expenses connected with closing of the Sellers' register shall be for Sellers' account.</del>	<del>12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27</del>	<del>The Vessel with everything belonging to her shall be at Sellers' risk and expense until she is delivered to the Buyers, subject to the conditions of this Contract, and the Vessel with everything belonging to her shall be delivered and taken over as she is at the time of delivery, after which the Sellers shall have no responsibility for possible faults or deficiencies of any description.</del>	<del>42 43 44 45 46 47 48</del>
		<del>The Buyers undertake to pay for the repatriation of the Master, officers, and other personnel if appointed by the Sellers to the port where the Vessel entered the Bareboat Charter as per Clause 3 (PART II) or to pay the equivalent cost of their journey to any other place.</del>	<del>49 50 51 52 53</del>

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PART V  
PROVISIONS TO APPLY FOR VESSELS REGISTERED IN A BAREBOAT CHARTER REGISTRY  
(Optional, only to apply if expressly agreed and stated in Box 43)

1. Definitions	1	3. Termination of Charter by Default	17
For the purpose of this PART V, the following terms shall have the meanings hereby assigned to them:	2	If the Vessel chartered under this Charter is registered in a Bareboat Charter Registry as stated in Box 44, and if the Owners shall default in the payment of any amounts due under the mortgage(s) specified in Box 28, the Charterers shall, if so required by the mortgagee, direct the Owners to re-register the Vessel in the Underlying Registry as shown in Box 45.	18
"The Bareboat Charter Registry" shall mean the registry of the state whose flag the Vessel will fly and in which the Charterers are registered as the bareboat charterers during the period of the Bareboat Charter.	3	In the event of the Vessel being deleted from the Bareboat Charter Registry as stated in Box 44, due to a default by the Owners in the payment of any amounts due under the mortgage(s), the Charterers shall have the right to terminate this Charter forthwith and without prejudice to any other claim they may have against the Owners under this Charter.	19
"The Underlying Registry" shall mean the registry of the state in which the Owners of the Vessel are registered as Owners and to which jurisdiction and control of the Vessel will revert upon termination of the Bareboat Charter Registration.	4		20
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2. Mortgage -- See Clause 44	13		30
The Vessel chartered under this Charter is financed by a mortgage and the provisions of Clause 42(b) (PART II) shall apply.	14		31
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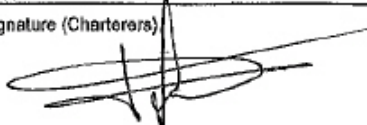

## 'BARECON 2001' STANDARD BAREBOAT CHARTER

PART I

1. Shipbroker Mitsui & CO.LTD		BIMCO STANDARD BAREBOAT CHARTER CODE NAME : "BARECON 2001" PART I	
		2. Place and date 13 February, 2020	
3. Owners / Place of business (Cl. 1) LUA LINE S.A., Republic of Panama and OKINO KAIUN CO., LTD. The owning ratio of Vessel between LUA LINE S.A. and OKINO KAIUN CO., LTD. is 50 : 50.		4. Bareboat Charterers / Place of business (Cl. 1) ROSELITE SHIPPING CORPORATION	
5. Vessel's name, call sign, flag and IMO number (Cl. 1 and 3) DREAM CORAL (to be named NAVIOS CORAL), Panamanian flag, 180,249 M.T. D/W Type Bulk Carrier, IMO Number 9747948			
6. Type of Vessel 180,249 M.T. D/W Type Bulk Carrier		7. GT / NT GT/NT: 82,722 / 60,504	
8. When / Where built 2015, IMABARI SHIPBUILDING CO., LTD.		9. Total DWT (abt.) in metric tons on summer-freeboard 180,249 M.T. D/W	
10. Classification Society (Cl. 3) Nippon Kaiji Kyokai (NK)		11. Date of last special survey by the Vessel's classification society N/A	
12. Further particulars of Vessel (also indicate minimum number of months' validity of class certificates agreed acc. to Cl. 3) Cargoes to be carried; All lawful cargoes within the Vessel's capabilities/Class, IMO, flag, her insurance			
13. Port or Place of delivery (Cl.3) As per Clause 5 of the MOA (as defined in Clause 1 hereof)		14. Time for delivery (Cl.4) As per Clause 5 of the MOA See Also Clause 32.	15. Cancelling date (Cl.5) As per Clause 5 of the MOA
16. Port or Place of redelivery (Cl. 3) At one safe berth or one safe port worldwide in the Charterers' option but always within the Trading Limits		17. No. of months' validity of trading and class certificates upon redelivery (Cl. 15) 3 months	
18. Running days' notice if other than stated in Cl.4 N/A		19. Frequency of dry-docking Cl. 10(g) As per Classification Society and flag state requirements	
20. Trading Limits (Cl.8) Trading Limits: always safely afloat world-wide within International Navigation Conditions with the Charterer's option to break same paying extra insurance, but always in accordance with Clause 13 and 40. In any event, any country/place designated pursuant to any international or supranational law or regulation imposing trade and economic sanctions including countries/places sanctioned by UN/USA, prohibitions or restrictions (which may be amended from time to time during the Charter Period) shall always be excluded.			
21. Charter Period (Cl. 2) Twelve (12) years plus/minus 30 days in Charterers' option (See Clause 34)		22. Charter hire (Cl. 11) See Clause 35	
23. New class and other statutory requirements (state percentage of Vessel's insurance value acc. to Box 29 (Cl. 10(a)(ii)) N/A			
24. Rate of interest payable acc. to Cl.11(f) and, if applicable, acc. to PART IV N/A		25. Currency and method of payment (Cl.11) United States Dollars payable calendar monthly in advance	
26. Place of payment; also state beneficiary and bank account (Cl. 11) To be advised		27. Bank guarantee / bond (sum and place) (Cl. 24 (optional)) N/A	
28. Mortgage(s), if any (state whether Cl. 12(a) or (b) applies; if		29. Insurance (hull and machinery and war risks) (state value	

12(b) applies, state date of Financial Instrument and name of Mortgagee(s)/Place of business) (Cl. 12) See Clause 44	acc. to Cl.13(f) or, if applicable, acc. to Cl. 14(k) (also state if Cl.14 applies) See Clause 40
30. Additional insurance cover, if any, for Owners' account limited to (Cl. 13(b) or, if applicable, Cl. 14(g)) N/A	31. Additional insurance cover, if any, for Charterers' account limited to (Cl. 13(b) or, if applicable, Cl. 14(g)) See Clause 40 (c)
32. Latent defects (only to be filled in if period other than stated in Cl.3) N/A	33. Brokerage commission and to whom payable (Cl.27)  N/A
34. Grace period (state number of clear banking days) (Cl. 28)  See Clause 41	35. Dispute Resolution (state 30(a), 30(b) or 30(c); if 30(c) agreed, Place of Arbitration <u>must</u> be stated (Cl. 30) London / English Law
36. War cancellation (indicate countries agreed) (Cl. 26(f)) N/A	
37. Newbuilding Vessel (indicate with 'yes' or 'no' whether PART III applies) (optional)  No	38. Name and place of Builders (only to be filled in if PART III applies) N/A
39. Vessel's Yard Building No. (only to be filled in if PART III applies)  No	40. Date of Building Shipbuilding Contract (only to be filled in if PART III applies) N/A
41. Liquidated damages and costs shall accrue to (state party acc. to Cl. 1) a) N/A b) N/A c) N/A	
42. Hire/Purchase agreement (indicate with 'yes' or 'no' whether PART IV applies) (optional) N/A	43. Bareboat Charter Registry (indicate with 'yes' or 'no' whether PART IV applies) (optional) N/A See Clause 37(d)
44. Flag and Country of the Bareboat Charter Registry (only to be filled in if PART V applies) N/A See Clause 37 (d)	45. Country of the Underlying Registry (only to be filled in if PART V applies) N/A
46. Number of additional clauses covering special provisions, if agreed Clause 32 to 60 inclusive	

PREAMBLE - It is mutually agreed that this Contract shall be performed subject to the conditions contained in this Charter which shall include PART I and PART II. In the event of a conflict of conditions, the provisions of PART I shall prevail over those of PART II to the extent of such conflict but no further. It is further mutually agreed that PART III and/or PART IV and/or PART V shall only apply and shall only form part of this Charter if expressly agreed and stated in Boxes 37, 42 and 43. If PART III and/or PART IV and/or PART V apply, it is further agreed that in the event of a conflict of conditions, the provisions of PART I and PART II shall prevail over those of PART III and/or PART IV and/or PART V to the extent of such conflict but no further.

Signature (Owners)   By: Masanobu Okino Title: President of LUA LINE S.A.	Signature (Charterers)  By: Georgios Panagakis Title: Attorney-in-fact
Signature (Owners)   By: Masanobu Okino Title: President of OKINO KAIUN CO., LTD.	



PART II  
"BARECON 2001" Standard Bareboat Charter

1.	<b>Definitions</b>	1	hours after the cancelling date stated in Box 15, falling	66
	In this Charter, the following terms shall have the	2	which this Charter shall remain in full force and effect.	67
	meanings hereby assigned to them:	3	(b) If it appears that the Vessel will be delayed beyond	68
	"The Owners" shall mean the party identified in Box 3;	4	the cancelling date, the Owners may, as soon as they	69
	"The Charterers" shall mean the party identified in Box 4;	5	are in position to state with reasonable certainty the day	70
	"The Vessel" shall mean the vessel named in Box 5 and	6	on which the Vessel should be ready, give notice thereof	71
	with particulars as stated in Boxes 6 to 12;	7	to the Charterers asking whether they will exercise their	72
	"Financial Instrument" means the mortgage, deed of	8	option of cancelling, and the option must then be	73
	covenant or other such financial security instrument as	9	declared within one hundred and sixty-eight (168)	74
	annexed to this Charter and stated in Box 28.	10	running hours of the receipt by the Charterers of such	75
	"MOA" means the Memorandum of Agreement		notice or within thirty-six (36) running hours after the	76
	entered into between the Owners as Buyers and		cancelling date, whichever is the earlier. If the Charterers	77
	ROSELITE SHIPPING CORPORATION as Sellers (the		do not then exercise their option of cancelling, the	78
	"Sellers") dated _____ 2020 in respect of		seventh day after the readiness date stated in the	79
	the Vessel.		Owners' notice shall be substituted for the cancelling	80
	"Banking Days" shall mean the days identified in		date indicated in Box 15 for the purpose of this Clause 5.	81
	Cl.36 (b)		(c) Cancellation under this Clause 5 shall be without	82
	"Total Loss" shall mean the situation identified in		prejudice to any claim the Charterers may otherwise	83
	Cl.40 (a)	11	have on the Owners under this Charter.	84
2.	<b>Charter Period</b>	12		
	In consideration of the hire detailed in Box 22, the Owners	13	6. <b>Trading Restrictions</b>	85
	have agreed to let and the Charterers have agreed to hire	14	The Vessel shall be employed in lawful trades for the	86
	the Vessel for the period stated in Box 21 (the "Charter	15	carriage of suitable lawful merchandise within the trading	87
	Period").	16	limits indicated in Box 20.	88
3.	<b>Delivery</b> Also See Clause 32		The Charterers undertake not to employ the Vessel or	89
	The Vessel shall be delivered and taken over by the	17	suffer the Vessel to be employed otherwise than in	90
	Charterers as per Clause 32.	18	conformity with the terms of the contracts of insurance	91
	<i>(not applicable when PART III applies, as indicated in Box 37)</i>	19	(including any warranties expressed or implied therein)	92
	(a) The Owners shall before and at the time of delivery	20	without first obtaining the consent of the insurers to such	93
	exercise due diligence to make the Vessel seaworthy and	21	employment and complying with such requirements as to	94
	in every respect ready in hull, machinery and equipment	22	extra premium or otherwise as the insurers may	95
	for service under this Charter.	23	prescribe.	96
	The Vessel shall be delivered by the Owners and taken	24	The Charterers also undertake not to employ the Vessel	97
	over by the Charterers at the port or place indicated in Box	25	or suffer her employment in any trade or business which	98
	13 in such ready-to-go berth as the Charterers may direct.	26	is forbidden by the law of any country to which the Vessel	99
	(b) The Vessel shall be properly documented on	27	may sail or is otherwise illicit or in carrying illicit or	100
	delivery in accordance with the laws of the flag state	28	prohibited goods or in any manner whatsoever which	101
	indicated in Box 5 and the requirements of the	29	may render her liable to condemnation, destruction,	102
	classification society stated in Box 10. The Vessel upon	30	seizure or confiscation.	103
	delivery shall have her survey cycles up to date and	31	Notwithstanding any other provisions contained in this	104
	trading and class certificates valid for at least the number	32	Charter it is agreed that nuclear fuels or radioactive	105
	of months agreed in Box 12.	33	products or waste are specifically excluded from the	106
	(c) The delivery of the Vessel by the Owners and the	34	cargo permitted to be loaded or carried under this	107
	taking over of the Vessel by the Charterers shall	35	Charter. This exclusion does not apply to radio-isotopes	108
	constitute a full performance by the Owners of all the	36	used or intended to be used for any industrial,	109
	Owners' obligations under this Clause 3, and thereafter	37	commercial, agricultural, medical or scientific purposes	110
	the Charterers shall not be entitled to make or assert	38	provided the Owners' prior approval has been obtained	111
	any claim against the Owners on account of any	39	to loading thereof.	112
	conditions, representations or warranties expressed or	40	7. <b>Surveys on Delivery and Redelivery</b>	113
	implied with respect to the Vessel but the Owners shall be	41	<i>(not applicable when PART III applies, as indicated in Box 37)</i>	114
	liable for the cost of but not the time for repairs or	42	The Owners and Charterers have the right of each	115
	renewals occasioned by latent defects in the Vessel, her	43	appointing surveyors for the purpose of determining and	116
	machinery or appurtenances, existing at the time of	44	agreeing in writing the condition of the Vessel at the time	117
	delivery under this Charter, provided such defects have	45	of delivery, redelivery hereunder. The Owners shall bear	118
	manifested themselves within twelve (12) months after	46	all expenses of the On-hire Survey including loss of time,	119
	delivery unless otherwise provided in Box 32.	47	if any, and the Charterers shall bear all expenses of the	120
4.	<b>Time for Delivery</b> See Clause 32	48	Off-hire Survey including loss of time, if any, at the daily	121
	<i>(not applicable when PART III applies, as indicated in Box 37)</i>	49	equivalent to the rate of hire or pro-rata thereof.	122
	The Vessel shall not be delivered before the date	50	8. <b>Inspection</b> See Clause 59	123
	indicated in Box 14 without the Charterers' consent and	51	The Owners shall have the right maximum once per	124
	the Owners shall exercise due diligence to deliver the	52	year at any time after giving reasonable 1 month prior	125
	Vessel not later than the date indicated in Box 16.	53	notice to the Charterers to inspect or survey the Vessel	126
	Unless otherwise agreed in Box 18, the Owners shall give	54	or instruct a duly authorised surveyor to carry out such	127
	the Charterers not less than thirty (30) running days'	55	survey on their behalf, provided it does not interfere	128
	preliminary and not less than fourteen (14) running days'	56	with the operation/itinerary of the Vessel and/or crew	
	definite notice of the date on which the Vessel is expected	57	(a) to ascertain the condition of the Vessel and satisfy	129
	to be ready for delivery.	58	themselves that the Vessel is being properly repaired	130
	The Owners shall keep the Charterers closely advised of	59	and maintained. The costs and fees for such inspection	131
	possible changes in the Vessel's position.		or survey shall be paid by the Owners, unless the Vessel	132
5.	<b>Cancelling</b>	60	is found to require repairs or maintenance in order to	133
	<i>(not applicable when PART III applies, as indicated in Box 37)</i>	61	achieve the condition so provided;	134
	(a) Should the Vessel not be delivered latest by the	62	(b) in dry dock if the Charterers have not dry-docked	135
	cancelling date indicated in Box 15, the Charterers shall	63	her in accordance with Clause 10(g). The costs and	136
	have the option of cancelling this Charter by giving the	64	fees for such inspection or survey shall be paid by the	137
	Owners notice of cancellation within thirty-six (36) running	65	Charterers; and	138

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(c) for any other commercial reason they consider necessary (provided it does not unduly interfere with the commercial operation of the Vessel). The costs and fees for such inspection and survey shall be paid by the Owners.	139 140 141 142 143	The Charterers shall make and maintain all arrangements by bond or otherwise as may be necessary to satisfy such requirements at the Charterers' sole expense and the Charterers shall indemnify the Owners against all consequences whatsoever (including loss of time) for any failure or inability to do so.	213 214 215 216 217 218
All time used in respect of inspection, survey or repairs shall be for the Charterers' account and form part of the Charter Period.	144 145 146	(b) <u>Operation of the Vessel</u> - The Charterers shall at their own expense and by their own procurement man, victual, navigate, operate, supply, fuel and, whenever required, repair the Vessel during the Charter Period and they shall pay all charges and expenses of every kind and nature whatsoever incidental to their use and operation of the Vessel under this Charter, including annual flag state fees and any foreign general municipality and/or state taxes. The Master, officers and crew of the Vessel shall be the servants of the Charterers for all purposes whatsoever, even if for any reason appointed by the Owners.	219 220 221 222 223 224 225 226 227 228 229 230
The Charterers shall also permit the Owners to inspect the Vessel's log books maximum once per year whenever reasonably requested and shall whenever required by the Owners furnish them with full information regarding any casualties or other accidents or damage to the Vessel.	147 148 149 150 151	Charterers shall comply with the regulations regarding officers and crew in force in the country of the Vessel's flag or any other applicable law.	231 232 233
<b>9. Inventories, Oil and Stores</b> SEE CLAUSE 53	152	(c) The Charterers shall keep the Owners and the mortgagee(s) advised of the intended employment, planned dry-docking and major repairs of the Vessel, as reasonably required.	234 235 236 237
A complete inventory of the Vessel's entire equipment, outfit including spare parts, appliances and of all consumable stores on board the Vessel shall be made by the Charterers in conjunction with the Owners on delivery and again on redelivery of the Vessel. The Charterers and the Owners, respectively, shall at the time of delivery and redelivery take over and pay for all bunkers, lubricating oil, unbroached provisions, paints, ropes and other consumable stores (excluding spare parts) in the said Vessel at the then current market prices at the port of delivery and redelivery, respectively. The Charterers shall ensure that all spare parts listed in the inventory and used during the Charter Period are replaced at their expense prior to redelivery of the Vessel. SEE ALSO CLAUSE 32, AND CLAUSE 46	153 154 155 156 157 158 159 160 161 162 163 164 165 166 167	(d) <u>Flag and Name of Vessel</u> During the Charter Period, the Charterers shall have the liberty to paint the Vessel in their own colours, install and display their funnel insignia and fly their own house flag. The Charterers shall also have the liberty, with the Owners' consent, which shall not be unreasonably withheld, to change the flag and/or the name of the Vessel during the Charter Period. Painting and re-painting, instalment and re-instalment, registration and de-registration, if required by the Owners, shall be at the Charterers' expense and time. SEE CLAUSE 37 & 43	238 239 240 241 242 243 244 245 246 247 248
<b>Maintenance and Operation</b>		(e) <u>Changes to the Vessel</u> - Subject to Clause 10(a)(ii), the Charterers shall make no structural changes to the Vessel or changes in the machinery, boilers, appurtenances or spare parts thereof without in each instance first securing the Owners' approval thereof. If the Owners so agree, the Charterers shall, if the Owners so require, restore the Vessel to its former condition before the termination of this Charter. SEE CLAUSE 38	249 250 251 252 253 254 255 256
<b>10. (i) Maintenance and Repairs</b> - During the Charter period the Vessel shall be in the full possession and at the absolute disposal for all purposes of the Charterers and under their complete control in every respect. The Charterers shall exercise due diligence to maintain the Vessel, her machinery, boilers, appurtenances and spare parts in a good state of repair, in efficient operating condition and in accordance with good commercial maintenance practice and, except as provided for in Clause 14(f), if applicable, at their own expense, they shall at all times keep the Vessel's Class unexpired fully up to date with the Classification Society indicated in Box 10 maintain all other necessary certificates in force at all times.	168 169 170 171 172 173 174 175 176 177 178 179 180 181 182	(f) <u>Use of the Vessel's Outfit, Equipment and Appliances</u> - The Charterers shall have the use of all outfit, equipment, and appliances on board the Vessel at the time of delivery, provided the same or their substantial equivalent shall be returned to the Owners on redelivery in substantially the same good order and condition as when received, ordinary wear and tear excepted. The Charterers shall from time to time during the Charter period replace such items of equipment as shall be so damaged or worn as to be unfit for use. The Charterers are to procure that all repairs to or replacement of any damaged, worn or lost parts or equipment be effected in such manner (both as regards workmanship and quality of materials) as not to diminish the value of the Vessel. The Charterers have the right to fit additional equipment at their expense and risk but the Charterers shall remove such equipment at the end of the period unless agreed otherwise by the Owners and the Charterers. If requested by the Owners. Any equipment including radio equipment on hire on the Vessel at time of delivery shall be kept and maintained by the Charterers and the Charterers shall assume the obligations and liabilities of the Owners under any lease contracts in connection therewith and shall reimburse the Owners for all expenses incurred in connection therewith, also for any new equipment required in order to comply with radio regulations.	257 258 259 260 261 262 263 264 265 266 267 268 269 270 271 272 273
(ii) <u>New Class and Other Safety Requirements</u> In the event of any improvement, structural changes or new equipment becoming necessary for the continued operation of the Vessel by reason of new class requirements or by compulsory legislation costing (excluding the Charterers' loss of time) more than the percentage stated in Box 23, or if Box 23 is left blank, 5 per cent. of the Vessel's insurance value as stated in Box 29, then the extent, if any, to which the rate of hire shall be varied and the ratio in which the cost of compliance shall be shared between the parties concerned in order to achieve a reasonable distribution thereof as between the Owners and the Charterers having regard, inter alia, to the length of the period remaining under this Charter, shall in the absence of agreement be referred to the dispute resolution method agreed in Clause 30. SEE CLAUSE 38	183 184 185 186 187 188 189 190 191 192 193 194 195 196 197 198 199 200	(g) <u>Periodical Dry-Docking</u> - The Charterers shall dry-dock the Vessel and clean and paint her underwater parts whenever the same may be necessary, but not	274 275 276 277 278 279 280 281 282 283 284 285
(iii) <u>Financial Security</u> - The Charterers shall maintain financial security or responsibility in respect of third party liabilities as required by any government, including federal, state or municipal or other division or authority thereof, to enable the Vessel, without penalty or charge, lawfully to enter, remain at, or leave any port, place, territorial or contiguous waters of any country, state or municipality in performance of this Charter without any delay. This obligation shall apply whether or not such requirements have been lawfully imposed by such government or division or authority thereof.	201 202 203 204 205 206 207 208 209 210 211 212		

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	less than once during the period stated in Box 19 or, if Box 19 has been left blank, every sixty (60) calendar months after delivery or such other period as may be required by the Classification Society or flag state.	286 287 288 289		
11.	<b>Hire</b> SEE CLAUSE 35	290		
	(a) The Charterers shall pay hire due to the Owners punctually in accordance with the terms of this Charter in respect of which time shall be of the essence.	291 292 293		
	(b) The Charterers shall pay to the Owners for the hire of the Vessel a lump sum in the amount indicated in Box 22 which shall be payable not later than every thirty running days in advance, the first lump sum being payable on the date and hour of the Vessel's delivery to the Charterers. Hire shall be paid continuously throughout the Charter Period.	294 295 296 297 298 299 300		
	(c) Payment of hire shall be made in cash without discount in the currency and in the manner indicated in Box 25 and at the place mentioned in Box 26.	301 302 303		
	(d) Final payment of hire, if for a period of less than thirty (30) running days, shall be calculated proportionally according to the number of days remaining before redelivery and advance payment to be effected accordingly.	304 305 306 307 308		
	(e) Should the Vessel be lost or missing, hire shall cease from the date and time when she was lost or last heard of. The date upon which the Vessel is to be treated as lost or missing shall be ten (10) days after the Vessel was last reported or when the Vessel is posted as missing by Lloyd's, whichever occurs first. Any hire paid in advance to be adjusted accordingly.	309 310 311 312 313 314 315		
	(f) Any delay in payment of hire shall entitle the Owners to interest at the rate per annum as agreed in Box 24. If Box 24 has not been filled in, the three-month interbank offered rate in London (LIBOR or its successor) of the currency stated in Box 26, as quoted by the British Bankers' Association (BBA) on the date when the hire fell due, increased by 2 per cent, shall apply.	316 317 318 319 320 321 322		
	(g) Payment of interest due under sub-clause 11(f) shall be made within seven (7) running days of the date of the Owners' invoice specifying the amount payable or, in the absence of an invoice, at the time of the next hire payment date.	323 324 325 326 327		
12.	<b>Mortgage</b> SEE CLAUSE 44	328		
	(only to apply if Box 28 has been appropriately filled in)	329		
a)	(a) The Owners warrant that they have not effected any mortgage(s) of the Vessel and that they shall not effect any mortgage(s) without the prior consent of the Charterers, which shall not be unreasonably withheld.	330 331 332 333		
b)	(b) The Vessel chartered under this Charter is financed by a mortgage according to the Financial Instrument. The Charterers undertake to comply, and provide such information and documents to enable the Owners to comply, with all such instructions or directions in regard to the employment, insurances, operation, repairs and maintenance of the Vessel as laid down in the Financial Instrument or as may be directed from time to time during the currency of the Charter by the mortgagee(s) in conformity with the Financial Instrument. The Charterers confirm that, for this purpose, they have acquainted themselves with all relevant terms, conditions and provisions of the Financial Instrument and agree to acknowledge this in writing in any form that may be required by the mortgagee(s). The Owners warrant that they have not effected any mortgage(s) other than stated in Box 28 and that they shall not agree to any amendment of the mortgage(s) referred to in Box 28 or effect any other mortgage(s) without the prior consent of the Charterers, which shall not be unreasonably withheld.	334 335 336 337 338 339 340 341 342 343 344 345 346 347 348 349 350 351 352		
c)	(Optional Clauses 12 (a) and 12 (b) are alternatives; indicate alternative agreed in Box 28).	353 354 355 356		
13.	<b>Insurance and Repairs</b> SEE CLAUSE 40	357		
	(a) During the Charter Period the Vessel shall be kept insured by the Charterers at their expense against hull	358 359		
	and machinery, war and Protection and Indemnity risks (and any risks against which it is compulsory to insure for the operation of the Vessel, including maintaining financial security in accordance with sub-clause 10(a)(ii)) in underwriter's standard form as the Owners have received, reviewed and shall in writing approved, which approval shall not be unreasonably withheld in such form as the Owners shall in writing approve, which approval shall not be unreasonably withheld. Such insurances shall be arranged by the Charterers to protect the interests of both the Owners and the Charterers and the mortgagees (if any), and the Charterers shall be at liberty to protect under such insurances the interests of any managers they may appoint. Insurance policies shall cover the Owners and the Charterers according to their respective interests. Subject to the provisions of the Financial Instrument, if any, and the approval of the Owners and the Insurers, the Charterers shall effect all insured repairs and shall undertake settlement and reimbursement from the Insurers of all costs in connection with such repairs as well as insured charges, expenses and liabilities to the extent of coverage under the insurances herein provided for.	360 361 362 363 364 365 366 367 368 369 370 371 372 373 374 375 376 377 378 379 380 381 382 383		
	The Charterers also to remain responsible for and to effect repairs and settlement of costs and expenses incurred thereby in respect of all other repairs not covered by the insurances and/or not exceeding any possible franchise(s) or deductibles provided for in the insurances.	384 385 386 387 388 389		
	All time used for repairs under the provisions of sub-clause 13(a) and for repairs of latent defects according to Clause 3(c) above, including any deviation, shall be for the Charterers' account.	390 391 392 393		
	(b) If the conditions of the above insurances permit additional insurance to be placed by the parties, such cover shall be limited to the amount for each party set out in Box 30 and Box 31, respectively. The Owners or the Charterers as the case may be shall immediately furnish the other party with particulars of any additional insurance effected, including copies of any cover notes or policies and the written consent of the Insurers of any such required insurance in any case where the consent of such insurers is necessary.	394 395 396 397 398 399 400 401 402 403		
	(c) The Charterers shall upon the request of the Owners provide information and promptly execute such documents as may be reasonably required to enable the Owners to comply with the insurance provisions of the Financial Instrument.	404 405 406 407 408		
	(d) Subject to the provisions of the Financial Instrument, if any, should the Vessel become an actual constructive, compromised or agreed total loss under the insurances required under sub-clause 13(a), all insurance payments for such loss shall be paid to the Owners who shall distribute the moneys between the Owners and the Charterers according to their respective interests. The Charterers undertake to notify the Owners and the mortgagee(s) if any, of any occurrences in consequence of which the Vessel is likely to become a total loss as defined in this clause. SEE CLAUSE 40	409 410 411 412 413 414 415 416 417 418 419		
	(e) The Owners shall, upon the request of the Charterers, promptly execute such documents as may be required to enable the Charterers to abandon the Vessel to insurers and claim a constructive total loss.	420 421 422 423		
	(f) For the purpose of insurance coverage against hull and machinery and war risks under the provisions of sub-clause 13(a), the value of the Vessel is the sum indicated in Box 29. SEE CLAUSE 40	424		
14.	<b>Insurance, Repairs and Classification</b> N/A	425		
	(Optional, only to apply if expressly agreed and stated in Box 29, in which event Clause 13 shall be considered deleted).	426 427 428		
	(a) During the Charter Period the Vessel shall be kept insured by the Owners at their expense against hull and machinery and war risks under the form of policy or	429 430 431		

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432	indicated in Box 20.	507
433	(l) Notwithstanding anything contained in sub-clause	508
434	40(a), it is agreed that under the provisions of Clause 14,	509
435	if applicable, the Owners shall keep the Vessel's Class	510
436	fully up to date with the Classification Society indicated in	511
437	Box 10 and maintain all other necessary certificates in	512
438	force at all times.	513
439		
440	15. Redelivery ALSO SEE CLAUSE 48	514
441	At the expiration of the Charter Period the Vessel shall	515
442	be redelivered by the Charterers to the Owners at a safe	516
443	berth or anchorage at a safe and free port or place	517
444	as indicated in Box 16, in	
445	such ready-to-be berth as the Owners may direct. The	518
446	Charterers shall give the Owners not less than thirty	519
447	(30) running days' preliminary notice of expected date,	520
448	range of ports of redelivery or port or place of redelivery	521
449	and not less than fourteen (14) running days' definite	522
450	notice of expected date and port or place of redelivery.	523
451	Any changes thereafter in Vessel's position shall be	524
452	notified immediately to the Owners.	525
453	The Charterers warrant that they will not permit the	526
454	Vessel to commence a voyage (including any preceding	527
455	ballast voyage) which cannot reasonably be expected to	528
456	be completed in time to allow redelivery of the Vessel	529
457	within the Charter Period. Notwithstanding the above,	530
458	should the Charterers fail to redeliver the Vessel within	531
459	the Charter Period, the Charterers shall pay the daily	532
460	equivalent to the rate of hire stated in Box 22 plus 5	533
461	per cent or to the market rate, whichever is the higher,	534
462	for the number of days by which the Charter Period is	535
463	exceeded. All other terms, conditions and provisions of	536
464	the Charter shall continue to apply.	537
465	Subject to the provisions of Clause 10, the Vessel shall	538
466	be redelivered to the Owners in substantially the same	539
467	or as good structure, state, condition and class as that in	540
468	which she was delivered, fair wear and tear not affecting	541
469	class excepted.	542
470	The Vessel upon redelivery shall have her survey cycles	543
471	up to date and trading and class certificates valid for at	544
472	least the number of months agreed in Box 17.	545
473		
474	16. Non-Lien ALSO SEE CLAUSE 47	546
475	The Charterers will not suffer, nor permit to be continued,	547
476	any lien or encumbrance incurred by them or their	548
477	agents, which might have priority over the title and	549
478	interest of the Owners in the Vessel. The Charterers	550
479	further agree to fasten to the Vessel in a conspicuous	551
480	place and to keep so fastened during the Charter Period	552
481	a notice reading as follows:	553
482	'This Vessel is the property of (name of Owners). It is	554
483	under charter to (name of Charterers) and by the terms	555
484	of the Charter Party neither the Charterers nor the	556
485	Master have any right, power or authority to create, incur	557
486	or permit to be imposed on the Vessel any lien	558
487	whatsoever.'	559
488		
489	17. Indemnity ALSO SEE CLAUSE 54	560
490	(a) The Charterers shall indemnify the Owners against	561
491	any loss, damage or expense incurred by the Owners	562
492	arising out of or in relation to the operation of the Vessel	563
493	by the Charterers, and against any lien of whatsoever	564
494	nature arising out of an event occurring during the	565
495	Charter Period. If the Vessel be arrested or otherwise	566
496	detained by reason of claims or liens arising out of her	567
497	operation hereunder by the Charterers, the Charterers	568
498	shall at their own expense take all reasonable steps to	569
499	secure that within a reasonable time the Vessel is	570
500	released, including the provision of bail.	571
501	Without prejudice to the generality of the foregoing, the	572
502	Charterers agree to indemnify the Owners against all	573
503	consequences or liabilities arising from the Master,	574
504	officers or agents signing Bills of Lading or other	575
505	documents.	576
506		

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(b) If the Vessel be arrested or otherwise detained by reason of a claims or claims against the Owners, the Owners shall at their own expense take all reasonable steps to secure that within a reasonable time the Vessel is released, including the provision of bail. In such circumstances the Owners shall indemnify the Charterers against any loss, damage or expense incurred by the Charterers (including hire paid under this Charter) as a direct consequence of such arrest or detention.	577 578 579 580 581 582 583 584 585 586	26. Requisition/Acquisition ALSO SEE CLAUSE 40 (a)/(b)	647
18. Lien The Owners to have a lien upon all cargoes, sub-hires and sub-freights belonging or due to the Charterers or any sub-charterers and any Bill of Lading freight for all claims under this Charter, and the Charterers to have a lien on the Vessel for all moneys paid in advance and not earned.	587 588 589 590 591 592 593	(a) In the event of the requisition for Hire of the Vessel by any governmental or other competent authority (hereinafter referred to a "Requisition for Hire") irrespective of the date during the Charter Period when "Requisition for Hire" may occur and irrespective of the length thereof and whether or not it be for an indefinite or a limited period of time, and irrespective of whether it may or will remain in force for the remainder of the Charter Period, this Charter shall not be deemed thereby or thereupon to be frustrated or otherwise terminated and the Charterers shall continue to pay the stipulated hire in the manner provided by this Charter until the time when the Charter would have terminated pursuant to any of the provisions hereof always provided however that in the event of "Requisition for Hire" any Requisition Hire or compensation received or receivable by the Owners shall be payable to the Charterers during the remainder of the Charter Period or the period of the "Requisition for Hire" whichever be the shorter.	648 649 650 651 652 653 654 655 656 657 658 659 660 661 662 663 664 665 666 667
19. Salvage All salvage and towage performed by the Vessel shall be for the Charterers' benefit and the cost of repairing damage occasioned thereby shall be borne by the Charterers.	594 595 596 597 598	(b) Notwithstanding the provisions of clause 25 (a), in the event of the Owners being deprived of their ownership in the Vessel by any Compulsory Acquisition of the Vessel or requisition for title by any governmental or other competent authority, which for the avoidance of any doubt, shall exclude requisition for use or hire not involving requisition of title (hereinafter referred to as "Compulsory Acquisition"), then, irrespective of the date during the Charter Period when "Compulsory Acquisition" may occur, this Charter shall be deemed terminated as of the date of such "Compulsory Acquisition". In such event charter hire to be considered as earned and to be paid up to the date and time of such "Compulsory Acquisition", but not thereafter.	668 669 670 671 672 673 674 675 676 677
20. Wreck Removal In the event of the Vessel becoming a wreck or obstruction to navigation the Charterers shall indemnify the Owners against any sums whatsoever which the Owners shall become liable to pay and shall pay in consequence of the Vessel becoming a wreck or obstruction to navigation.	599 600 601 602 603 604 605	26. War (a) For the purpose of this Clause, the words "War Risks" shall include any war (whether actual or threatened), act of war, civil war, hostilities, revolution, rebellion, civil commotion, warlike operations, the laying of mines (whether actual or reported), acts of piracy, acts of terrorists, acts of hostility or malicious damage, blockades (whether imposed against all vessels or imposed selectively against vessels of certain flags or ownership, or against certain cargoes or crews or otherwise howsoever), by any person, body, terrorist or political group, or the Government of any state whatsoever, which may be dangerous or are likely to be or to become dangerous to the Vessel, her cargo, crew or other persons on board the Vessel.	678 679 680 681 682 683 684 685 686 687 688 689 690 691 692 693
21. General Average The Owners shall not contribute to General Average.	606 607	(b) The Vessel, unless the written consent of the Owners be first obtained, shall not continue to or go through any port, place, area or zone (whether of land or sea), or any waterway or canal, where it reasonably appears that the Vessel, her cargo, crew or other persons on board the Vessel, in the reasonable judgement of the Owners, may be, or are likely to be, exposed to War Risks. Should the Vessel be within any such place as aforesaid, which only becomes dangerous or is likely to be or to become dangerous, after the entry into it, the Owners shall have the right to require the Vessel to leave such area.	694 695 696 697 698 699 700 701 702 703 704 705
22. Assignment, Sub-Charter and Sale (a) The Charterers shall not assign this Charter nor sub-charter the Vessel on a bareboat basis except with the prior consent in writing of the Owners, which shall not be unreasonably withheld, and subject to such terms and conditions as the Owners shall approve. (b) <del>The Owners shall not sell the Vessel during the currency of this Charter except with the prior written consent of the Charterers, which shall not be unreasonably withheld, and subject to the buyer accepting an assignment of this Charter. SEE CLAUSE 48</del>	608 609 610 611 612 613 614 615 616 617 618	(c) The Vessel shall not load contraband cargo, or to pass through any blockade, whether such blockade be imposed on all vessels, or is imposed selectively in any way whatsoever against vessels of certain flags or ownership, or against certain cargoes or crews or otherwise howsoever, or to proceed to an area where she shall be subject, or is likely to be subject to a belligerent's right of search and/or confiscation.	706 707 708 709 710 711 712 713
23. Contracts of Carriage *) (a) The Charterers are to procure that all documents issued during the Charter Period evidencing the terms and conditions agreed in respect of carriage of goods shall contain a paramount clause incorporating any legislation relating to carrier's liability for cargo compulsorily applicable in the trade; if no such legislation exists, the documents shall incorporate the Hague-Visby Rules. The documents shall also contain the New Jason Clause and the Both-to-Blame Collision Clause. *) (b) <del>The Charterers are to procure that all passenger tickets issued during the Charter Period for the carriage of passengers and their luggage under this Charter shall contain a paramount clause incorporating any legislation relating to carriers liability for passengers and their luggage compulsorily applicable in the trade; if no such legislation exists, the passenger tickets shall incorporate the Athens Convention Relating to the Carriage of Passengers and their Luggage by Sea, 1974, and any protocol thereto.</del> *) <del>Delete as applicable.</del>	619 620 621 622 623 624 625 626 627 628 629 630 631 632 633 634 635 636 637 638 639	(d) <del>If the insurers of the war risk insurance, when Clause 14 is applicable, should require payment of premiums and/or calls because, pursuant to the Charterers' orders, the Vessel is within, or is due to enter and remain within, any area or areas which are specified by such insurers as being subject to additional premiums because of War Risks, then such premiums and/or calls</del>	714 715 716 717 718 719
24. Bank Guarantee (Optional, only to apply if Box 27 filled in) The Charterers undertake to furnish, before delivery of the Vessel, a first class bank guarantee or bond in the sum and at the place as indicated in Box 27 as guarantee for full performance of their obligations under this Charter.	640 641 642 643 644 645 646		

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<del>shall be reimbursed by the Charterers to the Owners at the same time as the next payment of hire is due.</del>	720	<del>number of days stated in Box 34 of their receiving the Owners' notice as provided herein, shall entitle the Owners to withdraw the Vessel from the service of the Charterers and terminate the Charter without further notice;</del>	795 796 797 798 799
<del>(o) The Charterers shall have the liberty:</del>	721	<del>(ii) the Charterers fail to comply with the requirements of:</del>	800 801
<del>(i) to comply with all orders, directions, recommendations or advice as to departure, arrival, routes, sailing in convoy, ports of call, stoppages, destinations, discharge of cargo, delivery, or in any other way whatsoever which are given by the government of the nation under whose flag the vessel sails, or any other government, body or group whatsoever acting with the power to compel compliance with their orders or directions;</del>	722 723 724 725 726 727 728 729 730 731	<del>(1) Clause 6 (Trading Restrictions)</del>	802
<del>(ii) to comply with the orders, directions or recommendations of any war risks underwriters who have the authority to give the same under the terms of the war risks insurance;</del>	732 733 734 735	<del>(2) Clause 13(a) (Insurance and Repairs) provided that the Owners shall have the option, by written notice to the Charterers, to give the Charterers a specified number of days grace within which to rectify the failure without prejudice to the Owners' right to withdraw and terminate under this Clause if the Charterers fail to comply with such notice;</del>	803 804 805 806 807 808 809
<del>(iii) to comply with the terms of any resolution of the Security Council of the United Nations, any directives of the European Community, the effective orders of any other supranational body which has the right to issue and give the same, and with national laws aimed at enforcing the same to which the Owners are subject, and to obey the orders and directions of those who are charged with their enforcement.</del>	736 737 738 739 740 741 742 743 744	<del>(iii) the Charterers fail to rectify any failure to comply with the requirements of sub-clause 40(a)(ii) (Maintenance and Repairs) as soon as practically possible after the Owners have requested them in writing to do so and in any event so that the Vessel's insurance cover is not prejudiced.</del>	810 811 812 813 814 815
<del>(f) In the event of outbreak of war (whether there be a declaration of war or not) between any two or more of the following countries: the United States of America; Russia; the United Kingdom; France; and the People's Republic of China; (ii) between any two or more of the countries stated in Box 36, both the Owners and the Charterers shall have the right to cancel this Charter, whereupon the Charterers shall redeliver the Vessel to the Owners in accordance with Clause 15, if the Vessel has cargo on board after discharge thereof at destination, or if dbarred under this Clause from reaching and entering it at a near-open and safe port as directed by the Owners, or if the Vessel has no cargo on board, at the port at which the Vessel then is or if at sea at a near-open and safe port as directed by the Owners. In all cases hire shall continue to be paid in accordance with Clause 11 and except as aforesaid all other provisions of this Charter shall apply until redelivery.</del>	745 746 747 748 749 750 751 752 753 754 755 756 757 758 759 760 761 762 763	<del>SEE CLAUSE 41 &amp; 42</del>	
<b>27. Commission</b>	764	<b>(b) Owners' Default</b>	816
<del>The Owners to pay a commission at the rate indicated in Box 32 to the Brokers named in Box 33 on any hire paid under the Charter. If no rate is indicated in Box 33, the commission to be paid by the Owners shall cover the actual expenses of the Brokers and a reasonable fee for their work.</del>	765 766 767 768 769 770	<del>if the Owners shall by any act or omission be in breach of their obligations under this Charter to the extent that the Charterers are deprived of the use of the Vessel and such breach continues for a period of fourteen (14) running days after written notice thereof has been given by the Charterers to the Owners, the Charterers shall be entitled to terminate this Charter with immediate effect by written notice to the Owners.</del>	817 818 819 820 821 822 823 824
<del>If the full hire is not paid owing to breach of the Charter by either of the parties, the party liable therefore shall indemnify the Brokers against their loss of commission. Should the parties agree to cancel the Charter, the Owners shall indemnify the Brokers against any loss of commission but in such case the commission shall not exceed the brokerage on one year's hire.</del>	771 772 773 774 775 776 777	<b>(c) Loss of Vessel</b>	
		<del>This Charter shall be deemed to be terminated if the Vessel becomes a total loss or is declared as a constructive or compromised or arranged total loss. For the purpose of this sub-clause, the Vessel shall not be deemed to be lost unless she has either become an actual total loss or agreement has been reached with her underwriters in respect of her constructive, compromised or arranged total loss or if such agreement with her underwriters is not reached it is adjudged by a competent tribunal that a constructive loss of the Vessel has occurred. SEE CLAUSE 40 (d)(e)</del>	825 826 827 828 829 830 831 832
<b>26. Termination</b>	778	<b>(d)</b> Either party shall be entitled to terminate this Charter with immediate effect by written notice to the other party in the event of an order being made or resolution passed for the winding up, dissolution, liquidation or bankruptcy of the other party (otherwise than for the purpose of reconstruction or amalgamation) or if a receiver is appointed, or if it suspends payment, ceases to carry on business or makes any special arrangements or composition with its creditors.	833 834 835 836 837 838 839 840 841
<b>(a) Charterer's Default</b>	779	<b>(e)</b> The termination of this Charter shall be without prejudice to all rights accrued due between the parties prior to the date of termination and to any claim that either party might have.	842 843 844 845
<del>The Owners shall be entitled to withdraw the Vessel from the service of the Charterers and terminate the Charter with immediate effect by written notice to the Charterers if:</del>	780 781 782		
<del>(i) the Charterers fail to pay hire in accordance with Clause 11. However, where there is a failure to make punctual payment of hire due to oversight, negligence, errors or omissions on the part of the Charterers or their bankers, the Owners shall give the Charterers written notice of the number of clear banking days stated in Box 34 (not recognised at the agreed place of payment) in which to rectify the failure, and when so rectified within such number of days following the Owners' notice, the payment shall stand as regular and punctual. Failure by the Charterers to pay hire within the</del>	783 784 785 786 787 788 789 790 791 792 793 794	<b>Repossession</b>	
		<del>In the event of the termination of this Charter in accordance with the applicable provisions of Clause 26, the Owners shall have the right to repossess the Vessel from the Charterers at her current or next port of call, or at a port or place convenient to them without hindrance or interference by the Charterers, courts or local authorities. Pending physical repossession of the Vessel in accordance with this Clause 29, the Charterers shall</del>	846 847 848 849 850 851 852 853 854 855 856 857 858
		<del>29.</del>	

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 "BARECON 2001" Standard Bareboat Charter

hold the Vessel as gratuitous bailee only to the Owners.	859	Contract.	935
The Owners shall arrange for an authorized representative to board the Vessel as soon as reasonably practicable following the termination of the Charter. The Vessel shall be deemed to be repossessed by the Owners from the Charterers upon the boarding of the Vessel by the Owners' representative. All arrangements and expenses relating to the settling of wages, disembarkation and repatriation of the Charterers' Master, officers and crew shall be the sole responsibility of the Charterers.	860 861 862 863 864 865 866 867 868 869	In the case of a dispute in respect of which arbitration has been commenced under (a), (b) or (c) above, the following shall apply:-	936 937 938
		(i) Either party may at any time and from time to time elect to refer the dispute or part of the dispute to mediation by service on the other party of a written notice (the "Mediation Notice") (calling on the other party to agree to mediation;	939 940 941 942 943
		(ii) The other party shall thereupon within 14 calendar days of receipt of the Mediation Notice confirm that they agree to mediation; in which case the parties shall thereafter agree a mediator within a further 14 calendar days, failing which on the application of either party a mediator will be appointed promptly by the Arbitration Tribunal (the "Tribunal") or such person as the Tribunal may designate for that purpose. The mediation shall be conducted in such place and in accordance with such procedure and on such terms as the parties may agree or, in the event of disagreement, as may be set by the mediator.	944 945 946 947 948 949 950 951 952 953 954 955 956
		(iii) If the other party does not agree to mediate, that fact may be brought to the attention of the Tribunal and may be taken into account by the Tribunal when allocating the costs of the arbitration as between the parties.	957 958 959 960 961
		(iv) The mediation shall not affect the right of either party to seek such relief or take such steps as it considers necessary to protect its interest.	962 963 964
		(v) Either party may advise the Tribunal that they have agreed to mediation. The arbitration procedures shall continue during the conduct of the mediation by the Tribunal may take the mediation timetable into account when setting the timetable for steps in the arbitration.	965 966 967 968 969 970
		(vi) Unless otherwise agreed or specified in the mediation terms, each party shall bear its own costs incurred in the mediation and the parties shall share equally the mediator's costs and expenses.	971 972 973 974
		(vii) The mediation process shall be without prejudice and confidential and no information or documents disclosed during it shall be revealed to the Tribunal except to the extent that they are disclosable under the law and procedure governing the arbitration.	975 976 977 978 979
		(Note: the parties should be aware that the mediation process may not necessarily interrupt time limits.)	980 981
		(e) If Box 35 in Part I is not appropriately filled in, sub-clause 30(a) of this Clause shall apply. Sub-clause 30(d) shall apply in all cases.	982 983 984
		<i>Sub-clauses 30(a), 30(b) and 30(c) are alternatives; indicate alternative agreed in Box 35.</i>	985 986
30. Dispute Resolution	870	31. Notices SEE CLAUSE 51	987
*) (a) This Contract shall be governed by and construed in accordance with English law and any dispute arising out of or in connection with this Contract shall be referred to arbitration in London in accordance with the Arbitration Act 1996 or any statutory modification or re-enactment thereof save to the extent necessary to give effect to the provisions of this Clause.	871 872 873 874 875 876 877	(a) Any notice to be given by either party to the other party shall be in writing and may be sent by fax, telex, registered or recorded mail or by personal service.	988 989 990
The arbitration shall be conducted in accordance with the London Maritime Arbitrators Association (LMAA) Terms current at the time when the arbitration proceedings are commenced.	878 879 880 881	(b) The address of the Parties for service of such communication shall be as stated in Boxes 3 and 4 respectively.	991 992 993
The reference shall be to three arbitrators. A party wishing to refer a dispute to arbitration shall appoint its arbitrator and send notice of such appointment in writing to the other party requiring the other party to appoint its own arbitrator within 14 calendar days of that notice and stating that it will appoint its arbitrator as sole arbitrator unless the other party appoints its own arbitrator and gives notice that it has done so within the 14 days specified. If the other party does not appoint its own arbitrator and give notice that it has done so within the 14 days specified, the party referring a dispute to arbitration may, without the requirement of any further prior notice to the other party, appoint its arbitrator as sole arbitrator and shall advise the other party accordingly. The award of a sole arbitrator shall be binding on both parties as if he had been appointed by agreement.	882 883 884 885 886 887 888 889 890 891 892 893 894 895 896 897 898		
Nothing herein shall prevent the parties agreeing in writing to vary these provisions to provide for the appointment of a sole arbitrator.	899 900 901		
In cases where neither the claim nor any counterclaim exceeds the sum of US\$50,000 (or such other sum as the parties may agree) the arbitration shall be conducted in accordance with the LMAA Small Claims Procedure current at the time when the arbitration proceedings are commenced.	902 903 904 905 906 907		
*) (b) This Contract shall be governed by and construed in accordance with Title 9 of the United States Code and the Maritime Law of the United States and any dispute arising out of or in connection with this Contract shall be referred to three persons at New York, one to be appointed by each of the parties hereto, and the third by the two so chosen; their decision or that of any two of them shall be final, and for the purposes of enforcing any award, judgment may be entered on an award by any court of competent jurisdiction. The proceedings shall be conducted in accordance with the rules of the Society of Maritime Arbitrators, Inc.	908 909 910 911 912 913 914 915 916 917 918 919		
In cases where neither the claim nor any counterclaim exceeds the sum of US\$50,000 (or such other sum as the parties may agree) the arbitration shall be conducted in accordance with the Shortened Arbitration Procedure of the Society of Maritime Arbitrators, Inc. current at the time when the arbitration proceedings are commenced.	920 921 922 923 924 925		
*) (c) This Contract shall be governed by and construed in accordance with the laws of the place mutually agreed by the parties and any dispute arising out of or in connection with this Contract shall be referred to arbitration at a mutually agreed place, subject to the procedures applicable there.	926 927 928 929 930 931		
(d) Notwithstanding (a), (b) or (c) above, the parties may agree at any time to refer to mediation any difference and/or dispute arising out of or in connection with this	932 933 934		

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PART III  
PROVISIONS TO APPLY FOR NEWBUILDING VESSELS ONLY  
(Optional, only to apply if expressly agreed and stated in Box 37)

1.	<b>Specifications and Shipbuilding Contract</b>	4	and upon and after such acceptance, subject to Clause 60	60
	(a) The Vessel shall be constructed in accordance with the Building Shipbuilding Contract (hereafter called "the Shipbuilding Building Contract") as annexed to this Charter, made between the Builders and the Sellers Owners and in accordance with the specifications and plans annexed thereto, such Building Contract, specifications and plans having been countersigned as approved by the Charterers.	4	4(d), the Charterers shall not be entitled to make any claim against the Owners in respect of any conditions, representations or warranties, whether express or implied, as to the seaworthiness of the Vessel or in respect of delay in delivery.	70
	(b) No change shall be made in the Shipbuilding Building Contract or in the specifications or plans of the Vessel as approved by the Charterers as aforesaid without the Charterers' consent.	2	(b) If for any reason other than a default by the Sellers Owners under the Shipbuilding Contract, the Builders become entitled under that Contract not to deliver the Vessel to the Sellers, the Owners shall upon giving to the Charterers written notice of Builders becoming so entitled, be excused from giving delivery of the Vessel to the Charterers and upon receipt of such notice by the Charterers this Charter shall cease to have effect.	71
	(c) The Charterers shall have the right to send their representative to the Builders' Yard to inspect the Vessel during the course of her construction to satisfy themselves that construction is in accordance with such approved specifications and plans as referred to under sub-clause (a) of this Clause.	3	(c) If for any reason the Owners become entitled under the Building Contract to reject the Vessel the Owners shall, before exercising such right of rejection, consult the Charterers and thereupon	72
	(d) The Vessel shall be built in accordance with the Building Contract and shall be of the description set out therein. Subject to the provisions of sub-clause 2(c)(ii) hereunder, the Charterers shall be bound to accept the Vessel from the Owners, completed and constructed in accordance with the Building Contract, on the date of delivery by the Builders. The Charterers undertake that having accepted the Vessel they will not thereafter raise any claims against the Owners in respect of the Vessel's performance or specification or defects, if any. Nevertheless, in respect of any repairs, replacements or defects which appear within the first 12 months from delivery by the Builders, the Owners shall endeavour to compel the Builders to repair, replace or remedy any defects or to recover from the Builders any expenditure incurred in carrying out such repairs, replacements or remedies. However, the Owners' liability to the Charterers shall be limited to the extent the Owners have a valid claim against the Builders under the guarantee clause of the Building Contract (a copy whereof has been supplied to the Charterers). The Charterers shall be bound to accept such sums as the Owners are reasonably able to recover under this Clause and shall make no further claim on the Owners for the difference between the amount(s) so recovered and the actual expenditure on repairs, replacement or remedying defects or for any loss of time incurred. Any liquidated damages for physical defects or deficiencies shall accrue to the account of the party stated in Box 41(a) or if not filled in shall be shared equally between the parties. The costs of pursuing a claim or claims against the Builders under this Clause (including any liability to the Builders) shall be borne by the party stated in Box 41(b) or if not filled in shall be shared equally between the parties.	4	(i) If the Charterers do not wish to take delivery of the Vessel they shall inform the Owners within seven (7) running days by notice in writing and upon receipt by the Owners of such notice this Charter shall cease to have effect; or	73
	<b>Time and Place of Delivery - SEE CLAUSE 33</b>	5	(ii) If the Charterers wish to take delivery of the Vessel they may by notice in writing within seven (7) running days require the Owners to negotiate with the Builders as to the terms on which delivery should be taken and/or refrain from exercising their right of rejection and upon receipt of such notice the Owners shall commence such negotiations and/or take delivery of the Vessel from the Builders and deliver her to the Charterers;	74
2.	(a) Subject to the Vessel having completed her acceptance trials including trials of cargo equipment in accordance with the Building Contract and specifications to the satisfaction of the Charterers, the Owners shall give and the Charterers shall take delivery of the Vessel afloat when ready for delivery and properly documented at the Builders' Yard or some other safe and readily accessible dock, wharf or place as may be agreed between the parties hereto and the Builders. Under the Building Contract, the Builders have estimated that the Vessel will be ready for delivery to the Owners as therein provided but the delivery date for the purpose of the Charter shall be the date when the Vessel is in fact ready for delivery by the Builders after completion of trials whether that be before or after as indicated in the Building Contract. The Charterers shall not be entitled to refuse acceptance of delivery of the Vessel	6	(iii) In no circumstances shall the Charterers be entitled to reject the Vessel unless the Owners are able to reject the Vessel from the Builders; SEE CLAUSE 33	75
		7	(iv) If this Charter terminates under sub-clause (b) of this Clause, the Owners shall thereafter not be liable to the Charterers for any claim under or arising out of this Charter or its termination.	76
		8	(d) Any liquidated damages for delay in delivery under the Building Contract and any costs incurred in pursuing a claim therefor shall accrue to the account of the party stated in Box 41(c) or if not filled in shall be shared equally between the parties.	77
		9	3. <b>Guarantee Works - SEE CLAUSE 32</b>	78
		10	If not otherwise agreed, the Owners authorise the Charterers to arrange for the guarantee works to be performed in accordance with the Shipbuilding building Contract terms, and hire to continue during the period of guarantee works. The Charterers have to advise the Owners about the performance to the extent the Owners may request.	79
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PART IV  
HIRE/PURCHASE AGREEMENT

(Optional, only to apply if expressly agreed and stated in Box 42)

On expiration of this Charter and provided the Charterers have fulfilled their obligations according to PART I and II as well as PART III, if applicable, it is agreed that on payment of the final payment of hire as per Clause 14 the Charterers have purchased the Vessel with everything belonging to her and the Vessel is fully paid for.	1 2 3 4 5 6 7	In exchange for payment of the last month's hire instalment the Sellers shall furnish the Buyers with a Bill of Sale duly attested and legalised, together with a certificate setting out the registered encumbrances, if any. On delivery of the Vessel the Sellers shall provide for deletion of the Vessel from the Ship's Register and deliver a certificate of deletion to the Buyers.	28 29 30 31 32 33 34
<i>In the following paragraphs the Owners are referred to as the Sellers and the Charterers as the Buyers.</i>	8 9	The Sellers shall, at the time of delivery, hand to the Buyers all classification certificates (for hull, engines, anchors, chains, etc) as well as all plans which may be in Sellers' possession.	35 36 37 38
The Vessel shall be delivered by the Sellers and taken over by the Buyers on expiration of the Charter.	10 11	The wireless installation and nautical instruments, unless on hire, shall be included in the sale without any extra payment.	39 40 41
The Sellers guarantee that the Vessel, at the time of delivery, is free from all encumbrances and maritime liens or any debts whatsoever other than those arising from anything done or not done by the Buyers or any existing mortgage agreed not to be paid off by the time of delivery. Should any claims, which have been incurred prior to the time of delivery, be made against the Vessel, the Sellers hereby undertake to indemnify the Buyers against all consequences of such claims to the extent it can be proved that the Sellers are responsible for such claims. Any taxes, notarial, consular and other charges and expense connected with the purchase and registration under Buyers' flag shall be for Buyers' account. Any taxes, consular and other charges and expenses connected with closing of the Sellers' register shall be for Sellers' account.	12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27	The Vessel with everything belonging to her shall be at Sellers' risk and expense until she is delivered to the Buyers, subject to the conditions of this Contract, and the Vessel with everything belonging to her shall be delivered and taken over as she is at the time of delivery, after which the Sellers shall have no responsibility for possible faults or deficiencies of any description.	42 43 44 45 46 47 48
		The Buyers undertake to pay for the repatriation of the Master, officers, and other personnel if appointed by the Sellers to the port where the Vessel entered the Bareboat Charter as per Clause 3 (PART II) or to pay the equivalent cost of their journey to any other place.	49 50 51 52 53

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PART V  
PROVISIONS TO APPLY FOR VESSELS REGISTERED IN A BAREBOAT CHARTER REGISTRY  
(Optional, only to apply if expressly agreed and stated in Box 43)

1. Definitions	1	3. Termination of Charter by Default	17
For the purpose of this PART V, the following terms shall have the meanings hereby assigned to them:	2	If the Vessel chartered under this Charter is registered in a Bareboat Charter Registry as stated in Box 44, and if the Owners shall default in the payment of any amounts due under the mortgage(s) specified in Box 28, the Charterers shall, if so required by the mortgagee, direct the Owners to re-register the Vessel in the Underlying Registry as shown in Box 44.	18
"The Bareboat Charter Registry" shall mean the registry of the state whose flag the Vessel will fly and in which the Charterers are registered as the bareboat charterers during the period of the Bareboat Charter.	3	In the event of the Vessel being deleted from the Bareboat Charter Registry as stated in Box 44, due to a default by the Owners in the payment of any amounts due under the mortgage(s), the Charterers shall have the right to terminate this Charter forthwith and without prejudice to any other claim they may have against the Owners under this Charter.	19
"The Underlying Registry" shall mean the registry of the state in which the Owners of the Vessel are registered as Owners and to which jurisdiction and control of the Vessel will revert upon termination of this Bareboat Charter Registration.	4		20
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2. Mortgage - See Clause 44	13		29
The Vessel chartered under this Charter is financed by a mortgage and the provisions of Clause 12(b) (PART II) shall apply.	14		30
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Additional Clauses

to

the Bareboat Charter Party dated 13 February 2020 (this "Charter") by  
**LUA LINE S.A. and OKINO KAIUN CO., LTD.** as owner (the "Owners")  
and  
**ROSELITE SHIPPING CORPORATION.** as charterer (the "Charterers")  
in respect of MV "Dream Coral" (to be named "Navios Corali") (the  
"Vessel")

**32. DELIVERY**

(a) The Charterers shall take delivery of the Vessel under this Charter simultaneously with delivery by the Sellers (as defined in Clause 1 of this Charter) as sellers to the Owners as buyers under the MOA, and the Owners shall be obliged to deliver the Vessel to the Charterers hereunder in the same moment as the Owners is taking delivery of the Vessel under the MOA.

(b) In the event that the Vessel is not delivered to Owners under the MOA for any reason, this Charter shall automatically terminate.

(c) The Owners warrant that the Vessel, at time of delivery, is free from all charters, encumbrances, mortgages and maritime liens or any other debts whatsoever, other than (i) those incurred prior to the delivery of the Vessel hereunder, (ii) this Charter and (iii) the mortgage over the Vessel, assignment of insurance in respect of the Vessel and the assignment of the charter hires in respect hereof in favour of **AWA BANK.** (the "**Mortgagee**").

(d) The Vessel shall be delivered under this Charter in the same condition and with the same equipment, inventory and spare parts as she is delivered to the Owners under the MOA. The Charterers know the Vessel's condition at the time of delivery, and expressly agree that the Vessel's condition as delivered under the MOA is acceptable and in accordance with the provisions of this Charter. The Vessel shall be delivered to the Charterers under this Charter strictly "as is/where is", and the Charterers shall waive any and all claims against the Owners under this Charter on account of any conditions, seaworthiness, representations, warranties expressed or implied in respect of the Vessel (including but not limited to any bunkers, oils, spare parts and other items whatsoever) on delivery.



### 33. ISM CODE

During the currency of this Charter the Charterers shall procure at the costs and expenses and time of the Charterers that the Vessel and the "company" (as defined by the ISM code) shall comply with the requirements of the ISM code. Upon request the Charterers shall provide a copy of relevant documents of compliance (DOC) and safety management certificate (SMC) to the Owners. For the avoidance of any doubt any loss, damage, expense or delay caused by the failure on the part of the "Company" to comply with the ISM code shall be for the Charterers' account.

### 34. CHARTER PERIOD

- (a) The Owners shall let to the Charterers and the Charterers shall take the Vessel on charter for the period and upon the terms and conditions contained herein.
- (b) Subject always to the provisions hereto, the period of the chartering of the Vessel hereunder (hereinafter referred to as the "Charter Period") shall comprise (unless terminated at an earlier date in accordance with the terms hereof) a charter period of 12 years from the date of the delivery of the Vessel by the Owners to the Charterers under this Charter (the "Delivery Date") with up to 30 days more or less in the Charterers' option, provided always that the chartering of the Vessel hereunder may be terminated by the Owners pursuant to Clause 41 or shall terminate in the event of the Total Loss or Compulsory Acquisition of the Vessel subject to, and in accordance with provisions of Clause 40.

### 35. CHARTER HIRE

#### Monthly Hire Rate

After the delivery of Vessel, the Charterers shall pay the hire monthly in advance for the Charter Period, which consist of (i) Monthly Fixed Hire, (ii) Monthly Variable Hire and (iii) Monthly Owners' profit:

- (i) Monthly Fixed Hire (same as Owners' loan principal repayment based on 12 years equal monthly repayment schedule with US\$750,000 balloon) is the sum of US\$237,847.-(in the case of Purchase Price is US\$35,000,000) for

Vessel, which is equal to one hundred forty fourth (1/144) of the initial Charter Principal Balance minus US\$750,000 balloon. Otherwise, the Monthly Fixed Hire should be proportionally adjusted to 1/144 of the applicable Amortized Purchase Price if delivery of the Vessel occurs after April 01, 2020; and

(ii) Monthly Variable Hire is calculated from the number of the days in any relevant month, and daily variable hire in accordance with the following formula:

Monthly Variable Hire = Daily Variable Hire x the number of the days in the relevant month

Daily Variable Hire = Charter Principal Balance x (2.0% + one (1) month ICE LIBOR as applicable for the month in respect of which such Daily Variable Hire is to be calculated) / 360

Applicable one (1) month ICE LIBOR to be confirmed fourteen (14) Banking Days prior to hire due date (The both parties to discuss again about the exact date when the date for delivery of the vessel gets closer.). The Owners shall notify the Charterers in writing of the Monthly Variable Hire due on any due date for hire by sending to the Charterers a duly issued invoice for that Monthly Variable Hire and Monthly Fixed Hire at least four (4) Banking Days before such due date.

Charter Principal Balance means US\$35,000,000.-(or the Amortized Purchase Price if delivery of the Vessel occurs after April 01, 2020) less the aggregate Monthly Fixed Hire as has at any relevant time been paid to the Owners for Vessel.

Should the ICE LIBOR fall to negative interest rate, zero (0) is to be applied as ICE LIBOR.

(iii) Monthly Owners profit: US\$20,000 /month for Vessel.

"Banking Day" shall mean a day on which banks are open in Japan, Piraeus/Greece, London and New York.



**36. PAYMENTS**

- (a) Notwithstanding anything to the contrary contained in this Charter, all payments by the Charterers hereunder (whether by way of hire or otherwise) shall be made as follows:-
- (i) not later than 11:00 a.m. (New York time) on one Banking Day prior to the date on which the relevant payment is due under the terms of this Charter; and
  - (ii) in United States Dollars to the bank account in the name of the Owners established and maintained in THE AWA BANK, LTD, Komatsushima Office, as more specifically notified later by the Owners in writing (or such other bank or banks as may from time to time be notified by the Owners to the Charterers by not less than fourteen (14) days' prior written notice) for the account of the Owners .
- (b) If any day for the making of any payment hereunder shall not be a Banking Day (as defined in Clause 35 hereof) the due date for payment of the same shall be the next following Banking Day.
- (c) Subject to the terms of this Charter, the Charterers' obligation to pay hire in accordance with the requirements of Clause 35 and this Clause 36 and to pay certain amount of insurance benefit pursuant to Clause 40 (e) and to pay the Termination Compensation pursuant to Clause 42 shall be absolute irrespective of any contingency whatsoever, including (but not limited to) (i) any failure or delay on the part of any party hereto or thereto, whether with or without fault on its part, other than the Owners, in performing or complying with any of the terms or covenants hereunder, (ii) any insolvency, bankruptcy, reorganization, arrangement, readjustment of debt, dissolution, liquidation or similar proceedings by or against the Owners or the Charterers or any change in the constitution of the Owners or the Charterers or any other person, (iii) any invalidity or unenforceability or lack of due authorization of or other defect in this Charter, or (iv) any other cause which would or might but for this provision have the effect of terminating or in any way affecting any obligation of the Charterers under this Charter.
- (d) In the event of failure by the Charterers to pay within three (3) Banking Days after the due date for payment thereof, or in the case of a sum

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payable on demand, the date of demand therefor, any hire or other amount payable by them under this Charter, the Charterers will pay to the Owners on demand interest on such hire or other amount from the date of such failure to the date of actual payment (both before and after any relevant judgment or winding up of the Charterers) at the rate determined by the Owners and certified by them to the Charterers (such certification to be conclusive in the absence of manifest error) to be the aggregate of (i) two & one-half per centum (2½ %) and (ii) the London Interbank Offered Rate for US Dollar deposits of not more than one month's duration (as selected by the Owners or their funders in the light of the likely duration of the default in question) (as such rate is from time to time quoted by leading banks in the London Interbank Market). Interest payable by the Charterers as aforesaid shall be compounded at such intervals as the Owners shall determine and shall be payable on demand.

- (e) Any interest payable under this Charter shall accrue from day to day and shall be calculated on the actual number of days elapsed and a three hundred and sixty (360) day year.
- (f) In this Charter, unless the context otherwise requires, "month" means a period beginning in one calendar month (and, in the case of the first month, on the date of delivery hereunder) and ending in the succeeding calendar month on the day numerically corresponding to the day of the calendar month in which such period started provided that if there is no such numerically corresponding day, such period shall end on the last day in the relevant calendar month and "monthly" shall be construed accordingly.

### **37. FLAG AND CLASS**

- (a) The Vessel shall upon the Delivery Date be registered in the name of the Owners under the Panamanian flag. The Owners and Charterers agree to keep the Panamanian flag during the Charter Period, subject to Clause 37(c).
- (b) The Owners shall have no right to transfer the Vessel's classification society. The Charterers shall, at any time after the Delivery Date and at the Charterers' expense, have the right to transfer the Vessel's classification society from Nippon Kaiji Kyokai to any other classification society at least equivalent to Nippon Kaiji Kyokai.
- (c) Further, in the event that the Charterers need to change the flag of the Vessel for its commercial or operational reason, the Charterers can



change the flag with the prior written Owner's consent, which should not be unreasonably withheld, provided however that:

- (i) the Owners may reject such change of flag if the proposed flag will cause any problem for the Mortgagee (in the reasonable opinion of the Mortgagee);
  - (ii) the Owners shall have the right to take redelivery the Vessel under the Panamanian flag, and accordingly If the Vessel is redelivered to the Owners without the purchase by the Charterers under Clause 49 hereof and she is then under the flag of any state other than Panama, on demand, the Owners may change such flag to the Panamanian flag so that the Owners may take redelivery of the Vessel under the Panamanian flag (in which case the Charterer shall cooperate with the Owners for change to the Panamanian flag); and
  - (iii) any expenses and time (including, but not limited to, legal charges for finance documents for the Mortgagee) in relation to change of flag (including change to the Panamanian flag) shall be for the Charterers' account.
- (d) With the prior written consents of the Owner and the Mortgagee (which shall not be unreasonably withheld) and subject to the Charterers' supplying the standard de-registration agreement reasonably satisfactory to the Mortgagee, the Charterers are entitled to establish the standard bareboat charter registration on the Vessel at the costs, expense (including but not limited to legal charges for finance documents for the Mortgagee, if any) and time of the Charterers.
- (e) If during the Charter Period there are modifications made to the Vessel which are compulsory for the Vessel to comply with change to rules and regulations to which operation of the Vessel is required to conform, the cost relating to such modifications shall be for the account of the Charterers.
- (f) The Owners will arrange the Vessel's registration under Panama flag and recordation of their mortgage and for the issuance of all Vessel's initial certificates of the flag at the Owners' cost. Thereafter the Charterers are responsible to arrange for the renewal of such certs at the Charterers' cost throughout the Charter Period

### **38. IMPROVEMENT AND ADDITIONS**

The Charterers shall have the right to fit additional equipment and to make severable improvements and additions at their expense and risk. Such

additional equipment, improvements and additions shall be removed from the Vessel without causing any material damage to the Vessel (any such damage being made good by the Charterers at their time and expense) provided however that the Charterers shall redeliver the Vessel without removing such additional equipment, improvements and additions if the Owners consent to such non-removal before the redelivery.

The Charterers shall also have the right to make structural or non-severable improvements and additions to the Vessel at their own time, costs and expense and risk provided that such improvements and additions do not diminish the market value of the Vessel and are not likely to diminish the market value of the Vessel during or at the end of the Charter Period and do not in any way affect or prejudice the marketability or the useful life of the Vessel and are not likely to affect or prejudice the marketability or the useful life of the Vessel during or at the end of the Charter Period.

In the event of any structural modifications to Vessel or installation of new equipment becoming necessary for the continued operation of Vessel by reason of new class regulations or by compulsory legislation to which operation of Vessel is required to conform, the cost of such compulsory modifications shall be for the Charterers' account.

### **39. UNDERTAKING**

The Charterers undertake and agree that throughout the Charter period they will:-

- notify the Owners in writing of any Termination Event (or event of which they are aware which, with the giving of notice and/or lapse of time or other applicable condition, would constitute a Termination Event);
- provide survey status of the Vessel to the Owners when they request it.

### **40. INSURANCE, TOTAL LOSS AND COMPULSORY ACQUISITION**

- (a) For the purposes of this Charter, the term "Total Loss" shall include actual or constructive or compromised or agreed or arranged total loss of the Vessel including any such total loss as may arise during a requisition for hire. "Compulsory Acquisition" shall have the meaning assigned thereto in Clause 25(b) hereof.
- (b) The Charterers undertake with the Owners that throughout the Charter Period:-



- (i) they will keep the Vessel insured in the first class underwriter's standard form as the Owners shall in writing approve, which approval shall not be unreasonably withheld, with such insurers (including P&I and war risks associations) as shall be reasonably acceptable to the Owners with deductibles reasonably acceptable to the Owners (it being agreed and understood by the Charterers that there shall be no element of self- insurance or insurance through captive insurance companies without the prior written consent of the Owners);
- (ii) they will be properly entered in and keep entry of the Vessel with P&I Club that is a member of the International Group of Protection and Indemnity Association for the full commercial value and tonnage of the Vessel and against all prudent P&I Risks in accordance with the rules of such association or club including, in case of oil pollution liability risks equal to the highest level of cover from time to time available under the basic entry with such P&I (but always a minimum of USD1,000,000,000);
- (iii) The policies in respect of the insurances against fire and usual marine risks and policies or entries in respect of the insurances against war risks shall, in each case, include the following loss payable provisions:-
  - (a) For so long as the Vessel is mortgaged in favour of the Mortgagee (as defined in this Additional Clause 32) as assignee:

Until such time as the Assignee shall have notified the insurers to the contrary:

- (i) All recoveries hereunder in respect of an actual, constructive or compromised or arranged total loss shall be paid in full to the Assignee without any deduction or deductions whatsoever and applied in accordance with clause 40 (e);
- (ii) All other recoveries not exceeding United States Dollars One Million (US\$1,000,000.00) shall be paid in full to the Charterers or to their order without any deduction or deductions whatsoever; and

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- (iii) All other recoveries exceeding United States Dollars One Million (US\$1,000,000.00) shall, subject to the prior written consent of the Assignee which shall not be unreasonably withheld be paid in full to the Charterers or their order without any deduction whatsoever.
- (iv)
- (b) During any periods when the Vessel is not mortgaged:
  - (i) All recoveries hereunder in respect of an actual, constructive or compromised or arranged total loss shall be paid in full to the Owners without any deduction or deductions whatsoever and applied in accordance with clause 40 (e);
  - (ii) All other recoveries not exceeding United States Dollars Two Million (US\$2,000,000.00) shall be paid in full to the Charterers or to their order without any deduction or deductions whatsoever; and
  - (iii) All other recoveries exceeding United States Dollars Two million (US\$2,000,000.00) shall, subject to the prior written consent of the Owners be paid in full to the Charterers or their order without any deduction whatsoever, subject to the fulfillment of the provisions of Clause 44;

and the Owners and Charterers agree to be bound by the above provisions.

- (iv) the Charterers shall procure that duplicates of all cover notes, policies and certificates of entry shall be furnished to the Owners for their custody;
- (v) the Charterers shall procure that the insurers and the war risk and protection and indemnity associations with which the Vessel is entered shall
  - (A) furnish the Owners with a letter or letters of undertaking addressed to the Mortgagee in relevant underwriter's standard form and in accordance with the underwriters' rules.
  - (B) supply to the Owners such information in relation to the insurances effected, or to be effected, with them





as the Owners may from time to time reasonably require: and

- (vi) the Charterers shall use all reasonable efforts to procure that the policies, entries or other instruments evidencing the insurances are endorsed to the effect that the insurers shall give to the Owners prior written notification of any amendment, suspension, cancellation or termination of the insurances in accordance with the underwriters' guidance and rules.
- (c) Notwithstanding anything to the contrary contained in Clauses 13 and any other provisions hereof, the Vessel shall be kept insured during the Charter Period in respect of marine and war risks on hull and machinery basis (The Charterers shall have the option, to take out on a full hull and machinery basis increased value or total loss cover in an amount not exceeding Thirty per centum (30%) of the total amount insured from time to time) for not less than the amounts specified in column (b) in the table set out below in respect of the one-yearly period during the Charter Period specified in column (a) (on the assumption that the first such period commences on the Delivery Date) against such amount (hereinafter referred to as the "**Minimum Insured Value**"):

(a) Year	(b) Minimum Insured Value
1	USD 38,500,000
2	USD 35,360,417
3	USD 32,220,833
4	USD 29,081,250
5	USD 25,941,667
6	USD 22,802,083
7	USD 19,662,500
8	USD 16,522,917
9	USD 13,383,333
10	USD 10,243,750
11	USD 7,104,167
12	USD 3,964,583

- (d) (i) If the Vessel shall become a Total Loss or be subject to Compulsory Acquisition the Chartering of the Vessel to the

Charterers hereunder shall cease and the Charterers shall:-

- (A) immediately pay to the Owners all hire, and any other amounts, which have fallen due for payment under this Charter and have not been paid as at and up to the date on which the Total Loss or Compulsory Acquisition occurred (the "**Date of Loss**") together with interest thereon at a rate reflecting the Owners' reasonable cost of funds at such intervals, which amount to be agreed between the Owners and the Charterers and shall cease to be under any liability to pay any hire, but not any other amounts, thereafter becoming due and payable under this Charter, ~~Provided that all hire and any other amounts prepaid by the Charterers subsequent to the Date of Loss shall be forthwith refunded by the Owners:~~
  - (B) for the purposes of this sub-clause, the expression "relevant Minimum Insured Value" shall mean the Minimum Insured Value applying to the one-year period in which the Date of Loss occurs.
- (ii) For the purpose of ascertaining the Date of Loss:-
- (A) an actual total loss of the Vessel shall be deemed to have occurred at noon (London time) on the actual date the Vessel was lost but in the event of the date of the loss being unknown the actual total loss shall be deemed to have occurred at noon (London time) on the date on which it is acknowledged by the insurers to have occurred:
  - (B) a constructive, compromised, agreed, or arranged total loss of the Vessel shall be deemed to have occurred at noon (London time) on the date that notice claiming such a total loss of the Vessel is given to the insurers, or, if the insurers do not admit such a claim, at the date and time at which a total loss is subsequently admitted by the insurers or adjudged by a competent court of law or arbitration tribunal to have occurred. Either the Owners or, with the prior written consent of the Owners (such consent not to be unreasonably withheld), the Charterers shall be

entitled to give notice claiming a constructive total loss but prior to the giving of such notice there shall be consultation between the Charterers and the Owners and the party proposing to give such notice shall be supplied with all such information as such party may request; and

- (C) Compulsory Acquisition shall be deemed to have occurred at the time of occurrence of the relevant circumstances described in Clause 25 (b) hereof.
- (e) All moneys payable under the insurance effected by the Charterers pursuant to Clauses 13 and 40, or other compensation, in respect of a Total Loss or pursuant to Compulsory Acquisition of the Vessel shall be received in full by the Owners (or the Mortgagees as assignees thereof) and applied by the Owners (or, as the case may be, the Mortgagees):-

FIRST, in payment of all the Owners' costs incidental to the collection thereof,

SECONDLY, in or towards payment to the Owners (to the extent that the Owners have not already received the same in full) of a sum equal to the aggregate of (i) unpaid but due hire under this Charter and unpaid interest thereon up to and including the Date of Loss and (ii) the "Termination Amount" (defined below) as at the Date of Loss, and

THIRDLY, in payment of any surplus to the Charterers by way of compensation for early termination.

"Termination Amount" shall mean:

(A) in case that Date of Loss is at or after the end of 4th year of the Charter Period, the Termination Amount shall be equal to the Purchase Option Price payable under Clause 49 which shall be calculated based on the Date of Loss; and

(B) in case that the Date of Loss is before the 4th year of the Charter Period, the Termination Amount shall be as follows:

(date)	(amount)
as at the Delivery Date:	USD 37,054,375
at the end of 1 <sup>st</sup> year of the Charter Period:	USD 34,171,667



at the end of 2<sup>nd</sup> year of the Charter Period: USD 31,225,833  
at the end of 3<sup>rd</sup> year of the Charter Period: USD 28,280,000

provided that, in relation to (B), if Date of Loss is between the two dates as specified above, then the Termination Amount shall be adjusted proportionally on the basis of 360 days a year.

- (f) The Charterers and the Mortgagee shall execute the "Assignment of Insurances" of which contents and wording shall be mutually agreed between the Owners and the Charterers.

#### 41. TERMINATION EVENTS

- (a) Each of the following events shall be a "Termination Event" for purposes of this Charter:-
  - (i) if any installment of hire or any other sum payable by the Charterers under this Charter (including any sum expressed to be payable by the Charterers on demand) shall not be paid at its due date or within ten (10) Banking Days following the due date of payment and such failure to pay is not remedied within three (3) Banking Days of receipt by the Charterers of written notice from the Owners notifying the Charterers of such failure and requesting that payment is made; or
  - (ii) Save in circumstances where requisition for hire or compulsory requisition result in termination of insurances for the Vessel, if either (A) the Charterers shall fail at any time to effect or maintain any insurances required to be effected and maintained under this Charter, or any insurer shall avoid or cancel any such insurances (other than where the relevant avoidance or cancellation results from an event or circumstance outside the reasonable control of the Charterers and the relevant insurances are reinstated or re-constituted in a manner meeting the requirements of this Charter within seven (7) days of such avoidance or cancellation) or the Charterers shall commit any breach of or make any misrepresentation in respect of any such insurances the result of which the relevant insurer avoids the policy or otherwise excuses or releases itself from all or any of its liability thereunder, or (B) any of the said insurances shall cease for any reason whatsoever to be in full force and effect (other than where the reason in question is



outside the reasonable control of the Charterer and the relevant insurances are reinstated or re-constituted in a manner meeting the requirements of this Charter within seven (7) days of such cease); or

- (iii) if the Charterers shall at any time fail to observe or perform any of their material obligations under this Charter, other than those obligations referred to in sub-clause (i) or sub-clause (ii) of this Clause 41(a), and such failure to observe or perform any such obligation is either not remediable or is remediable but is not remedied within thirty (30) days of receipt by the Charterers of a written notice from the Owners requesting remedial action; or
- (iv) if any material representation or warranty by the Charterers in connection with this Charter or in any document or certificate furnished to the Owners by the Charterers in connection herewith or therewith shall prove to have been untrue, inaccurate or misleading in any material respect when made (and such occurrence continues unremedied for a period of thirty (30) days after receipt by the Charterers of written notice from the Owners requesting remedial action): or
- (v) if a petition shall be presented (and not withdrawn or stayed within sixty (60) days) or an order shall be made or an effective resolution shall be passed for the administration or winding-up of the Charterers (other than for the purpose of a reconstruction or amalgamation during and after which the Charterers remain solvent and the terms of which have been previously approved in writing by the Owners which approval shall not be unreasonably withheld) or if an encumbrancer shall take possession or an administrative or other receiver shall be appointed of the whole or any substantial part of the property, undertaking or assets of the Charterers or if an administrator of the Charterers shall be appointed (and, in any such case, such possession is not given up or such appointment is not withdrawn within sixty (60) days) or if anything analogous to any of the foregoing shall occur under the laws of the place of the Charterers' incorporation, or
- (vi) if the Charterers shall stop payments to all of its creditors or shall cease to carry on or suspend all or a substantial part of their business or shall be unable to pay their debts, or shall admit in writing their inability to pay their debts, as they become due or shall otherwise become or be adjudicated insolvent; or



- (vii) if the Charterers shall apply to any court or other tribunal for, a moratorium or suspension of payments with respect to all or a substantial part of their debts or liabilities, or
- (viii) (A) (a) if the Vessel is arrested or detained (other than for reasons solely attributable to the Owners or to those for whom, for the purposes of this provision, the Owners shall be deemed responsible, including without limitation, any legal person who, at the date hereof or at any time in the future is affiliated with the Owners) and such arrest or detention is not lifted within ninety (90) days (or such longer period as the Owners shall reasonably agree in the light of all the circumstances) of the date on which the Vessel has been arrested or detained, or (b) if any petition of any public auction or other sale proceeding (following such arrest or detention) is filed or such proceeding is commenced or ordered by the competent court or other authority (except that the Charterer promptly contested in good faith and which is continuing),
  - (B) if a distress or execution shall be levied or enforced upon or sued out against all or any substantial part of the property or assets of the Charterers and shall not be discharged or stayed within ninety (90) days; or
- (ix) if any consent, authorization, license or approval necessary for this Charter to be or remain the valid legally binding obligations of the Charterers, or to the Charterers to perform their obligations hereunder or thereunder, shall be materially adversely modified or is not granted or is revoked, suspended, withdrawn or terminated or expires and is not renewed (provided that the occurrence of such circumstances shall not give rise to a Termination Event if the same are remedied within thirty (30) days of the date of their occurrence); or
- (x) if (a) any legal proceeding for the purpose of the reconstruction or rehabilitation of the Charterers is commenced and continuing in any jurisdiction and (b) the Owners receive a termination notice from the receiver, trustee or others of the Charterers which informs the termination/rejection of the Charter pursuant to the relevant laws, codes and regulations applicable to such proceeding.

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- (b) A Termination Event shall constitute (as the case may be) either a repudiatory breach of, or breach of condition by the Charterers under, this Charter or an agreed terminating event the occurrence of which will (in any such case) entitle the Owners by notice to the Charterers to terminate the chartering of the Vessel under this Charter and recover the amounts provided for in Clause 42(c) either as liquidated damages or as an agreed sum payable on the occurrence of such event.

#### 42. OWNERS' RIGHTS ON TERMINATION

- (a) At any time after a Termination Event shall have occurred and be continuing, the Owners may, by notice to the Charterers immediately, or on such date as the Owners shall specify, terminate the chartering by the Charterers of the Vessel under this Charter, whereupon the Vessel shall no longer be in the possession of the Charterers with the consent of the Owners, and the Charterers shall redeliver the Vessel to the Owners. For the avoidance of doubt, in case of the termination of the Charter in accordance with 41 (a) (x) hereof, the Charter shall be deemed to be terminated upon receipt by the Owners of the termination notice set forth in Clause 41 (a) (x) hereof.
- (b) On or at any time after termination of the chartering by the Charterers of the Vessel pursuant to Clause 42(a) hereof the Owners shall be entitled to retake possession of the Vessel, the Charterers hereby agreeing that the Owners, for that purpose, may put into force and exercise all their rights and entitlements at law and may enter upon any premises belonging to or in the occupation or under the control of the Charterers where the Vessel may be located.
- (c) If the Owners pursuant to Clause 42(a) hereof give notice to terminate the chartering by the Charterers of the Vessel, the Charterers shall pay to the Owners on the date of termination (the "**Termination Date**"), the aggregate of (A) all hire due and payable, but unpaid, under this Charter to (and including) the Termination Date together with interest accrued thereon pursuant to Clause 36(d) hereof from the due date for payment thereof to the Termination Date, (B) any sums, other than hire, due and payable by the Charterers, but unpaid, under this Charter together with interest accrued thereon pursuant to Clause 36(d) to the Termination Date and (C) any actual direct financial loss suffered by the Owners which direct loss shall be determined as the shortfall, if any, between (a) the current market value of the Vessel (average value as estimated by two independent valuers such as major London brokers i.e. Arrow Valuations Ltd, Barry Rogliano Salles, Braemar ACM Shipbroking, H Clarkson & Co.



Ltd., E.A. Gibsons Shipbrokers, Fearnleys, Galbraith, Simpson Spencer & Young, Howe Robinson & Co Ltd London and Maersk Broker K.S. (to include, in each case, their successors or assigns and such subsidiary or other company in the same corporate group through which valuations are commonly issued by each of these brokers), or such other first-class independent broker as the Owners and Charterers may agree in writing from time to time) and (b) the Termination Amount (as defined in Clause 40(e)) to be calculated based on the Termination Date **PROVIDED ALWAYS** that if the said market value exceeds the aggregate of (A) and (B) and the Termination Amount, then the Owners shall pay the amount of such excess to the Charterers forthwith. The aggregate of (A), (B) and (C) above shall hereinafter be referred to as the "**Termination Compensation**").

- (d) If the Charter is terminated in accordance with this Clause 42 the Charterers shall immediately redeliver the Vessel at a safe and ice-free port or place as indicated by the Owners. The Vessel shall be redelivered to the Owners in substantially the same condition and class as that in which she was delivered, fair wear and tear not affecting class excepted.
- (e) The Owners agree that if following termination of the Charter under this Clause, the Owners sell or otherwise transfer the Vessel to a third party, or enter into any other arrangement with a third party with an option to purchase the Vessel, then the Owners shall pay to the Charterers after that sale (i) the amount of the sale price less (ii) the aggregate of the unpaid Termination Compensation and the Termination Amount (as defined in Clause 40(e)) which would be payable by the Charterers as set out in Clause 49 as at the date of such sale (which shall include, for the avoidance of doubt, any costs and expenses incurred by the Owners arising from or in relation to the termination and the re-possession of the Vessel and operation, repair (as the case may be) and such sale of the Vessel).

#### 43. NAME

The Charterers shall, subject only to prior notification to the relevant authorities of the jurisdiction in which for the time being the Vessel is registered, be entitled from time to time to change the name of the Vessel. During the Charter Period, the Charterers shall have the liberty to paint the Vessel in their own colours, install and display their funnel insignia and fly their own house flag. Painting and installment shall be at Charterers' expense and time. The Charterer shall also have the liberty to change the name of the Vessel during the Charter Period at the expense and time of

the Charterers (including the legal charge for finance documents for the Mortgagee, if any).

The Owners shall have no right to change the name of the Vessel during the Charter Period.

#### 44. MORTGAGE and ASSIGNMENT

The Owners confirm that they are familiar with the terms of the assignment of insurances made or to be made by the Charterers in favour of the Mortgagee, and they agree to the terms thereof and will do nothing that conflicts therewith, excepting that the Owners shall be entitled to assign its rights, title and interest in and to this Charter to the Mortgagee or its assignee. Neither party shall assign its right or obligations or part of thereof to any third party without the written consent of the other, unless otherwise expressly permitted herein.

In respect of the Vessel the Owners undertake not to borrow more than the respective purchase option prices as set out at the relevant milestone in Clause 49 hereof.

The Owners have the right to register a first preferred mortgage on the Vessel in favour of the Mortgagee securing a loan under the Loan Agreement under standard mortgages and security documentation. In which case, the Owners undertake to procure from the Mortgagee a Letter of Quiet Enjoyment in a form and substance acceptable to the Charterers.

The Charterers agree to sign an acknowledgement of the Owners' charterhire assignment or any other comparable document reasonably required by the Mortgagee, in favour of the Mortgagee. During the course of the Charter the Owners have the right to register a substitute mortgage in favour of another bank provided such registration is effected in a similar amount to the loan amount outstanding with the Mortgagee at that time and only if such substitute mortgagee executes a Letter of Quiet Enjoyment in favour of the Charterers in the same form as that provided by the Mortgagee or the form acceptable for the Charterers. The Charterers will then agree to sign a charterhire assignment in favour of the substitute mortgagee in a form as shall be agreed by the Charterers, which agreement not be unreasonably withheld. Any cost incurred by the Charterers shall be for Owners' account.

A handwritten signature in black ink, appearing to be 'Lp M. O', located in the bottom right corner of the page.



Subject to the term and conditions of this Charter, the Charterers also agree that the Owners have the right to assign its rights, title and interest in and to the insurances by way of assignment of insurance in respect of the Vessel to and in favour of the Assignee in a form and substance acceptable to Charterers and the Assignee.

Owners shall procure that any mortgage and charterhire assignment shall be subject to this Charter and to the rights of the Charterers hereunder, in accordance with, and subject to, a Letter of Quiet Enjoyment.

In the event that the Owners execute security of any nature (including but not limited to any mortgage, assignment of insurances) over the Vessel then the Owners hereby undertake and agree as a condition of this Charter to procure that the beneficiary of such security executes in favour of the Charterers a letter of quiet enjoyment in such form and content as is reasonably acceptable to the Charterers, and the effectiveness of this assignment clause is subject to the agreement of a letter of Quiet Enjoyment on or before delivery of the Vessel.

The Charterers shall not assign charter nor sub-charter Vessel on a bareboat basis except with the prior consent in writing of the Owners, which shall not be unreasonably withheld. Such Owners' prior written consent will not be required provided that Vessel remain at all times under the management of Navios Shipmanagement Inc. or an affiliate of Navios Shipmanagement Inc. or of Angeliki Frangou Furthermore, the Charterers may assign or transfer the charter by way of novation to a subsidiary or affiliate of Navios Maritime Holdings Inc without Owners' prior written consent, in which case, (i) the Charterers, the Owners and such new charterers as permitted under this Clause shall enter into a novation agreement on or before such novation at the Charterers' cost and (ii) new assignment of insurances and assignment of charterhires as mentioned above and an amendment of the Mortgage (as the case may be) shall be made in favour of the Mortgagee at the Charterers' cost.

#### **45. REDELIVERY INSPECTION**

Prior to redelivery and without interference to the operation of the Vessel, the Owners, at their risk and expense, shall have the right provided that such right is declared at least 20 days prior to the expected redelivery date to carry out an underwater inspection of the Vessel by Class approved diver and in the presence of Class surveyor and Owners' and Charterers' representatives. Should any damages in the Vessel's underwater parts be found that will impose a condition or recommendation of Vessel's class



then:

- a) In case Class imposes a condition or recommendation of class that does not require drydocking before next scheduled drydocking, Charterers shall pay to Owners the estimated cost to repair such damage in way which is acceptable to Class, which to be direct cost to repair such damage only, as per average quotation for the repair work obtained from two reputable independent shipyards at or in the vicinity of the redelivery port, one to be obtained by Owners and one by Charterers within 2 Banking Days from the date of imposition of the condition/recommendation unless the parties agree otherwise.
- b) In case Class require Vessel to be drydocked before the next scheduled drydocking the Charterers shall drydock the Vessel at their expense prior to redelivery of the Vessel to the Owners and repair same to Class satisfaction.

In such event the Vessel shall be redelivered at the port of the dockyard.

#### 46. REDELIVERY

The Charterers shall redeliver to the Owners the Vessel with everything belonging to her at the time of redelivery including spare parts on board, used or unused subject to the Clause 38 hereof. The Owners shall take over and pay the Charterers for remaining bunkers and unused lubricating oils including hydraulic oils, and greases, unbroached provisions, paints, ropes and other consumable stores as per Clause 53 at the Charterers' purchased prices with supporting vouchers. For the purpose of this clause, the Charterers shall withhold the Hire two last hire payments (the "Withheld Hire") and shall offset the cost of bunkers, unused lubricating oils and unbroached provisions etc., remaining on board at the time of redelivery from the Withheld Hire. If the Withheld Hire is not sufficient to cover the cost of bunkers, unused lubricating oils, and unbroached provisions etc. the Owners shall settle the outstanding amount within 3 Banking Days after redelivery of the Vessel.

Personal effects of the Master, officers and crew including slop chest, hired equipment, if any and the following listed items are excluded and shall be removed by the Charterers prior to or at the time of redelivery of the Vessel:



- E-mail equipment not part of GMDSS
- Gas bottles
- Electric deck air compressor
- Blasting and painting equipment
- Videotel (or similar) film library

#### 47. MORTGAGE NOTICE

The Charterers keep prominently displayed in the chart room, engine room and the master's cabin of the Vessel a framed printed notice in plain type (the print on which shall measure at least six inches by nine inches) reading as follows:-

##### NOTICE OF MORTGAGE

"This Vessel is covered by a First Preferred Ship Mortgage given to THE AWA BANK, LTD. a banking corporation duly organized and existing under the laws of Japan, having its head office at 24-1,NISHI SEMBACHO 2CHOME,TOKUSHIMA CITY,TOKUSHIMA,JAPAN, Japan, acting through its KOMATSUSHIMA Office at 7-14, MATSUSHIMACHO, KOMATSUSHIMA CITY, TOKUSHIMA, JALAN, Japan, its successors and assigns, under the authority of the laws of the Republic of Panama. Under the terms of said Mortgage, neither the owner of this Vessel, any charterer, the Master of this Vessel, nor any other person has any right, power or authority to create, incur or permit to be imposed upon the Vessel any liens, maritime or otherwise, other than the lien of said Mortgage and liens for crew's wages or salvage."

#### 48. SALE OF VESSEL BY OWNERS

1. The Owners have the right to sell the Vessel to a reputable third party ("Purchaser") at any time during the Charter Period with the prior written consent of the Charterers and provided that (i) the Purchaser agrees to take over the benefit and burden of this Charter, (ii) such ownership change does not result in any reflagging of the Vessel, (iii) such ownership change does not result in the Charterers being obliged to increase any payment under this Charter, (iv) such ownership change does not increase the actual or contingent obligations of the Charterers under this Charter, and (v) the Charterers shall not be liable for the costs and expenses (including legal fees) incurred in the sale of the Vessel by the Owners under this Clause 48.
2. The Owners shall give the Charterers at least one month's prior written

notice of any sale.

3. Subject to 48.1, the Charterers and Owners undertake with each other to execute one or more novation agreements (or other documents required under applicable law) to novate the rights and obligations of the Owners under this Charter to the Purchaser such novation agreement(s) or other documents to be in such form and substance acceptable to the Charterers and such novation will be effective upon delivery of the Vessel from the Owners to the Purchaser."

#### 49. CHARTERERS' OPTION TO PURCHASE VESSEL

1. From (and including) the end of 4th year of the Charter Period, the Charterers have the option to purchase the Vessel at the following purchase price. The Charterers' purchase option is subject to Charterers' written declaration to the Owners latest three (3) months prior to the expected date of delivery, such date to be indicated by the Charterers in their declaration notice (such purchase option price at such expected date of delivery indicated in the declaration notice as calculated by the following formula, being called the "Purchase Option Price").

The Purchase Option Price shall be calculated in accordance with the following formula:

"Purchase Option Price = (A) + (B) + (C)"

(A) = Charter Principal Balance

(B) = Owners' profit starting from US\$1,500,000. at the end of 4th year and de-escalate US\$62,500/year to the end of 12th year

(C) = Owners' broker commission: 1.00% over the above (A) + (B) for Vessel

2. The Purchase Option Price shall be paid in full free of bank charges to the Owners (as seller) upon the delivery date of the Vessel under this Clause.
3. Immediately prior to delivery of the Vessel by the Owners to the Charterers under the PO MOA (as defined in Clause 49.4) the Parties shall execute a Protocol of Redelivery and Acceptance under this Charter (the "Redelivery

*GP MO*

Protocol") and save in respect of any claims accrued under this Charter prior to the date and time of the Redelivery Protocol, this Charter shall terminate forthwith.

4. Upon the date of any written notification by the Charterers to the Owners of their intention to purchase the Vessel, the Owners and the Charterers shall be deemed to have unconditionally entered into a contract to sell and purchase the Vessel for the Purchase Option Price on and in strict conformity with the terms and conditions contained in the Memorandum of Agreement attached to this Charter as Exhibit A (the "PO MOA").

#### 50. MISCELLANEOUS

- (a) The terms and conditions of this Charter and the respective rights of the Owners and the Charterers shall not be waived or varied otherwise than by an instrument in writing of the same date as or subsequent to this Charter executed by both parties or by their duly authorized representatives.
- (b) Unless otherwise provided in this Charter whether expressly or by implication, time shall be of the essence in relation to the performance by the Charterers of each and every one of their obligations hereunder.
- (c) No failure or delay on the part of the Owners or the Charterers in exercising any power, right or remedy hereunder or in relation to the Vessel shall operate as a waiver thereof nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise of any such right or power or the exercise of any other right, power or remedy.
- (d) If any terms or condition of this Charter shall to any extent be illegal invalid or unenforceable the remainder of this Charter shall not be affected thereby and all other terms and condition shall be legal valid and enforceable to the fullest extent permitted by law.
- (e) The respective rights and remedies conferred on the Owners and the Charterers by this Charter are cumulative, may be exercised as often as the Owners or the Charterers (as the case may be) think fit and are in addition to, and are not exclusive of, any rights and remedies provided by law.

*G. M. O*



## 51. COMMUNICATIONS

Except as otherwise provided for in this Charter, all notices or other communications under or in respect of this Charter to either party hereto shall be in writing and shall be made or given to such party at the address, facsimile number or e-mail address appearing below (or at such other address, facsimile number or e-mail address as such party may hereafter specify for such purposes to the other by notice in writing):-

- (i) in the case of the Owners c/o OKINO KAIUN CO., LTD.  
Address : 7-22, Minamikomatsushima-Cho, Komatsushima,  
Tokushima, 773-0005 Japan  
Telephone : +81-0885-32-1534  
Telefax : +81-0885-32-1529  
E-mail : okino@f6.dion.ne.jp
  
- (ii) in the case of the Charterers c/o Navios Shipmanagement Inc.  
Address : 85 Akti Miaouli Street, 18538, Piraeus, Greece  
Telephone : 30-210-4595000  
E-mail : [ops@navios.com](mailto:ops@navios.com)  
[legal@navios.com](mailto:legal@navios.com),  
[tech@navios.com](mailto:tech@navios.com)  
[legal\\_corp@navios.com](mailto:legal_corp@navios.com)
  
- (iii) in the case of the Brokers c/o Mitsui & Co., Ltd.  
Address : 1-3, Marunouchi 1-Chome, Chiyodaku, Tokyo  
100-8631, Japan  
Telephone : +81-3-3285-4452  
Telefax :  
E-mail : [tkmsh@dg.mitsui.com](mailto:tkmsh@dg.mitsui.com)

A written notice includes a notice by facsimile or e-mail. A notice or other communication received on a non-working day or after business hours in the place of receipt shall be deemed to be served on the next following working day in such place.

Subject always to the foregoing sentence, any communication by personal delivery or letter shall be deemed to be received on delivery, any communication by e-mail shall be deemed to be received upon transmission of the automatic answerback of the addresses and any communication by facsimile shall be deemed to be received upon



appropriate acknowledgment by the addressee's receiving equipment.

All communications and documents delivered pursuant to or otherwise relating to this Charter shall either be in English or accompanied by a certified English translation.

**52. TRADING IN WAR RISK AREA**

The Charterers shall be permitted to order the Vessel into an area subject to War Risks as defined in Clause 26 without consent of the Owners provided that all Marine, War and P&I Insurance are maintained with full force and effect and the Charterers shall pay any and all additional premiums to maintain such insurance.

**53. INVENTORIES, OIL AND STORES**

A complete inventory of the Vessel's entire equipment, outfit including spare parts, appliances and of all consumable stores on board the Vessel shall be made by the Charterers in conjunction with the Owners on delivery and again on redelivery of the Vessel.

The Owners shall at the time of redelivery take over and pay for all bunkers, lubricating oil, unbroke provisions, paints, ropes and other consumable stores (excluding spare parts) in the said Vessel at the Charterers' purchased prices with supporting vouchers. However, the Charterers shall not pay to the Owners at time of delivery for any bunkers, lubricating oil, provisions, paints, ropes and consumable stores which the Charterers have supplied to the Vessel at the Charterers' expense prior to delivery. The Charterers shall ensure that all spare parts listed in the inventory and used during the Charter Period are replaced at their expense prior to redelivery of the Vessel.

**54. INDEMNITY FOR POLLUTION RISKS**

The Charterers shall indemnify the Owners against the following Pollution Risks:-

- (a) liability for damages or compensation payable to any person arising from pollution;



- (b) the costs of any measures reasonably taken for the purpose of preventing, minimizing or cleaning up any pollution together with any liability for losses or damages arising from any measures so taken;
- (c) liability which the Owners and/or the Charterers may incur, together with costs and expenses incidental thereto, as the result of escape or discharge or threatened escape discharge of oil or any other substance;
- (d) the costs or liabilities incurred as a result of compliance with any order or direction given by any government or authority for the purpose of preventing or reducing pollution or the risk of pollution; provided always that such costs or liabilities are not recoverable under the Hull and Machinery Insurance Policies on the Vessel;
- (e) liability which the Owners and/or the Charterers may incur to salvors under the exception to the principal of "no cure-no pay" in Article 1 (b) of Lloyds Standard Form of Salvage Agreement (LOF 1990); and
- (f) liability which the Charterers may incur for the payment of fines in respect of pollution in so far as such liability may be covered under the rules of the P&I Club.

#### **55. TRADE AND COMPLIANCE CLAUSE**

The Charterers and the Owners hereby agree that no person/s or entity/ies under this Charter will be individual(s) or entity(ies) designated under any applicable national or international law imposing trade and economic sanctions.

Further, the Charterers and the Owners agree that the performance of this Charter will not require any action prohibited by sanctions or restrictions under any applicable national or international law or regulation imposing trade or economic sanctions.

#### **56. ANTI-BRIBERY AND ANTI-CORRUPTION**

The Charterers and the Owners hereby agree that in connection with this Contract and/or any other business transactions related to it, they as well as their sub-contractors and each of their affiliates, directors, officers, employees, agents, and every other person acting on its and its sub-contractors' behalf, shall perform all required duties, transactions and dealings in compliance with all applicable



laws, rules, regulations relating to anti-bribery and anti-money laundering.

## **57 COSTS AND EXPENSES**

- (a) The parties hereto agree that all operational cost including required cost in relation to Vessel's flag (such as tonnage tax, insurance and crew certs etc) would be for the Charterers' account. However, all other cost (such as financing cost /cost for registration and discharge of their mortgage etc) would be for the Owners' account.
- (b) For this Charter and the MOA, each party should bear its own costs unless otherwise agreed herein.

## **58 MANAGEMENT COMPANY**

The management company shall be Synergy Marine Pte Ltd. and/or Navios Shipmanagement Inc., and/or any other management company affiliated to Angeliki Frangou. The Charterers may change the management company with the Owners' prior consent not to be unreasonably withheld, unless such change is to an affiliate of Navios Shipmanagement Inc. or of Angeliki Frangou in which case Owners' consent will not be required.

## **59 BBC SURVEY (Further to Clause 8)**

1. In case the Vessel has any incidents/casualties, Owners have the right to carry out physical inspection more than once per year at Owners' expense. Charterers will do their best to organize the timing and place based on Owners' preferred timing. Charterers tech and OPS will organize accordingly. Owners shall have the right to visit the Vessel at dry-dock after the completion of DD works.
2. The Owners shall have the right to perform a physical inspection/survey (including dry-dock) of Vessel each once per year. Prior one month notice of intention to perform such survey shall be given in writing to the Charterers and the Charterers shall keep the Owners informed of Vessel's each itinerary for possible inspection. Inspections shall be at Owners Cost and not to unreasonably disturb and/or delay Vessel's itinerary. In case the Vessel has any incidents/casualties, Owners have the right to carry out physical inspection more than once per year at Owners' expense.
3. Charterers will do their best to organize the timing and place based on Owners' preferred timing. Charterers tech and OPS will organize accordingly.
4. Owners shall have the right to visit the Vessel at dry-dock after the completion of DD works.

- (1) In this Clause, the following provisions shall apply where any sanction, prohibition or restriction is imposed on any specified persons, entities or bodies including the designation of any specified vessels or fleets under United Nations Resolutions or trade or economic sanctions, laws or regulations of the European Union, United States of America, United Kingdom, Panama, Japan, the Flag State of the Vessel and/or the Marshall Islands.
- (2) The Owners and the Charterers hereby represent and warrant to each other that as of the even date hereof, they have never received any notice of legal proceedings or investigation in relation to the sanctions, restrictions or designation referred to in sub-clause (1) and have never acknowledged existence of such legal proceedings or investigation.
- (3) The Owners hereby warrants that at the date of entering into this Agreement and during the currency of this Charter:
  - (i) none of the Owners, their directors and officers is subject to any of the sanctions, prohibitions, restrictions or designation referred to in sub-clause (1) which prohibit or render unlawful any performance by the Charterers and/or the Owners under this Charter;
  - (ii) the Owners are letting and performing other obligations hereunder as principals and not as agent, trustee or nominee of any person with whom transactions are prohibited or restricted under sub-clause (1); and
  - (iii) the Owners will promptly inform the Charterers of receipt of any notice of proceeding or investigation referred to in sub-clause (2) and send the copy of such notice and any relevant documents they have received in relation thereto.
- (4) The Charterers hereby warrants that at the date of entering into this Agreement and during the currency of this Charter:
  - (i) none of the Charterers, the management company under Clause 58 hereof, their respective directors and officers is subject to any of the sanctions, prohibitions, restrictions or designation referred to in sub-clause (1) which prohibit or render unlawful any performance by the Charterers and/or the Owners under this Charter; the Charterers are hiring and performing other obligations hereunder as principals and not as agent, trustee or nominee of any person with whom transactions are prohibited or restricted under sub-clause (1);
  - (ii) the Vessel is not a designated vessel under any of the sanctions,

- prohibitions, restrictions or designation referred to in sub-clause (1);
- (iii) the Charterer will promptly inform the Owners of receipt of any notice of proceeding or investigation referred to in sub-clause (2) and send the copy of such notice and any relevant documents they have received in relation thereto; and
- (iv) on demand the Charterers will provide the Owners of all Relevant Documents in relation to the Vessel and/or the cargo on board the Vessel. In this paragraph (v), "Relevant Documents" shall mean (A) such documents as required to prove that the Charterers are not in breach of the sanctions, prohibitions, restrictions or designation referred to in sub-clause (1) and/or (B) such documents as required for the Owners and/or the Mortgagee to disclose to any competent authority in relation to the sanctions, prohibitions, restrictions or designation referred to in sub-clause (1), provided that the Relevant Documents shall be reasonably and practicably obtainable to the Charterers.

(end)

Attachment: Exhibit A (PO MOA),  
Purchase Option Price (for reference)

*GP M.O*

[ PURCHASE OPTION PRICE (for reference) ]

Year	< at the End of Year > Charter Principal Balance	< at the End of Year > PO Price
1	—	—
2	—	—
3	—	—
4	\$23,583,333	\$25,334,167
5	\$20,729,167	\$22,388,333
6	\$17,875,000	\$19,442,500
7	\$15,020,833	\$16,496,667
8	\$12,166,667	\$13,550,833
9	\$9,312,500	\$10,605,000
10	\$6,458,333	\$7,659,167
11	\$3,604,167	\$4,713,333
12	\$750,000	\$1,767,500

*G.M.O*

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NAVIOS MARITIME HOLDINGS INC.

as the Issuer,

and

Wilmington Trust, National Association,  
as Trustee

INDENTURE

Dated as of March 21, 2019

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9.75% Senior Notes due 2024

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Certain Sections of this Indenture relating to  
Sections 310 through 318, inclusive, of the  
Trust Indenture Act of 1939

<u>Trust Indenture Act Sections</u>	<u>Indenture Sections</u>
§ 310(a)(1)	7.10
(a)(2)	7.10
(a)(3)	7.10
(a)(4)	Not applicable
(a)(5)	7.03
(b)	7.11
§ 311(a)	7.11
(b)	7.11
§ 312(a)	2.05
(b)	13.03
(c)	13.03
§ 313(a)	7.06
(b)	7.06
(c)	7.06
(d)	Not applicable
§ 314(a)	4.17
(a)(4)	4.06
(b)	Not applicable
(c)(1)	13.04
(c)(2)	13.04
(c)(3)	Not applicable
(d)	Not applicable
(e)	13.05
§ 315(a)	7.01
(b)	Not applicable
(c)	7.01
(d)	7.01
(e)	7.07
§ 316(a)	6.05
(a)(1)(A)	6.05
(a)(1)(B)	6.04
(a)(2)	9.02
(b)	9.02
(c)	9.04
§ 317(a)(1)	6.08
(a)(2)	6.09
(b)	2.04
§ 318(a)	1.02

Note: This reconciliation and tie shall not, for any purpose, be deemed to be a part of this Indenture.

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Note: This Table of Contents shall not, for any purpose, be deemed to be part of this Indenture.

INDENTURE dated as of March 21, 2019, between Navios Maritime Holdings Inc., a Republic of the Marshall Islands corporation (the “**Issuer**”) and Wilmington Trust, National Association, as Trustee (the “**Trustee**”).

The Issuer has duly authorized the creation of an issue of 9.75% Senior Notes due 2024 and, to provide therefor, the Issuer has duly authorized the execution and delivery of this Indenture. All things necessary to make the Notes, when duly issued and executed by the Issuer and authenticated and delivered hereunder, the valid and binding obligation of the Issuer and to make this Indenture a valid and binding agreement of the Issuer has been done.

For and in consideration of the premises and the purchase of the Notes by the Holders thereof, the parties hereto covenant and agree, for the equal and proportionate benefit of all Holders, as follows:

## ARTICLE ONE

### DEFINITIONS AND INCORPORATION BY REFERENCE

#### SECTION 1.01. Definitions.

Set forth below are certain defined terms used in this Indenture.

“**Affiliate**” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, “control,” shall have correlative meanings, as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For the purposes of this definition, the terms “controlling,” “controlled by” and “under common control with” have correlative meanings.

“**Agent**” means any Registrar or Paying Agent.

“**Bankruptcy Law**” means Title 11 of the United States Code, as amended, or any applicable United States federal, state or foreign law for the relief of debtors, or bankruptcy, insolvency, reorganization or other similar law.

“**Beneficial Owner**” has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act. The terms “Beneficially Owns,” “Beneficially Owned” and “Beneficial Ownership” shall have correlative meanings.

“**Board Resolution**” means with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary (or individual with similar authority) of such Person, to have been duly adopted by the board of directors or such equivalent entity of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee.

“**Business Day**” means a day other than a Saturday, Sunday or other day on which banking institutions in New York, New York, the location of the office of the Paying Agent or the location of the Corporate Trust Office of the Trustee are authorized or required by law to close.

“**Cash Equivalents**” means:

(1) United States dollars or Euro or other currency of a member of the Organization for Economic Cooperation and Development (including such currencies as are held as overnight bank deposits and demand deposits with banks);

(2) securities issued or directly and fully guaranteed or insured by the government of the United States or any Member State of the European Union or any other country whose sovereign debt has a rating of at least A3 from Moody's and at least A- from S&P or any agency or instrumentality thereof having maturities of not more than one year from the date of acquisition;

(3) demand and time deposits and eurodollar time deposits and certificates of deposit or bankers' acceptances with maturities of one year or less from the date of acquisition, in each case, with any financial institution organized under the laws of any country that is a member of the Organization for Economic Cooperation and Development (a) whose commercial paper is rated at least "A-2" or the equivalent thereof by S&P or at least "P-2" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Rating Agency) or (b) having capital and surplus and undivided profits in excess of US\$250.0 million;

(4) repurchase obligations with a term of not more than 60 days for underlying securities of the types described in clause (2) above entered into with any financial institution meeting the qualifications specified in clause (3) above;

(5) commercial paper and variable or fixed rate notes rated P-1 or higher by Moody's or A-1 or higher by S&P and, in each case, maturing within one year after the date of acquisition;

(6) money market funds that invest primarily in Cash Equivalents of the kinds described in clauses (1) through (5) of this definition;

(7) instruments equivalent to those referred to in clauses (1) through (6) above denominated in any other foreign currency and comparable in credit quality and tenor to those referred to above and customarily to the extent reasonably required in connection with (a) any business conducted by the Issuer in such jurisdiction or (b) any investment in the jurisdiction in which such investment is made; and

(8) local currency held by the Issuer or any of its subsidiaries from time to time in the ordinary course of business.

**"Commission"** means the U.S. Securities and Exchange Commission.

**"Corporate Trust Office"** means the office of the Trustee at which at any particular time its corporate trust business with respect to this Indenture shall be administered, which office at the date hereof is located at Wilmington Trust, National Association, Global Capital Markets, 50 South Sixth Street, Suite 1290, Minneapolis, Minnesota 55402 Attention: Navios Maritime Holdings Inc Administrator, and for Agent services such office shall also mean the office or agency of the Trustee located at Wilmington Trust, National Association, Global Capital Markets, 1100 North Market Street, Wilmington, Delaware 19890, or such other address as the Trustee may designate from time to time by notice to the Holders and the Issuer, or the corporate trust office of any successor Trustee (or such other address as such successor Trustee may designate from time to time by notice to the Holders and the Issuer).

“**Custodian**” means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

“**Default**” means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

“**Depository**” means, with respect to the Global Notes, The Depository Trust Company, New York, New York, its nominees and any and all successors thereto appointed as depository hereunder and having become such pursuant to the applicable provisions of this Indenture.

“**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended from time to time, or any successor statute or statutes thereto and, in each case, the rules and regulations promulgated by the Commission thereunder.

“**Government Securities**” means direct obligations of, or obligations guaranteed by, the United States of America, and the payment for which the United States pledges its full faith and credit.

“**guarantee**” means as to any Person, a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including through letters of credit and reimbursement agreements in respect thereof), of all or any part of any indebtedness of another Person.

“**Holder**” means a Person in whose name a Note is registered on the books maintained by the Registrar.

“**Indenture**” means this Indenture, as amended, supplemented or otherwise modified from time to time in accordance with the terms hereof.

“**interest**” means, with respect to the Notes, interest on the Notes (regardless of whether so stated).

“**Interest Payment Date**” means each April 15 and October 15 starting with October 15, 2019.

“**Issue Date**” means March 21, 2019, the date of the original issuance of the Notes under this Indenture.

“**Maturity Date**” when used with respect to any Note, means the date on which the principal amount of such Note becomes due and payable as therein or herein provided.

“**Moody’s**” means Moody’s Investors Service, Inc., a subsidiary of Moody’s Corporation, and any successor to its rating agency business.

“**Notes**” means the Issuer’s 9.75% Senior Notes due 2024 issued in accordance with Section 2.02 treated as a single class of securities under this Indenture, as amended or supplemented from time to time in accordance with the terms of this Indenture.

“**Officer**” means, with respect to any Person, any of the following: the Chairman of the board of directors or such equivalent entity, the Chief Executive Officer, the Chief Financial Officer, the President, the Chief Operating Officer, any Vice President, any Assistant Vice President, the Treasurer, any Assistant Treasurer, the Secretary, any Assistant Secretary, the Controller or any other officer designated by the relevant board of directors, or such equivalent entity serving in a similar capacity.

**“Officer’s Certificate”** means a certificate delivered to the Trustee and signed on behalf of the Issuer by any one Officer of the Issuer, who must be the principal executive officer, the principal financial officer, the treasurer, the controller, the general counsel or the principal accounting officer of the Issuer.

**“Opinion of Counsel”** means a written opinion from legal counsel that meets the requirements of Sections 13.04 and 13.05. The counsel may be an employee of, or counsel to, the Issuer. Opinions of Counsel required to be delivered under this Indenture may have qualifications customary for opinions of the type required in the relevant jurisdiction or related to the items covered by the opinion and counsel delivering such Opinions of Counsel may rely on certificates of the Issuer or governmental authority or other officials customary for opinions of the type required, including certificates certifying as to matters of fact, including that various covenants have been complied with.

**“Person”** means any natural person, corporation, limited partnership, general partnership, limited liability company, limited liability partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof or any other entity, whether legal or not.

**“principal”** means, with respect to the Notes, the principal of and premium, if any, on the Notes.

**“Prospectus”** means the prospectus of the Issuer relating to the Notes issued on the Issue Date, dated December 21, 2018.

**“Rating Agencies”** means Moody’s and S&P, or if Moody’s or S&P or both shall not make a rating on the notes publicly available, a nationally recognized statistical rating agency or agencies, as the case may be, selected by the Issuer which shall be substituted for Moody’s or S&P or both, as the case may be.

**“Record Date”** means the applicable Record Date specified in the Notes.

**“Redemption Date,”** when used with respect to any Note to be redeemed, means the date fixed for such redemption pursuant to this Indenture and the Notes.

**“Redemption Price,”** when used with respect to any Note to be redeemed on a Redemption Date, means the price fixed for such redemption pursuant to and in accordance with this Indenture, exclusive of accrued and unpaid interest, if any, thereon to the Redemption Date, unless otherwise specifically provided herein.

**“Responsible Officer”** means, when used with respect to the Trustee, any officer in the Corporate Trust Office of the Trustee, including any vice president, assistant vice president, trust officer, assistant trust officer or any other officer of the Trustee who currently performs functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such officer’s knowledge of and familiarity with the particular subject and shall also mean any officer who shall have direct responsibility for the administration of this Indenture.

**“S&P”** means S&P Global Ratings (a division of S&P Global Inc.) or any successor to the rating agency business thereof.

**“Tax”** means any tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and any other liabilities related thereto).

**“Taxing Authority”** means any government or political subdivision or territory or possession of any government or any authority or agency therein or thereof having power to tax.



“**Trust Indenture Act**” means the Trust Indenture Act of 1939, as amended, as in effect on the Issue Date.

“**Trustee**” means the party named as such in the preamble to this Indenture until a successor replaces it in accordance with the provisions of this Indenture and thereafter means such successor.

“**U.S. Legal Tender**” means such coin or currency of the United States of America that at the time of payment shall be legal tender for the payment of public and private debts.

“**U.S. Dollar Equivalent**” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the spot rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by Reuters at approximately 10:00 A.M. (New York time) on the date not more than two Business Days prior to such determination.

SECTION 1.02. Other Definitions.

<u>Term</u>	<u>Defined in Section</u>
Additional Amounts	Section 4.20(b)
Additional Notes	Section 2.18
Authentication Order	Section 2.02
Base Currency	Section 13.16(b)(1)(A)
Code	Section 7.02(n)
Covenant Defeasance	Section 8.04
Event of Default	Section 6.01
Issuer Process Agent	Section 13.15(a)
Judgment Currency	Section 13.16(b)(1)(A)
Legal Defeasance	Section 8.03
Notice of Acceleration	Section 6.02
Participants	Section 2.15(a)
Paying Agent	Section 2.03
Physical Notes	Section 2.01
Process Agent	Section 13.15(b)
rate of exchange	Section 13.16(d)
Registrar	Section 2.03
Relevant Taxing Jurisdiction	Section 4.20(a)
Specified Courts	Section 13.08
Surviving Entity	Section 2.02
Third Party Process Agent	Section 13.15(b)
Trustee	Section 8.06

SECTION 1.03. Incorporation by Reference of Trust Indenture Act.

Whenever this Indenture refers to a provision of the Trust Indenture Act, such provision is incorporated by reference in, and made a part of, this Indenture. The following Trust Indenture Act terms used in this Indenture have the following meanings:

“indenture securities” means the Notes.

“indenture security holder” means a Holder.

“indenture to be qualified” means this Indenture.

“indenture trustee” or “institutional trustee” means the Trustee.

“obligor” in respect of this Indenture or on the Notes means the Issuer.

All other Trust Indenture Act terms used in this Indenture that are defined by the Trust Indenture Act, defined by Trust Indenture Act reference to another statute or defined by Commission rule and not otherwise defined herein have the meanings assigned to them therein.

If any provision hereof limits, qualifies or conflicts with a provision of the Trust Indenture Act that is required under the Trust Indenture Act to be a part of and govern this Indenture, the Trust Indenture Act provision shall control. If any provision of this Indenture modifies or excludes any provision of the Trust Indenture Act that may be so modified or excluded, the latter provision shall be deemed to apply to this Indenture as so modified or to be excluded, as the case may be.

#### SECTION 1.04. Rules of Construction.

For all purposes under this Indenture and the Notes, except as otherwise provided and unless the context otherwise requires:

- (1) a term has the meaning assigned to it;
- (2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP (for the avoidance of doubt, determinations of whether an action is for speculative purposes is not an accounting term);
- (3) words in the singular include the plural, and words in the plural include the singular;
- (4) “herein,” “hereof” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision;
- (5) the words “including,” “includes” and similar words shall be deemed to be followed by “without limitation”;
- (6) references to “\$” or dollars are to United States dollars; and
- (7) references to subsidiaries are to subsidiaries of the Issuer.

## ARTICLE TWO

### THE NOTES

#### SECTION 2.01. Form and Dating.

The Notes and the Trustee’s certificate of authentication shall be substantially in the form of Exhibit A hereto. The Notes may have notations, legends or endorsements required by law, stock exchange rule or usage. The Issuer shall approve the form of the Notes and any notation, legend or endorsement on them. Each Note shall be dated the date of its issuance and show the date of its authentication.

The terms and provisions contained in the Notes shall constitute, and are hereby expressly made, a part of this Indenture and, to the extent applicable, the Issuer and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby. However, to the extent any provision of any Note conflicts with the express provisions of this Indenture, the provisions of this Indenture shall govern and be controlling.

The aggregate principal amount of the Global Notes may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for the Depository, as hereinafter provided. Notes issued in exchange for interests in a Global Note pursuant to Section 2.16 may be issued in the form of permanent certificated Notes in registered form in substantially the form set forth in Exhibit A and bearing the applicable legends, if any, (the “**Physical Notes**”).

SECTION 2.02. Execution, Authentication and Denomination.

One Officer of the Issuer (who shall have been duly authorized by all requisite corporate actions) shall sign the Notes for the Issuer by manual or facsimile signature.

If an Officer whose signature is on a Note was an Officer at the time of such execution but no longer holds that office at the time the Trustee authenticates the Note, the Note shall nevertheless be valid.

A Note shall not be valid until an authorized signatory of the Trustee manually signs the certificate of authentication on the Note. The signature shall be conclusive evidence that the Note has been duly and validly authenticated under this Indenture.

The Trustee shall authenticate on the Issue Date, Notes for original issue in the aggregate principal amount not to exceed \$4,747,100 million upon a written order of the Issuer in the form of a certificate of an Officer of the Issuer (an “**Authentication Order**”). Such Authentication Order shall specify the amount of Notes to be authenticated and the date on which the Notes are to be authenticated and whether the notes are Physical Notes or Global Notes or such other information as the Trustee may reasonably request.

The Trustee may appoint an authenticating agent reasonably acceptable to the Issuer to authenticate Notes. Unless otherwise provided in the appointment, an authenticating agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with the Issuer and its Affiliates. The Trustee shall have the right to decline to authenticate and deliver any Notes under this Indenture if the Trustee, being advised by counsel, determines that such action may not lawfully be taken or if the Trustee in good faith shall determine that such action would expose the Trustee to personal liability.

The Notes shall be issuable only in registered form without coupons in minimum denominations of \$25 and integral multiples of \$25 in excess thereof.

In case the Issuer, pursuant to and in accordance with Article Five, shall, in one or more related transactions, be consolidated or merged with or into any other Person, and the surviving Person resulting from such consolidation or surviving such merger or into which the Issuer shall have been merged, shall have assumed all of the obligations of the Issuer under the Notes and this Indenture pursuant to a supplemental indenture to be executed with the Trustee in accordance with Article Five (such Person, the “**Surviving Entity**”), any of the Global Notes authenticated or delivered prior to such consolidation or merger may, from time to time, at the request of the surviving Person, be exchanged for other Global Notes executed in the name of the surviving Person with only such changes in phraseology as may be

appropriate to reflect the identity of the surviving Person, but otherwise in substance of like tenor, terms and conditions in all respects as the Global Notes surrendered for such exchange and of like principal amount; and the Trustee, upon the request of the surviving Person, shall authenticate and deliver Global Notes as specified in such request for the purpose of such exchange. If Global Notes shall at any time be authenticated and delivered in any new name of a Surviving Entity pursuant to this Section 2.02 in exchange or substitution for or upon registration of transfer of any Notes, such Surviving Entity, at the option of the Holders but without expense to them, shall provide for the exchange of all Notes at the time outstanding for Notes authenticated and delivered in such new name, in accordance with the procedures of the Depository.

#### SECTION 2.03. Registrar and Paying Agent.

The Issuer shall maintain or cause to be maintained an office or agency in the United States where (a) Notes may be presented for payment or surrendered for registration of transfer or for exchange (“**Registrar**”), (b) Notes may, subject to Section 2 of the Notes, be presented or surrendered for payment (“**Paying Agent**”) and (c) notices and demands to or upon the Issuer in respect of the Notes and this Indenture may be served. The Issuer may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided, however*, that no such designation or rescission shall in any manner relieve the Issuer of its obligation to maintain or cause to be maintained an office or agency in the United States for such purposes. At the option of the Issuer, the payment of interest, if any, may be made by check mailed to the Holders at their respective addresses set forth in the register of Holders; *provided* that for Holders owning at least \$100,000 aggregate principal amount of Notes that have given wire transfer instructions to the Issuer at least ten (10) Business Days prior to the applicable payment date, the Issuer shall make all payments of principal, interest, premium, if any, by wire transfer of immediately available funds to the accounts specified by the Holders thereof. The Issuer or any subsidiary of the Issuer may act as Registrar or Paying Agent, except that for the purposes of Article Eight, neither the Issuer nor any Affiliate of the Issuer shall act as Paying Agent. The Registrar shall keep a register of the Notes and of their transfer and exchange. The Issuer, upon notice to the Trustee, may have one or more co-registrars and one or more additional paying agents reasonably acceptable to the Trustee. The term “Registrar” includes any co-registrar and the term “Paying Agent” includes any additional paying agent. The Issuer initially appoints the Trustee as Registrar and Paying Agent until such time as the Trustee has resigned or a successor has been appointed.

To the extent necessary, the Issuer shall enter into an appropriate agency agreement with any Agent not a party to this Indenture, which agreement shall implement the provisions of this Indenture that relate to such Agent. The Issuer shall notify the Trustee, in advance, of the name and address of any such Agent. If the Issuer fails to maintain a Registrar or Paying Agent, the Trustee shall act as such.

#### SECTION 2.04. Paying Agent To Hold Assets in Trust.

The Issuer shall require each Paying Agent other than the Trustee, the Issuer or any subsidiary of the Issuer to agree in writing that each Paying Agent shall hold in trust for the benefit of Holders or the Trustee all assets held by the Paying Agent for the payment of principal of, premium, if any, or interest on, the Notes (whether such assets have been distributed to it by the Issuer or any other obligor on the Notes), and shall notify the Trustee of any Default by the Issuer (or any other obligor on the Notes) in making any such payment. The Issuer at any time may require a Paying Agent to distribute all assets held by it to the Trustee and account for any assets disbursed and the Trustee may at any time during the continuance of any Event of Default, upon written request to a Paying Agent, require such Paying Agent to distribute all assets held by it to the Trustee and to account for any assets distributed. Upon distribution to the Trustee of all assets that shall have been delivered by the Issuer to the Paying Agent, the Paying

Agent (if other than the Issuer or a subsidiary of the Issuer) shall have no further liability for such assets. If the Issuer or a subsidiary of the Issuer acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent. Upon any bankruptcy or reorganization proceedings relating to the Issuer, the Trustee shall serve as Paying Agent for the Notes.

**SECTION 2.05. Holder Lists.**

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders and shall otherwise comply with Trust Indenture Act Section 312(a). If the Trustee is not the Registrar, the Issuer shall furnish to the Trustee at least seven (7) Business Days prior to each Interest Payment Date and at such other times as the Trustee may request in writing a list, in such form and as of such date as the Trustee may reasonably require, of the names and addresses of Holders, which list may be conclusively relied upon by the Trustee.

**SECTION 2.06. Transfer and Exchange.**

Subject to Sections 2.15 and 2.16, when Notes are presented to the Registrar with a request to register the transfer of such Notes or to exchange such Notes for an equal principal amount of Notes of other authorized denominations, the Registrar shall register the transfer or make the exchange as requested if its requirements for such transaction are met; *provided, however*, that the Notes surrendered for transfer or exchange shall be duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Registrar, duly executed by the Holder thereof or his or her attorney duly authorized in writing. To permit registrations of transfers and exchanges, the Issuer shall execute and the Trustee shall authenticate Notes at the Registrar's request. No service charge shall be made for any registration of transfer or exchange, but the Issuer may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith.

The Issuer shall not be required and, without the prior written consent of the Issuer, the Registrar shall not be required to register the transfer of or exchange of any Note (i) during a period beginning at the opening of business 15 days before the mailing of a notice of redemption of Notes and ending at the close of business on the day of such mailing, (ii) selected for redemption in whole or in part pursuant to Article Three, except the unredeemed portion of any Note being redeemed in part and (iii) beginning at the opening of business on any Record Date and ending on the close of business on the related Interest Payment Date.

Any Holder of a beneficial interest in a Global Note shall, by acceptance of such beneficial interest, agree that transfers of beneficial interests in such Global Notes may be effected only through a book-entry system maintained by the Holder of such Global Note (or its agent) in accordance with the applicable legends thereon, and that ownership of a beneficial interest in the Note shall be required to be reflected in a book-entry system.

**SECTION 2.07. Replacement Notes.**

If a mutilated Note is surrendered to the Trustee or if the Holder of a Note claims that the Note has been lost, destroyed or wrongfully taken, the Issuer shall issue and the Trustee shall authenticate a replacement Note if the Trustee's requirements are met. Such Holder must provide evidence satisfactory to the Trustee of such loss, destruction or wrongful taking, and an indemnity bond, surety or other indemnity, sufficient in the judgment of the Trustee to protect the Trustee and in the judgment of the Issuer to protect the Issuer, the Trustee or any Agent from any loss which any of them may suffer if a Note is replaced. The Issuer and the Trustee may charge such Holder for their respective reasonable out-of-pocket expenses in replacing a Note pursuant to this Section 2.07, including reasonable fees and expenses of counsel.

Every replacement Note is an additional obligation of the Issuer.

**SECTION 2.08. Outstanding Notes.**

Notes outstanding at any time are all the Notes that have been authenticated by the Trustee except those cancelled by it, those delivered to it for cancellation and those described in this Section as not outstanding. A Note does not cease to be outstanding because the Issuer or any of its Affiliates holds the Note (subject to the provisions of Section 2.09).

If a Note is replaced pursuant to Section 2.07 (other than a mutilated Note surrendered for replacement), it ceases to be outstanding unless the Issuer and a Responsible Officer of the Trustee receive written proof satisfactory to them that the replaced Note is held by a bona fide purchaser. A mutilated Note ceases to be outstanding upon surrender of such Note and replacement thereof pursuant to Section 2.07.

If the principal amount of any Note is considered paid under Section 4.01, it ceases to be outstanding and interest ceases to accrue thereon. If on a Redemption Date or the Maturity Date the Trustee or Paying Agent (other than the Issuer or an Affiliate thereof) holds U.S. Legal Tender or non-callable U.S. Government Securities sufficient to pay all of the principal and interest due on the Notes payable on that date, then on and after that date such Notes cease to be outstanding and interest ceases to accrue thereon.

**SECTION 2.09. Treasury Notes.**

In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Issuer or any of their Affiliates shall be disregarded, except that, for the purposes of determining whether the Trustee shall be protected in conclusively relying on any such direction, waiver or consent, only Notes that a Responsible Officer of the Trustee actually knows are so owned shall be disregarded.

**SECTION 2.10. Temporary Notes.**

Until definitive Notes are ready for delivery, the Issuer may prepare and the Trustee shall, upon receipt of an Authentication Order, authenticate and deliver temporary Notes. Temporary Notes shall be substantially in the form of definitive Notes but may have variations that the Issuer considers appropriate for temporary Notes. Without unreasonable delay, the Issuer shall prepare and the Trustee shall authenticate and deliver definitive Notes in exchange for temporary Notes in equal principal amounts. Until such exchange, temporary Notes shall be entitled to the same rights, benefits and privileges as definitive Notes. Notwithstanding the foregoing, so long as the Notes are represented by a Global Note, such Global Note may be in typewritten form.

**SECTION 2.11. Cancellation.**

The Issuer at any time may deliver Notes to the Trustee for cancellation. The Registrar and the Paying Agent shall forward to the Trustee any Notes surrendered to them for transfer, exchange or payment. The Trustee, or at the direction of the Trustee, the Registrar or the Paying Agent (other than the Issuer or a subsidiary), and no one else, shall cancel the Notes, and the Trustee or Registrar shall dispose of all Notes surrendered for transfer, exchange, payment or cancellation in accordance with its customary procedures. Subject to Section 2.07, the Issuer may not issue new Notes to replace Notes that it has paid or delivered to the Trustee for cancellation. If the Issuer shall acquire any of the Notes, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Notes unless and until the same are surrendered to the Trustee for cancellation pursuant to this Section 2.11.

SECTION 2.12. Defaulted Interest.

If the Issuer defaults in a payment of interest, if any, on the Notes, they shall pay the defaulted interest, plus (to the extent lawful) any interest payable on the defaulted interest, in any lawful manner, in each case at the rate provided in the Notes and in Section 4.01 hereof. The Issuer may pay the defaulted interest to the persons who are Holders on a subsequent special record date, which date shall be the 15th day next preceding the date fixed by the Issuer for the payment of defaulted interest or the next succeeding Business Day if such date is not a Business Day. At least 15 days before any such subsequent special record date, the Issuer or, at the Issuer's request, the Trustee, shall deliver electronically or mail to each Holder, with a copy to the Trustee, a notice that states the subsequent special record date, the payment date and the amount of defaulted interest, and interest payable on such defaulted interest, if any, to be paid.

SECTION 2.13. CUSIP and ISIN Numbers.

The Issuer in issuing the Notes may use "CUSIP" or "ISIN" numbers, and if so, the Trustee shall use the "CUSIP" or "ISIN" numbers in notices of redemption or exchange as a convenience to Holders; *provided, however*, that any such notice may state that no representation is made as to the correctness or accuracy of the "CUSIP" or "ISIN" numbers printed in the notice or on the Notes, and that reliance may be placed only on the other identification numbers printed on the Notes, and any such redemption shall not be affected by any defect in or omission of such numbers. The Issuer shall promptly notify the Trustee in writing of any change in the "CUSIP" or "ISIN" numbers.

SECTION 2.14. Deposit of Moneys.

Subject to Section 2 of the Notes, prior to 12:00 p.m. New York City time on each Interest Payment Date, Maturity Date or Redemption Date, the Issuer shall have deposited with the Paying Agent in immediately available funds money sufficient to make cash payments, if any, due on such Interest Payment Date, Maturity Date or Redemption Date, as the case may be, in a timely manner which permits the Paying Agent to remit payment to the Holders on such Interest Payment Date, Maturity Date or Redemption Date, as the case may be.

SECTION 2.15. Book-Entry Provisions for Global Notes.

(a) The Global Notes initially shall (i) be registered in the name of the Depository or the nominee of the Depository, (ii) be delivered to the Trustee as custodian for the Depository and (iii) bear legends as set forth in Exhibit B, as applicable.

Members of, or participants in, the Depository ("**Participants**") shall have no rights under this Indenture with respect to any Global Note held on their behalf by the Depository, or the Trustee as its custodian, or under the Global Note, and the Depository may be treated by the Issuer, the Trustee and any agent of the Issuer or the Trustee as the absolute owner of the Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Issuer, the Trustee or any agent of the Issuer or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depository or impair, as between the Depository and Participants, the operation of customary practices governing the exercise of the rights of a Holder of any Note.

(b) Transfers of Global Notes shall be limited to transfers in whole, but not in part, to the Depository, its successors and their respective nominees. Interests of Beneficial Owners in the Global Notes may be transferred or exchanged for Physical Notes in accordance with the rules and procedures of the Depository and the provisions of Section 2.16. In addition, Physical Notes shall be transferred to all



Beneficial Owners in exchange for their beneficial interests in Global Notes if (i) (a) the Depository notifies the Issuer that it is unwilling or unable to act as Depository for any Global Note or (b) has ceased to be a clearing agency registered under the Exchange Act, and the Issuer so notify the Trustee in writing and a successor Depository is not appointed by the Issuer within 90 days of such notice or (ii) an Event of Default has occurred and is continuing and the Registrar has received a request from any owner of a beneficial interest in a Global Note to issue Physical Notes. Upon any issuance of a Physical Note in accordance with this Section 2.15(b) and upon receipt of a written instruction from the Issuer, the Trustee shall register such Physical Note in the name of, and shall cause the same to be delivered to, such person or persons (or the nominee of any thereof). All such Physical Notes shall bear the applicable legends, if any.

(c) In connection with any transfer or exchange of a portion of the beneficial interest in a Global Note to Beneficial Owners pursuant to Section 2.15(b), the Registrar shall (if one or more Physical Notes are to be issued) reflect on its books and records the date and a decrease in the principal amount of such Global Note in an amount equal to the principal amount of the beneficial interest in the Global Note to be transferred, and the Issuer shall execute, and the Trustee shall authenticate and deliver, one or more Physical Notes of authorized denominations in an aggregate principal amount equal to the principal amount of the beneficial interest in the Global Note so transferred.

(d) In connection with the transfer of a Global Note as an entirety to Beneficial Owners pursuant to Section 2.15(b), such Global Note shall be deemed to be surrendered to the Trustee for cancellation, and (i) the Issuer shall execute and (ii) the Trustee shall upon written instructions from the Issuer authenticate and deliver, to each Beneficial Owner identified by the Depository in exchange for its beneficial interest in such Global Note, an equal aggregate principal amount of Physical Notes of authorized denominations.

(e) [Reserved]

(f) The Holder of any Global Note may grant proxies and otherwise authorize any Person, including Participants and Persons that may hold interests through Participants, to take any action which a Holder is entitled to take under this Indenture or the Notes.

#### SECTION 2.16. Special Transfer and Exchange Provisions.

(a) [Reserved].

(b) [Reserved].

(c) [Reserved].

(d) [Reserved].

(e) Restrictions on Transfer and Exchange of Global Notes. Notwithstanding any other provisions of this Indenture, a Global Note may not be transferred as a whole except by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository.

(f) [Reserved].

(g) General. The Registrar shall retain copies of all letters, notices and other written communications received pursuant to Section 2.15 or Section 2.16. The Issuer shall have the right to inspect and make copies of all such letters, notices or other written communications at any reasonable time upon the giving of reasonable written notice to the Registrar.

The Issuer and the Registrar are not required to transfer or exchange any Note selected for redemption, except the unredeemed portion of any Note being redeemed in part.

In connection with any proposed exchange of a Global Note for a Physical Note, the Issuer or the Depository shall provide or cause to be provided to the Trustee all information reasonably requested by the Trustee that is necessary to allow the Trustee to comply with any applicable tax reporting obligations. The Trustee may rely on information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

The Trustee shall have no responsibility for the actions or omissions of the Depository, or the accuracy of the books and records of the Depository.

(h) Cancellation and/or Adjustment of Global Note. At such time as all beneficial interests in a particular Global Note have been exchanged for Physical Notes or a particular Global Note has been redeemed, repurchased or canceled in whole and not in part, each such Global Note shall be returned to or retained and canceled by the Trustee in accordance with Section 2.11 hereof. At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for or transferred to a Person who shall take delivery thereof in the form of a beneficial interest in another Global Note or for Physical Notes, the principal amount of Notes represented by such Global Note shall be reduced accordingly and an endorsement shall be made on such Global Note by the Trustee or by the Depository at the direction of the Trustee to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who shall take delivery thereof in the form of a beneficial interest in another Global Note, such other Global Note shall be increased accordingly and an endorsement shall be made on such Global Note by the Trustee or by the Depository at the direction of the Trustee to reflect such increase.

#### SECTION 2.17. Persons Deemed Owners.

Prior to due presentment of a Note for registration of transfer, the Issuer, the Trustee, any Paying Agent, any co-registrar and any Registrar may deem and treat the person in whose name any Note shall be registered upon the register of Notes kept by the Registrar as the absolute owner of such Note (whether or not such Note shall be overdue and notwithstanding any notation of the ownership or other writing thereon made by anyone other than the Issuer, any co-registrar or any Registrar) for the purpose of receiving all payments with respect to such Note and for all other purposes, and neither the Issuer, the Trustee, any Paying Agent, any co-registrar or any Registrar shall be affected by any notice to the contrary.

#### SECTION 2.18. Additional Notes.

The Issuer may issue additional Notes having identical terms and conditions to the Notes issued on the Issue Date, other than with respect to the date of issuance, the issue price and the date from which interest first begins to accrue (the “**Additional Notes**”). The Notes issued on the Issue Date and any Additional Notes subsequently issued shall be treated as a single class for all purposes under this Indenture (except that any series of Notes that is not fungible with the Notes issued on the Issue Date for U.S. Federal income tax purposes may be treated for purposes of the provisions of this Indenture relating to transfer and exchange as a separate class that does not trade fungibly with Notes that have differing treatment under U.S. Federal income tax law and will be assigned a different CUSIP or other identification number).

ARTICLE THREE

REDEMPTION

SECTION 3.01. Notices to Trustee.

If the Issuer elects to redeem Notes pursuant to Section 5 of the Notes, it shall notify the Trustee in writing of the Redemption Date, the Redemption Price and the principal amount of Notes to be redeemed. The Issuer shall give notice of redemption to the Trustee at least 15 days but not more than 60 days before the Redemption Date (except that a notice issued in connection with a redemption referred to in Article Eight may be more than 60 days before such Redemption Date), together with such documentation and records as shall enable the Trustee to select the Notes to be redeemed.

SECTION 3.02. Selection of Notes To Be Redeemed.

If less than all of the Notes are to be redeemed at any time, the Trustee shall select Notes for redemption as follows:

(x) if the Notes are listed on any national securities exchange, in compliance with the requirements of the principal national securities exchange on which the Notes are listed; or

(y) if the Notes are not listed on any national securities exchange, on a pro rata basis, by lot or by such method in accordance with the Trustee's customary procedures (or, in the case of Notes issued in global form based on the method required by the Depository, if it is not so required, a method that most nearly approximates a pro rata selection in accordance with the Trustee's customary procedures).

The Trustee shall promptly notify the Issuer in writing of the Notes selected for redemption and, in the case of any Note selected for partial redemption, the principal amount at maturity thereof to be redeemed or purchased.

SECTION 3.03. Notice of Redemption.

(a) At least 15 days but not more than 60 days before a Redemption Date (except that a notice issued in connection with a redemption referred to in Article Eight may be more than 60 days before such Redemption Date), the Issuer shall deliver electronically or mail or cause to be delivered electronically or mailed a notice of redemption by first class mail, postage prepaid, to each Holder whose Notes are to be redeemed at its registered address. Each notice for redemption shall identify the Notes (including the CUSIP or ISIN number) to be redeemed and shall state:

- (1) the Redemption Date;
- (2) the Redemption Price and the amount of accrued interest, if any, to be paid;
- (3) the name and address of the Paying Agent;

(4) that Notes called for redemption must be surrendered to the Paying Agent to collect the Redemption Price plus accrued interest, if any;

(5) that, unless the Issuer defaults in making the redemption payment, interest on Notes called for redemption ceases to accrue on and after the Redemption Date, and the only remaining right of the Holders of such Notes is to receive payment of the Redemption Price upon surrender to the Paying Agent of the Notes redeemed;

(6) if any Note is being redeemed in part, the portion of the principal amount at maturity of such Note to be redeemed and that, after the Redemption Date, and upon surrender and cancellation of such Note, a new Note or Notes in aggregate principal amount equal to the unredeemed portion thereof shall be issued in the name of the Holder thereof; *provided* that each new Note will be in a minimum principal amount of \$25 or an integral multiple of \$25 in excess thereof;

(7) if fewer than all the Notes are to be redeemed, the identification of the particular Notes (or portion thereof) to be redeemed, as well as the aggregate principal amount of Notes to be redeemed and the aggregate principal amount of Notes to be outstanding after such partial redemption; and

(8) the Section of the Notes or this Indenture, as applicable, pursuant to which the Notes are to be redeemed.

The notice, if given in a manner herein provided, shall be conclusively presumed to have been given, whether or not the Holder receives such notice. In any case, failure to give such notice by mail or any defect in the notice to the Holder of any Note designated for redemption in whole or in part shall not affect the validity of the proceedings for the redemption of any other Note. In connection with any redemption of the Notes, any such redemption may, at the Issuer's discretion, be subject to one or more conditions precedent. In addition, if such redemption or notice of redemption is subject to one or more conditions precedent, such notice shall state that, in the Issuer's discretion, the Redemption Date may be delayed until such time as any or all of such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the Redemption Date, or by the Redemption Date so delayed. If any such condition precedent has not been satisfied, the Issuer shall provide written notice to the Trustee prior to the close of business two Business Days prior to the Redemption Date. Upon receipt of such notice, the notice of redemption shall be rescinded or delayed, and the redemption of the Notes shall be rescinded or delayed as provided in such notice. Upon receipt, the Trustee shall provide such notice to each Holder in the same manner in which the notice of redemption was given.

(b) At the Issuer's request, the Trustee shall give the notice of redemption to each Holder in the Issuer's name and at its expense; *provided, however*, that the Issuer shall have delivered to the Trustee, at least 30 days prior to the Redemption Date (unless a shorter time period is agreed to by the Trustee), an Officer's Certificate requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in Section 3.03(a). The notice, if given in the manner provided herein, shall be presumed to have been given, whether or not the Holder receives such notice.

SECTION 3.04. Effect of Notice of Redemption.

Once notice of redemption is given in accordance with Section 3.03, Notes called for redemption become due and payable on the Redemption Date and at the Redemption Price plus accrued interest, if any, subject to the satisfaction of any conditions precedent. Upon surrender to the Trustee or Paying Agent, such Notes called for redemption shall be paid at the Redemption Price (which shall include accrued interest, if any, thereon to, but not including, the Redemption Date), but installments of interest, the maturity of which is on or prior to the Redemption Date, shall be payable to Holders of record at the close of business on the relevant Record Dates. On and after the Redemption Date, interest, if any, shall cease to accrue on Notes or portions thereof called for redemption unless the Issuer has not complied with its respective obligations pursuant to Section 3.05 or any conditions precedent are not satisfied. Failure to give notice or any defect in the notice to any Holder shall not affect the validity of the notice to any other Holder.

SECTION 3.05. Deposit of Redemption Price.

On or before 12:00 p.m. New York time on the Redemption Date, the Issuer shall deposit with the Paying Agent U.S. Legal Tender sufficient to pay the Redemption Price plus accrued and unpaid interest, if any, of all Notes (or portions thereof) to be redeemed on that date. The Trustee or the Paying Agent shall promptly return to the Issuer after the Redemption Date any money deposited with the Trustee or the Paying Agent by the Issuer in excess of the amounts necessary to pay the Redemption Price (including accrued and unpaid interest, if any) for all Notes to be redeemed. In addition, so long as no payment Default or Event of Default has occurred and is continuing, all money, if any, earned on funds held by the Paying Agent shall be remitted to the Issuer to the extent not applied to payments on the Notes.

SECTION 3.06. Notes Redeemed in Part.

If any Note is to be redeemed in part only, the notice of redemption that relates to such Note shall state the portion of the principal amount thereof to be redeemed. A new Note or Notes in principal amount equal to the unredeemed portion of the original Note or Notes shall be issued in the name of the Holder thereof upon surrender and cancellation of the original Note or Notes; *provided* that each new Note will be in a minimum principal amount of \$25 or an integral multiple of \$25 in excess thereof.

SECTION 3.07. Optional Redemption.

The Notes shall be optionally redeemable as set forth in Section 5 of the Notes. Any such redemption shall be made in accordance with the provisions of this Article Three. The Issuer shall not be required to make mandatory redemption or sinking fund payments with respect to the Notes.

ARTICLE FOUR

COVENANTS

SECTION 4.01. Payment of Notes.

The Issuer shall pay the principal of (and premium, if any) and interest on the Notes in the manner provided in the Notes and this Indenture. An installment of principal of, or interest, if any, on, the Notes shall be considered paid on the date it is due if the Trustee or Paying Agent, other than the Issuer or a subsidiary of the Issuer, (or if the Issuer or any of its subsidiaries is the Paying Agent, the segregated account or separate trust fund maintained by the Issuer or such subsidiary pursuant to Section 2.04) holds on that date as of 12:00 p.m. New York City time U.S. Legal Tender designated for and sufficient to pay the installment. Interest on the Notes shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

The Issuer shall pay interest on overdue principal (including, without limitation, post-petition interest in a proceeding under any Bankruptcy Law), and overdue interest, if any, to the extent lawful, at the same rate *per annum* borne by the Notes.

SECTION 4.02. Maintenance of Office or Agency.

The Issuer shall maintain the office required under Section 2.03 (which may be an office of the Trustee or an affiliate of the Trustee or Registrar). The Issuer shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Issuer shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the address of the Trustee set forth in Section 13.02; *provided* that the office or agency of the Trustee shall not be an office or agency of the Issuer for the purposes of service of legal process against the Issuer, which service of legal process agent shall be as provided in Section 13.15.

The Issuer may also from time to time designate one or more other offices or agencies where the Notes may be presented for payment or surrendered for any or all such purposes and may from time to time rescind such designations. The Issuer shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Issuer hereby designate the Corporate Trust Office of the Trustee as one such office or agency of the Issuer in accordance with Section 2.03 of this Indenture.

SECTION 4.03. [Reserved].

SECTION 4.04. [Reserved].

SECTION 4.05. [Reserved].

SECTION 4.06. Compliance Certificate; Notice of Default.

(a) The Issuer shall deliver to the Trustee, within 165 days after the close of each fiscal year, an Officer's Certificate signed by its chief executive officer, chief financial officer or chief accounting officer, stating that a review of the activities of the Issuer, has been made under the supervision of the signing Officer with a view to determining whether the Issuer has kept, observed, performed and fulfilled its obligations under this Indenture and further stating, as to each such Officer signing such certificate, that to the best of such Officer's actual knowledge, the Issuer during such preceding fiscal year has kept, observed, performed and fulfilled its obligations under this Indenture in all material respects and as of the date of such certificate, there is no Default or Event of Default that has occurred and is or, if such signing Officer does know of such Default or Event of Default, the certificate shall specify such Default or Event of Default and what action, if any, the Issuer is taking or proposes to take with respect thereto. The Officer's Certificate shall also notify the Trustee should the Issuer elect to change the manner in which it fixes its fiscal year end.

(b) The Issuer shall deliver to the Trustee as promptly as practicable and in any event within 30 days after the Issuer (or any of its Officers) becomes aware of the occurrence of any Default an Officer's Certificate specifying the Default or Event of Default and what action, if any, the Issuer is taking or proposes to take with respect thereto.

SECTION 4.07. [Reserved].

SECTION 4.08. [Reserved].

SECTION 4.09. [Reserved].

SECTION 4.10. [Reserved].

SECTION 4.11. [Reserved].

SECTION 4.12. [Reserved].

SECTION 4.13. [Reserved].

SECTION 4.14. [Reserved].

SECTION 4.15. [Reserved].

SECTION 4.16. [Reserved].

SECTION 4.17. Reports to Holders.

(a) The Issuer shall deliver to the Trustee, within 15 days after it files the same with the SEC, copies of the annual reports and the information, documents and other reports (or copies of those portions of any of the foregoing as the Commission may by rules and regulations prescribe) that the Issuer is required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act. The Issuer shall also comply with the provisions of TIA Section 314(a).

(b) Notwithstanding the foregoing, the Issuer will be deemed to have furnished in compliance with this Section 4.17 such reports referred to in Section 4.17(a) to the Trustee and the Holders if the Issuer has filed such reports with the Commission via the EDGAR filing system and such reports are publicly available.

(c) The Trustee shall have no responsibility for the filing, timeliness or content of reports.

(d) Delivery of the reports, information and documents in accordance with this covenant shall satisfy the Issuer's obligation to make such delivery, but, in the case of the Trustee, such delivery shall be for informational purposes only, and the Trustee's receipt of such reports, information and documents shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's compliance with any of its covenants (as to which the Trustee is entitled to conclusively rely on an Officers' Certificate).

SECTION 4.18. [Reserved].

SECTION 4.19. [Reserved].

SECTION 4.20. Payment of Additional Amounts.

(a) All payments made by the Issuer under or with respect to the Notes shall be made free and clear of and without withholding or deduction for or on account of any present or future Taxes imposed or levied by or on behalf of any Taxing Authority in any jurisdiction in which the Issuer is organized or is otherwise resident for tax purposes, or any jurisdiction from or through which payment is made (each, a "**Relevant Taxing Jurisdiction**"), unless the Issuer is required to withhold or deduct Taxes by law or by the official interpretation or administration thereof.



(b) If the Issuer is required to withhold or deduct any amount for or on account of Taxes imposed by a Relevant Taxing Jurisdiction from any payment made under or with respect to the Notes, the Issuer shall pay such additional amounts (“**Additional Amounts**”) as may be necessary so that the net amount received by each Holder (including Additional Amounts) after such withholding or deduction shall equal the amount the Holder would have received if such Taxes had not been withheld or deducted; *provided, however*, that no Additional Amounts shall payable with respect to any Tax:

(1) that would not have been imposed, payable or due but for the existence of any present or former connection between the Holder (or the Beneficial Owner of, or person ultimately entitled to obtain an interest in, such Notes) and the Relevant Taxing Jurisdiction (including being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) other than the mere holding of the Notes or enforcement of rights under such Note or the receipt of payments in respect of such Note;

(2) that would not have been imposed, payable or due but for the failure to satisfy any certification, identification or other reporting requirements whether imposed by statute, treaty, regulation or administrative practice; *provided, however*, that the Issuer has delivered a request to the Holder to comply with such requirements at least 30 days prior to the date by which such compliance is required;

(3) that would not have been imposed, payable or due if the presentation of Notes (where presentation is required) for payment had occurred within 30 days after the date such payment was due and payable or was duly provided for, whichever is later;

(4) subject to Section 4.20(e), that is an estate, inheritance, gift, sales, excise, transfer or personal property tax, assessment or charge; or

(5) as a result of a combination of the foregoing clauses (1) through (4).

In addition, Additional Amounts shall not be payable if the Beneficial Owner of, or person ultimately entitled to obtain an interest in, such Notes had been the Holder and such Beneficial Owner would not be entitled to the payment of Additional Amounts by reason of clause (1), (2), (3), (4) or (5) above. In addition, Additional Amounts shall not be payable with respect to any Tax which is payable otherwise than by withholding from any payment under, or in respect of the Notes.

(c) Whenever in this Indenture or the Notes there is mentioned, in any context, the payment of amounts based upon the principal amount of the Notes or of principal, premium, if any, interest, if any, or of any other amount payable under or with respect to any Note, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

(d) Upon request, the Issuer shall provide the Trustee with documentation satisfactory to the Trustee evidencing the payment of Additional Amounts.

(e) The Issuer shall pay any present or future stamp, court or documentary taxes, or any similar taxes, charges or levies which arise in any Relevant Taxing Jurisdiction from the execution, delivery or registration of the Notes, this Indenture or any other document or instrument referred to therein, or the receipt of any payments with respect to or enforcement of, the Notes.

(f) Notwithstanding anything to the contrary contained in this Indenture, the Issuer may, to the extent required to do so by law, deduct or withhold income or other similar taxes imposed by the United States of America from any payments under this Indenture; *provided* that the foregoing shall not limit the obligation of the Issuer to pay Additional Amounts as set forth in this Section 4.20.

## ARTICLE FIVE

### SUCCESSOR CORPORATION

SECTION 5.01. [Reserved].

SECTION 5.02. Successor Substituted.

Upon any consolidation or merger of the Issuer with and into another Person, the successor formed by such consolidation or into or with which the Issuer is merged (if not the Issuer itself) shall succeed to, and may exercise every right and power of, the Issuer under this Indenture with the same effect as if such successor had been named as the Issuer herein and shall be substituted for the Issuer (so that from and after the date of such consolidation or merger, the provisions of this Indenture referring to the "Issuer," shall refer instead to the successor and not to the Issuer). Upon receipt of the documents required by Sections 9.06 and 13.04, the Trustee shall enter into a supplemental indenture to evidence the succession and substitution of such successor.

## ARTICLE SIX

### DEFAULT AND REMEDIES

SECTION 6.01. Events of Default.

Each of the following is an "**Event of Default**":

- (1) default by the Issuer for 30 consecutive days in the payment when due and payable of interest and Additional Amounts, if any, on the Notes;
- (2) default by the Issuer in the payment when due and payable of the principal of or premium, if any, on the Notes; and
- (3) the Issuer as debtor in an involuntary case, pursuant to or within the meaning of any Bankruptcy Law:
  - (a) commences a voluntary case or proceeding,
  - (b) consents to the entry of an order for relief or decree against it in an involuntary case or proceeding,
  - (c) consents to the appointment of a Custodian of it or for all or substantially all of its assets, or
  - (d) makes a general assignment for the benefit of its creditors;

- (e) admits in writing its inability to pay its debts generally as they become due; or
- (f) files a petition or answer or consent seeking reorganization or relief; and
- (4) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that
  - (a) is for relief against the Issuer as debtor in an involuntary case or proceeding;
  - (b) appoints a Custodian of the Issuer or a Custodian for all or substantially all of the assets of the Issuer or adjudges any such entity or group a bankrupt or insolvent or approves as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of such entity or group; or
  - (c) orders the winding up or liquidation of the Issuer;

and the order or decree remains unstayed and in effect for 60 consecutive days.

**SECTION 6.02. Acceleration.**

In the case of an Event of Default specified in clause (3) or (4) of Section 6.01, all outstanding Notes shall become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee, by written notice to the Issuer, or the Holders of at least 30% in principal amount of the then outstanding Notes, by written notice to the Trustee and the Issuer, may declare all the Notes to be due and payable. Any such notice from the Trustee or Holders shall specify the applicable Event(s) of Default and state that such notice is a “**Notice of Acceleration.**” Upon such declaration of acceleration pursuant to a Notice of Acceleration, the aggregate principal of and accrued and unpaid interest, if any, on the outstanding Notes shall become due and payable without further action or notice.

**SECTION 6.03. Other Remedies.**

If a Default occurs and is continuing, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the payment of principal of, or interest, if any, on, the Notes or to enforce the performance of any provision of the Notes or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative to the extent permitted by law.

**SECTION 6.04. Waiver of Past Defaults.**

Subject to Sections 2.09, 6.07 and 9.02, the Holders of a majority in principal amount of the outstanding Notes (which may include consents obtained in connection with a tender offer or exchange offer of Notes) by notice to the Trustee may rescind an acceleration or waive an existing Default or Event of Default and its consequences, except a continuing Default or Event of Default in the payment of principal of, or interest or premium on, any Note as specified in Section 6.01(1) or (2). In case of any such rescission or

waiver, the Issuer, the Trustee and the Holders shall be restored to their former positions and rights hereunder and under the Notes, respectively. Upon any such rescission or waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such rescission or waiver shall extend to any subsequent or other Default or impair any right consequent thereto.

SECTION 6.05. Control by Majority.

The Holders of not less than a majority in principal amount of the then outstanding Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. Subject to Section 7.01, however, the Trustee may refuse to follow any direction that conflicts with any law or this Indenture, that the Trustee determines in good faith may be unduly prejudicial to the rights of another Holder (it being understood that the Trustee does not have an affirmative duty to ascertain whether or not such directions are unduly prejudicial to such Holders), or that may involve the Trustee in personal liability; *provided* that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

In the event the Trustee takes any action or follows any direction pursuant to this Indenture, the Trustee shall be entitled to security or indemnification satisfactory to the Trustee against any loss, liability or expense that may be caused by taking such action or following such direction.

SECTION 6.06. Limitation on Suits.

No Holder shall have any right to institute any proceeding with respect to this Indenture or the Notes or for any remedy hereunder or thereunder, unless:

- (1) an Event of Default has occurred and is continuing and such Holder has previously given the Trustee written notice that an Event of Default is continuing;
- (2) Holders of at least 30% in aggregate principal amount of the outstanding Notes have requested in writing the Trustee to pursue the remedy;
- (3) such Holders have offered and, if requested, provided the Trustee security or indemnity satisfactory to the Trustee against any loss, liability or expense in complying with such request;
- (4) the Trustee has not complied with such request within 60 days after the receipt thereof and the offer or provision of security or indemnity; and
- (5) Holders of a majority in aggregate principal amount of the outstanding Notes have not given the Trustee a written direction inconsistent with such request within such 60-day period.

However, such limitations shall not apply to a suit instituted by a Holder of any Note for enforcement of payment of the principal of or interest or premium (if any) on, such Note on or after the due date therefor.

A Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over such other Holder (it being understood that the Trustee does not have an affirmative duty to ascertain whether or not such actions or forbearances are unduly prejudicial to such Holders).

SECTION 6.07. Rights of Holders To Receive Payment.

Notwithstanding any other provision of this Indenture, the right of any Holder to receive payment of principal of, and interest, if any, on, a Note, on or after the respective due dates therefor, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of the Holder except to the extent that the institution or prosecution of such suit or the entry of judgment therein would, under applicable law, result in the surrender, impairment or waiver of the lien of this Indenture.

SECTION 6.08. Collection Suit by Trustee.

If an Event of Default in payment of principal, interest or premium specified in Section 6.01(1) or (2) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Issuer or any other obligor on the Notes for the whole amount of principal, premium and accrued interest (if any) and fees remaining unpaid, together with interest, if any, on overdue principal and, to the extent that payment of such interest is lawful, interest on overdue installments of interest, in each case at the rate *per annum* borne by the Notes and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee (acting in any capacity hereunder), its agents and counsel.

SECTION 6.09. Trustee May File Proofs of Claim.

The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders allowed in any judicial proceedings relating to the Issuer, its creditors or its property and shall be entitled and empowered to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same, and any Custodian in any such judicial proceedings is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agent and counsel, and any other amounts due the Trustee under Section 7.07. To the extent that payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due to the Trustee under Section 7.07 hereof out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties that the Holders may be entitled to receive in such proceedings whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding. The Trustee shall be entitled to participate as a member of any official committee of creditors in the matters as it deems necessary or advisable.

SECTION 6.10. Priorities.

If the Trustee collects any money or property pursuant to this Article Six or any other provision of this Indenture, it shall pay out the money or property in the following order:

*First:* to the Trustee for amounts due under Section 7.07;

*Second:* to Holders for interest accrued on the Notes, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for interest;

*Third:* to Holders for principal amounts due and unpaid on the Notes and Additional Amounts, if any, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal and premium;

*Fourth:* without duplication, to the Holders, for any other obligations due to them hereunder or under the Notes, *pro rata* based on the amounts of such obligations; and

*Fifth:* to the Issuer or as otherwise directed by a court of competent jurisdiction.

The Trustee, upon prior written notice to the Issuer, may fix a record date and payment date for any payment to Holders pursuant to this Section 6.10.

#### SECTION 6.11. Undertaking for Costs.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 shall not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.07, or a suit by a Holder or Holders of more than 10% in principal amount of the outstanding Notes.

## ARTICLE SEVEN

### TRUSTEE

#### SECTION 7.01. Duties of Trustee.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) Except during the continuance of an Event of Default:

(1) the Trustee need perform only those duties as are specifically set forth herein or in the Trust Indenture Act and no duties, covenants, responsibilities or obligations shall be implied in this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates (including Officer's Certificates) or opinions (including Opinions of Counsel) furnished to the Trustee and conforming to the requirements of this Indenture. However, in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein).

(c) Notwithstanding anything to the contrary herein, the Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(1) this paragraph does not limit the effect of Section 7.01(b);

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05.

(d) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or to take or omit to take any action under this Indenture or take any action at the request or direction of Holders if it shall have reasonable grounds for believing that repayment of such funds is not assured to it.

(e) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to this Section 7.01.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Issuer. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

(g) In the absence of negligence or willful misconduct on the part of the Trustee, the Trustee shall not be responsible for the application of any money by any Paying Agent other than the Trustee.

(h) [Reserved]

#### SECTION 7.02. Rights of Trustee.

(a) The Trustee may conclusively rely, and shall be protected in acting or refraining from acting, upon any Board Resolution, certificate (including any Officer's Certificate), statement, instrument, opinion (including any Opinion of Counsel), notice, request, direction, consent, order, bond, debenture, or other paper or document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officer's Certificate and/or an Opinion of Counsel, which shall conform to the provisions of Section 13.05 (*provided* that no Opinion of Counsel shall be required in connection with the initial issuance of Notes on the Issue Date). The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officer's Certificate or Opinion of Counsel.

(c) The Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.



(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it reasonably believes to be authorized or within its rights or powers under this Indenture; *provided, however*, that the Trustee's conduct does not constitute willful misconduct or negligence.

(e) The Trustee may consult with counsel of its selection and the advice or opinion of such counsel as to matters of law shall be full and complete authorization and protection from liability in respect of any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

(f) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture whether on its own motion or at the request, order or direction of any of the Holders pursuant to the provisions of this Indenture, unless such Holders shall have offered and, if requested, provided to the Trustee security or indemnity satisfactory to the Trustee against the costs, expenses and liabilities which may be incurred therein or thereby.

(g) The Trustee shall not be bound to make any investigation into the facts or matters stated in any Board Resolution, certificate (including any Officer's Certificate), statement, instrument, opinion (including any Opinion of Counsel), notice, request, direction, consent, order, bond, debenture, or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled, upon reasonable notice to the Issuer, to examine the books, records, and premises of the Issuer, personally or by agent or attorney at the sole cost of the Issuer.

(h) The Trustee shall not be required to give any bond or surety in respect of the performance of its powers and duties hereunder.

(i) The permissive rights of the Trustee to do things enumerated in this Indenture shall not be construed as duties.

(j) Except with respect to Section 4.01 (if the Trustee is the Paying Agent) and Section 4.06, the Trustee shall have no duty to inquire as to the performance of the Issuer with respect to the covenants contained in Article Four. In addition, the Trustee shall not be deemed to have knowledge of a Default or Event of Default except (i) any Default or Event of Default occurring pursuant to Section 6.01(1) or 6.01(2), if the Trustee is the Paying Agent, or (ii) any Default or Event of Default of which the Trustee shall have received written notification.

(k) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee as Trustee, Registrar and Paying Agent, and to each agent, custodian and other Person employed to act hereunder.

(l) In no event shall the Trustee be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(m) The Trustee may request that the Issuer deliver a certificate in the form of Exhibit C setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture.

(n) For certain payments made pursuant to this Indenture, the Trustee may be required to make a “reportable payment” or “withholdable payment” and in such cases the Trustee shall have the duty to act as a payor or withholding agent, respectively, that is responsible for any tax withholding and reporting required under the United States Internal Revenue Code of 1986, as amended (the “Code”). The Trustee shall have the sole right to make the determination as to which payments are “reportable payments” or “withholdable payments.” All parties to this Indenture shall provide an executed IRS Form W-9 or appropriate IRS Form W-8 (or, in each case, any successor form) to the Trustee on or prior to the date hereof, and shall promptly update any such form to the extent such form becomes obsolete or inaccurate in any respect. The Trustee shall have the right to request from any party to this Indenture, or any other person or entity entitled to payment hereunder, any additional forms, documentation or other information as may be reasonably necessary for the Trustee to satisfy their respective reporting and withholding obligations under the Code. To the extent any such forms required to be delivered under this Section 7.02(n) are not provided by the time the related payment is required to be made or are reasonably determined by the Trustee to be incomplete and/or inaccurate in any material respect, the Trustee shall be entitled to withhold on any such payments to the extent withholding is required under Chapters 3, 4, 24 or 61 of the Code, and shall have no obligation to gross up any such payment. The Trustee shall not be responsible for any tax withholding and reporting required pursuant to the laws of any country other than the United States of America.

(o) Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Notes.

#### SECTION 7.03. Individual Rights of Trustee.

The Trustee may become the owner or pledgee of Notes and may otherwise deal with the Issuer, its subsidiaries or its respective Affiliates with the same rights it would have if it were not Trustee. However, in the event that the Trustee acquires any conflicting interest it must eliminate such conflict within 90 days or resign. Any Agent may do the same with like rights. However, the Trustee must comply with Sections 7.10 and 7.11.

#### SECTION 7.04. Disclaimer of Trustee.

The Trustee shall not be responsible for and make no representation as to the validity or adequacy of this Indenture or the Notes covered thereby, and they shall not be accountable for the Issuer’s use of the proceeds from the Notes, and they shall not be responsible for any statement of the Issuer in this Indenture or any document issued in connection with the sale of Notes or any statement in the Notes other than the Trustee’s certificate of authentication. The Trustee makes no representations with respect to the effectiveness or adequacy of this Indenture.

#### SECTION 7.05. Notice of Default.

If a Default or Event of Default occurs and is continuing and the Trustee receives actual notice of such Default or Event of Default, the Trustee shall deliver electronically or mail to each Holder notice of the uncured Default or Event of Default within 90 days after such Default or Event of Default occurs or promptly after obtaining actual knowledge thereof, if later.

#### SECTION 7.06. Reports by Trustee to Holders.

Within 60 days after each March 1, beginning with March 1, 2020, the Trustee shall, to the extent that any of the events described in Trust Indenture Act § 313(a) occurred within the previous twelve months, but not otherwise, mail to each Holder a brief report dated as of such date that would be required by Trust Indenture Act § 313(a). The Trustee also shall comply with Trust Indenture Act §§ 313(b) and 313(c).

SECTION 7.07. Compensation and Indemnity.

The Issuer shall pay to the Trustee (acting in any capacity hereunder) from time to time such compensation as the Issuer and the Trustee shall from time to time agree in writing for its services rendered by it hereunder. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Issuer shall reimburse the Trustee promptly upon request for all reasonable disbursements, expenses and advances (including reasonable fees and expenses of counsel) incurred or made by it (acting in any capacity hereunder) in addition to the compensation for its services, except any such disbursements, expenses and advances as may be attributable to the Trustee's negligence or willful misconduct as finally adjudicated by a court of competent jurisdiction. Such expenses shall include the reasonable fees and expenses of the Trustee's agents and counsel.

The Issuer shall indemnify the Trustee (acting in any capacity hereunder) or any predecessor Trustee and its officers, directors, employees and agents for, and hold them harmless against, any and all loss, damage, claims, liability or reasonable expenses, including taxes (other than taxes based upon, measured by or determined by the income of such Person), liability or expense incurred by them except for such actions to the extent caused by any negligence or willful misconduct on their part as finally adjudicated by a court of competent jurisdiction, arising out of or in connection with the acceptance or administration of this trust including the reasonable costs and expenses of defending themselves against or investigating any claim or liability in connection with the exercise or performance of any of the Trustee's rights, powers or duties hereunder and including reasonable attorneys' fees and expenses and court costs incurred in connection with any action, claim or suit brought to enforce the Trustee's right to compensation, reimbursement or indemnification or this Section 7.07. The Trustee shall notify the Issuer promptly of any claim asserted against the Trustee or any of its agents for which it may seek indemnity. The Issuer shall defend the claim and the Trustee shall cooperate in the defense. The Trustee and its agents subject to the claim may have separate counsel and the Issuer shall pay the reasonable fees and expenses of such counsel. The Issuer need not pay for any settlement made without its written consent, which consent shall not be unreasonably withheld. The Issuer need not reimburse any expense or indemnify against any loss or liability to the extent incurred by the Trustee through the Trustee's negligence or willful misconduct under this Indenture as finally adjudicated by a court of competent jurisdiction.

To secure the Issuer's payment obligations in this Section 7.07, the Trustee shall have a lien prior to the Notes against all money or property held or collected by the Trustee, in its capacity as Trustee, except money or property held in trust to pay principal and interest on particular Notes.

Notwithstanding any other provision in this Indenture, the foregoing provisions of this Section 7.07 shall survive the satisfaction and discharge of this Indenture or the appointment of a successor Trustee.

When the Trustee incurs expenses or renders services after a Default specified in 6.01(3) or (4) occurs, such expenses and the compensation for such services shall be paid to the extent allowed under any Bankruptcy Law.

SECTION 7.08. Replacement of Trustee.

The Trustee may resign at any time upon 30 days' written notice to the Issuer in writing. The Holders of a majority in principal amount of the outstanding Notes may remove the Trustee upon 30 days written notice to the Issuer and the Trustee and may appoint a successor Trustee (which Trustee shall be reasonably acceptable to the Issuer). The Issuer may remove the Trustee if:

- (1) the Trustee fails to comply with Section 7.10;
- (2) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;
- (3) a receiver or other public officer takes charge of the Trustee or its property; or
- (4) the Trustee becomes incapable of acting as Trustee hereunder.

If the Trustee resigns or is removed or if a vacancy exists in the office of the Trustee for any reason, the Issuer shall notify each Holder of such event and shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the then outstanding Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Issuer.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Issuer. Immediately after that, the retiring Trustee shall transfer, after payment of all sums then owing to the Trustee pursuant to Section 7.07, all property held by it as Trustee hereunder to the successor Trustee, subject to the lien provided in Section 7.07, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. A successor Trustee shall deliver electronically or mail notice of its succession to each Holder. The retiring or removed Trustee shall have no responsibility or liability for the action or inaction of any successor Trustee.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Issuer or the Holders of at least 10% in principal amount of the outstanding Notes may petition, at the expense of the Issuer, any court of competent jurisdiction for the appointment of a successor Trustee at the expense of the Issuer.

If the Trustee fails to comply with Section 7.10, any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

Notwithstanding replacement of the Trustee pursuant to this Section 7.08, the Issuer's obligations under Section 7.07 shall continue for the benefit of the retiring Trustee.

#### SECTION 7.09. Successor Trustee by Merger, Etc.

If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business to, another Person, the successor Person, without any further act, shall, if such resulting, surviving or transferee Person is otherwise eligible hereunder, be the successor Trustee; *provided* that such Person shall be otherwise qualified and eligible under this Article Seven.

SECTION 7.10. Eligibility; Disqualification.

This Indenture shall always have a Trustee who satisfies the requirements of Trust Indenture Act §§ 310(a)(1), 310(a)(2), 310(a)(3) and 310(a)(5). The Trustee shall have a combined capital and surplus of at least \$50.0 million as set forth in its most recent published annual report of condition. The Trustee shall comply with Trust Indenture Act § 310(b); *provided, however*, that there shall be excluded from the operation of Trust Indenture Act § 310(b)(1) any indenture or indentures under which other securities, or certificates of interest or participation in other securities, of the Issuer are outstanding, if the requirements for such exclusion set forth in Trust Indenture Act § 310(b)(1) are met. The provisions of Trust Indenture Act § 310 shall apply to the Issuer and any other obligor of the Notes.

SECTION 7.11. Preferential Collection of Claims Against the Issuer.

The Trustee, in its capacity as Trustee hereunder, shall comply with Trust Indenture Act § 311(a), excluding any creditor relationship listed in Trust Indenture Act § 311(b). A Trustee who has resigned or been removed shall be subject to Trust Indenture Act § 311(a). The Trustee hereby waives any right to set-off any claim that it may have against the Issuer in any capacity (other than as Trustee, Paying Agent or any other role related to this Indenture) against any of the assets of the Issuer held by the Trustee under this Indenture.

ARTICLE EIGHT

SATISFACTION OR DISCHARGE OF INDENTURE; DEFEASANCE

SECTION 8.01. Termination of the Issuer's Obligations.

The Issuer may terminate their obligations under the Notes and this Indenture and this Indenture shall be discharged and shall cease to be of further effect as to all Notes issued hereunder and then outstanding, except those obligations referred to in the penultimate paragraph of this Section 8.01, when:

(1) either:

(a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from the trust, have been delivered to the Trustee for cancellation; or

(b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year or have been called for redemption pursuant to Section 5 of the Notes and the Issuer has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the Holders, cash or Cash Equivalents in U.S. dollars, non-callable Government Securities, or a combination thereof, in amounts as shall be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire indebtedness on the Notes not delivered to the Trustee for cancellation for principal and premium, if any, and accrued interest to the date of maturity or redemption;

(2) no Default or Event of Default has occurred and is continuing on the date of the deposit (other than an Event of Default resulting from the borrowing of funds to be applied to such deposit including the incurrence of liens in connection with such borrowings) and the deposit shall not result in a breach or violation of, or constitute a default under this Indenture;

(3) the Issuer has paid or caused to be paid all sums payable by them under this Indenture; and

(4) the Issuer has delivered irrevocable instructions to the Trustee under this Indenture to apply the deposited money toward the payment of the Notes at maturity or on the Redemption Date, as the case may be.

In addition, the Issuer must deliver an Officer's Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

In the case of clause (1)(b) of this Section 8.01, and subject to the next sentence and notwithstanding the foregoing paragraph, the Issuer's obligations in Sections 2.03, 2.05, 2.06, 2.07, 2.08, 2.12, 4.01, 4.02, 7.07, 8.06 and 8.08 shall survive until the Notes are no longer outstanding pursuant to the last paragraph of Section 2.08. After the Notes are no longer outstanding, the Issuer's obligations in Sections 7.07, 8.06 and 8.08 shall survive.

After the delivery of such documents by the Issuer, and, if required, irrevocable deposit of sufficient funds, the Trustee upon request shall acknowledge in writing the discharge of the Issuer's obligations under the Notes and this Indenture except for those surviving obligations specified above.

SECTION 8.02. Option to Effect Legal Defeasance or Covenant Defeasance.

The Issuer may, at the option of their Boards of Directors evidenced by a Board Resolution set forth in an Officer's Certificate, and at any time, elect to have either Section 8.03 or 8.04 applied to all outstanding Notes upon compliance with the conditions set forth in this Article Eight.

SECTION 8.03. Legal Defeasance.

Upon the Issuer's exercise under Section 8.02 of the option applicable to this Section 8.03, the Issuer shall, subject to the satisfaction of the conditions set forth in Section 8.05, be deemed to have been discharged from their obligations with respect to all outstanding Notes on the date the conditions set forth below are satisfied (hereinafter, "**Legal Defeasance**"). Such Legal Defeasance means that the Issuer shall be deemed to have paid and discharged the entire indebtedness represented by the outstanding Notes, which shall thereafter be deemed to be "outstanding" only for the purposes of Section 8.06 and the other Sections of this Indenture referred to in clauses (1) and (2) below, and to have satisfied all of their other obligations under such Notes and this Indenture (and the Trustee, on demand of and at the expense of the Issuer, shall execute such instruments reasonably requested by the Issuer acknowledging the same), except for the following provisions which shall survive until otherwise terminated or discharged hereunder:

(1) the rights of Holders of outstanding Notes to receive payments in respect of the principal of or interest or premium, if any, on such Notes when such payments are due from the trust referred to in Section 8.06;

(2) the Issuer's obligations with respect to the Notes under Article Two and Section 4.02;

(3) the rights, powers, trusts, duties, exemptions from liability, immunities and indemnities of the Trustee hereunder, and the Issuer's obligations in connection therewith; and

(4) this Article Eight.

Subject to compliance with this Article Eight, the Issuer may exercise their option under this Section 8.03 notwithstanding the prior exercise of their option under Section 8.04.

**SECTION 8.04. Covenant Defeasance.**

Upon the Issuer's exercise under Section 8.02 of the option applicable to this Section 8.04, the Issuer shall, subject to the satisfaction of the conditions set forth in Section 8.05, be released from each of their obligations under the covenants contained in Section 4 with respect to the outstanding Notes on and after the date the conditions set forth in Section 8.05 are satisfied (hereinafter, "**Covenant Defeasance**") and the Notes shall thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such Notes shall not be deemed outstanding for accounting purposes). For this purpose, Covenant Defeasance means that, with respect to the outstanding Notes, the Issuer may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply, shall not constitute a Default or an Event of Default under Section 6.01, but, except as specified above, the remainder of this Indenture and such Notes shall be unaffected thereby. In addition, upon the Issuer's exercise under 8.02 of the option applicable to this Section 8.04, subject to the satisfaction of the conditions set forth in Section 8.04, Section 6.01(3) and Section 6.01(4) shall not constitute Events of Default.

**SECTION 8.05. Conditions to Legal or Covenant Defeasance.**

In order to exercise either Legal Defeasance or Covenant Defeasance under either Sections 8.03 or 8.04:

(1) the Issuer must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders, cash in U.S. dollars, non-callable Government Securities, or a combination thereof, in amounts as shall be sufficient, without consideration of any reinvestment of interest, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of or interest and premium, if any, on the outstanding Notes on the stated maturity or on the applicable Redemption Date, as the case may be, and the Issuer must specify whether the Notes are being defeased to maturity or to a particular Redemption Date;

(2) in the case of an election under Section 8.03, the Issuer must deliver to the Trustee an Opinion of Counsel to the Trustee confirming that (a) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and shall be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of an election under Section 8.04, the Issuer must deliver to the Trustee an Opinion of Counsel to the Trustee confirming that the Holders of the outstanding Notes shall not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and shall be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;



(4) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from, or otherwise arising in connection with, the borrowing of funds to be applied to such deposit and the grant of any lien securing such borrowing);

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than this Indenture) to which the Issuer or any of its subsidiaries is a party or by which the Issuer or any of its subsidiaries is bound;

(6) the Issuer must deliver to the Trustee an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of preferring the Holders over the other creditors of the Issuer or any of its subsidiaries or with the intent of defeating, hindering, delaying or defrauding creditors of the Issuer or any of its subsidiaries or others; and

(7) the Issuer must deliver to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Notwithstanding the foregoing, the Opinion of Counsel required by clause (2) above with respect to an election under Section 8.03 need not be delivered if all Notes not theretofore delivered to the Trustee for cancellation shall become due and payable within one year under arrangements reasonably satisfactory to the Trustee for the giving of a notice of redemption by the Trustee in the name and at the expense of the Issuer.

If the funds deposited with the trustee to effect Covenant Defeasance are insufficient to pay the principal of and interest on the Notes when due, then the obligations of the Issuer under this Indenture will be revived and no such defeasance will be deemed to have occurred.

#### SECTION 8.06. Deposited Money and Government Securities To Be Held in Trust; Other Miscellaneous Provisions.

Subject to Section 8.07, all cash, Cash Equivalents and non-callable Government Securities (including the proceeds thereof) deposited with the Trustee (or other qualifying Trustee, collectively for purposes of this Section 8.06, the "**Trustee**") pursuant to Article Eight in respect of the outstanding Notes shall be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal, premium, if any, and interest, but such money need not be segregated from other funds except to the extent required by law.

The Issuer shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable Government Securities deposited pursuant to Section 8.05 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Notes.

Notwithstanding anything in this Article Eight to the contrary, the Trustee shall deliver or pay to the Issuer from time to time upon the request of the Issuer any money or non-callable Government Securities held by it as provided in Section 8.04 which, in the opinion of a firm of independent public accountants or any investment bank or appraisal firm, in each case nationally recognized in the United States expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 8.05(1)), are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

SECTION 8.07. Repayment to the Issuers.

Subject to applicable escheatment laws, any money deposited with the Trustee or any Paying Agent, in trust for the payment of the principal of, premium, if any, or interest on any Note and remaining unclaimed for two years after such principal, premium, if any, or interest has become due and payable shall promptly be paid to the Issuer on their written request or shall be discharged from such trust; and the Holder of such Note shall thereafter be permitted to look only to the Issuer for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Issuer as trustee thereof, shall thereupon cease.

SECTION 8.08. Reinstatement.

If the Trustee or Paying Agent is unable to apply any United States dollars or non-callable Government Securities in accordance with this Article Eight, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Issuer's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to this Article Eight until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with this Article Eight, as the case may be; *provided, however*, that (a) if the Issuer makes any payment of principal of, premium, if any, or interest on any Note following the reinstatement of its obligations, the Issuer shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money held by the Trustee or Paying Agent and (b) so long as no Event of Default has occurred and is continuing, unless otherwise required by any legal proceeding or any other order or judgment of any court or governmental authority, the Trustee or Paying Agent shall return all such money and U.S. obligations (in each case to the extent remaining in their possession) to the Issuer promptly after receiving a written request therefore at any time, if such reinstatement of the Issuer's obligations has occurred and continues to be in effect other than such money as has been applied to payment on the Notes.

The Issuer shall be entitled to cure any event resulting in the reinstatement of its obligations hereunder.

ARTICLE NINE

AMENDMENTS, SUPPLEMENTS AND WAIVERS

SECTION 9.01. Without Consent of Holders.

The Issuer and the Trustee, as applicable, may amend, waive, supplement or otherwise modify this Indenture and the Notes or any other agreement or instrument entered into in connection with this Indenture without notice to or consent of any Holder:

- (1) to cure any ambiguity, omission, mistake, defect or inconsistency;

- (2) to provide for uncertificated Notes in addition to or in place of certificated Notes;
- (3) to provide for the assumption of the Issuer's obligations to Holders in the case of a merger, amalgamation or consolidation;
- (4) to make any change that would provide any additional rights or benefits to the Holders or that does not materially adversely affect the legal rights under this Indenture of any such Holder as set forth in an Officer's Certificate delivered to the Trustee;
- (5) to comply with requirements of the Commission in order to effect or maintain the qualification of this Indenture under the Trust Indenture Act;
- (6) [Reserved];
- (7) to provide for the issuance of Additional Notes in accordance with the terms of this Indenture;
- (8) to evidence and provide for the acceptance of appointment under this Indenture by a successor Trustee;
- (9) to comply with the rules of any applicable securities depository;
- (10) to conform the text of this Indenture or the Notes to any provision of the "Description of Notes" in the Prospectus to the extent that such provision in the "Description of Notes" was intended by the Issuer (as demonstrated by an Officer's Certificate) to be a substantially verbatim recitation of a provision of this Indenture or the Notes;
- (11) to add to the covenants of the Issuer for the benefit of the Holders or surrender any rights or powers conferred upon the Issuer;  
and
- (12) subject to any requirements of the Depository, to provide for a reduction in the minimum denomination of the Notes.

Upon the request of the Issuer accompanied by a Board Resolution of its Boards of Directors authorizing the execution of any such amended or supplemental Indenture, and upon receipt by the Trustee of any documents requested under Section 7.02(b) or required by Section 9.06 and Section 13.04, the Trustee shall join with the Issuer in the execution of any amended or supplemental Indenture authorized or permitted by the terms of this Indenture and make any further appropriate agreements and stipulations that may be therein contained, but the Trustee shall not be obligated to enter into such amended or supplemental Indenture that affects its own rights, duties or immunities under this Indenture or otherwise.

**SECTION 9.02. With Consent of Holders.**

(a) Subject to Sections 9.01 and this 9.02, the Issuer and the Trustee, together, with the written or electronic consent of the Holder or Holders of at least a majority in aggregate principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), may amend or supplement this Indenture or the Notes, and any existing Default or Event of Default or compliance with any provision of this Indenture or the Notes may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes).

(b) Notwithstanding Section 9.02(a), without the consent of the Issuer and each Holder affected, an amendment, supplement or waiver may not (with respect to any Notes held by a non-consenting Holder):

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption of the Notes (other than subject to the procedures of the Depository, if applicable, the number of days in advance of the redemption of Notes that notice of redemption has been given);

(3) reduce the rate of or change the time for payment of interest on any Note;

(4) waive a Default or Event of Default in the payment of principal of, or interest or premium, if any, on the Notes (except a rescission of acceleration of the Notes by the holders of at least a majority in aggregate principal amount of the then outstanding Notes in accordance with the provisions of this Indenture and a waiver of the Default or Event of Default that resulted from such acceleration);

(5) make any Note payable in money other than that stated in the Notes;

(6) make any change in the provisions of this Indenture relating to waivers of past Defaults or the rights of Holders to receive payments of principal of, or interest or premium, if any, on the Notes, or Additional Amounts, if any;

(7) waive a redemption payment with respect to any Note;

(8) [Reserved];

(9) [Reserved]; or

(10) make any change to this Section 9.02.

(c) [Reserved].

(d) It shall not be necessary for the consent of the Holders under this Section to approve the particular form of any proposed amendment, supplement or waiver but it shall be sufficient if such consent approves the substance thereof.

(e) A consent to any amendment, supplement or waiver under this Indenture by any Holder given in connection with an exchange (in the case of an exchange offer) or a tender (in the case of a tender offer) of such Holder's Notes shall not be rendered invalid by such tender or exchange.

(f) After an amendment, supplement or waiver under this Section 9.02 becomes effective, the Issuer shall deliver electronically or mail to the Holders affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Issuer to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment, supplement or waiver.

SECTION 9.03. Compliance with the Trust Indenture Act.

From the date on which this Indenture is qualified under the Trust Indenture Act, every amendment, waiver or supplement of this Indenture or the Notes shall be set forth in a document that complies with the Trust Indenture Act as then in effect.

SECTION 9.04. Revocation and Effect of Consents.

Until an amendment, waiver or supplement becomes effective, a consent to it by a Holder is a continuing consent by the Holder and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. However, any such Holder or subsequent Holder may revoke the consent as to his Note or portion of his Note by notice to the Trustee or the Issuer received before the date on which the Trustee receives an Officer's Certificate certifying that the Holders of the requisite principal amount of Notes have consented (and not theretofore revoked such consent) to the amendment, supplement or waiver.

The Issuer may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to consent to any amendment, supplement or waiver, which record date shall be prior to the first solicitation of such consent. If a record date is fixed, then notwithstanding the last sentence of the immediately preceding paragraph, those Persons who were Holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to revoke any consent previously given, whether or not such Persons continue to be Holders after such record date. No such consent shall be valid or effective for more than 90 days after such record date. The Issuer shall inform the Trustee in writing of the fixed record date if applicable.

After an amendment, supplement or waiver becomes effective, it shall bind every Holder, unless it makes a change described in any of clauses (1) through (10) of Section 9.02(b), in which case, the amendment, supplement or waiver shall bind only each Holder who has consented to it and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note; *provided* that the Issuer and the Trustee are able to identify the particular Note which has so consented; *provided, further*, that any such waiver shall not impair or affect the right of any Holder to receive payment of principal of, and interest (if any) and premium on, a Note, on or after the respective due dates therefor, or to bring suit for the enforcement of any such payment on or after such respective dates without the consent of such Holder.

SECTION 9.05. Notation on or Exchange of Notes.

If an amendment, supplement or waiver changes the terms of a Note, the Issuer may require the Holder to deliver it to the Trustee. The Issuer shall provide the Trustee with an appropriate notation on the Note about the changed terms and cause the Trustee to return it to the Holder at the Issuer's expense. Alternatively, if the Issuer or the Trustee so determine, the Issuer in exchange for the Note shall issue, and the Trustee shall authenticate, a new Note that reflects the changed terms. Failure to make the appropriate notation or issue a new Note shall not affect the validity and effect of such amendment, supplement or waiver.

SECTION 9.06. Trustee To Sign Amendments, Etc.

The Trustee shall execute any amendment, supplement or waiver authorized pursuant to this Article Nine; *provided* that the Trustee may, but shall not be obligated to, execute any such amendment, supplement or waiver which affects the Trustee's own rights, duties or immunities under this Indenture. The Trustee shall be entitled to receive, and, subject to Section 7.01, shall be fully protected in conclusively relying upon, an Opinion of Counsel and an Officer's Certificate, each stating that the execution of any amendment, supplement or waiver authorized pursuant to this Article Nine is authorized or permitted by this Indenture and that such amendment or supplement is the legal, valid and binding obligation of the Issuer or any surviving Person as applicable, enforceable against them in accordance with their terms. Such Opinion of Counsel shall be at the expense of the Issuer.

Upon the execution of any amended or supplemental indenture pursuant to and in accordance with this Article Nine, this Indenture shall be modified in accordance therewith, and such amended or supplemental Indenture shall form a part of this Indenture for all purposes; and every Holder of Notes theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

ARTICLE TEN

[RESERVED]

ARTICLE ELEVEN

[RESERVED]

ARTICLE TWELVE

[RESERVED]

ARTICLE THIRTEEN

MISCELLANEOUS

SECTION 13.01. [Reserved].

SECTION 13.02. Notices.

Any notices or other communications required or permitted hereunder shall be in writing, and shall be sufficiently given if made by hand delivery, by nationally recognized overnight courier service, by telecopier or registered or certified mail, postage prepaid, return receipt requested or by electronic delivery, addressed as follows:

if to the Issuer:

c/o Navios Maritime Holdings Inc.  
7, Avenue de Grande Bretagne, Office 11B2  
Monte Carlo, MC 9800  
Attn: Executive Vice President – Legal  
Telephone: +30-210-4595000

with a copy to:

Fried, Frank, Harris, Shriver & Jacobson LLP  
One New York Plaza

New York, NY 10004  
Attn: Mark Hayek  
Telephone: (212) 859-8000  
Facsimile: (212) 859-4000

if to the Trustee:

Wilmington Trust, National Association  
Global Capital Markets  
50 South Sixth Street, Suite 1290  
Minneapolis, Minnesota 55402  
Attention: Navios Maritime Holdings Note Administrator  
Facsimile: (612) 217-5651

The Issuer and the Trustee by written notice to each other such Person may designate additional or different addresses for notices to such Person. Any notice or communication to the Issuer and the Trustee, shall be deemed to have been given or made as of the date so delivered if personally delivered or delivered electronically when replied to; when receipt is acknowledged, if telecopied; five (5) calendar days after mailing if sent by registered or certified mail, postage prepaid (except that a notice of change of address shall not be deemed to have been given until actually received by the addressee); and next Business Day if by nationally recognized overnight courier service.

Any notice or communication mailed to a Holder shall be mailed to him by first class mail or other equivalent means at his address as it appears on the registration books of the Registrar and shall be sufficiently given to him if so mailed within the time prescribed.

Notwithstanding any other provision of this Indenture or any Note, where this Indenture or any Note provides for notice of any event (including any notice of redemption) to a Holder of a Global Note (whether by mail or otherwise), such notice shall be sufficiently given if given to the Depository (or its designee) pursuant to the standing instructions from the Depository or its designee.

Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance on such waiver.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

#### SECTION 13.03. Communications by Holders with Other Holders.

Holders may communicate pursuant to Trust Indenture Act § 312(b) with other Holders with respect to their rights under this Indenture or the Notes. The Issuer, the Trustee, the Registrar and any other Person shall have the protection of Trust Indenture Act § 312(c).



SECTION 13.04. Certificate and Opinion as to Conditions Precedent.

Upon any request or application by the Issuer to the Trustee to take any action under this Indenture, the Issuer shall furnish to the Trustee:

- (1) an Officer's Certificate, in form and substance reasonably satisfactory to the Trustee, stating that, in the opinion of the signers, all conditions precedent to be performed or effected by the Issuer, if any, provided for in this Indenture relating to the proposed action have been complied with; and
- (2) an Opinion of Counsel stating that, in the opinion of such counsel (who may rely upon Officer's Certificates as to matters of fact), all such conditions precedent have been satisfied; *provided, however*, that such opinion shall not be required in connection with the initial issuance of the Notes hereunder.

SECTION 13.05. Statements Required in Certificate or Opinion.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture, other than the Officer's Certificate required by Section 4.06 shall include:

- (1) a statement that the Person making such certificate or opinion has read such covenant or condition;
- (2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;
- (3) a statement that, in the opinion of such Person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with or satisfied; and
- (4) a statement as to whether or not, in the opinion of each such Person, such condition or covenant has been satisfied or complied with; *provided, however*, that with respect to matters of fact, an Opinion of Counsel may rely on an Officer's Certificate or certificates of public officials.

SECTION 13.06. Rules by Paying Agent or Registrar.

The Paying Agent or Registrar may make reasonable rules and set reasonable requirements for their functions.

SECTION 13.07. Legal Holidays.

If a payment date is not a Business Day, payment may be made on the next succeeding day that is a Business Day without the accrual of additional interest in the intervening period.

SECTION 13.08. GOVERNING LAW; WAIVER OF JURY TRIAL; SUBMISSION TO JURISDICTION.

**THIS INDENTURE AND THE NOTES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO CONFLICTS OF LAW PRINCIPLES TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED**

**THEREBY, EACH OF THE ISSUER AND THE TRUSTEE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE, THE NOTES OR THE TRANSACTIONS CONTEMPLATED HEREBY.**

Any legal suit, action or proceeding arising out of or based upon this Indenture, the Notes, or the transactions contemplated hereby may be instituted in the federal courts of the United States of America located in the City of New York or the courts of the State of New York in each case located in the City of New York (collectively, the “**Specified Courts**”), and each party irrevocably submits to the non-exclusive jurisdiction of such courts in any such suit, action or proceeding. Service of any process, summons, notice or document by mail (to the extent allowed under any applicable statute or rule of court) to such party’s address set forth in Section 13.02 shall be effective service of process for any suit, action or other proceeding brought in any such court. The parties irrevocably and unconditionally waive any objection to the laying of venue of any suit, action or other proceeding in the Specified Courts and irrevocably and unconditionally waive and agree not to plead or claim in any such court that any suit, action or other proceeding has been brought in an inconvenient forum.

**SECTION 13.09. No Adverse Interpretation of Other Agreements.**

This Indenture may not be used to interpret another indenture, loan or debt agreement of the Issuer or any of its subsidiaries. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

**SECTION 13.10. No Personal Liability of Directors, Officers, Employees and Stockholders.**

No past, future or present director, Officer, employee, incorporator, member, manager, agent or shareholder of the Issuer, as such, shall have any liability for any obligations of the Issuer under the Notes, this Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability to the fullest extent permitted by law. Such waiver and release are part of the consideration for issuance of the Notes.

**SECTION 13.11. Successors.**

All agreements of the Issuer in this Indenture and the Notes shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successor.

**SECTION 13.12. Duplicate Originals.**

All parties may sign any number of copies of this Indenture. Each signed copy or counterpart shall be an original, but all of them together shall represent the same agreement. The exchange of copies of this Indenture and of signature pages by facsimile, pdf or other electronic transmission shall constitute effective execution and delivery of this Indenture as to the parties hereto and may be used in lieu of the original Indenture for all purposes. Signatures of the parties hereto transmitted by facsimile, pdf or other electronic transmission shall be deemed to be their original signatures for all purposes.

**SECTION 13.13. Severability.**

To the extent permitted by applicable law, in case any one or more of the provisions in this Indenture or in the Notes shall be held invalid, illegal or unenforceable, in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions shall not in any way be affected or impaired thereby, it being intended that all of the provisions hereof shall be enforceable to the full extent permitted by law.

SECTION 13.14. Force Majeure.

In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services, it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

SECTION 13.15. Agent for Service; Submission to Jurisdiction; Waiver of Immunities.

(a) The Issuer hereby irrevocably consents and agrees to the service of any and all legal process, summons, notices and documents in any such action, suit or proceeding brought against them with respect to their obligations, liabilities or any other matter arising out of or in connection with this Indenture, by serving a copy thereof upon any employee of any of the Issuer (in such capacity, the “**Issuer Process Agent**”) at any business location that the Issuer may maintain from time to time in the United States including, without limitation, at the offices of Navios Corporation located at 825 Third Avenue, 34th Floor, New York, NY 10022.

(b) If at any time the Issuer does not maintain a *bona fide* business location in the State of New York, then the Issuer shall promptly (and in any event within 10 days) irrevocably designate, appoint and empower CT Corporation System, with offices currently at 111 Eighth Avenue, New York, New York 10011 (or another third party corporate service provider of national standing), as its designee, appointee and agent to receive, accept and acknowledge for and on its behalf service of any and all legal process, summons, notices and documents that may be served in any action, suit or proceeding brought against it in any such United States or state court located in the County of New York with respect to their obligations, liabilities or any other matter arising out of or in connection with this Indenture and that may be made on such designee, appointee and agent in accordance with legal procedures prescribed for such courts (the “**Third Party Process Agent**”; each of the Issuer Process Agent or the Third Party Process Agent, a “**Process Agent**”) and pay all fees and expenses required by the Third Party Process Agent in connection therewith. If for any reason such Third Party Process Agent hereunder shall cease to be available to act as such, the Issuer agrees to designate a new Third Party Process Agent in the County of New York on the terms and for the purposes of this Section 13.15.

(c) The Issuer further hereby irrevocably consents and agrees to the service of any and all legal process, summons, notices and documents in any such action, suit or proceeding against them by (i) serving a copy thereof upon any of the relevant Process Agents specified in clauses (a) through (b) above, or (ii) or by mailing copies thereof by registered or certified air mail, postage prepaid, to the Issuer, at its address specified in or designated pursuant to this Indenture. The Issuer agrees that the failure of any Process Agent, to give any notice of such service to it shall not impair or affect in any way the validity of such service or any judgment rendered in any action or proceeding based thereon.

(d) The Issuer agrees that a final judgment in any such suit, action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing herein shall in any way be deemed to limit the ability of the Trustee or any Holder to serve any such legal process, summons, notices and documents in any other manner permitted by applicable law or to obtain jurisdiction over the Issuer or bring actions, suits or proceedings against them in such other jurisdictions, and in such manner, as may be permitted by applicable law.

(e) The provisions of this Section 13.15 shall survive any termination of this Indenture, in whole or in part.

(f) The Issuer hereby irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of venue of any of the aforesaid actions, suits or proceedings arising out of or in connection with this Indenture brought in the United States federal courts located in the County of New York or the courts of the State of New York located in the County of New York and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum. The Issuer and its obligations under this Indenture and the Notes are subject to civil and commercial law and to suit and neither the Issuer nor any of its properties, assets or revenues have any right of immunity, on the grounds of sovereignty, from any legal action, suit or proceeding, from the giving of any relief in any such legal action, suit or proceeding, from setoff or counterclaim, from the jurisdiction of any Republic of the Marshall Islands, New York State or U.S. federal court, as the case may be, from service of process, attachment upon or prior to judgment, or attachment in aid of execution of judgment, or from execution or enforcement of a judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of a judgment, in any such court, with respect to its obligations or liabilities or any other matter under or arising out of or in connection with this Indenture and the Notes; and, to the extent that the Issuer or any of its properties, assets or revenues may have or may hereafter become entitled to any such right of immunity in any such court in which proceedings may at any time be commenced, the Issuer waived or will waive such right to the extent permitted by law and has consented to such relief and enforcement as provided in this Indenture and the Notes.

**SECTION 13.16. Currency of Account; Conversion of Currency; Foreign Exchange Restrictions.**

(a) U.S. dollars are the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Notes or this Indenture, including damages related thereto. Any amount received or recovered in a currency other than U.S. dollars by the Trustee or any Holder (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or otherwise) in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the U.S. dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under the Notes, the Issuer shall indemnify it against any loss sustained by it as a result as set forth in Section 13.16(b). In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Section 13.16, it shall be sufficient for the Trustee or such Holder to certify in a satisfactory manner (indicating sources of information used) that it would have suffered a loss had an actual purchase of U.S. dollars been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of U.S. dollars on such date had not been practicable, on the first date on which it would have been practicable, it being required that the need for a change of date be certified in the manner mentioned above). The indemnities set forth in this Section 13.16 constitute separate and independent obligations from other obligations of the Issuer, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by the Trustee or any Holder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under the Notes.

(b) The Issuer covenants and agrees that the following provisions shall apply to conversion of currency in the case of the Notes and this Indenture:

(1) (A) If for the purpose of obtaining judgment in, or enforcing the judgment of, any court in any country, it becomes necessary to convert into a currency (the “**Judgment Currency**”) an amount due in any other currency (the “**Base Currency**”), then the conversion shall be made at the rate of exchange prevailing on the Business Day before the day on which the judgment is given or the order of enforcement is made, as the case may be (unless a court shall otherwise determine).

(B) If there is a change in the rate of exchange prevailing between the Business Day before the day on which the judgment is given or an order of enforcement is made, as the case may be (or such other date as a court shall determine), and the date of receipt of the amount due, the Issuer shall pay such additional (or, as the case may be, such lesser) amount, if any, as may be necessary so that the amount paid in the Judgment Currency when converted at the rate of exchange prevailing on the date of receipt shall produce the amount in the Base Currency originally due.

(2) In the event of the winding-up of the Issuer at any time while any amount or damages owing under the Notes and this Indenture, or any judgment or order rendered in respect thereof, shall remain outstanding, the Issuer shall indemnify and hold the Holders and the Trustee harmless against any deficiency arising or resulting from any variation in rates of exchange between (i) the date as of which the U.S. Dollar Equivalent of the amount due or contingently due under the Notes and this Indenture (other than under this subsection (b)(2)) is calculated for the purposes of such winding-up and (ii) the final date for the filing of proofs of claim in such winding-up. For the purpose of this subsection (b)(2), the final date for the filing of proofs of claim in the winding-up of the Issuer shall be the date fixed by the liquidator or otherwise in accordance with the relevant provisions of applicable law as being the latest practicable date as at which liabilities of the Issuer may be ascertained for such winding-up prior to payment by the liquidator or otherwise in respect thereto.

(c) The obligations contained in subsections (a), (b)(1)(B) and (b)(2) of this Section 13.16 shall constitute separate and independent obligations from the other obligations of the Issuer under this Indenture, shall give rise to separate and independent causes of action against Issuer, shall apply irrespective of any waiver or extension granted by any Holder or the Trustee or either of them from time to time and shall continue in full force and effect notwithstanding any judgment or order or the filing of any proof of claim in the winding-up of the Issuer for a liquidated sum in respect of amounts due hereunder (other than under subsection (b)(2) above) or under any such judgment or order. Any such deficiency as aforesaid shall be deemed to constitute a loss suffered by the Holders or the Trustee, as the case may be, and no proof or evidence of any actual loss shall be required by the Issuer or the liquidator or otherwise or any of them. In the case of subsection (b)(2) above, the amount of such deficiency shall not be deemed to be reduced by any variation in rates of exchange occurring between the said final date and the date of any liquidating distribution.

(d) The term “**rate of exchange**” shall mean the rate of exchange quoted in the Wall Street Journal (or, if not available, such successor publication) for spot purchases of the Base Currency with the Judgment Currency other than the Base Currency referred to in subsections (b)(1) and (b)(2) above and includes any premiums and costs of exchange payable.

SECTION 13.17. Patriot Act.

The parties hereto acknowledge that in accordance with Section 326 of the U.S.A. Patriot Act, the Trustee, like all financial institutions and in order to help fight the funding of terrorism and money laundering, is required to obtain, verify, and record information that identifies each person or legal entity that establishes a relationship or opens an account with the Trustee. The parties to this Indenture agree that they will provide the Trustee with such information as it may request in order for the Trustee to satisfy the requirements of the U.S.A. Patriot Act.

SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed all as of the date first written above.

NAVIOS MARITIME HOLDINGS INC., as the Issuer

By: /s/ Vasiliki Papaefthymiou

Name: Vasiliki Papaefthymiou

Title: Executive Vice President - Legal and Director

*[Signature Page to Indenture]*



WILMINGTON TRUST, NATIONAL ASSOCIATION as  
Trustee

By: /s/ Quinton M. DePompolo

Name: Quinton M. DePompolo

Title: Banking Officer

[Signature Page to Indenture — Trustee]

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EXHIBIT A

*[Insert the Global Note Legend, if applicable pursuant to the provisions of the Indenture]*

NAVIOS MARITIME HOLDINGS INC.

9.75% Senior Notes due 2024

CUSIP No.  
ISIN No.

No.

\$

NAVIOS MARITIME HOLDINGS INC., a Republic of the Marshall Islands corporation, as issuer, (the “**Issuer**”), for value received, promises to pay to \_\_\_\_\_ or its registered assigns, the principal sum of \_\_\_\_\_ U.S. dollars [or such other amount as is provided in a schedule attached hereto]<sup>1</sup> on April 15, 2024.

Interest Payment Dates: April 15 and October 15, commencing [•], [•].

Record Dates: April 1 and October 1.

Reference is made to the further provisions of this Note contained herein, which shall for all purposes have the same effect as if set forth at this place.

<sup>1</sup> This language should be included only if the Note is issued in global form.

IN WITNESS WHEREOF, the Issuer has caused this Note to be signed manually or by facsimile by its duly authorized Officer.

Dated:

NAVIOS MARITIME HOLDINGS INC., as the Issuer

By: \_\_\_\_\_  
Name:  
Title:

A-3

FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the 9.75% Senior Notes due 2024 described in the within-mentioned Indenture.

Dated:

WILMINGTON TRUST, NATIONAL ASSOCIATION, as  
Trustee

By: \_\_\_\_\_  
Authorized Signatory

9.75% Senior Notes due 2024

Capitalized terms used herein shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

SECTION 1. Interest. Navios Maritime Holdings Inc., a Republic of the Marshall Islands corporation, as issuer, (the “**Issuer**”), promises to pay interest on the principal amount of this Note at 9.75% per annum from [•], [•] until maturity. The Issuer shall pay interest semi-annually in arrears on April 15 and October 15 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each an “**Interest Payment Date**”), commencing [•], [•]. Interest on the Notes shall accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of original issuance. The Issuer shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand to the extent lawful at the interest rate applicable to the Notes; they shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest, if any (in each case without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

SECTION 2. Method of Payment. The Issuer shall pay interest, if any, on the Notes to the Persons who are registered Holders at the close of business on April 1 or October 1 (whether or not a Business Day) immediately preceding the Interest Payment Date, even if such Notes are canceled after such Record Date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes shall be issued in denominations of \$25 and integral multiples of \$25 in excess thereof. The Issuer shall pay principal, premium, if any, and interest on the Notes in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts (“**U.S. Legal Tender**”). Principal, premium, if any, and interest, if any, on the Notes shall be payable at the office or agency of the Issuer maintained in the United States for such purpose except that, at the option of the Issuer, the payment of interest, if any, may be made by check mailed to the Holders at their respective addresses set forth in the register of Holders; *provided* that for Holders owning at least \$100,000 aggregate principal amount of Notes that have given wire transfer instructions to the Issuer at least ten (10) Business Days prior to the applicable payment date, the Issuer shall make all payments of principal, interest and premium, if any, by wire transfer of immediately available funds to the accounts specified by the Holders thereof. Until otherwise designated by the Issuer, the Issuer’s office or agency in the United States shall be the office of the Trustee maintained for such purpose.

SECTION 3. Paying Agent and Registrar. Initially, Wilmington Trust, National Association, the Trustee under the Indenture, shall act as Paying Agent and Registrar. The Issuer may change any Paying Agent or Registrar without prior notice to any Holder. Except as provided in the Indenture, any of the Issuer’s subsidiaries may act in any such capacity.

SECTION 4. Indenture. The Issuer issued the Notes under an Indenture dated as of March 21, 2019 (the “**Indenture**”) by and between the Issuer and Wilmington Trust, National Association, as Trustee. The Notes are subject to all terms contained in the Indenture, and Holders are referred to the Indenture for a statement of such terms. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling.

SECTION 5. Optional Redemption. On or after the Issue Date, the Issuer will have the option to redeem the Notes, in whole or in part, at its option at any time, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, on the Notes to be redeemed to, but excluding, the date on which the Notes are to be redeemed.

SECTION 6. [Reserved].

SECTION 7. [Reserved]

SECTION 8. Selection and Notice of Redemption. Notes in denominations larger than \$25 may be redeemed in part; *provided* that Notes shall be redeemed only in integral multiples of \$25 unless all Notes held by a Holder are to be redeemed. Notice of redemption shall be delivered electronically or mailed by first class mail at least 15 days but not more than 60 days before the Redemption Date to each Holder whose Notes are to be redeemed at its registered address, except that redemption notices may be delivered electronically or mailed more than 60 days prior to a Redemption Date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture. In connection with any redemption of Notes, any such redemption may, at the Issuer's discretion, be subject to one or more conditions precedent. In addition, if such redemption or notice is subject to one or more conditions precedent, such notice shall state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all of such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the Redemption Date, or by the Redemption Date so delayed. If any such condition precedent has not been satisfied, the Issuer shall provide written notice to the Trustee prior to the close of business two business days prior to the Redemption Date. Upon receipt of such notice, the notice of redemption shall be rescinded or delayed, and the redemption of the Notes shall be rescinded or delayed as provided in such notice. Upon receipt, the Trustee shall provide such notice to each Holder in the same manner in which the notice of redemption was given. If any Note is to be redeemed in part only, the notice of redemption that relates to such Note shall state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note shall be issued in the name of the Holder upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption subject to the satisfaction of any conditions precedent. On and after the Redemption Date, interest, if any, shall cease to accrue on Notes or portions thereof called for redemption, unless the Issuer defaults in the payment of the Redemption Price or any conditions precedent are not satisfied.

SECTION 9. Mandatory Redemption. The Issuer shall not be required to make mandatory redemption or sinking fund payments with respect to the Notes.

SECTION 10. [Reserved].

SECTION 11. Denominations, Transfer, Exchange. The Notes are in registered form without coupons in minimum denominations of \$25 and integral multiples of \$25 in excess thereof. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Issuer may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Issuer and the Registrar are not required to transfer or exchange any Note selected for redemption, except the unredeemed portion of any Note being redeemed in part. Also, the Issuer and the Registrar are not required to transfer or exchange any Notes for a period of 15 days before the mailing of a notice of redemption of Notes to be redeemed.

SECTION 12. Persons Deemed Owners. The registered Holder of a Note may be treated as its owner for all purposes.



SECTION 13. Amendment, Supplement and Waiver. The Indenture and the Notes may be amended, supplemented or waived as set forth in, and subject to the terms and conditions of, the Indenture.

SECTION 14. Defaults and Remedies. The Events of Default relating to the Notes are set forth in Section 6.01 of the Indenture. If an Event of Default occurs and is continuing, the Trustee or the Holders of at least 30% in principal amount of the then outstanding Notes generally may declare all the Notes to be due and payable immediately. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency as set forth in the Indenture, all outstanding Notes shall become due and payable without further action or notice. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Holders of a majority in aggregate principal amount of the Notes then outstanding, by notice to the Trustee, may on behalf of the Holders of all of the Notes rescind an acceleration or waive any existing Default and its consequences under the Indenture except a continuing Default in the payment of interest on, or the principal of, or the premium on, the Notes, subject to certain conditions being met. The Issuer shall deliver to the trustee a written statement specifying any Default or Event of Default within 30 days of becoming aware thereof.

SECTION 15. Additional Amounts. All payments made by the Issuer under or with respect to this Note shall be made free and clear of and without withholding or deduction for or on account of any present or future Taxes, to the extent provided in Section 4.20 of the Indenture.

SECTION 16. [Reserved].

SECTION 17. No Recourse Against Others. No past, future or present director, Officer, employee, incorporator, member, manager, agent or shareholder of the Issuer shall have any liability for any obligations of the Issuer under the Notes, the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. The Holder by accepting this Note waives and releases all such liability. Such waiver and release are part of the consideration for issuance of this Note.

SECTION 18. [Reserved].

SECTION 19. Trustee Dealings with the Issuer. Subject to certain terms set forth in the Indenture, the Trustee, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with the Issuer or its subsidiaries or their respective Affiliates as if it were not the Trustee.

SECTION 20. Authentication. This Note shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

SECTION 21. Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entirety), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

SECTION 22. CUSIP and ISIN Numbers. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Issuer has caused CUSIP and ISIN numbers to be printed on the Notes and the Trustee may use CUSIP or ISIN numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

**SECTION 23. GOVERNING LAW. THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO CONFLICTS OF LAW PRINCIPLES TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.**

The Issuer shall furnish to any Holder upon written request directed to Navios Maritime Holdings Inc., 7, Avenue de Grande Bretagne, Office 11B2 Monte Carlo, MC 9800 and without charge a copy of the Indenture.

SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL NOTE<sup>2</sup>

The following exchanges of a part of this Global Note for an interest in another Global Note or for a Physical Note, or exchanges of a part of another Global Note or Physical Note for an interest in this Global Note, have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease (or increase)	Signature of authorized signatory of Trustee or Note Custodian
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<sup>2</sup> This schedule should be included only if the Note is issued in global form.

ASSIGNMENT FORM

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to:

\_\_\_\_\_

(Insert assignee's legal name)

\_\_\_\_\_

(Insert assignee's Soc. Sec. or tax I.D. no.)

\_\_\_\_\_

(Print or type assignee's name, address and zip code)

and irrevocably appoint \_\_\_\_\_

to transfer this Note on the books of the Issuer. The agent may substitute another to act for him.

Date: \_\_\_\_\_

Your Signature: \_\_\_\_\_

(Sign exactly as your name appears on the face of this Note)

Signature Guarantee\*: \_\_\_\_\_

\* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

FORM OF LEGENDS

Each Global Note authenticated and delivered hereunder shall also bear the following legend:

THIS NOTE IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITORY OR A NOMINEE OF A DEPOSITORY OR A SUCCESSOR DEPOSITORY. THIS NOTE IS NOT EXCHANGEABLE FOR NOTES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITORY OR ITS NOMINEE EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE, AND NO TRANSFER OF THIS NOTE (OTHER THAN A TRANSFER OF THIS NOTE AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY OR BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY OR ANOTHER NOMINEE OF THE DEPOSITORY) MAY BE REGISTERED EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“**DTC**”), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

FORM OF INCUMBENCY CERTIFICATE

The undersigned, \_\_\_\_\_, being the \_\_\_\_\_ of Navios Maritime Holdings Inc. (the "Issuer"), does hereby certify that the individuals listed below are qualified and acting officers of the Issuer as set forth in the right column opposite their respective names and the signatures appearing in the extreme right column opposite the name of each such officer is a true specimen of the genuine signature of such officer and such individuals have the authority to execute documents to be delivered to, or upon the request of, Wilmington Trust, National Association, as Trustee under the Indenture dated as of March 21, 2019, by and among Navios Maritime Holdings, Inc. and Wilmington Trust, National Association as Trustee

Navios Maritime Holdings Inc.

<u>Name</u>	<u>Title</u>	<u>Signature</u>
_____	_____	_____
_____	_____	_____

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Certificate as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

By: \_\_\_\_\_  
Name:  
Title:

**FIRST SUPPLEMENTAL INDENTURE** (this “First Supplemental Indenture”), dated as of April 18, 2019, among Navios Maritime Holdings Inc., a Marshall Islands corporation, (the “Company”) and Wilmington Trust, National Association, as trustee under the Indenture referred to below (the “Trustee”). All capitalized terms not defined herein shall have the meanings ascribed to them in the Indenture (as defined below).

## WITNESSETH

WHEREAS, the Company has heretofore executed and delivered to the Trustee an indenture (as amended and supplemented, the “Indenture”), dated as of March 21, 2019, providing for the issuance of 9.75% Senior Notes due 2024 (the “Notes”);

WHEREAS, pursuant to Section 2.18 of the Indenture, the Company may issue Additional Notes having the same terms as the Notes issued on the Issue Date in accordance with the terms of the Indenture;

WHEREAS, Sections 9.01(1) and 9.01(7) of the Indenture provides, among other things, that the Company and the Trustee, as applicable, may amend, waive, supplement or otherwise modify the Indenture and the Notes or any other agreement or instruction entered into in connection with the Indenture without notice to or consent of any Holder to provide for the issuance of Additional Notes in accordance with the terms of the Indenture and to cure any ambiguity, omission, mistake, defect or inconsistency;

WHEREAS, pursuant to Section 9.01 of the Indenture, the Company and the Trustee are each authorized to execute and deliver this First Supplemental Indenture; and

WHEREAS, all acts and conditions prescribed by the Indenture of the Company and the Trustee necessary to make this Supplemental Indenture a valid instrument legally binding on the Company and the Trustee, in accordance with its terms, have been duly done and performed.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Company and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. **CAPITALIZED TERMS.** Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. **ADDITIONAL NOTES.** On or after the date hereof, the Company shall issue \$3,878,975.00 in aggregate principal amount of Additional Notes, which shall be considered Notes for all purposes under the Indenture and shall be treated as a single class with the Notes issued on the Issue Date. The Additional Notes and the Trustee’s certificate of authentication shall be substantially in the form attached as Exhibit A to the Indenture. Interest on the Additional Notes issued hereunder shall accrue from April 18, 2019 and the first Interest Payment Date shall be October 15, 2019.

3. **CLARIFYING AMENDMENTS TO INDENTURE.** The first sentence of the fourth paragraph of Section 2.02 of the Indenture shall be amended as follows (additions in Blue; deletions in Red): “The Trustee shall authenticate (i) on the Issue Date, Notes for original issue in the aggregate principal amount not to exceed \$4,747,100 million and (ii) any Additional Notes issued under Section 2.18, upon written order of the Issuer in the form of a certificate of an Officer of the Issuer (an “**Authentication Order**”).”

4. **EFFECTIVENESS OF SUPPLEMENTAL INDENTURE.** This First Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company and the Trustee.



5. RATIFICATION. Except as expressly amended by this First Supplemental Indenture, each provision of the Indenture shall remain in full force and effect, and the Indenture is in all respects agreed to, ratified and confirmed by each of the Company and the Trustee.

6. GOVERNING LAW. THIS FIRST SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO CONFLICTS OF LAW PRINCIPLES TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

5. COUNTERPARTS. The parties may sign any number of copies of this First Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. Signatures of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

6. EFFECT OF HEADINGS. The Section headings herein are for convenience only and shall not affect the construction hereof.

7. THE TRUSTEE. The Trustee shall not be responsible in any manner whatsoever for or in respect of and makes no representations as to the validity or sufficiency of this First Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Company.

IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Indenture to be duly executed and attested, all as of the date first above written.

NAVIOS MARITIME HOLDINGS INC.,

as the Issuer

By: /s/ Vasiliki Papaefthymiou

Name: Vasiliki Papaefthymiou

Title: Executive Vice President - Legal and Director

*[Signature Page to First Supplemental Indenture]*

WILMINGTON TRUST, NATIONAL ASSOCIATION,  
as Trustee

By: /s/ Jane Y. Schweiger

Name: Jane Y. Schweiger

Title: Vice President

*[Signature Page to First Supplemental Indenture]*

## SHAREHOLDERS' AGREEMENT

THIS SHAREHOLDERS' AGREEMENT (this "Agreement") is made as of the 19<sup>th</sup> day of November, 2019 (the "Effective Date"), by and among Navios South American Logistics Inc., a Marshall Islands corporation (the "Company"), Navios Maritime Holdings Inc. ("Navios Holdings") and Peers Business S.A. ("Peers"). Each of Navios Holdings and Peers is herein referred to as a "Shareholder" and collectively, the "Shareholders."

RECITALS

WHEREAS, in order to induce Navios Holdings and Peers to continue as shareholders of the Company, the Shareholders and the Company hereby agree that this Agreement shall govern the rights of the Shareholders in the event of certain changes in the ownership or control of the Company as specified in this Agreement.

NOW, THEREFORE, THE PARTIES HEREBY AGREE AS FOLLOWS:

1. Voting; Board of Directors.

1.1. Agreement to Vote. Each Shareholder hereby agrees on behalf of himself, herself or itself that, following a Navios Holdings Transfer or a Change of Control (each as hereinafter defined), such Shareholder will vote all of the shares of common stock of the Company ("Common Stock") which such Shareholder owns (or as to which the Shareholder has voting power) at a regular or special meeting of shareholders (or action by written consent) in accordance with the provisions of this Agreement.

For purposes hereof:

"Change of Control" means any time that Angeliki Frangou occupies neither of the following positions (or their equivalents) with the Company or an entity that is the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended ("Rule 13d-3")), directly or indirectly, of shares of Common Stock entitled to cast a majority of the votes in the election of directors of the Company: (i) Chief Executive Officer or (ii) Chair of the Board.

"Navios Holdings Transfer" means a Transfer (as defined in Section 2) by Navios Holdings of any of its shares of Common Stock permitted in accordance with this Agreement.

1.2. Election of Directors. At any time at which Peers owns any shares of Common Stock, in connection with each regular or special meeting of shareholders (or action by written consent) at which directors of the Company are to be elected occurring following a Navios Holdings Transfer or a Change of Control, the board of directors of the Company (the "Board of Directors") shall nominate for election as directors, and each of the Shareholders shall vote all shares of Common Stock over which such Shareholder then has voting power for the election of, the director candidates, if any, designated by Peers as hereinafter provided:

In connection with each regular or special meeting of shareholders (or action by written consent) at which directors are to be elected that occurs (a) following a Navios Holdings Transfer, as long as Peers is beneficially owned (as defined in Rule 13d-3) by the Lopez family,

or (b) following a Change of Control, regardless of the Lopez family's beneficial ownership (as defined in Rule 13d-3) of Peers, Peers shall have the right to designate a number of director candidates such that if all such director candidates were elected, after such election, the number of directors designated by Peers will be equal to the greater of (i) the Applicable Percentage (as hereinafter defined) of the members of the whole Board of Directors (rounded up or down to the nearest whole number); and (ii) one (such greater number, the "Applicable Director Number"). For purposes hereof, the "Applicable Percentage" shall be, at any specific time, the percentage determined by dividing (a) the number of votes entitled to be cast in the election of directors of the Company in respect of the shares of Common Stock over which Peers has voting power as of such time, by (b) the total number of votes entitled to be cast in the election of directors of the Company by all holders of shares of Common Stock at such time.

1.3. Vacancies; Resignation. Any vacancy on the Board of Directors of a director designated by Peers pursuant to Section 1.2 shall be filled by Peers in the manner allowed by applicable law and as provided in the Company's Certificate of Incorporation and the Company's Bylaws, consistent with the provisions of Section 1.2, but only if, after the filling of such vacancy, the number of directors designated by Peers will be no more than the Applicable Director Number. In the event that at any time the number of director designated by Peers pursuant to Section 1.2 is more than the Applicable Director Number, Peers shall take all action necessary to cause such number of its designees to resign as directors such that the number of director designated by Peers pursuant to Section 1.2 is not more than the Applicable Director Number.

1.4. Grant of Proxy. Should the provisions of this Agreement be construed to constitute the granting of proxies, such proxies shall be deemed coupled with an interest and are irrevocable for the term of this Agreement.

1.5. Termination. The covenants set forth in this Section I shall terminate and be of no further force or effect upon the earlier of (i) the consummation of an IPO (as hereinafter defined) and (ii) the first date upon which Peers no longer owns any shares of Common Stock. Upon termination of the covenants set forth in this Section I, Peers shall take all action necessary to cause the directors designated by Peers to resign as directors of the Company. For purposes hereof, "IPO" shall mean any underwritten public offering of the Common Stock pursuant to a registration statement filed in accordance with the Securities Act of 1933, as amended, or other applicable securities laws and regulations of another jurisdiction, that results in the Common Stock becoming a security that is listed or admitted to trading on a major internationally recognized stock exchange.

## 2. Restrictions on Transfer.

Other than as provided in Section 3, Navios Holdings may not sell, assign, transfer, exchange, gift, devise, or otherwise alienate or dispose of ("Transfer") any shares of Common Stock owned by it, whether voluntarily or involuntarily, by operation of law or otherwise, except to another existing shareholder of the Company, unless as a condition to such Transfer, the proposed transferee (the "Transferee") shall deliver to the Company and Peers a written instrument confirming that the Transferee shall be bound by all of the terms and conditions of this Agreement as if it were Navios Holdings. Any Transfer in contravention of this Agreement shall be null and void *ab initio*. The foregoing provisions of this Section 2 shall terminate and be of no further force or effect upon the earlier of (i) the consummation of an IPO and (ii) the first date upon which Peers no longer owns any shares of Common Stock.

### 3. Participation in Sales.

3.1. Tag Along Right. In the event that at a time at which Peers owns any shares of Common Stock, Navios Holdings or any Transferee receives a *bona fide* offer from a third party or parties (other than the Company or any other existing shareholder of the Company) (the “Third Party Buyer”) to purchase shares of Common Stock owned by Navios Holdings (an “Offer”), and Navios Holdings and/or any Transferees proposes to sell any of its shares of Common Stock to the Third Party Buyer pursuant to the Offer, neither Navios Holdings nor any such Transferees shall effect such sale unless Peers is first given written notice in accordance with Section 7.5, which shall include a copy of the Offer (an “Offer Notice”), of its right to sell to the Third Party Buyer, at the same consideration per share of Common Stock and on the same terms and conditions as stated in the Offer, up to the number of shares of Common Stock equal to the Tag Along Number (as hereinafter defined). For purposes hereof, the “Tag Along Number” shall, at any time, be equal to (i) a percentage derived by dividing (a) the number of shares of Common Stock then proposed to be sold by Navios Holdings and any Transferees pursuant to the Offer, by (b) the total number of shares of Common Stock owned by Navios Holding and the Transferees, multiplied by the (ii) the number of shares of Common Stock then owned by Peers.

3.2. Notices of Offer and Intent to Participate. If Peers wishes to participate in any sale pursuant to this Section 3 it shall notify Navios Holdings and/or the Transferees, as applicable, in writing of such intention and the number of shares of Common Stock it wishes to sell in connection with the applicable Offer (a “Tag Along Notice”) not later than ten (10) business days after delivery of the Offer Notice. If Navios Holdings and/or the Transferees, as applicable, does not receive a Tag Along Notice from Peers within such ten (10) business day period, Navios Holdings and/or the Transferee, as applicable, shall be free to consummate the proposed transaction without any obligation to include all or any portion of the Tag Along Number of shares of Common Stock then owned by Peers in such transaction.

3.3. Sale of Tag Along Shares. Navios Holdings, any Transferees and Peers (to the extent it has provided a timely Tag Along Notice in accordance with Section 3.2) shall sell to the Third Party Buyer all, or at the option of the Third Party Buyer any part, of the shares of Common Stock proposed to be sold by them (the “Tag Along Shares”) at not less than the consideration and upon other terms and conditions, if any, not more favorable to the Third Party Buyer than those stated in the Offer; provided, however, that any purchase of less than all of Tag Along Shares by the Third Party Buyer shall be made from Navios Holdings, the Transferees and Peers pro rata based on the relative amount of the shares of Common Stock that each of them would have been entitled to sell in accordance with this Section 3, as determined pursuant to Section 3.1, if the Third Party Buyer had purchased all the Tag Along Shares.

3.4. The provisions of this Section 3 shall terminate and be of no further force or effect upon the consummation of an IPO.

4. Employment Agreements.

Within ninety (90) calendar days after the execution of this Agreement, the Company shall enter into employment agreements with each of Claudio Pablo Lopez, Carlos Augusto Lopez and Horacio Enrique Lopez, in the form substantially identical to the form used currently by the Company with executives in similar positions, to be effective upon a Change of Control, providing for continued employment for a two (2) year term following the date of the Change of Control and providing for the same salary, position, responsibilities and benefits as is in effect for each such person at the time of the Change of Control.

5. Negative Covenants of the Company.

5.1. Certain Vote Required. Without limiting any other covenants or provisions hereof, the Company covenants and agrees that following a Change of Control and for so long as Peers owns any shares of Common Stock, the Company will comply with and observe the following negative covenants and provisions, and will cause each subsidiary of the Company to comply with and observe such of the following covenants and provisions as are applicable to such subsidiary, if and when such subsidiary exists, and without the written consent or written waiver of Peers, the Company and any applicable subsidiary will not:

(a) Amend, alter or repeal any of the provisions of its Certificate of Incorporation or Bylaws so as to materially adversely and disproportionately affect the contractual and economic rights of Peers with respect to the Company;

(b) Approve or authorize (i) the incurrence of Debt (as hereinafter defined) that would result in the Company's leverage ratio exceeding 0.7x or (ii) the issuance of any guarantee of any obligation of any other person or entity (a "Person") outside the ordinary course of business. As used herein, "Debt" shall mean indebtedness for borrowed money, but shall not include indebtedness incurred in connection with the purchase of a vessel or other asset related to the Core Business (as hereinafter defined), provided such indebtedness has recourse only to such vessel or asset. As used herein, "Core Business" shall mean the business of operating river ports, the ownership and operation of convoys of river barges on the Hidrovia, and the ownership and operation of tanker vessels and cabotage fuel operations on the Mercosur waters;

(c) (i) Merge or consolidate with any other Person or sell, assign, lease or otherwise dispose of all or substantially all of its assets, in one transaction or in a series of transactions, nor (ii) approve any voluntary bankruptcy or reorganization filing, or approve the dissolution, liquidation or other termination of the business or operations of, the Company or any of its subsidiaries. The Company shall not permit any subsidiary to consolidate or merge into or with or sell or transfer all or substantially all its assets, except that any subsidiary may (x) consolidate or merge into or with or sell or transfer assets to any other subsidiary, or (y) merge into or with or sell or transfer assets to the Company;

(d) Enter into or amend in any material respect any transaction between the Company or its subsidiaries, on the one hand, and an equity holder of the Company or its subsidiaries or a member of the Company's Board or management (other than employment-related agreements), on the other hand, except as contemplated by this Agreement.



5.2. The covenants set forth in Section 5.1 shall terminate and be of no further force or effect upon the consummation of an IPO.

6. Legend. Each certificate representing the shares of Common Stock held by Navios Holdings covered by this Agreement shall except as otherwise provided in this Agreement, be stamped or otherwise imprinted with a legend substantially in the following form (in addition to any legend required under applicable state securities laws):

“THE SALE OR TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS AND CONDITIONS OF A SHAREHOLDERS’ AGREEMENT, DATED AS OF NOVEMBER 19, 2019 AMONG THE COMPANY AND CERTAIN HOLDERS OF ITS OUTSTANDING CAPITAL STOCK. COPIES OF SUCH AGREEMENT MAY BE OBTAINED AT NO COST BY WRITTEN REQUEST BY THE HOLDER OF RECORD OF THE CERTIFICATE TO THE SECRETARY OF THE COMPANY.”

7. Miscellaneous.

7.1. Successors and Assigns. Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

7.2. Governing Law; Dispute Resolution. This Agreement and the rights and duties of the parties hereunder shall be governed by, and construed in accordance with, the law of the State of New York. Any dispute, controversy or claim among the parties which arises out of or relates to this Agreement shall be settled by arbitration in accordance with the rules of the American Arbitration Association—Commercial Division. The arbitration proceedings shall be held in New York, New York.

7.3. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

7.4. Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

7.5. Notices. Unless otherwise provided, any notice required or permitted under this Agreement shall be given in writing and shall be deemed effectively given upon personal delivery to the party to be notified or upon delivery by confirmed facsimile transmission, internationally recognized overnight courier service, and addressed to the party to be notified at the address indicated for such party on the signature page hereof, or at such other address as such party may designate by ten (10) business days’ advance written notice to the other parties.

7.6. Expenses. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

7.7. Entire Agreement; Amendments and Waivers. This Agreement (and the Shareholder's Agreement, dated as of June 17, 2010, by and between, the Company, Navios Corporation and Grandall Investment S.A. and the Amended and Restated Waiver to the Shareholder's Agreement, dated March 22, 2012, each which shall remain in full force and effect) constitutes the full and entire understanding and agreement among the parties with regard to the subjects hereof. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance), only with the written consent of the Company and the Shareholders. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each Shareholder and each future Shareholder, and the Company.

7.8. Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

7.9. Aggregation of Stock. All shares of the Company held or acquired by affiliated Persons shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

[Signature page immediately follows]

IN WITNES WHEREOF, the parties have executed this Agreement as of the date first above written.

NAVIOS SOUTH AMERICAN LOGISTICS INC.




By: \_\_\_\_\_  
Title: Angeliki Frangou, Chairman of the Board

NAVIOS MARITIME HOLDINGS INC.



By: \_\_\_\_\_  
Title: Angeliki Frangou, Chairman of the Board

PEERS BUSINESS S.A.

By:   
Title: ATTORNEY IN FACT

## List of Subsidiaries Navios Maritime Holdings Inc.

## Subsidiaries included in the consolidation:

<u>Company Name</u>	<u>Nature</u>	<u>Ownership Interest</u>	<u>Country of Incorporation</u>
Navios Maritime Holdings Inc.	Holding Company		Marshall Is.
Navios South American Logistics Inc.	Sub-Holding Company	63.8%	Marshall Is.
Navios Corporation	Sub-Holding Company	100%	Marshall Is.
Navios International Inc.	Operating Company	100%	Marshall Is.
Navimax Corporation	Operating Company	100%	Marshall Is.
Navios Handybulk Inc.	Operating Company	100%	Marshall Is.
Hestia Shipping Ltd	Operating Company	100%	Malta
Anemos Maritime Holdings Inc.	Sub-Holding Company	100%	Marshall Is.
NAV Holdings Limited	Sub-Holding Company	100%	Malta
Kleimar N.V.	Operating Company/ Vessel Owning Company/ Management Company	100%	Belgium
Bulkinvest S.A.	Operating Company	100%	Luxembourg
Primavera Shipping Corporation	Operating Company	100%	Marshall Is.
Ginger Services Co.	Operating Company	100%	Marshall Is.
Aquis Marine Corp.	Sub-Holding Company	100%	Marshall Is.
Astra Maritime Corporation	Vessel Owning Company	100%	Marshall Is.
Achilles Shipping Corporation	Operating Company	100%	Marshall Is.
Apollon Shipping Corporation	Operating Company	100%	Marshall Is.
Herakles Shipping Corporation	Operating Company	100%	Marshall Is.
Hios Shipping Corporation	Operating Company	100%	Marshall Is.
Ionian Shipping Corporation	Operating Company	100%	Marshall Is.
Kypros Shipping Corporation	Operating Company	100%	Marshall Is.
Meridian Shipping Enterprises Inc.	Vessel Owning Company	100%	Marshall Is.
Mercator Shipping Corporation	Vessel Owning Company	100%	Marshall Is.
Arc Shipping Corporation	Vessel Owning Company	100%	Marshall Is.
Horizon Shipping Enterprises Corporation	Vessel Owning Company	100%	Marshall Is.
Magellan Shipping Corporation	Vessel Owning Company	100%	Marshall Is.
Aegean Shipping Corporation	Operating Company	100%	Marshall Is.
Star Maritime Enterprises Corporation	Vessel Owning Company	100%	Marshall Is.
Corsair Shipping Ltd.	Vessel Owning Company	100%	Marshall Is.
Rowboat Marine Inc.	Operating Company	100%	Marshall Is.
Rondine Management Corp	Vessel Owning Company	100%	Marshall Is.
Vernazza Shiptrade Inc.	Operating Company	100%	Marshall Is.
Beaufiks Shipping Corporation	Operating Company	100%	Marshall Is.
Nostos Shipmanagement Corp.	Vessel Owning Company	100%	Marshall Is.
Portorosa Marine Corp.	Operating Company	100%	Marshall Is.
Shikhar Ventures S.A.	Vessel Owning Company	100%	Liberia
Sizzling Ventures Inc.	Operating Company	100%	Liberia
Rheia Associates Co.	Operating Company	100%	Marshall Is.
Taharqa Spirit Corp.	Operating Company	100%	Marshall Is.
Rumer Holding Ltd.	Vessel Owning Company	100%	Marshall Is.
Pharos Navigation S.A.	Vessel Owning Company	100%	Marshall Is.
Pueblo Holdings Ltd.	Vessel Owning Company	100%	Marshall Is.
Quena Shipmanagement Inc.	Operating Company	100%	Marshall Is.
Aramis Navigation Inc.	Vessel Owning Company	100%	Marshall Is.
White Narcissus Marine S.A.	Vessel Owning Company	100%	Panama
Navios GP L.L.C.	Operating Company	100%	Marshall Is.

Red Rose Shipping Corp.	Vessel Owning Company	100%	Marshall Is.
Highbird Management Inc.	Vessel Owning Company	100%	Marshall Is.
Ducale Marine Inc.	Vessel Owning Company	100%	Marshall Is.
Vector Shipping Corporation	Vessel Owning Company	100%	Marshall Is.
Faith Marine Ltd.	Vessel Owning Company	100%	Liberia
Navios Maritime Finance (US) Inc.	Operating Company	100%	Delaware
Navios Maritime Finance II (US) Inc.	Operating Company	100%	Delaware
Tulsi Shipmanagement Co.	Operating Company	100%	Marshall Is.
Cinthara Shipping Ltd.	Operating Company	100%	Marshall Is.
Rawlin Services Co.	Operating Company	100%	Marshall Is.
Mauve International S.A.	Operating Company	100%	Marshall Is.
Serenity Shipping Enterprises Inc.	Vessel Owning Company	100%	Marshall Is.
Mandora Shipping Ltd	Vessel Owning Company	100%	Marshall Is.
Solange Shipping Ltd.	Vessel Owning Company	100%	Marshall Is.
Diesis Ship Management Ltd.	Operating Company	100%	Marshall Is.
Navios Holdings Europe Finance Inc.	Sub-Holding Company	100%	Marshall Is.
Navios Asia LLC	Sub-Holding Company	100%	Marshall Is.
Iris Shipping Corporation	Vessel Owning Company	100%	Marshall Is.
Jasmine Shipping Corporation	Vessel Owning Company	100%	Marshall Is.
Emery Shipping Corporation	Vessel Owning Company	100%	Marshall Is.
Lavender Shipping Corporation	Vessel Owning Company	100%	Marshall Is.
Roselite Shipping Corporation	Operating Company	100%	Marshall Is.
Smaltite Shipping Corporation	Operating Company	100%	Marshall Is.
Motiva Trading Ltd	Operating Company	100%	Marshall Is.
Alpha Merit Corporation	Sub-Holding Company	100%	Marshall Is.
Thalassa Marine S.A.	Operating Company	100%	Marshall Is.
Asteroid Shipping S.A.	Operating Company	100%	Marshall Is.
Cloud Atlas Marine S.A.	Operating Company	100%	Marshall Is.
Heodor Shipping Inc.	Vessel Owning Company	100%	Marshall Is.
Pacifico Navigation Corp.	Vessel Owning Company	100%	Marshall Is.
Rider Shipmanagement Inc.	Operating Company	100%	Marshall Is.
Talia Shiptrade S.A.	Operating Company	100%	Marshall Is.

All subsidiaries included in the consolidated financial statements are 100% owned, except for Navios Logistics and its subsidiaries which is 63.8% owned.

#### **Affiliates included in the financial statements accounted for under the equity method**

In the consolidated financial statements of Navios Holdings, the following entities are included as affiliates and are accounted for under the equity method for such periods: (i) Navios Partners and its subsidiaries (ownership interest as of December 31, 2019 was 18.5%); (ii) Navios Acquisition and its subsidiaries (economic interest as of December 31, 2019 was 31.0%); (iii) Navios Europe I and its subsidiaries (economic interest through liquidation in December 2019 was 47.5%); (iv) Navios Europe II and its subsidiaries (economic interest as of December 31, 2019 was 47.5%); and (v) Navios Containers and its subsidiaries (economic interest as of November 30, 2018, date of obtaining control, and from August 30, 2019, date of loss of control and as of December 31, 2019 was 3.7%).

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Angeliki Frangou, certify that:

1. I have reviewed this annual report on Form 20-F of Navios Maritime Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 21, 2020

/s/ Angeliki Frangou

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Angeliki Frangou

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, George Achniotis, certify that:

1. I have reviewed this annual report on Form 20-F of Navios Maritime Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 21, 2020

/s/ George Achniotis

George Achniotis  
Chief Financial Officer  
(Principal Financial Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Navios Maritime Holdings Inc. (the “Company”) does hereby certify, to such officers’ knowledge, that:

(i) the Annual Report on Form 20-F for the year ended December 31, 2019 (the “Report”) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 21, 2020

/s/ Angeliki Frangou

\_\_\_\_\_  
Angeliki Frangou  
Chief Executive Officer

Date: April 21, 2020

/s/ George Achniotis

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George Achniotis  
Chief Financial Officer



**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-147186, 333-202141 and 333-222002) of Navios Maritime Holdings Inc. of our report dated April 21, 2020 relating to the consolidated financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

/s/ PricewaterhouseCoopers S.A.

Athens, Greece  
April 21, 2020