

TOP SHIPS INC.  
Form 424B5  
December 11, 2017

Filed Pursuant to Rule 424(b)(5)  
Prospectus Supplement  
(to the Prospectus dated February 1, 2017) Registration No. 333-215577

Up to \$25,000,000 of Common Stock and  
up to \$500,000 of Shares of Common Stock as Commitment Shares

TOP SHIPS INC.

This prospectus supplement and accompanying prospectus relate to the issuance and sale of:  
up to \$25,000,000 of shares of our common stock that we may sell from time to time to Crede CG III, Ltd., or the Investor, over the next 24 months pursuant to a common stock purchase agreement between us and the Investor, or the Purchase Agreement, dated as of December 11, 2017, or the Effective Date; and  
up to \$500,000 of shares of our common stock that are being issued to the Investor as a commitment fee in consideration for entering into the Purchase Agreement.

This prospectus supplement and accompanying prospectus also cover the resale of these shares by the Investor to the public. The Investor may offer all or part of these shares for resale from time to time through public or private transactions, at either prevailing market prices or at privately negotiated prices. We provide more information about how the Investor may sell its shares of common stock in the section titled "Plan of Distribution" on page S-33. This prospectus supplement and accompanying prospectus also cover the resale of these shares by the Investor to the public. The Investor may offer all or part of these shares for resale from time to time through public or private transactions, at either prevailing market prices or at privately negotiated prices. We provide more information about how the Investor may sell its shares of common stock in the section titled "Plan of Distribution" on page S-33. The Investor is an "underwriter" within the meaning of Section 2(a)(11) of the Securities Act of 1933, as amended, or the Securities Act.

Our common shares are listed on The Nasdaq Capital Market, or Nasdaq, under the symbol "TOPS". The last reported sale price of our common shares on Nasdaq on December 7, 2017 was \$0.43 per share.

Investing in our common stock involves a high degree of risk. Please see the section entitled "Risk Factors" on page S-11 of this prospectus supplement and the risk factors beginning on page 4 of the accompanying prospectus for certain risks and uncertainties you should consider.

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities, or determined if this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

In connection with this offering we have engaged the services of a registered broker-dealer to act as a placement agent in connection with the Purchase Agreement with the Investor. The placement agent will receive a placement fee of \$45,000 and a non-accountable expense reimbursement of \$15,000. For information regarding the placement agent and compensation (including indemnification) to be received by the placement agent see "Plan of Distribution."

EXPLANATORY NOTE

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This prospectus supplement is being filed solely for the purpose of including the accompanying base prospectus dated February 1, 2017. The base prospectus was inadvertently omitted from the prospectus supplement filed earlier today. No changes have been made to the prospectus supplement.

The date of this prospectus supplement is December 11, 2017.

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## ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the U.S. Securities and Exchange Commission, or the Commission, utilizing a "shelf" registration process. This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and the common stock offered hereby and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part, the accompanying base prospectus, gives more general information and disclosure about our securities that we may offer from time to time, some of which does not apply to this offering of common stock offered hereby. When we refer to the prospectus, we are referring to both parts combined, and when we refer to the accompanying prospectus, we are referring to the base prospectus.

If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement. This prospectus supplement, the accompanying prospectus and the documents incorporated into each by reference include important information about us and our common stock being offered and other information you should know before investing. You should read this prospectus supplement and the accompanying prospectus together with the additional information described under the heading, "Where You Can Find Additional Information" in this prospectus supplement and the accompanying prospectus before investing in our common stock.

Any statement made in this prospectus or in a document incorporated or deemed to be incorporated by reference into this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus supplement or in any other subsequently filed document that is also incorporated by reference into this prospectus modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus relating to this offering. We have not authorized anyone to provide you with information that is different. If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to sell the common stock offered hereby only in jurisdictions where offers and sales are permitted. The information contained in or incorporated by reference in the prospectus is accurate only as of the date such information was issued, regardless of the time of delivery of the prospectus or any sale of the common stock offered hereby.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts.

We desire to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and are 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 "anticipate," "believe," "expect," "intend," "estimate," "forecast," "project," "plan," "potential," "may," "should," and similar expressions identify forward-looking statements. We caution that assumptions, expectations, projections, intentions and beliefs about future events may and often do vary from actual results and the differences can be material.

The forward-looking statements in this prospectus are based upon various 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 that are difficult or impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish the expectations, beliefs or projections described in the forward-looking statements contained in this report. All statements in this prospectus that are not statements of historical fact are forward-looking statements.

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

- our ability to maintain or develop new and existing customer relationships with major refined product importers and exporters, major crude oil companies and major commodity traders, including our ability to enter into long-term charters for our vessels;
- our future operating and financial results;
- oil and chemical tanker industry trends, including charter rates and vessel values and factors affecting vessel supply and demand;
- our ability to take delivery of, integrate into our fleet, and employ newbuildings we may order in the future and the ability of shipyards to deliver vessels on a timely basis;
- the aging of our vessels and resultant increases in operation and drydocking costs;
- the ability of our vessels to pass classification inspections and vetting inspections by oil majors and big chemical corporations;
- significant changes in vessel performance, including increased vessel breakdowns;
- the creditworthiness of our charterers and the ability of our contract counterparties to fulfill their obligations to us;
- our ability to repay outstanding indebtedness, to obtain additional financing and to obtain replacement charters for our vessels, in each case, at commercially acceptable rates or at all;
- changes to governmental rules and regulations or actions taken by regulatory authorities and the expected costs thereof;
- potential liability from litigation and our vessel operations, including discharge of pollutants;
- changes in general economic and business conditions;
- general domestic and international political conditions, potential disruption of shipping routes due to accidents, political events or acts by terrorists;
- changes in production of or demand for oil and petroleum products and chemicals, either globally or in particular regions;
- the strength of world economies and currencies, including fluctuations in charterhire rates and vessel values; and
- other important factors described from time to time in the reports filed by us with the Commission.

We refer you to the section entitled "Risk Factors," beginning on page S-11 of this prospectus supplement, on page 4 of the accompanying prospectus and on page 7 of our most recent Annual Report on Form 20-F, which is incorporated by reference herein, for a more complete discussion of these risks and uncertainties and for other risks and uncertainties. These factors and the other risk factors described in this prospectus supplement are not necessarily all of the important factors that could cause actual results or developments to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could harm our results. Consequently, there can be no assurance that actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, us. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements.

Forward-looking statements reflect only as of the date on which they are made. We will not update any forward-looking statements to reflect future events, developments, or other information. If we do update one or more forward-looking statements, no inference should be drawn that additional updates will be made regarding that statement or any other forward-looking statements.

#### ENFORCEABILITY OF CIVIL LIABILITIES

We are incorporated under the laws of the Republic of the Marshall Islands and our principal executive office is located outside of the United States in Greece. Some of our directors, officers and the experts named in this prospectus supplement reside outside the United States. In addition, a substantial portion of our assets and the assets of certain of our directors, officers and experts are located outside of the United States. As a result, it may be difficult or impossible for U.S. investors to serve process within the United States upon us or any of these persons. You may also have difficulty enforcing, both in and outside the United States, judgments you may obtain in United States courts against us or these persons in any action, including actions based upon the civil liability provisions of United States federal or state securities laws.

Furthermore, there is substantial doubt that courts in the countries in which we or our subsidiaries are incorporated or where our assets or the assets of our subsidiaries, directors or officers and such experts are located (i) would enforce judgments of U.S. courts obtained in actions against us or our subsidiaries, directors or officers and such experts based upon the civil liability provisions of applicable U.S. federal and state securities laws or (ii) would enforce, in original actions, liabilities against us or our subsidiaries, directors or officers and such experts based on those laws.



## PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information that appears elsewhere in this prospectus supplement or in the documents incorporated by reference herein and is qualified in its entirety by the more detailed information, including the financial statements that appear in the documents incorporated by reference. This summary may not contain all of the information that may be important to you. As an investor or prospective investor, you should review carefully the entire prospectus supplement, including the risk factors, and the more detailed information that is included herein and in the documents incorporated by reference herein.

Unless the context otherwise requires, as used in this prospectus supplement, the terms "Company," "we," "us," and "our" refer to TOP SHIPS INC. and all of its subsidiaries. We use the term deadweight ton, or dwt, in describing the size of vessels. Dwt, expressed in metric tons each of which is equivalent to 1,000 kilograms, refers to the maximum weight of cargo and supplies that a vessel can carry. Our reporting currency is in the U.S. dollar and all references in this prospectus supplement to "\$" or "dollars" are to U.S. dollars. Further, unless otherwise indicated, the information presented in this prospectus supplement gives effect to a one-for-ten reverse stock split of our issued and outstanding common shares effective on February 22, 2016, a one-for-twenty reverse stock split of our issued and outstanding common shares effective on May 11, 2017, a one-for-fifteen reverse stock split of our issued and outstanding common shares effective on June 23, 2017, a one-for-thirty reverse stock split of our issued and outstanding common shares effective on August 3, 2017 and a one-for-two reverse stock split of our issued and outstanding common shares effective on October 6, 2017.

### The Company

We are an international owner and operator of modern, fuel efficient eco medium range, or MR, tanker vessels focusing on the transportation of crude oil, petroleum products (clean and dirty) and bulk liquid chemicals. As of the date of this prospectus supplement, our fleet consists of two chartered-in 49,737 dwt product/chemical tankers vessels, the M/T Stenaweco Energy and the M/T Stenaweco Evolution, two 39,208 dwt product/chemical tankers vessels, the M/T Eco Fleet and the M/T Eco Revolution, and two 49,737 dwt product/chemical tankers, the M/T Stenaweco Excellence and M/T Nord Valiant. We also own a 90% interest in a corporation that owns a 50,118 dwt newbuilding product tanker, the M/T Stenaweco Elegance.

In addition we acquired from Lax Trust, an irrevocable trust established for the benefit of certain family members of Mr. Evangelos Pistiolis, our President, Chief Executive Officer and Director, or the Lax Trust, a 100% ownership interest in Astarte International Inc., a Marshall Islands corporation, or Astarte. Astarte is currently a party to a newbuilding contract for the construction of M/T Eco Palm Desert, a 50,000 dwt newbuilding product/chemical tanker scheduled for delivery from Hyundai Mipo Dockyard Co., Ltd. ("Hyundai") in July 2018. We have also acquired, through our wholly-owned subsidiaries, 50% ownership interests in Eco Nine Inc., a Marshall Islands corporation, or Eco Nine, and City of Athens Inc., a Marshall Islands corporation, or City of Athens, respectively. Both Eco Nine and City of Athens were at the time of the acquisition wholly-owned subsidiaries of the Lax Trust. Eco Nine is currently a party to a newbuilding contract for the construction of M/T Eco Palm Springs, a 50,000 dwt newbuilding product tanker scheduled for delivery from Hyundai in April 2018. City of Athens is currently a party to a newbuilding contract for the construction of M/T Eco Holmby Hills, a 50,000 dwt newbuilding product tanker scheduled for delivery from Hyundai in January 2018.

Furthermore, we acquired from an entity affiliated with our Chairman and Chief Executive Officer, Mr. Evangelos Pistiolis, a 100% ownership interest in PCH77 Shipping Company Limited, a Marshall Islands corporation, or PCH77. PCH77 is currently a party to a newbuilding contract for the construction of M/T Eco California, a 50,000 dwt newbuilding product/chemical tanker scheduled for delivery from under construction at Hyundai in January 2019. We intend to continue to review the market in order to identify potential acquisition targets on accretive terms. We believe we have established a reputation in the international ocean transport industry for operating and maintaining vessels with high standards of performance, reliability and safety. We have assembled a management team comprised of executives who have extensive experience operating large and diversified fleets of tankers and who have strong ties to a number of national, regional and international oil companies, charterers and traders.

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## Our Fleet

The following tables present our fleet list as of the date of this prospectus supplement:

Chartered-in fleet<sup>1</sup>:

Name	Deadweight	Charterer	Charter Duration	Expiry of Firm Charter Period	Gross Rate fixed period/ options*
M/T Stenaweco Energy	49,737	Stena Weco A/S	5.5+1+1 years	February 2020	\$16,500** / \$17,350 / \$18,100
M/T Stenaweco Evolution	49,737	Stena Weco A/S	5+1+1 years	April 2020	\$16,200*** / \$17,200 / \$18,000

\*Options may be exercised at the charterer's option.

\*\* \$14,600 commencing from January 1, 2017 until June 30, 2018. Thereafter the rate will be \$16,500 until February 25, 2020.

\*\*\* \$14,600 commencing from May 1, 2017 until April 30, 2018. Thereafter the rate will be \$16,200 from May 1, 2018 until April 3, 2019. From April 4, 2019 to April 4, 2020 the rate is \$16,350.

The Company retains the option to purchase back these vessels for predetermined prices starting from January 31, 2018 for M/T Stenaweco Energy and March 31, 2018 for M/T Stenaweco Evolution and ending seven years thereafter.

Operating fleet:

Name	Deadweight	Charterer	Charter Duration	Expiry of Firm Charter Period	Gross Rate fixed period/ options**
M/T Eco Fleet	39,208	BP Shipping Limited	3+1+1 years	July 2018	\$15,200 / \$16,000 / \$16,750
M/T Eco Revolution	39,208	BP Shipping Limited	3+1+1 years	January 2019	\$15,200 / \$16,000 / \$16,750
M/T Stenaweco Excellence	49,737	Stena Weco A/S	3+1+1 years	May 2019	\$16,200 / \$17,200 / \$18,000
M/T Nord Valiant	49,737	DS Norden A/S	5+1+1 years	August 2021	\$16,800 / \$17,600 / \$18,400
M/T Stenaweco Elegance*	50,118	Stena Weco A/S	3+1+1 years	March 2020	\$16,500 / \$17,500 / \$18,500

\* We have also acquired, through our wholly-owned subsidiary, a 90% ownership interest in Eco Seven Inc., or Eco Seven, that currently owns the M/T Stenaweco Elegance.

\*\*Options may be exercised at the charterer's option.

#### Recent Developments

On June 27, 2017, we received written notification from Nasdaq, indicating that because the closing bid price of the Company's common stock for the last 30 consecutive business days was below \$1.00 per share, the Company no longer met the minimum bid price requirement for the Nasdaq Capital Market, set forth in Nasdaq Listing Rule 5450(a)(1). Pursuant to the Nasdaq Listing Rules, the applicable grace period to regain compliance was 180 days, or until December 26, 2017. We regained compliance on August 17, 2017.

On August 1, 2017, the Company received a subpoena from the Commission requesting certain documents and information from the Company in connection with offerings made by the Company between February 2017 and August 2017. The Company is providing the requested information to the SEC.

On August 3, 2017, we effected a 1-for-30 reverse stock split of our common stock. There was no change in the number of our authorized common shares.

On August 23, 2017, a purported securities class action complaint was filed in the United States District Court for the Eastern District of New York (No. 2:17-cv-04987(JMA)(SIL)) by Christopher Brady on behalf of himself and all others similarly situated against (among other defendants) the Company and two of its executive officers. The complaint is brought on behalf of an alleged class of those who purchased common stock of the Company between January 17, 2017 and August 22, 2017, and alleges that the Company and two of its executive officers violated Sections 9, 10(b) and/or 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

On August 24, 2017, a second purported securities class action complaint was filed in the same court against the same defendants (No. 2:17-cv-05016(LDW)(AYS)) which makes similar allegations and purports to allege violations of Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder. Other similar complaints may be filed in the future. The Company will respond to these complaints (or an amended and/or consolidated complaint) by the appropriate deadline to be set in the future. The Company and its management believe that the allegations in the complaints are without merit and plan to vigorously defend themselves against the allegations.

On September 5, 2017 we entered into a \$23.5 million bank loan facility with Amsterdam Trade Bank of Holland ("AT Bank") for the financing of M/T Eco Palm Desert.

On September 15, 2017, we issued an unsecured promissory note in the amount of \$2.0 million with an original issue discount of 1% to Xanthe Holdings Ltd., or Xanthe. As of November 8, 2017 this note has been settled.

On October 6, 2017, we effected a 1-for-2 reverse stock split of our common stock. There was no change in the number of our authorized common shares.

On October 10, 2017, we received written notification from Nasdaq indicating that because the closing bid price of the Company's common stock for the last 30 consecutive business days was below \$1.00 per share, the Company no longer meets the minimum bid price requirement for the Nasdaq Capital Market, set forth in Nasdaq Listing Rule 5450(a)(1). Pursuant to the Nasdaq Listing Rules, the applicable grace period to regain compliance is 180 days, or until April 9, 2018.

On October 12, 2017, we announced the completion of the previously announced purchase agreement between the Company and Kalani Investments Limited, or Kalani, dated February 2, 2017, as amended.

As of November 2, 2017, there were no longer any outstanding Series C Convertible Preferred Shares and we issued a total of 9,046,60 common shares in connection with the conversions of all of the outstanding Series C Convertible Preferred Shares.

On November 3, 2017 we held our Special Meeting of Shareholders where our shareholders approved and adopted one or more amendments to our Amended and Restated Articles of Incorporation to effect one or more reverse stock splits of our issued common shares at a ratio of not less than one-for-two and not more than one-for-10,000 and in the aggregate at a ratio of not more than one-for-10,000, inclusive, with the exact ratio to be set at a whole number within this range to be determined by our board of directors and authorized the Company's board of directors to implement any such reverse stock split by filing any such amendment with the Registrar of Corporations of the Republic of the Marshall Islands.

On November 7, 2017, we entered into a Common Stock Purchase Agreement, or the First Purchase Agreement, with the Investor, pursuant to which the Company agreed sell up to \$25,000,000 million of shares of its common stock, par value \$0.01 to the Investor over a period of 24 months, subject to certain limitations. In consideration for entering into the First Purchase Agreement, we also agreed to issue up to \$500,000 of shares of common stock, par value \$0.01 to the Investor as a commitment fee. As of the date hereof, up to \$3.6 million of shares is remaining that the Company may sell pursuant to the First Purchase Agreement.

On November 13, 2017, we entered into a Note Purchase Agreement with Crede Capital Group LLC, or Crede, pursuant to which the Company issued an unsecured promissory note in the original principal amount of \$12.5 million with a single revolving option for additional \$5.0 million that we exercised on November 20 2017. As of the date hereof, the balance under this promissory note is \$3.4 million.

On November 24, 2017, we acquired all of the outstanding shares of PCH77 Shipping Company Limited, a Marshall Islands company that owns a new building contract for M/T Eco California, a high specification 50,000 dwt Medium Range ("MR") product/chemical tanker under construction at Hyundai Mipo Dockyard Co., Ltd. in Korea from an entity affiliated with our Chairman and Chief Executive Officer, Mr. Evangelos Pistiolis. We paid \$3.6 million for the outstanding shares and the vessel is scheduled for delivery during January 2019. The abovementioned transaction was approved by a special committee of the Company's board of directors, or the Transaction Committee, of which all of the directors were independent. In the course of its deliberations, the Transaction Committee hired and obtained a fairness opinion from an independent financial advisor. Upon its delivery, the vessel will be employed under a time charter with an oil major for a firm duration of two years with a charterer's option to extend for one additional year. The rate of the charter consists of a fixed amount per day plus a 50% profit share for earned rates over the fixed amount.

#### Corporate Information

Our predecessor, Ocean Holdings Inc., was formed as a corporation in January 2000 under the laws of the Republic of the Marshall Islands and renamed Top Tankers Inc. in May 2004. In December 2007, Top Tankers Inc. was renamed Top Ships Inc.

Our common stock is currently listed on the Nasdaq Capital Market under the symbol "TOPS." The current address of our principal executive office is 1 Vasilisis Sofias and Megalou Alexandrou Str, 15124 Maroussi, Greece. The telephone number of our registered office is +30 210 812 8000. Our corporate website address is [www.topships.org](http://www.topships.org). The information contained on our website does not constitute part of this prospectus.

## THE OFFERING

Issuer	TOP Ships Inc., a Marshall Islands corporation
Common shares outstanding as of December 7 2017	59,694,811 common shares
Common shares to be offered	<ul style="list-style-type: none"><li>· up to \$25,000,000 of shares of our common stock that we may sell from time to time to the Investor over the next 24 months in accordance with the Purchase Agreement; and</li><li>· up to \$500,000 of shares of our common stock to be issued to the Investor as a commitment fee in consideration for entering into the Purchase Agreement.</li></ul>
Preferred Share Purchase Rights	Our common shares include preferred share purchase rights, as described in the section of the accompanying prospectus supplement entitled "Description of Capital Stock—Stockholders Rights Agreement."
Use of proceeds	We intend to use the net proceeds of this offering for general corporate purposes, which may include the payment of a portion of the outstanding contractual cost of our newbuilding vessels.
Risk Factors	Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page S-11 of this prospectus supplement and page 4 of the accompanying prospectus and in our Annual Report on Form 20-F for the fiscal year ended December 31, 2016, filed with the Commission on March 14, 2017 and incorporated by reference herein, to read about the risks you should consider before purchasing our common stock.
Tax Considerations	For a discussion of the principal U.S. federal income tax and Marshall Islands tax considerations associated with our operations and the acquisition, ownership and disposition of our common stock see "Taxation" in our Annual Report on Form 20-F for the fiscal year ended December 31, 2016.
Listing	The primary trading market for our common stock is the Nasdaq Capital Market, where our common shares are listed under the symbol "TOPS."

### Purchase Agreement

On December 11, 2017, which we refer to as the Effective Date, we entered into the Purchase Agreement with the Investor. The Purchase Agreement provides that, upon the terms and subject to the conditions set forth therein, the Investor is committed to purchase up to \$25,000,000 worth of shares of our common stock over the 24-month term of the Purchase Agreement.

This prospectus supplement and accompanying prospectus relate to the issuance and sale of: (i) up to \$25,000,000 of shares of our common stock that may be sold from time to time to the Investor over the next 24 months pursuant to the Purchase Agreement and (ii) up to \$500,000 of shares of our common stock that are being issued to the Investor as a commitment fee in consideration for entering into the Purchase Agreement. This prospectus supplement and accompanying prospectus also cover the resale of these shares by the Investor to the public.

From time to time over the term of the Purchase Agreement, we may, in our sole discretion, provide the Investor with a Request Notice to purchase a specified Purchase Amount of shares of our common stock over a Purchase Period commencing on the trading day specified in the applicable Request Notice, with each request subject to the limitations discussed below. The maximum Purchase Amount requested to be purchased pursuant to any single Request Notice shall equal (i) if the VWAP of the first 30 minutes of trading is equal to or lower than the VWAP of the Business Day immediately prior to the Purchase Date, the greater of (A) 10% of the US Dollar value traded of the Common Stock on the Principal Market on the Business Day immediately prior to the Purchase Date or (B) 10% of the US Dollar value traded of the Common Stock on the Principal Market on the Purchase Date, or (ii) if the VWAP of the first 30 minutes of trading on the Purchase Date is higher than the VWAP of the Business Day immediately prior to the Purchase Date, the greater of (A) 20% of the US Dollar value traded of the Common Stock on the Principal Market on the Business Day immediately prior to the Purchase Date or (B) 20% of the US Dollar value traded of the Common Stock on the Principal Market on the Purchase Date; provided that in each case, the Company and the Investor may agree upon a higher Purchase Price.

Once presented with a Request Notice, the Investor is required to purchase the number of Purchase Shares specified in such notice, up to the maximum number of Purchase Shares on such Business Day. The per share purchase price for the shares of our common stock subject to a Request Notice will be equal to the product of a discount factor of 91% multiplied by the lowest daily VWAP during the applicable Purchase Period. Each purchase pursuant to a Request Notice will reduce, on a dollar-for-dollar basis, the Total Commitment under the Purchase Agreement. The payment for, against subsequent delivery of, Shares in respect of each Purchase Request shall be settled on the Settlement Date therefor, which will be the same day the Investor received the Shares.

We are prohibited from issuing a Request Notice if (i) the aggregate of the Purchase Amounts exceeds the Aggregate Limit, or (ii) the sale of shares of our common stock pursuant to the Request Notice would cause us to sell or the Investor to purchase an aggregate number of shares of our common stock which would result in beneficial ownership by the Investor of more than 9.99% of our common stock (as calculated pursuant to Section 13(d) of the Exchange Act and the rules and regulations thereunder). We are also prohibited from delivering any Request Notice or otherwise offering or selling Shares to the Investor (i) during any period in which the Company is, or may be deemed to be, in possession of material non-public information, or (ii) at any time from and including the date on which the Company shall issue a press release containing, or shall otherwise publicly announce, its earnings, revenues or other results of operations through and including the time that is 24 hours after the time that the Company files a Report on Form 6-K or an Annual Report on Form 20-F that includes consolidated financial statements as of and for the same period or periods, as the case may be, covered by such Earnings Announcement.

The Purchase Agreement contains customary representations, warranties, covenants and conditions by, among and for the benefit of the parties. The Purchase Agreement may be terminated by the Company at any time by one business day's prior written notice. Unless earlier terminated, the Purchase Agreement will terminate automatically on the earlier of (i) date on which the Company sells and the Investor purchases the full Available Amount as provided in the Purchase Agreement and (ii) the Maturity Date. Under certain circumstances set forth in the Purchase Agreement, the Investor may terminate the Purchase Agreement on five Business Days' prior written notice.

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We have agreed to issue to the Investor a commitment fee as consideration for the Investor entering into this Agreement (i) on the first Purchase Date, such number of shares of Common Stock that would have a value equivalent to Two Hundred Fifty Thousand Dollars (\$250,000), (ii) on the Purchase Date on which the Company has issued Request Notices, in the aggregate with all previous Request Notices, to the Investor for an aggregate Purchase Amount of at least Twelve Million Five Hundred Thousand Dollars (\$12,500,000), such number of shares of Common Stock that would have a value equivalent to One Hundred Thousand Dollars (\$100,000), (iii) on the Purchase Date on which the Company has issued Request Notices, in the aggregate with all previous Request Notices, to the Investor for an aggregate Purchase Amount of at least Seventeen Million Five Hundred Thousand Dollars (\$17,500,000), such number of shares of Common Stock that would have a value equivalent to One Hundred Thousand Dollars (\$100,000), and (iv) on the Purchase Date on which the Company has issued Request Notices, in the aggregate with all previous Request Notices, to the Investor for an aggregate Purchase Amount of at least Twenty-Two Million Five Hundred Thousand Dollars (\$22,500,000), such number of shares of Common Stock that would have a value equivalent to Fifty Thousand Dollars (\$50,000), in each case of clauses (i) through (iv), as such number of shares of Common Stock to be issued as consideration are calculated using the VWAP of the previous day to such applicable Purchase Date.

We have further agreed with the Investor that each party shall be responsible for the payment of any fees or commissions, if any, of any financial advisor, placement agent, broker or finder engaged by such party relating to or arising out of the transactions contemplated by the Purchase Agreement, and each party shall pay, and hold the other party harmless against, any liability, loss or expense (including, without limitation, attorneys' fees and out of pocket expenses) arising in connection with any such claim.

For the definitions herein please refer to the Purchase Agreement filed as an exhibit to our Report on Form 6-K and incorporated herein by reference.

## RISK FACTORS

We have identified a number of risk factors which you should consider before investing in our common stock. You should consider carefully the risks set forth below, those risk factors set forth under the heading "Risk Factors" in our Annual Report on Form 20-F incorporated by reference in this prospectus supplement and in any other documents we have incorporated by reference in this prospectus supplement, as well as those under the heading "Risk Factors" in the accompanying prospectus dated February 1, 2017 before investing in the common stock offered hereby. The occurrence of one or more of these risk factors could adversely affect our results of operations or financial condition.

We may not be able to continue as a going concern

Our unaudited interim condensed consolidated financial statements for the six months ended June 30, 2017 have been prepared on the basis that we will continue as a going concern. As at June 30, 2017, the Company had a working capital deficit of \$14 million and commitments under operating leases of \$6.3 million. As of December 7 2017, its capital commitments for the acquisition of its fleet for the following twelve months amount to \$56.3 million.

We are considering options to refinance or raise capital to avoid there being substantial doubt about our ability to fund future operations and meet our obligations as they become due for at least a year, and continue as a going concern. If we are unable to refinance or raise capital, we may cease to continue as a going concern and we would be required to restate our assets and liabilities on a liquidation basis, which could differ significantly from the going concern basis. There is no guarantee of a continuing public market for you to resell our common stock.

Our common stock currently trade on the Nasdaq Capital Market. We cannot assure you that an active and liquid public market for our common stock will continue. The price of our common stock may be volatile and may fluctuate due to factors such as:

- actual or anticipated fluctuations in our quarterly and annual results and those of other public companies in our industry;
- mergers and strategic alliances in the shipping industry;
- market conditions in the shipping industry and the general state of the securities markets;
- changes in government regulation;
- shortfalls in our operating results from levels forecast by securities analysts; and
- announcements concerning us or our competitors.

Further, in order for our stock to continue to trade on Nasdaq, we must maintain compliance with Nasdaq's listing standards.

On October 10, 2017, we received written notification from Nasdaq indicating that because the closing bid price of the Company's common stock for the last 30 consecutive business days was below \$1.00 per share, the Company no longer meets the minimum bid price requirement for the Nasdaq Capital Market, set forth in Nasdaq Listing Rule 5450(a)(1). Pursuant to the Nasdaq Listing Rules, the applicable grace period to regain compliance is 180 days, or until April 9, 2018. The Company intends to monitor the closing bid price of its common stock between now and April 9, 2018 and is considering its options, including a reverse stock split, in order to regain compliance with the Nasdaq Capital Market minimum bid price requirement.

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Delisting from the Nasdaq could have an adverse effect on our business and on the trading of our common stock. If a delisting of our common stock were to occur, such shares may trade in the over-the-counter market such as on the OTC Bulletin Board or on the "pink sheets." The over-the-counter market is generally considered to be a less efficient market, and this could diminish investors' interest in our common stock as well as significantly impact the price and liquidity of our common stock. Any such delisting may also severely complicate trading of our common stock by our shareholders, or prevent them from re-selling their common stock at/or above the price they paid.

We are currently subject to litigation and we may be subject to similar or other litigation in the future.

We and certain of our current executive officers are defendants in purported class-action lawsuits pending in the U.S. District Court for the Eastern Districts of New York, brought on behalf of shareholders of the Company. The lawsuits allege violations of the Securities Exchange Act of 1934, as amended, or the Exchange Act.

While we believe these claims to be without merit and intend to continue to defend these lawsuits vigorously, we cannot predict their outcome. Furthermore, we may, from time to time, be a party to other litigation in the normal course of business. Monitoring and defending against legal actions, whether or not meritorious, is time-consuming for our management and detracts from our ability to fully focus our internal resources on our business activities. In addition, legal fees and costs incurred in connection with such activities may be significant and we could, in the future, be subject to judgments or enter into settlements of claims for significant monetary damages. A decision adverse to our interests could result in the payment of substantial damages and could have a material adverse effect on our cash flow, results of operations and financial position.

With respect to any litigation, our insurance may not reimburse us or may not be sufficient to reimburse us for the expenses or losses we may suffer in contesting and concluding such lawsuit. Substantial litigation costs, including the substantial self-insured retention that we were required to satisfy before any insurance applied to the claim, or an adverse result in any litigation may adversely impact our business, operating results or financial condition.

Newbuilding projects are subject to risks that could cause delays.

As of the date of this prospectus supplement, we own 50% interests in two corporations that are parties to shipbuilding contracts for two newbuilding vessels scheduled to be delivered from Hyundai in the first and second quarters of 2018, respectively and another 100% interest in a corporation that is a party to a shipbuilding contract for one newbuilding vessel scheduled to be delivered from Hyundai in the third quarter of 2018. Newbuilding construction projects are subject to risks of delay inherent in any large construction project caused by numerous factors, including shortages of equipment, materials or skilled labor, unscheduled delays in the delivery of ordered materials and equipment or shipyard construction, failure of equipment to meet quality and/or performance standards, financial or operating difficulties experienced by equipment vendors or the shipyard, unanticipated actual or purported change orders, inability to obtain required permits or approvals, design or engineering changes and work stoppages and other labor disputes, adverse weather conditions, bankruptcy or other financial crisis of the shipyard, a backlog of orders at the shipyard, or any other events of force majeure. A shipyard's failure to complete the project on time may result in the delay of revenue from the vessel. Any such failure or delay could have a material adverse effect on our operating results as we will continue to incur other costs to operate our business.

Our strategic relationships subject us to risks that could adversely affect our business, financial condition and results of operations.

We and Malibu Shipmanagement Co. own 90% and 10%, respectively, of Eco Seven Inc., a Marshall Islands corporation that owns a 50,118 dwt product/chemical tanker, the M/T Stenaweco Elegance. Malibu Shipmanagement Co. is a wholly-owned subsidiary of the Lax Trust.

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We also own 50% of City of Athens Inc. and ECO Nine Inc., Marshall Islands corporations that are each a party to a newbuilding contract for a 50,000 dwt newbuilding product tanker scheduled for delivery from Hyundai Mipo Dockyard Co., Ltd., or Hyundai, in January 2018 and April 2018, respectively. Fly Free Company and Maxima International Co. own the other 50% of City of Athens Inc. and ECO Nine Inc., respectively. Fly Free Company and Maxima International Co. are wholly-owned subsidiaries of Gunvor S.A., or Gunvor, a non-affiliated company with which we have entered into a joint venture agreement on July 7, 2017.

These strategic relationships are subject to various risks that could adversely affect the value of our investments and our results of operations and financial condition. These risks include, but are not limited to, the following:

- our interests could diverge from our partners' interests or we may not agree with our strategic partners on ongoing activities or on the amount, timing or nature of further investments in the relationship;
- our control over the operations of City of Athens Inc. and ECO Nine Inc. is limited, especially because we have joint control over our strategic arrangements;
  - due to financial constraints, our strategic partners may be unable to meet their commitments to us;
  - due to differing long-term business goals, our partners may decide not to join us in funding capital investment by our business ventures, which may result in higher levels of cash expenditures by us;
- we may experience difficulties or delays in collecting amounts due to us from our strategic partners;
- the terms of our arrangements may turn out to be unfavorable; and
- changes in tax, legal or regulatory requirements may necessitate changes in the agreements with our strategic partners.

Further, in spite of performing customary due diligence prior to entering into the aforementioned strategic relationships, we cannot guarantee full disclosure of prior acts or omissions of the sellers or those with whom we enter into strategic arrangements. If our strategic relationships are unsuccessful or there are unanticipated changes in, or termination of, our strategic relationships, our business, results of operations and financial condition may be adversely affected.

Our President, Chief Executive Officer and Director, who may be deemed to beneficially own, directly or indirectly, 100% of our Series D Preferred Stock, has control over us.

As of May 8, 2017, Lax Trust, which is an irrevocable trust established for the benefit of certain family members of our President, Chief Executive Officer and Director, Mr. Evangelos Pistiolis, may be deemed to beneficially own, directly or indirectly, all of the 100,000 outstanding shares of our Series D Preferred Stock. The shares of Series D Preferred Stock each carry 1,000 votes. By its ownership of 100% of our Series D Preferred Stock, Lax Trust has control over our actions. The interests of Lax Trust may be different from your interests.

Our management team will have broad discretion over the use of the net proceeds from this offering.

Our management will use its discretion to direct the net proceeds from this offering. We will use the net proceeds from the sale of the common stock offered by this prospectus supplement to fund the remaining contractual commitments for the acquisition of our newbuilding fleet and for general corporate purposes. Our management's judgments may not result in positive returns on your investment and you will not have an opportunity to evaluate the economic, financial or other information upon which our management bases its decisions.

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Investors may experience significant dilution as a result of this offering.

If we sell all of the 74,748,924 common shares offered pursuant to this prospectus supplement (please see "Capitalization" section for assumptions on sale prices of Purchase Shares and commitment fee shares), we will have 134,443,735 common shares outstanding, which represents in the aggregate an increase of approximately 125% in our currently issued and outstanding common shares. Because the sales of the shares offered hereby will be made directly into the market or in negotiated transactions, the prices at which we sell these shares will vary and these variations may be significant. If we sell all or a substantial portion of the total shares offered pursuant to this prospectus supplement, our existing stockholders will experience significant dilution as a result of this offering. If we elect to draw down amounts under the Purchase Agreement, which will result in the sale of additional shares of our common stock to the Investor, any such drawdowns will have a dilutive impact on our existing stockholders. The Investor may resell some or all of the shares of our common stock we issue to it pursuant to draw downs under the Purchase Agreement and such sales could cause the market price, and the VWAP, of our common stock to decline. To the extent of any such decline, any subsequent drawdowns would require us to issue a greater number of shares of common stock to the Investor in exchange for each dollar of proceeds received from the draw down. This is because the number of shares of common stock we sell pursuant to this prospectus supplement will increase as the VWAP of our common stock decreases, and therefore the number of shares of common stock we sell pursuant to this prospectus supplement could be significant if the VWAP for our common stock decreases significantly. Under these circumstances, our existing stockholders would experience greater dilution. An investor that purchases shares offered hereby will experience dilution if, following such purchase, we sell shares at prices significantly below the price at which the investor purchased its shares.

We have already issued 59,694,495 common shares during this year through various transactions. Shareholders may experience significantly more dilution as a result of the Purchase Agreement and future offerings.

We have already sold large quantities of our common stock pursuant to previous public and private offerings of the Company's equity and equity-linked securities. We currently have an effective registration statement on Form F-3 (333-215577), of which this prospectus supplement forms a part, and a related prospectus supplement filed with the Commission for the sale of up \$200,000,000, of which \$62.8 million has been sold. We also have outstanding 1,976,389 Warrants, which are convertible into our common shares, both as defined below.

Purchasers of the shares of our common stock we sell, as well as our existing shareholders, will experience significant dilution if we sell shares at prices significantly below the price at which they invested. In addition, we may offer additional common stock in the future, which may result in additional significant dilution.

Future sales of our common stock could cause the market price of our common stock to decline.

The market price of our common stock could decline due to sales, or the announcements of proposed sales, of a large number of common stock in the market, including sales of common stock by our large shareholders, or the perception that these sales could occur. These sales or the perception that these sales could occur could also depress the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities or make it more difficult or impossible for us to sell equity securities in the future at a time and price that we deem appropriate. We cannot predict the effect that future sales of common stock or other equity-related securities would have on the market price of our common stock.

Our Third Amended and Restated Articles of Incorporation, as amended, authorize our Board of Directors to, among other things, issue additional shares of common or preferred stock or securities convertible or exchangeable into equity securities, without shareholder approval. We may issue such additional equity or convertible securities to raise additional capital. The issuance of any additional shares of common or preferred stock or convertible securities could be substantially dilutive to our shareholders. Moreover, to the extent that we issue restricted stock units, stock appreciation rights, options or warrants to purchase our common stock in the future and those stock appreciation rights, options or warrants are exercised or as the restricted stock units vest, our shareholders may experience further dilution. Holders of shares of our common stock have no preemptive rights that entitle such holders to purchase their pro rata share of any offering of shares of any class or series and, therefore, such sales or offerings could result in increased dilution to our shareholders.



Sales of our securities could cause the market price of our common shares to decline.

Sales of a substantial number of our common shares in the public market, as contemplated herein, or the perception that these sales could occur, may depress the market price for our common shares, and our shareholders may incur dilution from these sales. These sales could also impair our ability to raise additional capital through the sale of our equity securities in the future.

Due to the recent issuances and sales of our common shares we may not be in compliance with the covenants contained in our secured credit facilities

Our secured credit facility for \$23.2 million with Norddeutsche Landesbank Girozentrale, or NORD/LB requires that any member of the family of Mr. Evangelos Pistiolis, our President, Chairman and Chief Executive Officer, maintain an ownership interest (either directly and/or indirectly through companies beneficially owned by any member of the Pistiolis family and/or trusts or foundations of which any member of the Pistiolis family are beneficiaries) of 20% of our issued and outstanding common shares, respectively (the "Required Percentage"). As of the latest Schedule 13D/A filed by the Lax Trust and other related parties, the members of Mr. Pistiolis' family may be deemed to beneficially own, via the Lax Trust, 189 of our common shares or, upon exercise by Lax Trust of Warrants held by Race Navigation Inc. and upon the conversion into our common shares of the outstanding principal of the convertible loan between the Company and Family Trading Inc., 12,872,689 of our common shares, which is approximately 0.0% or 26.2% of our issued and outstanding common shares, respectively.

On May 16, 2017 NORD/LB has provided a waiver for the breach of this covenant until the end of 2017 and has amended the Required Percentage to 10%. If this waiver expires or such breach is not waived or modified by NORD/LB, then such breach may provide NORD/LB with the right to accelerate our indebtedness and foreclose its liens on our assets securing the NORD/LB facility, which would impair our ability to continue to conduct our business. In addition NORD/LB may among other things, require us to post additional collateral, enhance our equity and liquidity, increase our interest payments, and sell vessels in our fleet.

Furthermore, certain of our debt agreements, sale and leaseback agreements and preferred share agreements contain cross-default provisions that may be triggered by a default under one of our other debt agreements. A cross default provision means that a default on one loan would result in a default on certain of our other loans. The occurrence of any event of default, or our inability to obtain a waiver from our lenders in the event of a default, could result in certain or all of our indebtedness being accelerated or the foreclosure of the liens on our vessels by our lenders as described above. If our secured indebtedness is accelerated in full or in part, it would be very difficult in the current financing environment for us to refinance our debt or obtain additional financing and we could lose our vessels and other assets securing our credit facilities if our lenders foreclose their liens, which would adversely affect our ability to conduct our business.

Moreover, in connection with any waivers of or amendments to our credit facilities that we may obtain in the future, our lenders may impose additional operating and financial restrictions on us or modify the terms of our existing credit facilities. These restrictions may further restrict our ability to, among other things, pay dividends, make capital expenditures or incur additional indebtedness, including through the issuance of guarantees. Our lenders may also require the payment of additional fees, require prepayment of a portion of our indebtedness to them, accelerate the amortization schedule for our indebtedness and increase the interest rates they charge us on our outstanding indebtedness.

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Anti-takeover provisions in our organizational documents as well as our stockholders rights agreement could make it difficult for our stockholders to replace or remove our current Board of Directors or have the effect of discouraging, delaying or preventing a merger or acquisition, which could adversely affect the market price of our common stock. Several provisions of our Third Amended and Restated Articles of Incorporation, as amended, and Amended and Restated By-Laws, as amended, could make it difficult for our stockholders to change the composition of our board of directors in any one year, preventing them from changing the composition of management. In addition, the same provisions may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable.

These provisions include:

- authorizing our Board of Directors to issue "blank check" preferred stock without stockholder approval;
- providing for a classified Board of Directors with staggered, three-year terms;
- prohibiting cumulative voting in the election of directors;
- authorizing the removal of directors only for cause and only upon the affirmative vote of the holders of at least 80% of the outstanding shares of our capital stock entitled to vote for the directors;
- prohibiting shareholder action by written consent unless the written consent is signed by all shareholders entitled to vote on the action;
- limiting the persons who may call special meetings of shareholders;
- establishing advance notice requirements for nominations for election to our Board of Directors or for proposing matters that can be acted on by shareholders at shareholder meetings; and
- restricting business combinations with interested shareholders.

In addition, we have entered into a stockholders rights agreement that will make it more difficult for a third party to acquire significant stake in us without the support of our Board of Directors.

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

We are incorporated in the Republic of the Marshall Islands, which does not have a well-developed body of corporate law, and as a result, shareholders may have fewer rights and protections under Marshall Islands law than under a typical jurisdiction in the United States.

Our corporate affairs are governed by our Third Amended and Restated Articles of Incorporation, as amended, Amended and Restated By-Laws, as amended, and by the Marshall Islands Business Corporations Act, or the BCA. The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. However, there have been few judicial cases in the 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 United States jurisdictions. Shareholder rights may differ as well. While the BCA does specifically incorporate the non-statutory law, or judicial case law, of the State of Delaware and other states with substantially similar legislative provisions, our public shareholders may have more difficulty in protecting their interests in the face of actions by management, directors or controlling shareholders than would shareholders of a corporation incorporated in a United States jurisdiction.

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We are a "foreign private issuer," which could make our common stock less attractive to some investors or otherwise harm our stock price.

We are a "foreign private issuer," as such term is defined in Rule 405 under the Securities Act. As a "foreign private issuer" the rules governing the information that we disclose differ from those governing U.S. corporations pursuant to the Exchange Act. We are not required to file quarterly reports on Form 10-Q or provide current reports on Form 8-K disclosing significant events within four days of their occurrence. In addition, our officers and directors are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and related rules with respect to their purchase and sales of our securities. Our exemption from the rules of Section 16 of the Exchange Act regarding sales of common stock by insiders means that you will have less data in this regard than shareholders of U.S. companies that are subject to the Exchange Act. Moreover, we are exempt from the proxy rules, and proxy statements that we distribute will not be subject to review by the Commission. Accordingly there may be less publicly available information concerning us than there is for other U.S. public companies. These factors could make our common stock less attractive to some investors or otherwise harm our stock price.

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USE OF PROCEEDS

We intend to use the net proceeds of this offering for general corporate purposes, which may include the payment of a portion of the outstanding contractual cost of our newbuilding vessels. We expect that the maximum net proceeds of this offering will be approximately \$24.9 million, after deducting estimated issuance costs and commissions of approximately \$0.1 million.

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## CAPITALIZATION

The following table sets forth our consolidated capitalization as of June 30, 2017:

on an actual basis;

- o on an as adjusted basis to give effect to the following transactions which occurred between July 1, 2017 and December 8, 2017:
  - § the issuance of 2,192,479 common shares upon the exercise of 422,752 2014 Warrants;
  - § the issuance of 179,852 common shares in connection with the conversion of 446 Series B Convertible Preferred Shares;
  - § the issuance of 8,938,082 common shares in connection with the conversion of 4,685 Series C Convertible Preferred Shares, which resulted in a \$4.7 million of amortization of debt discount;
  - § The issuance of an aggregate of 6,292,900 shares of common shares under our registered equity line with Kalani, with aggregate net proceeds of \$10.6 million;
  - § The issuance of an aggregate of 41,947,500 shares of common shares under our registered equity line with Crede, with aggregate net proceeds of \$21.4 million;
  - § \$5.0 million of scheduled debt repayments under the ABN Amro, the NORD/LB and the Alpha Bank Senior Credit facilities;
  - § the drawdown of \$1.5 million under the credit facility with AT Bank;
  - § the repayment of \$3.1 million under the credit facility with Family Trading;
  - § the settlement of \$3.8 million of unsecured Notes that were due on June 30, 2017;
  - § the issuance of a \$3.1 million 2% Original Issue Discount Promissory Note on July 12, 2017 to Xanthe for a consideration of \$3.0 million of which \$3.1 million has been settled;
  - § the issuance of a \$2.0 million 2% Original Issue Discount Promissory Note on September 15, 2017 to Xanthe for a consideration of \$2 million of which \$2.0 million has been settled.
  - § the issuance of a \$17.5 million Promissory Note on November 13, 2017 to Crede, of which \$14.1 million has been settled.

on a further adjusted basis, assuming our issuance and sale of the maximum amount of \$25,000,000 of our common stock at an assumed offering price of \$0.34 per share (i.e. 73,529,412 common shares), representing 91% of the lowest Vwap of the 9 trading days prior to the Date of Determination (December 8, 2017), as well as the issuance of the maximum amount of \$500,000 of commitment shares at an assumed price of \$0.41 per share (i.e. 1,219,512 common shares), which is the 91% of the Vwap of the previous day of the Date of Determination.

You should read this capitalization table together with the sections of our Form 6-k for the six months ended June 30, 2017, incorporated by reference herein, entitled "Management's discussion and analysis of financial condition and results of operations for the six months ended June 30, 2017 and 2016" and the unaudited interim condensed consolidated financial statements and related notes appearing therein.

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(Expressed in thousands of U.S. Dollars, except number of shares and per share data)	As at June 30, 2017		As
	Actual	Adjusted	Further Adjusted
Debt: <sup>(1)</sup>			
Current portion of long term debt	9,648	9,548	9,548
Short Term Debt	3,776	-	-
Redeemable Preferred stock Series C <sup>(2)</sup>	-	-	-
Long term debt from related parties	2,447	-	-
Long term debt	89,321	89,364	89,364
Total debt	105,192	98,912	98,912
Mezzanine equity:			
Preferred stock Series B, \$0.01 par value; 446 shares issued and outstanding at June 30, 2017, 0 shares issued and outstanding at June 30, 2017 as adjusted and as further adjusted	369	-	-
Shareholders' equity:			
Common stock, \$0.01 par value, 1,000,000,000 shares authorized; 144,003 shares issued and outstanding at June 30, 2017, 59,694,811 shares issued and outstanding at June 30, 2017 as adjusted and 134,443,735 shares issued and outstanding at June 30, 2017, as further adjusted	1	597	1,344
Preferred stock Series D, \$0.01 par value; 100,000 shares issued and outstanding at June 30, 2017 as adjusted and as further adjusted	-	-	-
Additional paid-in capital	361,496	399,066	423,739
Accumulated deficit	(289,088)	(293,773)	(293,773)
Total equity	72,409	105,890	131,310
Total Shareholders' and Mezzanine equity	72,778	105,890	131,310
Total capitalization	177,970	204,802	230,222

(1) Our long term indebtedness (both current and non-current portions), is secured by mortgages on our owned ships and is guaranteed by us. The related party indebtedness is unsecured.

(2) 4,685 shares issued and outstanding at June 30, 2017, 0 shares issued and outstanding at June 30, 2017 as adjusted and as further adjusted.

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## PRICE RANGE OF OUR COMMON STOCK

The trading market for our common stock is Nasdaq, on which the shares are listed under the symbol "TOPS." The following table sets forth the high and low market prices for our common stock for the periods indicated. All share prices have been adjusted to account for all reverse stock splits, the latest being the 1-for-2 reverse stock split of our common shares effected on October 6, 2017. The high and low market prices for our common stock for the periods indicated were as follows:

	HIGH	LOW
For the Fiscal Year Ended December 31, 2016	\$151,200.00	\$23,400.00
For the Fiscal Year Ended December 31, 2015	\$322,199.00	\$48,183.00
For the Fiscal Year Ended December 31, 2014	\$2,658,600.00	\$181,800.00
For the Fiscal Year Ended December 31, 2013	\$3,691,800.00	\$882,157.00
For the Fiscal Year Ended December 31, 2012	\$6,551,842.00	\$1,107,540.00

## For the Quarter Ended

September 30, 2017	\$39.60	\$0.59
June 30, 2017	\$19,620.00	\$23.92
March 31, 2017	\$89,100.00	\$18,542.00
December 31, 2016	\$151,200.00	\$36,000.00
September 30, 2016	\$151,200.00	\$26,642.00
June 30, 2016	\$61,920.00	\$26,010.00
March 31, 2016	\$79,920.00	\$23,400.00
December 31, 2015	\$178,200.00	\$48,184.00

## For the Month

December (through December 7, 2017)	\$0.57	\$0.36
November 2017	\$3.55	\$0.40
October 2017	\$0.82	\$0.32
September 2017	\$1.54	\$0.59
August 2017	\$20.70	\$0.94
July 2017	\$39.60	\$10.80
June 2017	\$328.97	\$23.92

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of our common shares, as of November 16, 2017, held by: (i) each person or entity that we know beneficially owns 5% or more of our common stock and (ii) all our executive officers, directors and key employees as a group. Beneficial ownership is determined in accordance with the SEC's rules. In computing percentage ownership of each person, common shares subject to options held by that person that are currently exercisable or convertible, or exercisable or convertible within 60 days are deemed to be beneficially owned by that person. These shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person. All of the shareholders, including the shareholders listed in this table, are entitled to one vote for each share of common stock held.

Name and Address of Beneficial Owner	Number of Shares Owned	Percent of Class
Lax Trust <sup>(1)</sup>	12,872,689	26.2 %

The above information is derived, in part, from the Schedule 13D/A filed with the SEC on November 16, 2017 as updated for subsequent corporate events. The Lax Trust is an irrevocable trust established for the benefit of certain family members of Evangelos J. Pistiolis, our President, Chief Executive Officer and Director. The business address of the Lax Trust is Level 3, 18 Stanley Street, Auckland 1010, New Zealand. The above percentage (1) ownership is based on 49,207,312 of our common shares outstanding, which is calculated by taking the sum of (i) 36,334,812 common shares outstanding, (ii) 10,737,500 Common Shares issuable upon the exercise of all of the 1,250,000 Warrants currently held by Race Navigation Inc. and (iii) 2,135,000 common shares issuable upon the conversion of \$1.3 million of outstanding debt held by Family Trading Inc. under the \$15.0 million unsecured revolving credit facility between the Company and Family Trading Inc.

## DESCRIPTION OF CAPITAL STOCK

### Purpose

Our purpose is to engage in any lawful act or activity for which corporations may now or hereafter be organized under the Marshall Islands Business Corporations Act, or BCA. Our Third Amended and Restated Articles of Incorporation and Amended and Restated By-Laws, as amended, do not impose any limitations on the ownership rights of our shareholders.

### Authorized Capitalization

As of December 8, 2017, our authorized capital stock consists of 1,000,000,000 common shares, par value \$0.01 per share, of which 59,694,811 shares were issued and outstanding as of December 8, 2017 and 20,000,000 preferred shares with par value of \$0.01, of which 100,000 Series D Preferred Stock are issued and outstanding. Our Board of Directors has the authority to establish such series of preferred stock and with such designations, preferences and relative, participating, optional or special rights and qualifications, limitations or restrictions as shall be stated in the resolution or resolutions providing for the issue of such preferred stock.

On September 14, 2016, we declared a dividend of one preferred share purchase right for each outstanding common share and adopted a shareholder rights plan, as set forth in a Stockholders Rights Agreement dated as of September 22, 2016, by and between us and Computershare Trust Company, N.A., as rights agent. For more information, please see "—Stockholders Rights Agreement" herein. In connection with the Stockholders Rights Agreement, we designated 1,000,000 shares as Series A Participating Preferred Stock, none of which are outstanding as of the date of this prospectus.

As of December 8, 2017, there were also (i) 1,976,389 warrants outstanding, with each warrant currently having an exercise price of \$0.29 per common share and entitling its holder to purchase 8.59 common shares, as may be further adjusted and (ii) 300,000 representative warrants outstanding entitling their holders to purchase 1 share at an exercise price of \$450,000 per share, as may be further adjusted. Pursuant to the terms of the Warrants, holders have the right, but not the obligation, to, in any exercise of Warrants, to use the Conversion Ratio and purchase such proportionate number of common shares based on the variable price in effect on the date of exercise. If using the Conversion Ratio, as of December 8, 2017, each Warrant has an exercise price of \$0.28 per common share and entitles its holder to purchase 8.90 common shares, as may be further adjusted. The Conversion Ratio is subject to certain adjustments pursuant to the Series C Statement of Designation. For more information, please see the Series C Statement of Designation, which was filed as an exhibit to our Current Report on Form 6-K with the SEC on February 21, 2017. Any summary of the terms of the Series C Convertible Preferred Stock and the Conversion Ratio provided in this prospectus are qualified in its entirety by reference to the Series C Statement of Designation.

### Description of Series D Preferred Shares

On May 8, 2017, we issued 100,000 shares of Series D Preferred Shares to Tankers Family Inc., a company controlled by Lax Trust, which is an irrevocable trust established for the benefit of certain family members of Evangelos Pistiolis, for \$1,000 pursuant to a stock purchase agreement. Each Series D Preferred Share has the voting power of one thousand (1,000) common shares.

On April 21, 2017, we were informed by ABN Amro that the Company was in breach of a loan covenant that requires that any member of the family of Mr. Evangelos Pistiolis, the Company's President, Chairman and Chief Executive Officer, maintain an ownership interest (either directly and/or indirectly through companies beneficially owned by any member of the Pistiolis family and/or trusts or foundations of which any member of the Pistiolis family are beneficiaries) of 30% of the Company's outstanding Common Shares. ABN Amro requested that either the family of Mr. Evangelos Pistiolis maintain an ownership interest of at least 30% of the outstanding common shares or maintain a voting rights interest of above 50% in the Company. In order to regain compliance with the loan covenant, we issued the Series D Preferred Shares.

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The Series D Preferred Stock has the following characteristics:

**Conversion.** The Series D Preferred Shares are not convertible into common shares.

**Voting.** Each Series D Preferred Share has the voting power of 1,000 common shares.

**Distributions.** The Series D Preferred Shares shall have no dividend or distribution rights.

**Maturity.** The Series D Preferred Shares shall expire and all outstanding Series D Preferred Shares shall be redeemed by the Company for par value on the date the currently outstanding loans with ABN Amro and NORD/LB, or loans with any other financial institution, which contain covenants that require that any member of the family of Mr. Evangelos Pistiolis, the President, Chairman and Chief Executive Officer of the Company, maintain a specific minimum ownership interest (either directly and/or indirectly through companies or other entities beneficially owned by any member of the Pistiolis family and/or trusts or foundations of which any member of the Pistiolis family are beneficiaries) of the Company's issued and outstanding common shares, respectively, are fully repaid or reach their maturity date. The Series D Preferred Shares shall not be otherwise redeemable.

**Liquidation, Dissolution or Winding Up.** Upon any liquidation, dissolution or winding up of the Company, the Series D Preferred Shares shall have a liquidation preference of \$0.01 per share.

**Share History**

**Share Issuances**

The common stock information has been restated to give effect to a 1-for-7 reverse stock split effected on April 21, 2014, a 1-for-10 reverse stock split effected on February 22, 2016, a 1-for-20 reverse stock split effected on May 11, 2017, a 1-for-15 reverse stock split effected on June 23, 2017, a 1-for-30 reverse stock split effected on August 3, 2017 and a 1-for-2 reverse stock split effected on October 6, 2017.

Our predecessor, Ocean Holdings Inc., was formed as a corporation in January 2000 under the laws of the Republic of the Marshall Islands and renamed Top Tankers Inc. in May 2004. In December 2007, Top Tankers Inc. was renamed Top Ships Inc. Our common shares are currently listed on the Nasdaq Capital Market under the symbol "TOPS."

On March 19, 2014, we acquired five newbuilding vessels under construction, the M/T Stenaweco Evolution, the M/T Eco Fleet, the M/T Eco Revolution, M/T Stenaweco Excellence, and M/T Nord Valiant through share purchase agreements with their respective shipowning company which were affiliated with our President, Chief Executive Officer and Director, Evangelos J. Pistiolis and unrelated third parties for an aggregate purchase price of \$43.3 million, paid as follows: \$2.5 million in cash and \$40.8 million in 32 newly-issued common shares, issued at \$1,275,000 per share.

On June 11, 2014, we completed a public offering of 55 of our common shares and 5,000,000 warrants to purchase our common shares at \$360,000 per common share and \$0.00001 per warrant (one Warrant was originally given the right to purchase one common share). The Warrants were exercisable immediately and expire five years from the date of issuance. In addition, the underwriters partially exercised their over-allotment option to purchase an additional 3 common shares and 330,000 Warrants to purchase our common shares. The underwriters also received as compensation representative warrants, or the Representative Warrants, to purchase 1 of our common shares at \$450,000 per share. As of December 8, 2017, an aggregate of 3,353,611 Warrants have been exercised for a total issuance of 2,192,624 common shares. No Representative Warrants have been exercised to date.

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On December 23, 2015, we entered into an agreement with Family Trading Inc., or Family Trading, a company affiliated with certain family members of Evangelos J. Pistiolis, our President, Chief Executive Officer and Director, pursuant to which Family Trading lent us up to \$15 million under an unsecured revolving credit facility, or the Family Trading Facility, in order to fund our newbuilding program and working capital relating to our operating vessels. Family Trading also assumed the outstanding \$3.8 million balance payable on the early termination of the bareboat charter for the M/T Delos. As consideration for the assumption of this liability, on January 12, 2016, we issued 75 of our common shares to Family Trading. The Family Trading Facility was amended on February 21, 2017, or the Amended Family Trading Credit Facility, in order to, among other things, allow us to remove any limitation in the use of funds drawn down under the facility, reduce the mandatory cash payment due under the facility when we raise capital through the issuance of certain securities, remove the revolving feature of the facility, and extend the facility for up to three years.

On February 25, 2016, we issued 3 restricted common shares to Sovereign Holdings Inc., a company that may be deemed to be owned by the Lax Trust, an irrevocable trust established for the benefit of certain family members of Evangelos J. Pistiolis, our President, Chief Executive Officer and Director for his performance and continuous effort, input and contribution to the Company.

On November 22, 2016, we completed a private placement of up to 3,160 Series B Convertible Preferred Shares for an aggregate principal amount of up to \$3.0 million. Yorkville purchased 1,579 Series B Convertible Preferred Shares at the initial closing of the Series B Transaction and 527 Series B Convertible Preferred Shares on November 28, 2016 for a total consideration of \$2.0 million and has waived the right to purchase any additional Series B Convertible Preferred Shares. As of August 15, 2017, we have issued 180,241 common shares in connection with the conversions of all of our Series B Convertible Preferred Shares.

On February 2, 2017, we launched a registered equity line for the sale of up to \$3,099,367 of our common shares from time to time to Kalani over the next 16 months pursuant to the Purchase Agreement between us and Kalani dated February 2, 2017. In connection with the registered equity line, we issued one common share registered under our Form F-3 registration statement as a commitment fee to Kalani representing the quotient of \$46,491 (1.5% of \$3,099,367) divided by \$46,491. On March 17, 2017, we expanded the registered equity line to allow for the sale of up to \$6,940,867 of our common shares from time to time to Kalani over the next 16 months pursuant to an amendment to the Purchase Agreement dated February 2, 2017, or the First Amendment. In connection with the First Amendment, we issued 3 common shares as a commitment fee to Kalani representing the quotient of \$58,500 (1.5% of \$3,900,000) divided by \$19,500. On March 27, 2017, we further expanded the registered equity line to allow for the sale of up to \$12,540,867 of our common shares over the next 16 months to Kalani, or the Second Amendment. In connection with the Second Amendment, we issued 4 common shares as a commitment fee to Kalani representing the quotient of \$84,000 (1.5% of \$5,600,000) divided by \$21,000. On April 4, 2017, we further expanded the registered equity line to allow for the sale of up to \$20,340,867 of our common shares over the next 16 months to Kalani, or the Third Amendment. In connection with the Third Amendment, we issued 6 common shares as a commitment fee to Kalani representing the quotient of \$117,000 (1.5% of \$7,800,000) divided by \$19,500. On April 27, 2017, we further expanded the registered equity line to allow for the sale of up to \$40,340,867 of our common shares over the next 16 months to Kalani, or the Fourth Amendment. In connection with the Fourth Amendment, we issued 44 common shares as a commitment fee to Kalani representing the quotient of \$300,000 (1.5% of \$20,000,000) divided by \$6,818. On October 12, 2017 we announced that we have issued and sold the total dollar amount of common shares under the registered equity line.

On February 17, 2017, we closed a private placement with a non-U.S. institutional investor for the sale of 7,500 newly issued Series C Convertible Preferred Shares, which are convertible into the Company's common shares, for \$7.5 million pursuant to a securities purchase agreement, or the Series C Transaction. As part of the Series C Transaction we issued 4 common shares as a commitment fee to the investor representing the quotient of \$112,500 (1.5% of the purchase price of \$7.5 million) divided by \$28,125. As of November 8, 2017, we have issued 9,046,460 common shares in connection with the conversions of all our Series C Convertible Preferred Shares.

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On February 21 and 22, 2017, we issued an aggregate 43 common shares to Family Trading as payment for \$1.2 million for accrued commitment fees, extension fees and interest outstanding under the Amended Family Trading Credit Facility.

On May 8, 2017, we issued 100,000 shares of Series D Preferred Shares to Tankers Family Inc., a company controlled by Lax Trust, which is an irrevocable trust established for the benefit of certain family members of Evangelos Pistiolis, for \$1,000 pursuant to a stock purchase agreement. Each Series D Preferred Share has the voting power of one thousand (1,000) common shares.

#### Equity Incentive Plan

On April 15, 2015, our Board of Directors adopted the 2015 Stock Incentive Plan, or the 2015 Plan, under which our directors, officers, key employees as well as consultants and service providers may be granted non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, unrestricted stock and other-equity based-related awards. A total of 10 common shares were reserved for issuance under the 2015 Plan, which is administered by the Compensation Committee of the Board of Directors.

On April 15, 2015, we granted 10 restricted shares under the 2015 Plan to Central Mare Inc., a related party affiliated with the family of Evangelos J. Pistiolis, our President, Chief Executive Officer and Director. The shares vest equally over a period of eight years from the date of grant. The fair value of each share on the grant date was \$196,200.

#### Shareholder Meetings

Under our Amended and Restated By-Laws, annual shareholder meetings will be held at a time and place selected by our Board of Directors. The meetings may be held in or outside of the Marshall Islands. Special meetings of the shareholders, unless otherwise prescribed by law, may be called for any purpose or purposes at any time exclusively by the Board of Directors. Notice of every annual and special meeting of shareholders shall be given at least 15 but not more than 60 days before such meeting to each shareholder of record entitled to vote thereat.

#### Directors

Our directors are elected by a plurality of the votes cast at a meeting of the shareholders by the holders of shares entitled to vote in the election. Our Third Amended and Restated Articles of Incorporation and Amended and Restated By-Laws prohibit cumulative voting in the election of directors.

The Board of Directors must consist of at least one member and not more than twelve, as fixed from time to time by the vote of not less than 66 2/3% of the entire board. Each director shall be elected to serve until the third succeeding annual meeting of shareholders and until his successor shall have been duly elected and qualified, except in the event of his death, resignation, removal, or the earlier termination of his term of office. The Board of Directors has the authority to fix the amounts which shall be payable to the members of our Board of Directors, and to members of any committee, for attendance at any meeting or for services rendered to us.

#### Classified Board

Our Amended and Restated Articles of Incorporation provide for the division of our Board of Directors into three classes of directors, with each class as nearly equal in number as possible, serving staggered, three-year terms. Approximately one-third of our Board of Directors will be elected each year. This classified board provision could discourage a third party from making a tender offer for our shares or attempting to obtain control of our company. It could also delay shareholders who do not agree with the policies of the Board of Directors from removing a majority of the Board of Directors for two years.

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#### Election and Removal

Our Third Amended and Restated Articles of Incorporation and Amended and Restated By-Laws require parties other than the Board of Directors to give advance written notice of nominations for the election of directors. Our Third Amended and Restated Articles of Incorporation provide that our directors may be removed only for cause and only upon the affirmative vote of the holders of at least 80% of the outstanding shares of our capital stock entitled to vote for those directors. These provisions may discourage, delay or prevent the removal of incumbent officers and directors.

#### Dissenters' Rights of Appraisal and Payment

Under the BCA, our shareholders have the right to dissent from various corporate actions, including certain mergers or consolidations or sales of all or substantially all of our assets not made in the usual course of our business, and receive payment of the fair value of their shares, subject to exceptions. For example, the right of a dissenting shareholder to receive payment of the fair value of his shares is not available if for the shares of any class or series of shares, which shares at the record date fixed to determine the shareholders entitled to receive notice of and vote at the meeting of shareholders to act upon the agreement of merger or consolidation, were either (1) listed on a securities exchange or admitted for trading on an interdealer quotation system or (2) held of record by more than 2,000 holders. In the event of any further amendment of the articles, a shareholder also has the right to dissent and receive payment for his or her shares if the amendment alters certain rights in respect of those shares. The dissenting shareholder must follow the procedures set forth in the BCA to receive payment. In the event that we and any dissenting shareholder fail to agree on a price for the shares, the BCA procedures involve, among other things, the institution of proceedings in the High Court of the Republic of the Marshall Islands or in any appropriate court in any jurisdiction in which our shares are primarily traded on a local or national securities exchange. The value of the shares of the dissenting shareholder is fixed by the court after reference, if the court so elects, to the recommendations of a court-appointed appraiser.

#### Shareholders' Derivative Actions

Under the BCA, any of our shareholders may bring an action in our name to procure a judgment in our favor, also known as a derivative action, provided that the shareholder bringing the action is a holder of common stock both at the time the derivative action is commenced and at the time of the transaction to which the action relates. On November 20, 2014, we amended our Amended and Restated By-Laws to provide that unless we consent in writing to the selection of alternative forum, the sole and exclusive forum for (i) any shareholders' derivative action or proceeding brought on behalf of the Company, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Company or the Company's shareholders, (iii) any action asserting a claim arising pursuant to any provision of the BCA, or (iv) any action asserting a claim governed by the internal affairs doctrine shall be the High Court of the Republic of the Marshall Islands, in all cases subject to the court's having personal jurisdiction over the indispensable parties named as defendants.

#### Anti-takeover Provisions of our Charter Documents

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

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#### Business Combinations

Our Third Amended and Restated Articles of Incorporation include provisions which prohibit the Company from engaging in a business combination with an interested shareholder for a period of three years after the date of the transaction in which the person became an interested shareholder, unless:

prior to the date of the transaction that resulted in the shareholder becoming an interested shareholder, the Board approved either the business combination or the transaction that resulted in the shareholder becoming an interested shareholder;

upon consummation of the transaction that resulted in the shareholder becoming an interested shareholder, the interested shareholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced;

at or subsequent to the date of the transaction that resulted in the shareholder becoming an interested shareholder, the business combination is approved by the Board and authorized at an annual or special meeting of shareholders by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested shareholder; and

the shareholder became an interested shareholder prior to the consummation of the initial public offering.

#### Limited Actions by Shareholders

Our Third Amended and Restated Articles of Incorporation and our Amended and Restated By-Laws provide that any action required or permitted to be taken by our shareholders must be effected at an annual or special meeting of shareholders or by the unanimous written consent of our shareholders.

Our Third Amended and Restated Articles of Incorporation and our Amended and Restated By-Laws provide that only our Board of Directors may call special meetings of our shareholders and the business transacted at the special meeting is limited to the purposes stated in the notice. Accordingly, a shareholder may be prevented from calling a special meeting for shareholder consideration of a proposal over the opposition of our Board of Directors and shareholder consideration of a proposal may be delayed until the next annual meeting.

#### Blank Check Preferred Stock

Under the terms of our Third Amended and Restated Articles of Incorporation, our Board of Directors has authority, without any further vote or action by our shareholders, to issue up to 20,000,000 shares of blank check preferred stock. Our Board of Directors may issue shares of preferred stock on terms calculated to discourage, delay or prevent a change of control of our company or the removal of our management.

#### Super-majority Required for Certain Amendments to Our By-Laws

On February 28, 2007, we amended our by-laws to require that amendments to certain provisions of our by-laws may be made when approved by a vote of not less than 66 2/3% of the entire Board of Directors. These provisions that require not less than 66 2/3% vote of the Board of Directors to be amended are provisions governing: the nature of business to be transacted at our annual meetings of shareholders, the calling of special meetings by our Board of Directors, any amendment to change the number of directors constituting our Board of Directors, the method by which our Board of Directors is elected, the nomination procedures of our Board of Directors, removal of our Board of Directors and the filling of vacancies on our Board of Directors.

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### Stockholders Rights Agreement

On September 14, 2016, our Board of Directors declared a dividend of one preferred share purchase right, or a Right, for each outstanding common share and adopted a shareholder rights plan, as set forth in the Stockholders Rights Agreement dated as of September 22, 2016, or the Rights Agreement, by and between the Company and Computershare Trust Company, N.A., as rights agent.

The Board adopted the Rights Agreement to protect shareholders from coercive or otherwise unfair takeover tactics. In general terms, it works by imposing a significant penalty upon any person or group that acquires 15% or more of our outstanding common shares without the approval of our Board of Directors. If a shareholder's beneficial ownership of our common shares as of the time of the public announcement of the rights plan and associated dividend declaration is at or above the applicable threshold, that shareholder's then-existing ownership percentage would be grandfathered, but the rights would become exercisable if at any time after such announcement, the shareholder increases its ownership percentage by 1% or more.

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

For those interested in the specific terms of the Rights Agreement, we provide the following summary description. Please note, however, that this description is only a summary, and is not complete, and should be read together with the entire Rights Agreement, which is an exhibit to the Form 8-A filed by us on September 22, 2016 and incorporated herein by reference. The foregoing description of the Rights Agreement is qualified in its entirety by reference to such exhibit.

**The Rights.** The Rights trade with, and are inseparable from, our common shares. The Rights are evidenced only by certificates that represent our common shares. New Rights will accompany any new common shares of the Company issued after October 5, 2016 until the Distribution Date described below.

**Exercise Price.** Each Right allows its holder to purchase from the Company one one-thousandth of a share of Series A Participating Preferred Stock, or a Series A Preferred Share, for \$50.00, or the Exercise Price, once the Rights become exercisable. This portion of a Series A Preferred Share will give the shareholder approximately the same dividend, voting and liquidation rights as would one common share. Prior to exercise, the Right does not give its holder any dividend, voting, or liquidation rights.

**Exercisability.** The Rights are not exercisable until ten days after the public announcement that a person or group has become an "Acquiring Person" by obtaining beneficial ownership of 15% or more of our outstanding common shares. Certain synthetic interests in securities created by derivative positions — whether or not such interests are considered to be ownership of the underlying common shares or are reportable for purposes of Regulation 13D of the Securities Exchange Act of 1934, as amended— are treated as beneficial ownership of the number of our common shares equivalent to the economic exposure created by the derivative position, to the extent our actual common shares are directly or indirectly held by counterparties to the derivatives contracts. Swaps dealers unassociated with any control intent or intent to evade the purposes of the Rights Agreement are excepted from such imputed beneficial ownership. For persons who, prior to the time of public announcement of the Rights Agreement, beneficially own 15% or more of our outstanding common shares, the Rights Agreement "grandfathers" their current level of ownership, so long as they do not purchase additional shares in excess of certain limitations.

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The date when the Rights become exercisable is the "Distribution Date." Until that date, our common share certificates (or, in the case of uncertificated shares, by notations in the book-entry account system) will also evidence the Rights, and any transfer of our common shares will constitute a transfer of Rights. After that date, the Rights will separate from our common shares and will be evidenced by book-entry credits or by Rights certificates that the Company will mail to all eligible holders of our common shares. Any Rights held by an Acquiring Person are null and void and may not be exercised.

Series A Preferred Share Provisions

Each one one-thousandth of a Series A Preferred Share, if issued, will, among other things:

· not be redeemable;

entitle holders to quarterly dividend payments in an amount per share equal to the aggregate per share amount of all cash dividends, and the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions · other than a dividend payable in our common shares or a subdivision of the our outstanding common shares (by reclassification or otherwise), declared on our common shares since the immediately preceding quarterly dividend payment date; and

· entitle holders to one vote on all matters submitted to a vote of the shareholders of the Company.

The value of one one-thousandth interest in a Series A Preferred Share should approximate the value of one common share.

Consequences of a Person or Group Becoming an Acquiring Person.

Flip In. If an Acquiring Person obtains beneficial ownership of 15% or more of our common shares, then each Right will entitle the holder thereof to purchase, for the Exercise Price, a number of our common shares (or, in certain circumstances, cash, property or other securities of the Company) having a then-current market value of twice the Exercise Price. However, the Rights are not exercisable following the occurrence of the foregoing event until such time as the Rights are no longer redeemable by the Company, as further described below.

Following the occurrence of an event set forth in preceding paragraph, all Rights that are or, under certain circumstances specified in the Rights Agreement, were beneficially owned by an Acquiring Person or certain of its transferees will be null and void.

Flip Over. If, after an Acquiring Person obtains 15% or more of our common shares, (i) the Company merges into another entity; (ii) an acquiring entity merges into the Company; or (iii) the Company sells or transfers 50% or more of its assets, cash flow or earning power, then each Right (except for Rights that have previously been voided as set forth above) will entitle the holder thereof to purchase, for the Exercise Price, a number of our common shares of the person engaging in the transaction having a then-current market value of twice the Exercise Price.

Notional Shares. Shares held by affiliates and associates of an Acquiring Person, including certain entities in which the Acquiring Person beneficially owns a majority of the equity securities, and Notional Common Shares (as defined in the Rights Agreement) held by counterparties to a Derivatives Contract (as defined in the Rights Agreement) with an Acquiring Person, will be deemed to be beneficially owned by the Acquiring Person.

Redemption. The Board of Directors may redeem the Rights for \$0.01 per Right at any time before any person or group becomes an Acquiring Person. If the Board redeems any Rights, it must redeem all of the Rights. Once the Rights are redeemed, the only right of the holders of the Rights will be to receive the redemption price of \$0.01 per Right. The redemption price will be adjusted if the Company has a stock dividend or a stock split.

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Exchange. After a person or group becomes an Acquiring Person, but before an Acquiring Person owns 50% or more of our outstanding common shares, the Board may extinguish the Rights by exchanging one common share or an equivalent security for each Right, other than Rights held by the Acquiring Person. In certain circumstances, the Company may elect to exchange the Rights for cash or other securities of the Company having a value approximately equal to one common share.

Expiration. The Rights expire on the earliest of (i) September 22, 2026; or (ii) the redemption or exchange of the Rights as described above.

Anti-Dilution Provisions. The Board may adjust the purchase price of the Series A Preferred Shares, the number of Series A Preferred Shares issuable and the number of outstanding Rights to prevent dilution that may occur from a stock dividend, a stock split, or a reclassification of the Series A Preferred Shares or our common shares. No adjustments to the Exercise Price of less than 1% will be made.

Amendments. The terms of the Rights and the Rights Agreement may be amended in any respect without the consent of the holders of the Rights on or prior to the Distribution Date. Thereafter, the terms of the Rights and the Rights Agreement may be amended without the consent of the holders of Rights, with certain exceptions, in order to (i) cure any ambiguities; (ii) correct or supplement any provision contained in the Rights Agreement that may be defective or inconsistent with any other provision therein; (iii) shorten or lengthen any time period pursuant to the Rights Agreement; or (iv) make changes that do not adversely affect the interests of holders of the Rights (other than an Acquiring Person or an affiliate or associate of an Acquiring Person).

Taxes. The distribution of Rights should not be taxable for federal income tax purposes. However, following an event that renders the Rights exercisable or upon redemption of the Rights, shareholders may recognize taxable income.

Transfer Agent

The registrar and transfer agent for our common shares is Computershare Trust Company, Inc.

Listing

Our common shares traded on the Nasdaq Capital Market under the symbol "TOPS."

**TAX CONSIDERATIONS**

You should carefully read the discussion of the principal U.S. federal income tax and Marshall Islands and other tax considerations associated with our operations and the acquisition, ownership and disposition of our common stock set forth in the section entitled "Taxation" of our annual report on Form 20-F for the year ended December 31, 2016 filed on March 14, 2017.

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## PLAN OF DISTRIBUTION

On December 11, 2017, which we refer to as the Effective Date, we entered into the Purchase Agreement with the Investor. The Purchase Agreement provides that, upon the terms and subject to the conditions set forth therein, the Investor is committed to purchase up to \$25,000,000 worth of shares of our common stock over the 24-month term of the Purchase Agreement.

This prospectus supplement and accompanying prospectus relate to the issuance and sale of: (i) up to \$25,000,000 of shares of our common stock that may be sold from time to time to the Investor over the next 24 months pursuant to the Purchase Agreement and (ii) up to \$500,000 of shares of our common stock that are being issued to the Investor as a commitment fee in consideration for entering into the Purchase Agreement. This prospectus supplement and accompanying prospectus also cover the resale of these shares by the Investor to the public.

From time to time over the term of the Purchase Agreement, we may, in our sole discretion, provide the Investor with a Request Notice to purchase a specified Purchase Amount of shares of our common stock over a Purchase Period commencing on the trading day specified in the applicable Request Notice, with each request subject to the limitations discussed below. The maximum Purchase Amount requested to be purchased pursuant to any single Request Notice shall equal (i) if the VWAP of the first 30 minutes of trading is equal to or lower than the VWAP of the Business Day immediately prior to the Purchase Date, the greater of (A) 10% of the US Dollar value traded of the Common Stock on the Principal Market on the Business Day immediately prior to the Purchase Date or (B) 10% of the US Dollar value traded of the Common Stock on the Principal Market on the Purchase Date, or (ii) if the VWAP of the first 30 minutes of trading on the Purchase Date is higher than the VWAP of the Business Day immediately prior to the Purchase Date, the greater of (A) 20% of the US Dollar value traded of the Common Stock on the Principal Market on the Business Day immediately prior to the Purchase Date or (B) 20% of the US Dollar value traded of the Common Stock on the Principal Market on the Purchase Date; provided that in each case, the Company and the Investor may agree upon a higher Purchase Price.

Once presented with a Request Notice, the Investor is required to purchase the number of Purchase Shares specified in such notice, up to the maximum number of Purchase Shares on such Business Day. The per share purchase price for the shares of our common stock subject to a Request Notice will be equal to the product of a discount factor of 91% multiplied by the lowest daily VWAP during the applicable Purchase Period. Each purchase pursuant to a Request Notice will reduce, on a dollar-for-dollar basis, the Total Commitment under the Purchase Agreement. The payment for, against subsequent delivery of, Shares in respect of each Purchase Request shall be settled on the Settlement Date therefor, which will be the same day the Investor received the Shares.

We are prohibited from issuing a Request Notice if (i) the aggregate of the Purchase Amounts exceeds the Aggregate Limit, or (ii) the sale of shares of our common stock pursuant to the Request Notice would cause us to sell or the Investor to purchase an aggregate number of shares of our common stock which would result in beneficial ownership by the Investor of more than 9.99% of our common stock (as calculated pursuant to Section 13(d) of the Exchange Act and the rules and regulations thereunder). We are also prohibited from delivering any Request Notice or otherwise offering or selling Shares to the Investor (i) during any period in which the Company is, or may be deemed to be, in possession of material non-public information, or (ii) at any time from and including the date on which the Company shall issue a press release containing, or shall otherwise publicly announce, its earnings, revenues or other results of operations through and including the time that is 24 hours after the time that the Company files a Report on Form 6-K or an Annual Report on Form 20-F that includes consolidated financial statements as of and for the same period or periods, as the case may be, covered by such Earnings Announcement.

The Purchase Agreement contains customary representations, warranties, covenants and conditions by, among and for the benefit of the parties. The Purchase Agreement may be terminated by the Company at any time by one business day's prior written notice. Unless earlier terminated, the Purchase Agreement will terminate automatically on the earlier of (i) date on which the Company sells and the Investor purchases the full Available Amount as provided in the Purchase Agreement and (ii) the Maturity Date. Under certain circumstances set forth in the Purchase Agreement, the Investor may terminate the Purchase Agreement on five Business Days' prior written notice.

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We have agreed to issue to the Investor a commitment fee as consideration for the Investor entering into this Agreement (i) on the first Purchase Date, such number of shares of Common Stock that would have a value equivalent to Two Hundred Fifty Thousand Dollars (\$250,000), (ii) on the Purchase Date on which the Company has issued Request Notices, in the aggregate with all previous Request Notices, to the Investor for an aggregate Purchase Amount of at least Twelve Million Five Hundred Thousand Dollars (\$12,500,000), such number of shares of Common Stock that would have a value equivalent to One Hundred Thousand Dollars (\$100,000), (iii) on the Purchase Date on which the Company has issued Request Notices, in the aggregate with all previous Request Notices, to the Investor for an aggregate Purchase Amount of at least Seventeen Million Five Hundred Thousand Dollars (\$17,500,000), such number of shares of Common Stock that would have a value equivalent to One Hundred Thousand Dollars (\$100,000), and (iv) on the Purchase Date on which the Company has issued Request Notices, in the aggregate with all previous Request Notices, to the Investor for an aggregate Purchase Amount of at least Twenty-Two Million Five Hundred Thousand Dollars (\$22,500,000), such number of shares of Common Stock that would have a value equivalent to Fifty Thousand Dollars (\$50,000), in each case of clauses (i) through (iv), as such number of shares of Common Stock to be issued as consideration are calculated using the VWAP of the previous day to such applicable Purchase Date.

We have further agreed with the Investor that each party shall be responsible for the payment of any fees or commissions, if any, of any financial advisor, placement agent, broker or finder engaged by such party relating to or arising out of the transactions contemplated by the Purchase Agreement, and each party shall pay, and hold the other party harmless against, any liability, loss or expense (including, without limitation, attorneys' fees and out of pocket expenses) arising in connection with any such claim.

We may suspend the sale of shares of our common stock to the Investor pursuant to this prospectus supplement for certain periods of time for certain reasons, including if this prospectus supplement is required to be supplemented or amended to include additional material information.

The Investor is an "underwriter" within the meaning of Section 2(a)(11) of the Securities Act. The Investor has informed us that it will use an unaffiliated broker-dealer to effectuate all sales, if any, of the common stock that it may purchase from us pursuant to the Purchase Agreement. Such sales will be made on Nasdaq at prices and at terms then prevailing or at prices related to the then current market price. Each such unaffiliated broker-dealer will be an underwriter within the meaning of Section 2(a)(11) of the Securities Act. The Investor has informed us that each such broker-dealer will receive commissions from the Investor that will not exceed customary brokerage commissions.

The shares of our common stock may be sold in one or more of the following manners:

- Ordinary brokerage transactions and transactions in which the broker solicits purchasers; or
- A block trade in which the broker dealer so engaged will attempt to sell the shares of our common stock as agent, but may position and resell a portion of the block as principal to facilitate the transaction.

We know of no existing arrangements between the Investor and any other stockholder, broker, dealer, underwriter, or agent relating to the sale or distribution of the shares of our common stock offered by this prospectus supplement. At the time a particular offer of the shares of our common stock is made, a prospectus supplement, if required, will be distributed that will set forth the names of any agents, underwriters, or dealers and any compensation from the selling stockholder, and any other required information.

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The Investor has agreed that during the term of the Purchase Agreement, neither the Investor nor any of its affiliates will, directly or indirectly, engage in any short sales involving our securities or grant any option to purchase, or acquire any right to dispose of or otherwise dispose for value of, any shares of our common stock or any securities convertible into or exercisable or exchangeable for any shares of our common stock, or enter into any swap, hedge or other similar agreement that transfers, in whole or in part, the economic risk of ownership of any shares of our common stock.

We have advised the Investor that it is required to comply with Regulation M promulgated under the Exchange Act to the extent applicable to this offering. With certain exceptions, Regulation M precludes the Investor, any affiliated purchasers, and any broker-dealer or other person who participates in the distribution from bidding for or purchasing, or attempting to induce any person to bid for or purchase any security which is the subject of the distribution until the entire distribution is complete. Regulation M also prohibits any bids or purchases made in order to stabilize the price of a security in connection with the distribution of that security. All of the foregoing may affect the marketability of the shares of our common stock offered by this prospectus supplement.

We have entered into an agreement with Newbridge Securities Corporation, member FINRA/SIPC, or Newbridge, a registered broker-dealer and FINRA member, pursuant to which Newbridge agreed to act as the placement agent in connection with the Purchase Agreement with the Investor. Newbridge will receive a placement fee of \$45,000, and a \$15,000 non-accountable expense reimbursement upon receipt of written confirmation from the Financial Industry Regulatory Authority, Inc., or FINRA, to the effect that FINRA's Corporate Finance Department has determined not to raise any objection with respect to the fairness or reasonableness of the terms of the Purchase Agreement or the transactions contemplated thereby. Following receipt of the \$45,000 placement fee and the \$15,000 non-accountable expense reimbursement, Newbridge shall not be entitled to any additional compensation upon the closing of any subsequent stock sales effected pursuant to the purchase agreement, and Newbridge shall not be deemed a "distribution participant" in connection with any subsequent sales of stock pursuant to this prospectus supplement. We have also agreed to indemnify Newbridge and certain other persons against certain liabilities in connection with the offering of shares of our common stock offered hereby.

We will pay all fees and expenses in connection with satisfying our obligations to ensure the prompt listing of all of the Shares and Commitment Shares.

The transfer agent and registrar for our common stock is Computershare Trust Company, Inc.

Our common shares are listed on the Nasdaq Capital Market under the symbol "TOPS."

Please also see the information set forth under the caption "Plan of Distribution" in the accompanying prospectus, and the disclosure set forth in our report on Form 6-K relating to the Purchase Agreement with the Investor, pursuant to the Exchange Act, which is incorporated herein by reference. For more information, please see the section entitled "Incorporation by Reference" in this prospectus supplement.

## EXPENSES

The following are the estimated expenses of the issuance and distribution of the securities offered by this prospectus supplement, all of which will be paid by us.

SEC Registration fees	\$23,457 *
Legal fees and expenses	\$60,000
Accounting Fees	\$15,000
FINRA related fees	\$31,498 *
Miscellaneous	\$5,000
Total:	\$134,955

\*Previously Paid

## LEGAL MATTERS

The validity of the common shares offered by this prospectus supplement with respect to Marshall Islands law and certain other legal matters relating to United States and Marshall Islands law will be passed upon for us by Seward & Kissel LLP, New York, New York. The Investor is being represented by McDermott Will & Emery LLP, New York, New York. The Placement Agent is represented by Schiff Hardin LLP, Washington, D.C.

## EXPERTS

The consolidated financial statements incorporated in this prospectus supplement by reference from Top Ships Inc.'s annual report on Form 20-F for the year ended December 31, 2016, have been audited by Deloitte Certified Public Accountants S.A., an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference. Such consolidated financial statements have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing. The offices of Deloitte Certified Public Accountants S.A. are located at Fragoklissias 3a & Granikou Str., 15125 Maroussi, Athens, Greece.

## WHERE YOU CAN FIND ADDITIONAL INFORMATION

As required by the Securities Act, we filed a registration statement relating to the securities offered by this prospectus supplement and the accompanying prospectus with the Commission. This prospectus supplement and prospectus are a part of that registration statement, which includes additional information.

### Government Filings

We file annual and special reports within the Commission. You may read and copy any document that we file at the public reference facilities maintained by the Commission at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling 1 (800) SEC-0330, and you may obtain copies at prescribed rates from the Public Reference Section of the Commission at its principal office in Washington, D.C. 20549. The Commission maintains a website (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. Our filings are also available on our website at <http://www.topships.org>. The information on our website, however, is not, and should not be deemed to be, a part of this prospectus supplement. Further, other than as described below, the information contained in or accessible from the Commission's website is not part of this prospectus supplement.

### Information Incorporated by Reference

The Commission allows us to "incorporate by reference" information that we file with it. This means that we can disclose important information to you by referring you to those filed documents. The information incorporated by reference is considered to be a part of this prospectus supplement and the accompanying prospectus, and information that we file later with the Commission prior to the termination of this offering will also be considered to be part of this prospectus supplement and prospectus and will automatically update and supersede previously filed information, including information contained in this document.

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We incorporate by reference in this prospectus supplement the following documents filed with the Commission pursuant to the Exchange Act:

- Annual Report on Form 20-F for the year ended December 31, 2016, filed with the Commission on March 14, 2017, which contains our audited consolidated financial statements for the most recent fiscal year for which those statements have been filed.
- Report on Form 6-K furnished to the Commission on February 2, 2017.
- Report on Form 6-K furnished to the Commission on February 21, 2017.
- Report on Form 6-K furnished to the Commission on March 20, 2017.
- Report on Form 6-K furnished to the Commission on March 22, 2017.
- Report on Form 6-K furnished to the Commission on March 24, 2017.
- Report on Form 6-K furnished to the Commission on March 27, 2017.
- Report on Form 6-K furnished to the Commission on March 28, 2017.
- The three Reports on Form 6-K, each of which was furnished to the Commission on April 5, 2017.
- Report on Form 6-K furnished to the Commission on April 28, 2017.
- Report on Form 6-K furnished to the Commission on May 8, 2017.
- Report on Form 6-K furnished to the Commission on May 10, 2017.
- The two Reports on Form 6-K, each of which was furnished to the Commission on May 15, 2017.
- Report on Form 6-K furnished to the Commission on May 19, 2017.
- Report on Form 6-K furnished to the Commission on May 30, 2017.
- Report on Form 6-K furnished to the Commission on June 6, 2017.
- Report on Form 6-K furnished to the Commission on June 9, 2017.
- Report on Form 6-K furnished to the Commission on June 16, 2017.
- Report on Form 6-K furnished to the Commission on June 22, 2017.
- The two Reports on Form 6-K, each of which was furnished to the Commission on June 26, 2017.
- Report on Form 6-K furnished to the Commission on June 30, 2017.
- Report on Form 6-K furnished to the Commission on July 6, 2017.
- Report on Form 6-K furnished to the Commission on July 11, 2017.

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- Report on Form 6-K furnished to the Commission on July 12, 2017.
- Report on Form 6-K furnished to the Commission on July 14, 2017.
- Report on Form 6-K furnished to the Commission on August 3, 2017.
- Report on Form 6-K furnished to the Commission on August 8, 2017.
- The two Reports on Form 6-K, each of which was furnished to the Commission on August 18, 2017.
- Report on Form 6-K furnished to the Commission on August 29, 2017.
- Report on Form 6-K furnished to the Commission on September 7, 2017.
- Report on Form 6-K furnished to the Commission on September 13, 2017.
- The two Reports on Form 6-K, each of which was furnished to the Commission on September 15, 2017.
- Report of Form 6-K furnished to the Commission on September 29, 2017.
- Report on Form 6-K furnished to the Commission on October 5, 2017.
- The two Reports on Form 6-K, each of which was furnished to the Commission on October 12, 2017.
- Report on Form 6-K furnished to the Commission on October 19, 2017.
- Report on Form 6-K furnished to the Commission on October 23, 2017.
- Report on Form 6-K furnished to the Commission on November 3, 2017.
- Report on Form 6-K furnished to the Commission on November 8, 2017.
- Report on Form 6-K furnished to the Commission on November 13, 2017.
- Report on Form 6-K furnished to the Commission on November 14, 2017.
- Report on Form 6-K furnished to the Commission on November 22, 2017.
- Report on Form 6-K furnished to the Commission on November 24, 2017.

We are also incorporating by reference all subsequent annual reports on Form 20-F that we file with Commission and certain Reports on Form 6-K that we furnish to the Commission after the date of this prospectus supplement (if they state that they are incorporated by reference into this prospectus supplement or prospectus) until we file a post-effective amendment indicating that the offering of the securities made by this prospectus supplement has been terminated. In all cases, you should rely on the later information over different information included in this prospectus supplement or the accompanying prospectus.

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You should rely only on the information contained or incorporated by reference in this prospectus supplement and any accompanying prospectus supplement. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement and any accompanying prospectus supplement as well as the information we previously filed with the Commission and incorporated by reference, is accurate as of the dates on the front cover of those documents only. Our business, financial condition and results of operations and prospects may have changed since those dates.

You may obtain a copy of above mentioned filing or any subsequent filing we incorporated by reference to this prospectus supplement by writing or telephoning us at the following address:

Top Ships Inc.

1 Vas. Sofias and Meg. Alexandrou Str,

15124 Maroussi, Greece

(011) 30 210 812-8180 (telephone number)

Information Provided by the Company

We will furnish holders of our common stock with annual reports containing audited financial statements and a report by our independent registered public accounting firm. The audited financial statements will be prepared in accordance with U.S. generally accepted accounting principles. As a "foreign private issuer," we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements to shareholders. While we furnish proxy statements to shareholders in accordance with the rules of the Nasdaq Capital Market, those proxy statements do not conform to Schedule 14A of the proxy rules promulgated under the Exchange Act. In addition, as a "foreign private issuer," our officers and directors are exempt from the rules under the Exchange Act relating to short swing profit reporting and liability.

PROSPECTUS

\$200,000,000

Common Shares (including preferred stock purchase rights), Preferred Shares, Debt Securities, Warrants, Purchase Contracts, Rights and Units

And

1,000,000 Common Shares offered by the Selling Securityholder

TOP SHIPS INC.

Through this prospectus, we may periodically offer common shares (including related preferred stock purchase rights), preferred shares, debt securities, warrants, purchase contracts, rights and units. We may also offer securities of the types listed above that are convertible or exchangeable into one or more of the securities listed above.

In addition, YA II CD, LTD., or the Selling Securityholder, may sell in one or more offerings pursuant to this registration statement up to an aggregate of 1,000,000 of our common shares that are issuable to the Selling Securityholder upon conversion of 2,106 of our Series B Convertible Preferred Shares, or the Series B Convertible Preferred Shares, acquired by the Selling Securityholder from us in a private placement for \$2.0 million that was completed on November 22, 2016.

The prices and terms of the securities that we or the Selling Securityholder will offer or sell will be determined at the time of their offering and will be described in a supplement to this prospectus. We will not receive any of the proceeds from the sale of securities by the Selling Securityholder. This prospectus describes some of the general terms that may apply to these securities. The securities issued or resold under this prospectus may be offered directly or through one or more underwriters, agents or dealers, or through other means. The names of any underwriters, agents or dealers will be included in a supplement to this prospectus.

Our common shares are currently listed on the Nasdaq Capital Market under the symbol "TOPS."

The aggregate market value of our outstanding common shares held by non-affiliates as of January 13, 2017 is \$7,586,475, based on 5,694,141 common shares outstanding, of which 3,034,590 are held by non-affiliates, and a closing price on the Nasdaq Capital Market of \$2.50 on that date. As of the date hereof, we have not offered any securities pursuant to General Instruction I.B.5 of Form F-3 during the twelve calendar month period that ends on and includes the date hereof.

Investing in our securities involves a high degree of risk. Before you make an investment in our securities, you should carefully consider the section entitled "Risk Factors" beginning on page 4 of this prospectus, and the other risk factors contained in the applicable prospectus supplement and in the documents incorporated by reference herein and therein. Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is February 1, 2017.

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## ABOUT THIS PROSPECTUS

Unless otherwise indicated, all references to "dollars" and "\$" in this prospectus are to United States dollars and financial information presented in this prospectus that is derived from financial statements incorporated by reference is prepared in accordance with accounting principles generally accepted in the United States.

This prospectus is part of a registration statement that we filed with the U.S. Securities and Exchange Commission, or the Commission, using a shelf registration process. Under the shelf registration process, we may sell the common shares (including related preferred stock purchase rights), preferred shares, debt securities, warrants, purchase contracts, rights and units and the Selling Securityholder may sell our common shares that are described in this prospectus from time to time in one or more offerings. This prospectus provides you with a general description of the securities we or the Selling Securityholder may offer. Each time we or the Selling Securityholder offer or sell securities pursuant to this prospectus, we or the Selling Securityholder will provide you with a prospectus supplement that will describe the specific types, amounts, prices and terms of the offered securities. The prospectus supplement may also add, update or change the information contained in this prospectus. If there is any inconsistency between the information in this prospectus and any prospectus supplement, you should rely on the prospectus supplement. Before purchasing any securities, you should read carefully both this prospectus and any prospectus supplement, together with the additional information described below.

This prospectus and any prospectus supplement are part of a registration statement we filed with the Commission and do not contain all of the information in the registration statement. Forms of the indentures and other documents establishing the terms of the offered securities are filed as exhibits to the registration statement. Statements in this prospectus or any prospectus supplement about these documents are summaries and each statement is qualified in all respects by reference to the document to which it refers. You should refer to the actual documents for a more complete description of the relevant matters. For further information about us or the securities offered hereby, you should refer to the registration statement, which you can obtain from the Commission as described below under "Where You Can Find Additional Information."

You should rely only on the information contained or incorporated by reference in this prospectus and in any prospectus supplement. We, the Selling Securityholder, and any underwriters have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither we nor the Selling Securityholder will make any offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus and the applicable supplement to this prospectus is accurate as of the date on its respective cover, and that any information incorporated by reference is accurate only as of the date of the document incorporated by reference, unless we indicate otherwise. Our business, financial condition, results of operations and prospects may have changed since those dates. Other than in the United States, no action has been taken by us that would permit a public offering of the securities offered by this prospectus in any jurisdiction where action for that purpose is required. The securities offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

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## SUMMARY

This section summarizes some of the information that is contained in this prospectus. As an investor or prospective investor, you should review carefully the more detailed information that appears later in this prospectus and the information incorporated by reference in this prospectus. Unless otherwise indicated, the information presented in this prospectus gives effect to a one-for-ten reverse stock split of our issued and outstanding common shares effective on February 22, 2016.

Unless the context otherwise requires, as used in this prospectus, the terms "Company," "we," "us," and "our" refer to TOP SHIPS INC. and all of its subsidiaries, and "TOP SHIPS INC." refers only to TOP SHIPS INC. and not to its subsidiaries. We use the term deadweight ton, or dwt, in describing the size of vessels. Dwt, expressed in metric tons each of which is equivalent to 1,000 kilograms, refers to the maximum weight of cargo and supplies that a vessel can carry. Our reporting currency is in the U.S. dollar and all references in this prospectus to "\$" or "dollars" are to U.S. dollars.

## Our Company

We are an international owner and operator of modern, fuel efficient eco medium range, or MR, tanker vessels focusing on the transportation of crude oil, petroleum products (clean and dirty) and bulk liquid chemicals. As of the date of this prospectus, our fleet consists of two chartered-in 49,737 dwt product/chemical tankers vessels, the M/T Stenaweco Energy and the M/T Stenaweco Evolution, two 39,208 dwt product/chemical tankers vessels, the M/T Eco Fleet and the M/T Eco Revolution, and two 49,737 dwt product/chemical tankers, the M/T Stenaweco Excellence and M/T Nord Valiant

We intend to continue to review the market in order to identify potential acquisition targets on accretive terms.

We believe we have established a reputation in the international ocean transport industry for operating and maintaining vessels with high standards of performance, reliability and safety. We have assembled a management team comprised of executives who have extensive experience operating large and diversified fleets of tankers and who have strong ties to a number of national, regional and international oil companies, charterers and traders.

## The Fleet

The following tables present our fleet list as of January 13, 2017:

Chartered-in fleet:

Name	Deadweight	Charterer	Charter Duration	Gross Rate fixed period/ options
M/T Stenaweco Energy	49,737	Stena Weco A/S	5.5+1+1 years	\$16,500* / \$17,350 / \$18,100
M/T Stenaweco Evolution	49,737	Stena Weco A/S	5+1+1 years	\$16,200** / \$17,200 / \$18,000

\*\$14,600 commencing from January 1, 2017 until June 30, 2018. Thereafter the rate will be \$16,500 until February 25, 2020.

\*\*\$14,600 commencing from May 1, 2017 until April 30, 2018. Thereafter the rate will be \$16,200 from May 1, 2018 until April 3, 2019. From April 4, 2019 to April 4, 2020 the rate is \$16,350.

Operating fleet:

Name	Deadweight	Charterer	Charter Duration	Gross Rate fixed period/ options
M/T Eco Fleet	39,208	BP Shipping Limited	3+1+1 years	\$15,200 / \$16,000 / \$16,750
M/T Eco Revolution	39,208	BP Shipping Limited	3+1+1 years	\$15,200 / \$16,000 / \$16,750
M/T Stenaweco Excellence	49,737	Stena Weco A/S	3+1+1 years	\$16,200 / \$17,200 / \$18,000
M/T Nord Valiant	49,737	DS Norden A/S	5+1+1 years	\$16,800 / \$17,600 / \$18,400

## Recent Developments

On August 1, 2016, we amended our ABN Senior Credit Facility, or the ABN Facility, to increase the borrowing limit to \$64.4 million and added another tranche to the loan, "Tranche C," which is secured by M/T Nord Valiant. This additional \$20 million of Tranche C was to be used to partly finance the remaining shipyard installments of the M/T Nord Valiant. Commencing in November 2016, Tranche C is repayable in 12 consecutive quarterly installments of \$0.55 million each and then 12 consecutive quarterly installments of \$0.36 million each, plus a balloon installment of \$9.05 million payable together with the last installment in August 2022. Apart from the inclusion of M/T Nord Valiant as a collateralized vessel, no other material changes were made to the ABN Facility.

On August 5, 2016, we drew down \$20.0 million under the ABN Facility and on August 10, 2016, we took delivery of the M/T Nord Valiant, a 49,737 dwt product/chemical tanker. On August 15, 2016, the M/T Nord Valiant commenced its time charter with DS Norden A/S.

On August 4, September 30 and December 29, 2016, we drew down \$3.3 million, \$0.7 million and \$1.0 million, respectively under our revolving credit facility with Family Trading Inc., or Family Trading. On July 1 and September 7, 2016, we repaid \$1.1 million and \$2.4 million respectively under our revolving credit facility with Family Trading. During November 2016 we repaid a total of \$4.4 million under our revolving credit facility with Family Trading. On January 3, 2017, we repaid \$1.0 million under our revolving credit facility with Family Trading.

On September 14, 2016, we declared a dividend of one preferred share purchase right for each outstanding common share and adopted a shareholder rights plan, as set forth in a stockholders rights agreement dated as of September 22, 2016, by and between us and Computershare Trust Company, N.A., as rights agent.

On November 22, 2016, we entered into a securities purchase agreement with the Selling Securityholder, or the Securities Purchase Agreement, pursuant to which we sold up to 3,160 Series B Convertible Preferred Shares, which are convertible into our common shares pursuant to the terms of the Certificate of Designation of the Series B Convertible Preferred Shares, to the Selling Securityholder for up to \$3.0 million, or the Transaction. The Selling Securityholder purchased 1,579 Series B Convertible Preferred Shares at the initial closing of the Transaction and 527 Series B Convertible Preferred Shares on November 28, 2016 and has waived the right to purchase any additional Series B Preferred Shares. This prospectus covers resales from time to time by the Selling Securityholder of up to 1,000,000 of our common shares underlying the Series B Convertible Preferred Shares issued in the Transaction. For more information about the Series B Convertible Preferred Shares, please see the section below entitled "Description of Series B Convertible Preferred Shares".

In connection with the Transaction, the Company also entered into a registration rights agreement with the Selling Securityholder, or the Registration Rights Agreement, which has been filed as an exhibit to this registration statement, to provide them with certain registration rights.

On December 28, 2016 we extended the maturity of the Family Trading loan to January 31, 2017.

## Nasdaq Listing

On January 26, 2016, we received a notification from Nasdaq stating that because the market value of our publicly held shares for the previous 30 consecutive business days was below the minimum \$5 million requirement for continued listing on the Nasdaq Global Select Market, we were not in compliance with Nasdaq Listing Rule 5450(b)(1)(C). The applicable grace period to regain compliance was 180 calendar days from the date of the notice.

On July 27, 2016, we transferred our Nasdaq listing from the Nasdaq Global Select Market to the Nasdaq Capital Market. Our common shares continue to trade on Nasdaq under the symbol "TOPS". The Nasdaq Capital Market is a

continuous trading market that operates in substantially the same manner as the Nasdaq Global Select Market. The Company currently fulfills the listing requirements of the Nasdaq Capital Market and the approval of the transfer cured our deficiency under Nasdaq Listing Rule 5450(b)(1)(C).

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#### Corporate Information

Our predecessor, Ocean Holdings Inc., was formed as a corporation in January 2000 under the laws of the Republic of the Marshall Islands and renamed Top Tankers Inc. in May 2004. In December 2007, Top Tankers Inc. was renamed Top Ships Inc.

Our common shares are currently listed on the Nasdaq Capital Market under the symbol "TOPS." The current address of our principal executive office is 1 Vasilisis Sofias and Megalou Alexandrou Str, 15124 Maroussi, Greece. The telephone number of our registered office is +30 210 812 8180. Our corporate website address is [www.topships.org](http://www.topships.org). The information contained on our website does not constitute part of this prospectus.

#### The Securities We or the Selling Securityholder May Offer

We may use this prospectus to offer up to \$200,000,000 of our:

1. common shares, including related preferred stock purchase rights;
2. preferred shares;
3. debt securities;
4. warrants;
5. purchase contracts;
6. rights; and
7. units.

We may also offer securities of the types listed above that are convertible or exchangeable into one or more of the securities listed above. In addition, the Selling Securityholder may sell in one or more offerings pursuant to this prospectus up to an aggregate of 1,000,000 of our common shares issuable to the Selling Securityholder upon conversion of some or all of the Series B Convertible Preferred Shares issued in the Transaction.

A prospectus supplement will describe the specific types, amounts, prices, and detailed terms of any of these offered securities and may describe certain risks in addition to those set forth below associated with an investment in the securities. Terms used in the prospectus supplement will have the meanings described in this prospectus, unless otherwise specified.

## RISK FACTORS

An investment in our securities involves a high degree of risk. Before making an investment in our securities, you should carefully consider all of the information included or incorporated by reference into this prospectus and any prospectus supplement, including the risks described under the heading "Item 3. Key Information—D. Risk Factors" in our Annual Report on Form 20-F for the year ended December 31, 2015, filed with the Commission on April 26, 2016, as updated by annual and other reports and documents we file with the Commission after the date of this prospectus and that are incorporated by reference herein. Please see the section of this prospectus entitled "Where You Can Find Additional Information." In addition, you should also consider carefully the risks set forth under the heading "Risk Factors" in any prospectus supplement before investing in the securities offered by this prospectus. The occurrence of one or more of those risk factors could adversely impact our business, financial condition or results of operations. When we offer and sell any securities pursuant to a prospectus supplement, we may include additional risk factors relevant to such securities in the prospectus supplement.

### Risk Related to the Offering

Sales by the Selling Securityholder of the common shares covered by this prospectus could adversely affect the trading price of our common shares.

In accordance with the Registration Rights Agreement, we are registering for resale on this registration statement up to an aggregate of 1,000,000 common shares issuable to the Selling Securityholder upon conversion of some or all of the Series B Convertible Preferred Shares issued in the Transaction. These common shares represent approximately 17.6% of our currently outstanding common shares. Subject to certain exceptions, we are obligated to keep this prospectus current so that, once issued, the common shares can be sold in the public market at any time. Further, the Registration Rights Agreement requires, among other things, for us to ultimately register for resale all of our common shares issued or issuable upon the conversion of all Series B Convertible Preferred Shares issued in the Transaction until the common shares may be sold without restrictions pursuant to Rule 144 promulgated under the Securities Act. Consequently, the resale of all or a substantial portion of the common shares in the public market, or the perception that these sales might occur, could cause the market price of our common shares to decrease and may make it difficult for us to sell our equity securities in the future at a time and upon terms we deem appropriate.

The provisions of the Series B Convertible Preferred Shares may require us to issue a large number of common shares upon conversion, which may significantly depress the trading price of our common shares and significantly dilute existing shareholders.

The conversion price that is used to determine the number of common shares issued to holders of Series B Convertible Preferred Shares upon conversion is subject to anti-dilution adjustments and adjustments based upon the trading price of our common shares. Specifically, each Series B Convertible Preferred Share is convertible into the number of our common shares equal to the quotient of \$1,000 plus any accrued and unpaid dividends divided by the lesser of the following two prices: (i) \$2.80 and (ii) 85% of the lowest daily VWAP of the Company's common shares over the 10 consecutive trading days expiring on the trading day immediately prior to the date of delivery of a conversion notice, but in no event will the conversion price be less than \$1.00. Under certain circumstances, the aforementioned adjustments may result in us issuing a large number of common shares upon conversion of the Series B Convertible Preferred Shares, which in turn could significantly depress the trading price of our common shares and significantly dilute existing shareholders. For example, assuming there are no accrued and unpaid dividends, the hypothetical conversion of all 2,160 Series B Convertible Preferred Shares by the Selling Securityholder at the \$1.00 floor price will result in the issuance of 2,160,000 of our common shares, which represents approximately 38% of our currently outstanding common shares.

#### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Matters discussed in this prospectus may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts.

We desire to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and are including this cautionary statement in connection with this safe harbor legislation. This prospectus 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. When used in this prospectus, the words "anticipate," "believe," "expect," "intend," "estimate," "forecast," "project," "plan," "potential," "may," "should," and similar expressions identify forward-looking statements.

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

The forward-looking statements in this prospectus are based upon various 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 assumptions 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 the strength of world economies and currencies, general market conditions, including fluctuations in charterhire rates and vessel values, changes in demand in the shipping market, including the effect of changes in the Organization of the Petroleum Exporting Countries' petroleum production levels and worldwide oil consumption and storage, changes in regulatory requirements affecting vessel operations, changes in Top Ships Inc.'s operating expenses, including bunker prices, dry-docking and insurance costs, changes in governmental rules and regulations or actions taken by regulatory authorities, changes in the price of our capital investments, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents, political events, piracy or acts by terrorists, and other important factors described from time to time in the reports filed by us with the Commission.

See the section entitled "Risk Factors," beginning on page 4, for a more complete discussion of these risks and uncertainties and for other risks and uncertainties. Other unknown or unpredictable factors also could harm our results. Consequently, there can be no assurance that actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, us. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.



## RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our unaudited ratio of earnings to fixed charges for the periods presented.<sup>(1)</sup>

	Year Ended December 31, (amounts in thousands of US dollars)					
	Six Months Ended June 30,					
	2016	2015	2014	2013	2012	2011
<b>Earnings</b>						
Net income / (loss)	\$ 290	\$(8,507)	\$2,896	\$1,408	\$(63,984)	\$(189,112)
Add: Fixed charges	3,678	5,098	630	6,479	9,048	16,267
Less: Interest capitalized	(578 )	(449 )	(208 )	-	-	-
<b>Total Earnings</b>	<b>\$ 3,390</b>	<b>\$(3,858)</b>	<b>\$3,318</b>	<b>\$7,887</b>	<b>\$(54,936)</b>	<b>\$(172,845)</b>
<b>Fixed Charges</b>						
Interest expensed and capitalized	1,214	604	614	\$4,644	\$7,240	\$10,068
Interest portion of Bareboat charter hire expenses	2,349	3,956	-	-	-	-
Amortization and write-off of capitalized expenses related to indebtedness	115	538	16	1,835	1,808	6,199
<b>Total Fixed Charges</b>	<b>\$ 3,678</b>	<b>\$5,098</b>	<b>\$630</b>	<b>\$6,479</b>	<b>\$9,048</b>	<b>\$16,267</b>
Ratio of Earnings to Fixed Charges <sup>(2)</sup>	0.92	-	5.27	1.2	-	-
Dollar amount of the coverage deficiency	288	8,956	-	-	63,984	189,112

(1) As of the date of this prospectus, 2,106 Series B Convertible Preferred Shares are issued and outstanding.

For purposes of computing the consolidated ratio of earnings to fixed charges, "earnings" consist of pre-tax income from continuing operations prepared under GAAP plus fixed charges (exclusive of interest capitalized) and "fixed charges" represent interest incurred, amortization of deferred financing costs and the interest portion of bareboat (2) charter hire expenses. The consolidated ratio of earnings to fixed charges is a ratio that we are required to present in this prospectus supplement and has been calculated in accordance with SEC rules and regulations. This ratio has no application to our credit facilities, and we believe is not a ratio generally used by investors to evaluate our overall operating performance.

USE OF PROCEEDS

We intend to use net proceeds from the sale of the securities by us as set forth in the applicable prospectus supplement.

We will not receive any proceeds from sales of our common shares by the Selling Securityholder. We also cannot predict when or if the Series B Convertible Preferred Shares will be converted, and it is possible that the Series B Convertible Preferred Shares may never be converted.

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CAPITALIZATION

Each prospectus supplement will include information on our consolidated capitalization.

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## PRICE RANGE OF COMMON SHARES

You should carefully review the high and low prices of our common shares in the tables for the months, quarters and years indicated under the heading Item 9. "The Offer and Listing" in our annual report on Form 20-F for the year ended December 31, 2015, which is incorporated by reference herein.

Our common shares trade on the Nasdaq Capital Market under the symbol "TOPS." All share prices have been adjusted to reflect the 1-for-10 reverse stock split of our common shares effected on February 22, 2016. The high and low market prices for our common shares for the periods indicated were as follows:

	High	Low
For the Quarter Ended		
December 31, 2016	\$8.40	\$2.00
September 30, 2016	\$8.40	\$1.48
June 30, 2016	\$3.44	\$1.45

## For the Month Ended

January 2017 (up to and including January 13, 2017)	\$2.68	\$2.20
December 2016	\$3.35	\$2.25
November 2016	\$8.40	\$2.00
October 2016	\$3.67	\$2.46
September 2016	\$4.82	\$3.10
August 2016	\$8.40	\$3.66
July 2016	\$4.90	\$1.48

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## PLAN OF DISTRIBUTION

We or the Selling Securityholder may sell or distribute the securities included in this prospectus through underwriters, through agents, to dealers, in private transactions, at market prices prevailing at the time of sale, at prices related to the prevailing market prices, or at negotiated prices.

In addition, we or the Selling Securityholder may sell some or all of our securities included in this prospectus, through:

- a block trade in which a broker-dealer may resell a portion of the block, as principal, in order to facilitate the transaction;

- purchases by a broker-dealer, as principal, and resale by the broker-dealer for its account; or

- ordinary brokerage transactions and transactions in which a broker solicits purchasers.

In addition, we or the Selling Securityholder may enter into options or other types of transactions that require us or them to deliver our securities to a broker-dealer, who will then resell or transfer the securities under this prospectus.

We or the Selling Securityholder may enter into hedging transactions with respect to our securities. For example, we or the Selling Securityholder may:

- enter into transactions involving short sales of our common shares by broker-dealers;

- enter into option or other types of transactions that require us to deliver common shares to a broker-dealer, who will then resell or transfer the common shares under this prospectus; or

- loan or pledge the common shares to a broker-dealer, who may sell the loaned shares or, in the event of default, sell the pledged shares.

The Selling Securityholder may also sell securities under Rule 144 or any other exemption from registration under the Securities Act of 1933, as amended, or the Securities Act, if available, rather than under this prospectus.

We or the Selling Securityholder may enter into derivative transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. If the applicable prospectus supplement indicates, in connection with those derivatives, the third parties may sell securities covered by this prospectus and the applicable prospectus supplement. If so, the third party may use securities pledged by us or the Selling Securityholder or borrowed from us or the Selling Securityholder to settle those sales or to close out any related open borrowings of stock, and may use securities received from us or the Selling Securityholder in settlement of those derivatives to close out any related open borrowings of stock. The third party in such sale transactions may be an underwriter and, if not identified in this prospectus, will be identified in the applicable prospectus supplement (or a post-effective amendment). In addition, we or the Selling Securityholder may otherwise loan or pledge securities to a financial institution or other third party that in turn may sell the securities short using this prospectus. Such financial institution or other third party may transfer its economic short position to investors in our securities or in connection with a concurrent offering of other securities.

The Selling Securityholder and any broker-dealers or other persons acting on our behalf or the behalf of the Selling Securityholder that participate with us or the Selling Securityholder in the distribution of the securities, may be deemed to be underwriters, and any commissions received or profit realized by them on the resale of the securities, may be deemed to be underwriting discounts and commissions under the Securities Act of 1933, as amended, or the Securities Act. As a result, we have informed, or will inform, the Selling Securityholder that Regulation M, promulgated under the Securities Exchange Act of 1934, or the Exchange Act, may apply to sales by the Selling Securityholder in the market. The Selling Securityholder may agree to indemnify any broker, dealer or agent that participates in transactions involving the sale of our common shares against certain liabilities, including liabilities arising under the Securities Act.

As of the date of this prospectus, we are not a party to any agreement, arrangement or understanding between any broker or dealer and us with respect to the offer or sale of the securities pursuant to this prospectus.

At the time that any particular offering of securities is made, to the extent required by the Securities Act, a prospectus supplement will be distributed, setting forth the terms of the offering, including the aggregate number of securities being offered, the purchase price of the securities, the initial offering price of the securities, the names of any underwriters, dealers or agents, any discounts, commissions and other items constituting compensation from us, and any discounts, commissions or concessions allowed or re-allowed or paid to dealers. Furthermore, we, our executive officers, our directors and major shareholders or the Selling Securityholder may agree, subject to certain exemptions, that for a certain period from the date of the prospectus supplement under which the securities are offered, we and they will not, without the prior written consent of an underwriter, offer, sell, contract to sell, pledge or otherwise dispose of any of our common shares or any securities convertible into or exchangeable for common shares. However, an underwriter, in its sole discretion, may release any of the securities subject to these lock-up agreements at any time without notice.

Underwriters or agents could make sales in privately negotiated transactions and/or any other method permitted by law, including sales deemed to be an at-the-market offering as defined in Rule 415 promulgated under the Securities Act, which includes sales made directly on or through the Nasdaq Capital Market, the existing trading market for our common shares, or sales made to or through a market maker other than on an exchange.

We will bear costs relating to all of the securities offered and sold by us under this registration statement.

If more than five percent (5%) of the net proceeds of any offering of common shares made under this prospectus will be received by a Financial Industry Regulatory Authority, or FINRA, member participating in the offering or affiliates or associated persons of such a FINRA member, the offering will be conducted in accordance with FINRA Rule 5121.

## SELLING SECURITYHOLDER

This prospectus relates to up to 1,000,000 common shares that the Selling Securityholder may sell in one or more offerings upon conversion of some or all of the Series B Convertible Preferred Shares that the Selling Securityholder has purchased from us under the terms of the Securities Purchase Agreement. The table below sets forth information about the maximum number of our common shares that may be offered from time to time by the Selling Securityholder under this prospectus. The Selling Securityholder identified below may currently hold or acquire our common shares in addition to those registered hereby. In addition, the Selling Securityholder identified below may sell, transfer, assign or otherwise dispose of some or all of their common shares in private placement transactions exempt from or not subject to the registration requirements of the Securities Act.

Information concerning the Selling Securityholder may change from time to time and, to the extent required, we will supplement this prospectus accordingly. To our knowledge, the Selling Securityholder does not have nor have had within the past three years, any position, office or other material relationship with us or any of our predecessors or affiliates, other than their ownership of our common shares.

We have prepared the following table based on information supplied to us by the Selling Securityholder on or prior to January 13, 2017. We have not sought to verify such information.

Selling Securityholder	Total Number of Preferred Shares Owned Prior to This Offering	Total Number of Common Shares Owned Prior to This Offering	Percentage of Outstanding Shares Owned Prior to This Offering	Maximum Number of Shares Which May Be Sold in This Offering	Percentage of Outstanding Shares Which May Be Sold in This Offering <sup>(2)</sup>	Number of Shares Owned Following This Offering <sup>(3)</sup>	Percentage of Outstanding Shares Owned Following This Offering <sup>(3)</sup>
YA II CD, LTD <sup>(1)</sup>	2,106	0	0	1,000,000	17.6%	-	0%

YA II CD, Ltd is the investor under the Securities Purchase Agreement. Yorkville Advisors Global, LP ("Yorkville LP") is YA II CD, Ltd's. investment manager and Yorkville Advisors Global, LLC ("Yorkville LLC") is the (1) General Partner of Yorkville LP. All investment decisions for YA are made by Yorkville LLC's President and Managing Member, Mr. Mark Angelo. The address of YA is 1012 Springfield Avenue, Mountainside, NJ 07092, Attention: Mark Angelo, Portfolio Manager.

(2) Assumes that the total number of issued and outstanding common shares of the Company remains unchanged at 5,694,141 prior to the issuance of the common shares underlying the Series B Convertible Preferred Shares.

(3) Assumes that the Selling Stockholder will sell all of its common shares offered pursuant to this prospectus.

## DESCRIPTION OF CAPITAL STOCK

### Purpose

Our purpose is to engage in any lawful act or activity for which corporations may now or hereafter be organized under the Marshall Islands Business Corporations Act, or BCA. Our Third Amended and Restated Articles of Incorporation and Amended and Restated By-Laws, as amended, do not impose any limitations on the ownership rights of our shareholders.

### Authorized Capitalization

Our authorized capital stock consists of 1,000,000,000 common shares, par value \$0.01 per share, of which 5,694,141 shares were issued and outstanding as of January 9, 2017 and 20,000,000 preferred shares with par value of \$0.01, of which 2,106 Series B Convertible Preferred Shares are issued and outstanding as of the date of this prospectus.

On September 14, 2016, we declared a dividend of one preferred share purchase right for each outstanding common share and adopted a shareholder rights plan, as set forth in a Stockholders Rights Agreement dated as of September 22, 2016, by and between us and Computershare Trust Company, N.A., as rights agent described under the section entitled "—Stockholder Rights Agreement". In connection with the Stockholder Rights Agreement, we designated 1,000,000 shares as Series A Participating Preferred Stock, none of which are outstanding as of the date of this prospectus.

As of January 13, 2017, there were also (i) 2,669,545 warrants outstanding, with each warrant currently having an exercise price of the lesser of \$2.80 or 85% of the lowest daily VWAP of the Company's common shares over the 10 consecutive trading days expiring on the trading day immediately prior to the date of delivery of an exercise notice (but in no event will the exercise price be less than \$1.00), and entitling its holder to purchase 0.89 common shares, as may be further adjusted and (ii) 300,000 representative warrants outstanding entitling their holders to purchase 30,000 shares at an exercise price of \$25 per share, as may be further adjusted.

### Description of Common Shares

Each outstanding common share entitles the holder to one vote on all matters submitted to a vote of shareholders. Subject to preferences that may be applicable to any outstanding preferred shares, holders of common shares are entitled to receive ratably all dividends, if any, declared by our Board of Directors out of funds legally available for dividends. Upon our dissolution or liquidation or the sale of all or substantially all of our assets, after payment in full of all amounts required to be paid to creditors and to the holders of our preferred shares having liquidation preferences, if any, the holders of our common shares will be entitled to receive pro rata our remaining assets available for distribution. Holders of our common shares do not have conversion, redemption or preemptive rights to subscribe to any of our securities. The rights, preferences and privileges of holders of our common shares are subject to the rights of the holders of any preferred shares that we may issue in the future.

### Description of Preferred Shares

Our Third Amended and Restated Articles of Incorporation authorize our Board of Directors to establish one or more series of preferred shares and to determine, with respect to any series of preferred shares, the terms and rights of that series, including the designation of the series, the number of shares of the series, the preferences and relative, participating, option or other special rights, if any, and any qualifications, limitations or restrictions of such series, and the voting rights, if any, of the holders of the series.



Under the terms of our Third Amended and Restated Articles of Incorporation, our board of directors has the authority, without any further vote or action by our shareholders, to issue up to 20,000,000 preferred shares. The material terms of any series of preferred shares that we offer through a prospectus supplement will be described in that prospectus supplement. Our board of directors is authorized to provide for the issuance of preferred shares in one or more series with designations as may be stated in the resolution or resolutions providing for the issue of such preferred shares. At the time that any series of our preferred shares are authorized, our board of directors will fix the dividend rights, any conversion rights, any voting rights, redemption provisions, liquidation preferences and any other rights, preferences, privileges and restrictions of that series, as well as the number of shares constituting that series and their designation. Our board of directors could, without shareholder approval, cause us to issue preferred shares which have voting, conversion and other rights that could adversely affect the holders of common shares or make it more difficult to effect a change in control. Our preferred shares could be used to dilute the share ownership of persons seeking to obtain control of us and thereby hinder a possible takeover attempt which, if our shareholders were offered a premium over the market value of their shares, might be viewed as being beneficial to our shareholders. In addition, our preferred shares could be issued with voting, conversion and other rights and preferences which would adversely affect the voting power and other rights of holders of common shares. Our board of directors may issue preferred shares on terms calculated to discourage, delay or prevent a change of control in us or the removal of our management.

#### Description of Series B Convertible Preferred Shares

On November 22, 2016, we completed a private placement of up to 3,160 Series B Convertible Preferred Shares for an aggregate principal amount of up to \$3.0 million. The Selling Securityholder purchased 1,579 Series B Convertible Preferred Shares at the initial closing of the Transaction and 527 Series B Convertible Preferred Shares on November 28, 2016 for a total of \$2.0 million. The Selling Securityholder waived the right to purchase any additional Series B Preferred Shares. The following description of the Series B Convertible Preferred Shares is subject to and qualified in its entirety by reference to the Securities Purchase Agreement, Certificate of Designation of the Series B Convertible Preferred Shares and Registration Rights Agreement entered into in connection with the private placement. Copies of the Securities Purchase Agreement, Certificate of Designation of the Series B Convertible Preferred Shares and Registration Rights Agreement has been filed as exhibits to our Report on Form 6-K filed with the Commission on November 23, 2016. The waiver agreement was filed as an exhibit to our Report on Form 6-K filed with the Commission on January 10, 2017. We suggest that you read the complete text of our Securities Purchase Agreement, Certificate of Designation of the Series B Convertible Preferred Shares, and Registration Rights Agreement and the waiver agreement, which we have incorporated by reference to this registration statement.

**Conversion.** Each holder of Series B Convertible Preferred Shares, at any time and from time to time, has the right, subject to certain conditions, to convert all or any portion of the Series B Convertible Preferred Shares then held by such holder into our common shares at the conversion rate then in effect. Each Series B Convertible Preferred Share is convertible into the number of our common shares equal to the quotient of \$1,000 plus any accrued and unpaid dividends divided by the lesser of the following two prices: (i) \$2.80 and (ii) 85% of the lowest daily VWAP of the Company's common shares over the 10 consecutive trading days expiring on the trading day immediately prior to the date of delivery of a conversion notice, but in no event will the conversion price be less than \$1.00.

**Limitation on Beneficial Ownership.** The Series B Convertible Preferred Shares may not be converted if, after giving effect to the conversion, a holder together with certain related parties would beneficially own in excess of 4.99% of our outstanding common shares. At each holder's option, the cap may be waived upon 61-days' prior notice to us.

**Voting.** The holders of Series B Convertible Preferred Shares are entitled to such number of votes as is equal to the number of our common shares then issuable upon a conversion of each Series B Convertible Preferred Share (subject to the ownership limitation of 4.99%) on all matters submitted to a vote of the stockholders of the Company. The holders of Series B Convertible Preferred Shares and the holders of our common shares shall vote together as one class on all matters submitted to a vote of shareholders of the Company. The holders of Series B Convertible Preferred Shares have no special voting rights and their consent shall not be required for taking any corporate action.

**Distributions.** Upon any liquidation, dissolution or winding up of the Company, the holders of Series B Convertible Preferred Shares shall be entitled to receive an aggregate amount equal to one thousand dollars (\$1,000) per each Series B Convertible Preferred Share plus an amount equal to any accrued and unpaid dividends on each such Series B Convertible Preferred Share.

**Redemption.** The Company at its option shall have the right to redeem a portion or all of the outstanding Series B Convertible Preferred Shares. The Company shall pay an amount equal to one thousand dollars (\$1,000) per each Series B Convertible Preferred Share, or the Liquidation Amount, plus a redemption premium equal to twenty percent (20%) of the Liquidation Amount being redeemed, plus an amount equal to any accrued and unpaid dividends on such Preferred Shares (collectively referred to as the "Redemption Amount"). In order to make a redemption, the Company shall first provide 10 business days advanced written notice to the holders of its intention to make a redemption, or the Redemption Notice, setting forth the amount it desires to redeem. After receipt of the Redemption Notice, the holders shall have the right to elect to convert all or any portion of its Series B Convertible Preferred Shares. Upon the expiration of the 10 business day period, the Company shall deliver to each holder the Redemption Amount with respect to the amount redeemed after giving effect to conversions effected during the notice period.

The Series B Convertible Preferred Shares shall be subject to redemption in cash at the option of the holders thereof at any time after the occurrence and continuance of a Triggering Event, as defined in the Certificate of Designation of the Series B Convertible Preferred Shares incorporated herein by reference, in an amount equal to the Redemption Amount with respect to such Series B Convertible Preferred Shares. Such Preferred Shares shall be redeemed and the Redemption Amount shall be paid on a date that shall not be more than 10 business days following the date that written notice to the Company is given by a holder indicating the holder's intention to redeem such shares and the number of shares to be redeemed.

**Dividends.** The holders of outstanding Series B Convertible Preferred Shares shall be entitled to receive when, as and if declared by our board of directors out of funds legally available for the purpose, quarterly dividends payable in cash on the last day of January, April, July and October in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after a Triggering Event (as defined in the Certificate of Designation of the Series B Convertible Preferred Shares incorporated herein by reference) in an amount per share (rounded to the nearest cent) equal to eight percent (8%) per year of the liquidation amount of the then outstanding Series B Convertible Preferred Shares computed on the basis of a 365-day year and the actual days elapsed. A Triggering Event includes, among other things, certain bankruptcy proceedings commenced by us or our subsidiaries, the delisting of our common shares from Nasdaq, our failure to timely deliver common shares to the Selling Securityholder upon conversion of Series B Convertible Preferred Shares, our failure to pay cash upon redemption as provided in the Certificate of Designations of the Series B Convertible Preferred Shares, or our failure to observe or perform certain covenants of the Certificate of Designations of the Series B Convertible Preferred Shares or any Transaction document. The liquidation amount is \$1,000 per each Series B Convertible Preferred Share. The Company shall declare a dividend or distribution on the Series B Convertible Preferred Shares as provided above immediately after each Quarterly Dividend Payment Date after a Triggering Event.

Accrued but unpaid dividends shall not bear interest. Dividends paid on the Series B Convertible Preferred Shares in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. Our board of directors may fix a record date for the determination of holders of Series B Convertible Preferred Shares entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

Share History

Share Issuances

Our predecessor, Ocean Holdings Inc., was formed as a corporation in January 2000 under the laws of the Republic of the Marshall Islands and renamed Top Tankers Inc. in May 2004. In December 2007, Top Tankers Inc. was renamed Top Ships Inc. Our common shares are currently listed on the Nasdaq Capital Market under the symbol "TOPS."

On March 19, 2014, we acquired five newbuilding vessels under construction, the M/T Stenaweco Evolution, the M/T Eco Fleet, the M/T Eco Revolution, M/T Stenaweco Excellence, and M/T Nord Valiant through share purchase agreements with their respective shipowning company which were affiliated with our President, Chief Executive Officer and Director, Evangelos J. Pistiolis and unrelated third parties for an aggregate purchase price of \$43.3 million, paid as follows: \$2.5 million in cash and \$40.8 million in 583,321 newly-issued common shares, issued at \$70.00 per share.

On April 21, 2014, we effected a 1-for-7 reverse stock split of our common shares. There was no change in the number of our authorized common shares.

On June 11, 2014, we completed a public offering of 10,000,000 of our common shares and warrants to purchase 5,000,000 of our common shares at \$2.00 per common share and \$0.00001 per warrant (one warrant was originally given the right to purchase one common share). The warrants had an exercise price of \$2.50 per share, which is adjustable, were exercisable immediately, and expire five years from the date of issuance. In addition, the underwriters partially exercised their overallotment option to purchase an additional 660,000 common shares and 330,000 warrants to purchase common shares. The underwriters also received as compensation 300,000 representative warrants, or the Representative Warrants, to purchase our common shares with an adjustable exercise price of \$25 per share. The amounts discussed in the above paragraph do not reflect the 1-for-10 reverse stock split effected on February 22, 2016.

On December 23, 2015, we entered into an agreement with Family Trading for the latter to assume the outstanding \$3.8 million balance payable on the early termination of the bareboat charter for the M/T Delos. As consideration for the assumption of this liability, on January 12, 2016, we issued 1,355,816 of our common shares to Family Trading. We retained the right to buy back up to 60% of these shares at any time until December 31, 2016.

On February 22, 2016, we effected a 1-for-10 reverse stock split of our common shares. There was no change in the number of our authorized common shares.

On February 25, 2016, we issued 68,674 restricted common shares to Sovereign Holdings Inc., a company that may be deemed to be owned by the Lax Trust, an irrevocable trust established for the benefit of certain family members of Evangelos J. Pistiolis, our President, Chief Executive Officer and Director.

On February 26, 2016, and March 2, 2016, we issued 25,000 common shares on each day, respectively, upon the exercise of two equal increments of 28,090 Warrants.

From August 2016 to the date of this prospectus, we issued 2,141,760 common shares, upon the exercise of 2,604,275 Warrants.

On November 22, 2016, we entered into a securities purchase agreement with the Selling Securityholder, or the Securities Purchase Agreement, pursuant to which we sold up to 3,160 Series B Convertible Preferred Shares, which are convertible into our common shares pursuant to the terms of the Certificate of Designation of the Series B Convertible Preferred Shares, to the Selling Securityholder for up to \$3.0 million. The Selling Securityholder purchased 1,579 Series B Convertible Preferred Shares at the initial closing of the Transaction and 527 Series B Convertible Preferred Shares on November 28, 2016 for a total of \$2.0 million, and has waived the right to purchase any additional Series B Preferred Shares. This prospectus covers resales from time to time by the Selling Securityholder of up to 1,000,000 of our common shares underlying the Series B Convertible Preferred Shares.

#### Equity Incentive Plan

In April 2005, our Board of Directors adopted our 2005 Stock Incentive Plan, which was amended and restated in December 2009, or the Amended and Restated 2005 Plan, under which our officers, key employees and directors were eligible to receive grants of stock appreciation rights, dividend equivalent rights, restricted stock, unrestricted stock, restricted stock units, and performance shares at the discretion of our Board of Directors.

On February 12, 2013, we granted 714 shares to our President, Chief Executive Officer and Director, Evangelos J. Pistiolis, which were issued to Sovereign. The shares vested six months from the date of grant, however, as the shares granted to Mr. Pistiolis did not contain any future service vesting conditions, all such shares were considered vested shares on the grant date. The fair value of each share on the grant date was \$73.5.

On September 26, 2013, we granted 1,285 shares to two of our officers. The shares vested six months from the date of grant, however, as these shares did not contain any future service vesting conditions, all such shares were considered vested shares on the grant date. The fair value of each share on the grant date was \$131.6.

On December 18, 2013, we granted 714 shares to our President, Chief Executive Officer and Director, Evangelos J. Pistiolis which were issued to Sovereign on January 17, 2014. The shares vested six months from the date of grant, however, as the shares granted to Mr. Pistiolis did not contain any future service vesting conditions, all such shares were considered vested shares on the grant date. The fair value of each share on the grant date was \$112.00.

The Amended and Restated 2005 Plan expired in April 2015.

On April 15, 2015, our Board of Directors adopted the 2015 Stock Incentive Plan, or the 2015 Plan, under which our directors, officers, key employees as well as consultants and service providers may be granted non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, unrestricted stock and other-equity based-related awards. A total of 190,000 common shares were reserved for issuance under the 2015 Plan, which is administered by the Compensation Committee of the Board of Directors.

On April 15, 2015, we granted 183,000 restricted shares under the 2015 Plan to Central Mare Inc., a related party affiliated with the family of Evangelos J. Pistiolis, our President, Chief Executive Officer and Director. The shares will vest equally over a period of eight years from the date of grant. The fair value of each share on the grant date was \$10.90.

On June 30, 2015, 22,875 shares of the 2015 Plan vested. The fair value of each share on the vesting date was \$10.30.

On June 30, 2016, 22,875 shares of the 2015 Plan vested. The fair value of each share on the vesting date was \$1.69.

#### Shareholder Meetings

Under our Amended and Restated By-Laws, annual shareholder meetings will be held at a time and place selected by our Board of Directors. The meetings may be held in or outside of the Marshall Islands. Special meetings of the shareholders, unless otherwise prescribed by law, may be called for any purpose or purposes at any time exclusively by the Board of Directors. Notice of every annual and special meeting of shareholders shall be given at least 15 but not more than 60 days before such meeting to each shareholder of record entitled to vote thereat.

#### Directors

Our directors are elected by a plurality of the votes cast at a meeting of the shareholders by the holders of shares entitled to vote in the election. Our Third Amended and Restated Articles of Incorporation and Amended and Restated By-Laws prohibit cumulative voting in the election of directors.

The Board of Directors must consist of at least one member and not more than twelve, as fixed from time to time by the vote of not less than 66 2/3% of the entire board. Each director shall be elected to serve until the third succeeding annual meeting of shareholders and until his successor shall have been duly elected and qualified, except in the event of his death, resignation, removal, or the earlier termination of his term of office. The Board of Directors has the authority to fix the amounts which shall be payable to the members of our Board of Directors, and to members of any committee, for attendance at any meeting or for services rendered to us.

#### Classified Board

Our Amended and Restated Articles of Incorporation provide for the division of our Board of Directors into three classes of directors, with each class as nearly equal in number as possible, serving staggered, three-year terms. Approximately one-third of our Board of Directors will be elected each year. This classified board provision could discourage a third party from making a tender offer for our shares or attempting to obtain control of our company. It could also delay shareholders who do not agree with the policies of the Board of Directors from removing a majority of the Board of Directors for two years.

## Election and Removal

Our Third Amended and Restated Articles of Incorporation and Amended and Restated By-Laws require parties other than the Board of Directors to give advance written notice of nominations for the election of directors. Our Third Amended and Restated Articles of Incorporation provide that our directors may be removed only for cause and only upon the affirmative vote of the holders of at least 80% of the outstanding shares of our capital stock entitled to vote for those directors. These provisions may discourage, delay or prevent the removal of incumbent officers and directors.

## Dissenters' Rights of Appraisal and Payment

Under the BCA, our shareholders have the right to dissent from various corporate actions, including certain mergers or consolidations or sales of all or substantially all of our assets not made in the usual course of our business, and receive payment of the fair value of their shares, subject to exceptions. For example, the right of a dissenting shareholder to receive payment of the fair value of his shares is not available if for the shares of any class or series of shares, which shares at the record date fixed to determine the shareholders entitled to receive notice of and vote at the meeting of shareholders to act upon the agreement of merger or consolidation, were either (1) listed on a securities exchange or admitted for trading on an interdealer quotation system or (2) held of record by more than 2,000 holders. In the event of any further amendment of the articles, a shareholder also has the right to dissent and receive payment for his or her shares if the amendment alters certain rights in respect of those shares. The dissenting shareholder must follow the procedures set forth in the BCA to receive payment. In the event that we and any dissenting shareholder fail to agree on a price for the shares, the BCA procedures involve, among other things, the institution of proceedings in the High Court of the Republic of the Marshall Islands or in any appropriate court in any jurisdiction in which our shares are primarily traded on a local or national securities exchange. The value of the shares of the dissenting shareholder is fixed by the court after reference, if the court so elects, to the recommendations of a court-appointed appraiser.

## Shareholders' Derivative Actions

Under the BCA, any of our shareholders may bring an action in our name to procure a judgment in our favor, also known as a derivative action, provided that the shareholder bringing the action is a holder of our common shares both at the time the derivative action is commenced and at the time of the transaction to which the action relates. On November 20, 2014, we amended our Amended and Restated By-Laws to provide that unless we consent in writing to the selection of alternative forum, the sole and exclusive forum for (i) any shareholders' derivative action or proceeding brought on behalf of the Company, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Company or the Company's shareholders, (iii) any action asserting a claim arising pursuant to any provision of the BCA, or (iv) any action asserting a claim governed by the internal affairs doctrine shall be the High Court of the Republic of the Marshall Islands, in all cases subject to the court's having personal jurisdiction over the indispensable parties named as defendants.

## Anti-takeover Provisions of our Charter Documents

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

## Business Combinations

Our Third Amended and Restated Articles of Incorporation include provisions which prohibit the Company from engaging in a business combination with an interested shareholder for a period of three years after the date of the transaction in which the person became an interested shareholder, unless:

prior to the date of the transaction that resulted in the shareholder becoming an interested shareholder, the Board approved either the business combination or the transaction that resulted in the shareholder becoming an interested shareholder;

upon consummation of the transaction that resulted in the shareholder becoming an interested shareholder, the interested shareholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced;

at or subsequent to the date of the transaction that resulted in the shareholder becoming an interested shareholder, the business combination is approved by the Board and authorized at an annual or special meeting of shareholders by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested shareholder; and

the shareholder became an interested shareholder prior to the consummation of the initial public offering.

## Limited Actions by Shareholders

Our Third Amended and Restated Articles of Incorporation and our Amended and Restated By-Laws provide that any action required or permitted to be taken by our shareholders must be effected at an annual or special meeting of shareholders or by the unanimous written consent of our shareholders.

Our Third Amended and Restated Articles of Incorporation and our Amended and Restated By-Laws provide that only our Board of Directors may call special meetings of our shareholders and the business transacted at the special meeting is limited to the purposes stated in the notice. Accordingly, a shareholder may be prevented from calling a special meeting for shareholder consideration of a proposal over the opposition of our Board of Directors and shareholder consideration of a proposal may be delayed until the next annual meeting.

## Blank Check Preferred Stock

Under the terms of our Third Amended and Restated Articles of Incorporation, our Board of Directors has authority, without any further vote or action by our shareholders, to issue up to 20,000,000 shares of blank check preferred stock. Our Board of Directors may issue shares of preferred stock on terms calculated to discourage, delay or prevent a change of control of our company or the removal of our management.

## Super-majority Required for Certain Amendments to Our By-Laws

On February 28, 2007, we amended our by-laws to require that amendments to certain provisions of our by-laws may be made when approved by a vote of not less than 66 2/3% of the entire Board of Directors. These provisions that require not less than 66 2/3% vote of the Board of Directors to be amended are provisions governing: the nature of business to be transacted at our annual meetings of shareholders, the calling of special meetings by our Board of Directors, any amendment to change the number of directors constituting our Board of Directors, the method by which our Board of Directors is elected, the nomination procedures of our Board of Directors, removal of our Board of Directors and the filling of vacancies on our Board of Directors.

## Stockholder Rights Agreement

On September 14, 2016, our Board of Directors declared a dividend of one preferred share purchase right (a "Right") for each outstanding common share and adopted a shareholder rights plan, as set forth in the Stockholders Rights Agreement dated as of September 22, 2016 (the "Rights Agreement"), by and between the Company and Computershare Trust Company, N.A., as rights agent.

The Board adopted the Rights Agreement to protect shareholders from coercive or otherwise unfair takeover tactics. In general terms, it works by imposing a significant penalty upon any person or group that acquires 15% or more of our outstanding common shares without the approval of the Board. If a shareholder's beneficial ownership of our common shares as of the time of the public announcement of the rights plan and associated dividend declaration is at or above the applicable threshold, that shareholder's then-existing ownership percentage would be grandfathered, but the rights would become exercisable if at any time after such announcement, the shareholder increases its ownership percentage by 1% or more.

The Rights may have anti-takeover effects. The Rights will cause substantial dilution to any person or group that attempts to acquire us without the approval of our Board. As a result, the overall effect of the Rights may be to render more difficult or discourage any attempt to acquire us. Because our Board can approve a redemption of the Rights for a permitted offer, the Rights should not interfere with a merger or other business combination approved by our Board. For those interested in the specific terms of the Rights Agreement, we provide the following summary description. Please note, however, that this description is only a summary, and is not complete, and should be read together with the entire Rights Agreement, which is an exhibit to the Form 8-A filed by us on September 22, 2016 and incorporated herein by reference. The foregoing description of the Rights Agreement is qualified in its entirety by reference to such exhibit.

**The Rights.** The Rights trade with, and are inseparable from, our common shares. The Rights are evidenced only by certificates that represent our common shares. New Rights will accompany any new common shares of the Company issues after October 5, 2016 until the Distribution Date described below.

**Exercise Price.** Each Right allows its holder to purchase from the Company one one-thousandth of a share of Series A Participating Preferred Stock (a "Preferred Share") for \$50.00 (the "Exercise Price"), once the Rights become exercisable. This portion of a Preferred Share will give the shareholder approximately the same dividend, voting and liquidation rights as would one common share. Prior to exercise, the Right does not give its holder any dividend, voting, or liquidation rights.

**Exercisability.** The Rights are not exercisable until ten days after the public announcement that a person or group has become an "Acquiring Person" by obtaining beneficial ownership of 15% or more of our outstanding common shares. Certain synthetic interests in securities created by derivative positions — whether or not such interests are considered to be ownership of the underlying common shares or are reportable for purposes of Regulation 13D of the Securities Exchange Act of 1934, as amended— are treated as beneficial ownership of the number of our common shares equivalent to the economic exposure created by the derivative position, to the extent our actual common shares are directly or indirectly held by counterparties to the derivatives contracts. Swaps dealers unassociated with any control intent or intent to evade the purposes of the Rights Agreement are excepted from such imputed beneficial ownership. For persons who, prior to the time of public announcement of the Rights Agreement, beneficially own 15% or more of our outstanding common shares, the Rights Agreement "grandfathers" their current level of ownership, so long as they do not purchase additional shares in excess of certain limitations.

The date when the Rights become exercisable is the "Distribution Date." Until that date, our common share certificates (or, in the case of uncertificated shares, by notations in the book-entry account system) will also evidence the Rights, and any transfer of our common shares will constitute a transfer of Rights. After that date, the Rights will separate from our common shares and will be evidenced by book-entry credits or by Rights certificates that the Company will mail to all eligible holders of our common shares. Any Rights held by an Acquiring Person are null and void and may not be exercised.

### Preferred Share Provisions

Each one one-thousandth of a Preferred Share, if issued, will, among other things:

- not be redeemable;
- entitle holders to quarterly dividend payments in an amount per share equal to the aggregate per share amount of all cash dividends, and the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in our common shares or a subdivision of the our outstanding common shares (by reclassification or otherwise), declared on our common shares since the immediately preceding quarterly dividend payment date; and
- entitle holders to one vote on all matters submitted to a vote of the shareholders of the Company.

The value of one one-thousandth interest in a Preferred Share should approximate the value of one common share.

### Consequences of a Person or Group Becoming an Acquiring Person.

**Flip In.** If an Acquiring Person obtains beneficial ownership of 15% or more of our common shares, then each Right will entitle the holder thereof to purchase, for the Exercise Price, a number of our common shares (or, in certain circumstances, cash, property or other securities of the Company) having a then-current market value of twice the Exercise Price. However, the Rights are not exercisable following the occurrence of the foregoing event until such time as the Rights are no longer redeemable by the Company, as further described below.

Following the occurrence of an event set forth in preceding paragraph, all Rights that are or, under certain circumstances specified in the Rights Agreement, were beneficially owned by an Acquiring Person or certain of its transferees will be null and void.

**Flip Over.** If, after an Acquiring Person obtains 15% or more of our common shares, (i) the Company merges into another entity; (ii) an acquiring entity merges into the Company; or (iii) the Company sells or transfers 50% or more of its assets, cash flow or earning power, then each Right (except for Rights that have previously been voided as set forth above) will entitle the holder thereof to purchase, for the Exercise Price, a number of our common shares of the person engaging in the transaction having a then-current market value of twice the Exercise Price.

**Notional Shares.** Shares held by affiliates and associates of an Acquiring Person, including certain entities in which the Acquiring Person beneficially owns a majority of the equity securities, and Notional Common Shares (as defined in the Rights Agreement) held by counterparties to a Derivatives Contract (as defined in the Rights Agreement) with an Acquiring Person, will be deemed to be beneficially owned by the Acquiring Person.

**Redemption.** The Board may redeem the Rights for \$0.01 per Right at any time before any person or group becomes an Acquiring Person. If the Board redeems any Rights, it must redeem all of the Rights. Once the Rights are redeemed, the only right of the holders of the Rights will be to receive the redemption price of \$0.01 per Right. The redemption price will be adjusted if the Company has a stock dividend or a stock split.

**Exchange.** After a person or group becomes an Acquiring Person, but before an Acquiring Person owns 50% or more of our outstanding common shares, the Board may extinguish the Rights by exchanging one common share or an equivalent security for each Right, other than Rights held by the Acquiring Person. In certain circumstances, the Company may elect to exchange the Rights for cash or other securities of the Company having a value approximately equal to one common share.

**Expiration.** The Rights expire on the earliest of (i) September 22, 2026; or (ii) the redemption or exchange of the Rights as described above.



**Anti-Dilution Provisions.** The Board may adjust the purchase price of the Preferred Shares, the number of Preferred Shares issuable and the number of outstanding Rights to prevent dilution that may occur from a stock dividend, a stock split, or a reclassification of the Preferred Shares or our common shares. No adjustments to the Exercise Price of less than 1% will be made.

**Amendments.** The terms of the Rights and the Rights Agreement may be amended in any respect without the consent of the holders of the Rights on or prior to the Distribution Date. Thereafter, the terms of the Rights and the Rights Agreement may be amended without the consent of the holders of Rights, with certain exceptions, in order to (i) cure any ambiguities; (ii) correct or supplement any provision contained in the Rights Agreement that may be defective or inconsistent with any other provision therein; (iii) shorten or lengthen any time period pursuant to the Rights Agreement; or (iv) make changes that do not adversely affect the interests of holders of the Rights (other than an Acquiring Person or an affiliate or associate of an Acquiring Person).

**Taxes.** The distribution of Rights should not be taxable for federal income tax purposes. However, following an event that renders the Rights exercisable or upon redemption of the Rights, shareholders may recognize taxable income.

**Transfer Agent**

The registrar and transfer agent for our common shares is Computershare Trust Company, Inc.

**Listing**

Our common shares traded on the Nasdaq Capital Market under the symbol "TOPS."

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## DESCRIPTION OF DEBT SECURITIES

We may offer and issue debt securities from time to time in one or more series, under one or more indentures, each dated as of a date on or prior to the issuance of the debt securities to which it relates, and pursuant to an applicable prospectus supplement. We may issue senior debt securities and subordinated debt securities pursuant to separate indentures, a senior indenture and a subordinated indenture, respectively, in each case between us and the trustee named in the indenture. We have filed forms of these documents as exhibits to the registration statement, of which this prospectus forms a part. The senior indenture and the subordinated indenture, as amended or supplemented from time to time, are sometimes referred to individually as an "indenture" and collectively as the "indentures." Each indenture will be subject to and governed by the Trust Indenture Act and will be construed in accordance with and governed by the laws of the State of New York (without giving effect to any principles thereof relating to conflicts of law that would result in the application of the laws of any other jurisdiction) unless otherwise stated in the applicable prospectus supplement and indenture (or post-effective amendment hereto). The aggregate principal amount of debt securities that may be issued under each indenture will contain the specific terms of any series of debt securities or provide that those terms must be set forth in or determined pursuant to, an authorizing resolution, as defined in the applicable prospectus supplement, and/or a supplemental indenture, if any, relating to such series. Our debt securities may be convertible or exchangeable into any of our equity or other debt securities.

The following description sets forth certain general terms and provisions of the debt securities. The particular terms and provisions of the debt securities offered by any prospectus supplement, and the extent to which the general terms and provisions described below may apply to the offered debt securities, will be described in the applicable subsequent filings. We refer to any applicable prospectus supplement, amendment to the registration statement of which this prospectus forms a part, and reports we file with the Commission under the Exchange Act as "subsequent filings." The statements below are not complete and are subject to, and are qualified in their entirety by reference to, all of the provisions of the applicable indenture. The specific terms of any debt securities that we may offer, including any modifications of, or additions to, the general terms described below as well as any applicable material U.S. federal income tax considerations concerning the ownership of such debt securities will be described in the applicable prospectus supplement and indenture and, as applicable, supplemental indenture. Accordingly, for a complete description of the terms of a particular issue of debt securities, the general description of the debt securities set forth below should be read in conjunction with the applicable prospectus supplement and indenture, as amended or supplemented from time to time.

### General

We expect that neither indenture will limit the amount of debt securities that may be issued. The debt securities may be issued in one or more series.

You should read the applicable indenture and subsequent filings relating to the particular series of debt securities for the following terms of the offered debt securities:

- the designation, aggregate principal amount and authorized denominations;
- the issue price, expressed as a percentage of the aggregate principal amount;
- the maturity date;
- the interest rate per annum, if any;  
if the debt securities provide for interest payments, the date from which interest will accrue, the dates on which
- interest will be payable, the date on which payment of interest will commence and the regular record dates for interest payment dates;
- any optional or mandatory sinking fund provisions or exchangeability provisions;

- the terms and conditions upon which conversion of any convertible debt securities may be effected, including the conversion price, the conversion period and other conversion provisions;
- whether the debt securities will be our senior or subordinated securities;
- whether the obligations under the debt securities will be our secured or unsecured obligations;
- the applicability and terms of any guarantees;
- the date, if any, after which and the price or prices at which the debt securities may be optionally redeemed or must be mandatorily redeemed and any other terms and provisions of optional or mandatory redemptions;
- if other than denominations of \$1,000 and any integral multiple thereof, the denominations in which the debt securities of the series will be issuable;
- if other than the full principal amount, the portion of the principal amount of the debt securities of the series that will be payable upon acceleration or provable in bankruptcy;
- any events of default not set forth in this prospectus;
- the currency or currencies, including composite currencies, in which principal, premium and interest will be payable, if other than the currency of the United States of America;
- if principal, premium or interest is payable, at our election or at the election of any holder, in a currency other than that in which the debt securities of the series are stated to be payable, the period or periods within which, and the terms and conditions upon which, the election may be made;
- whether interest will be payable in cash or additional securities at our or the holder's option and the terms and conditions upon which the election may be made;
- if denominated in a currency or currencies other than the currency of the United States of America, the equivalent price in the currency of the United States of America for purposes of determining the voting rights of holders of those debt securities under the applicable indenture;
- if the amount of payments of principal, premium or interest may be determined with reference to an index, formula or other method based on a coin or currency other than that in which the debt securities of the series are stated to be payable, the manner in which the amounts will be determined;
- any restrictive covenants or other material terms relating to the debt securities;
- whether the debt securities will be issued in the form of global securities or certificates in registered or bearer form;
- any listing on any securities exchange or quotation system;
- additional provisions, if any, related to defeasance and discharge of the debt securities; and
- any other special features of the debt securities.

Subsequent filings may include additional terms not listed above. Unless otherwise indicated in subsequent filings with the Commission relating to the indenture, principal, premium and interest will be payable and the debt securities will be transferable at the corporate trust office of the applicable trustee. Unless other arrangements are made or set forth in subsequent filings or a supplemental indenture, principal, premium and interest will be paid by checks mailed to the registered holders at their registered addresses.

Unless otherwise indicated in subsequent filings with the Commission, the debt securities will be issued only in fully registered form without coupons, in denominations of \$1,000 or any integral multiple thereof. No service charge will be made for any transfer or exchange of the debt securities, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with these debt securities.

Some or all of the debt securities may be issued as discounted debt securities, bearing no interest or interest at a rate which at the time of issuance is below market rates, to be sold at a substantial discount below the stated principal amount. United States federal income tax consequences and other special considerations applicable to any discounted securities will be described in subsequent filings with the Commission relating to those securities.

#### Senior Debt

We may issue senior debt securities, which may be secured or unsecured, under the senior debt indenture. The senior debt securities will rank on an equal basis with all our other senior debt except subordinated debt. The senior debt securities will be effectively subordinated, however, to all of our secured debt to the extent of the value of the collateral securing such debt. We will disclose the amount of our debt in the prospectus supplement.

#### Subordinated Debt

We may issue subordinated debt securities under a subordinated debt indenture. Subordinated debt would rank subordinate and junior in right of payment, to the extent set forth in the subordinated debt indenture, to all our senior debt.

#### Covenants

Any series of debt securities may have covenants in addition to or differing from those included in the applicable indenture which will be described in subsequent filings prepared in connection with the offering of such securities, limiting or restricting, among other things:

- our ability to incur either secured or unsecured debt, or both;
- our ability to make certain payments, dividends, redemptions or repurchases;
- our ability to create dividend and other payment restrictions affecting our subsidiaries;
- our ability to make investments;
  - mergers and consolidations by us or our subsidiaries;
- sales of assets by us;
- our ability to enter into transactions with affiliates;
- our ability to incur liens; and
- sale and leaseback transactions.

#### Modification of the Indentures

We expect that each indenture and the rights of the respective holders may be modified by us only with the consent of holders of not less than a majority in aggregate principal amount of the outstanding debt securities of all series under the respective indenture affected by the modification, taken together as a class. But we expect that no modification that:

1. changes the amount of securities whose holders must consent to an amendment, supplement or waiver; reduces the rate of or changes the interest payment time on any security or alters its redemption provisions (other than any alteration to any such section which would not materially adversely affect the legal rights of any holder under the indenture) or the price at which we are required to offer to purchase the securities;
2. reduces the principal or changes the maturity of any security or reduces the amount of, or postpones the date fixed for, the payment of any sinking fund or analogous obligation;
3. waives a default or event of default in the payment of the principal of or interest, if any, on any security (except a rescission of acceleration of the securities of any series by the holders of at least a majority in principal amount of the outstanding securities of that series and a waiver of the payment default that resulted from such acceleration);
4. makes the principal of or interest, if any, on any security payable in any currency other than that stated in the security;
5. makes any change with respect to holders' rights to receive principal and interest, the terms pursuant to which defaults can be waived, certain modifications affecting shareholders or certain currency-related issues; or
6. waives a redemption payment with respect to any security or changes any of the provisions with respect to the redemption of any securities will be effective against any holder without his consent. In addition, other terms as specified in subsequent filings may be modified without the consent of the holders.
- 7.

#### Events of Default

We expect that each indenture will define an event of default for the debt securities of any series as being any one of the following events:

- default in any payment of interest when due which continues for 30 days;
- default in any payment of principal or premium at maturity;
- default in the deposit of any sinking fund payment when due;
- default in the performance of any covenant in the debt securities or the applicable indenture which continues for 60 days after we receive notice of the default;
- default under a bond, debenture, note or other evidence of indebtedness for borrowed money by us or our subsidiaries (to the extent we are directly responsible or liable therefor) having a principal amount in excess of a minimum amount set forth in the applicable subsequent filings, whether such indebtedness now exists or is hereafter created, which default shall have resulted in such indebtedness becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable, without such acceleration having been rescinded or annulled or cured within 30 days after we receive notice of the default; and
- events of bankruptcy, insolvency or reorganization.

An event of default of one series of debt securities will not necessarily constitute an event of default with respect to any other series of debt securities.

There may be such other or different events of default as described in an applicable subsequent filings with respect to any class or series of debt securities.

We expect that under each indenture, in case an event of default occurs and continues for the debt securities of any series, the applicable trustee or the holders of not less than 25% in aggregate principal amount of the debt securities then outstanding of that series may declare the principal and accrued but unpaid interest of the debt securities of that series to be due and payable. Further, any event of default for the debt securities of any series which has been cured is expected to be permitted to be waived by the holders of a majority in aggregate principal amount of the debt securities of that series then outstanding.

We expect that each indenture will require us to file annually after debt securities are issued under that indenture with the applicable trustee a written statement signed by two of our officers as to the absence of material defaults under the terms of that indenture. We also expect that each indenture will provide that the applicable trustee may withhold notice to the holders of any default if it considers it in the interest of the holders to do so, except notice of a default in payment of principal, premium or interest.

Subject to the duties of the trustee in case an event of default occurs and continues, we expect that each indenture will provide that the trustee is under no obligation to exercise any of its rights or powers under that indenture at the request, order or direction of holders unless the holders have offered to the trustee reasonable indemnity. Subject to these provisions for indemnification and the rights of the trustee, each indenture is expected to provide that the holders of a majority in principal amount of the debt securities of any series then outstanding have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee as long as the exercise of that right does not conflict with any law or the indenture.

#### Defeasance and Discharge

The terms of each indenture are expected to provide us with the option to be discharged from any and all obligations in respect of the debt securities issued thereunder upon the deposit with the trustee, in trust, of money or United States government obligations, or both, which through the payment of interest and principal in accordance with their terms will provide money in an amount sufficient to pay any installment of principal, premium and interest on, and any mandatory sinking fund payments in respect of, the debt securities on the stated maturity of the payments in accordance with the terms of the debt securities and the indenture governing the debt securities. We expect that this right may only be exercised if, among other things, we have received from, or there has been published by, the United States Internal Revenue Service a ruling to the effect that such a discharge will not be deemed, or result in, a taxable event with respect to holders. This discharge would not apply to our obligations to register the transfer or exchange of debt securities, to replace stolen, lost or mutilated debt securities, to maintain paying agencies and hold moneys for payment in trust.

#### Defeasance of Certain Covenants

We expect that the terms of the debt securities provide us with the right not to comply with specified covenants and that specified events of default described in a subsequent filing will not apply provided we deposit with the trustee money or U.S. government obligations, or both, which through the payment of interest and principal will provide money in an amount sufficient to pay any installment of principal, premium, and interest on, and any mandatory sinking fund payments in respect of, the debt securities on the stated maturity of such payments in accordance with the terms of the debt securities and the indenture governing such debt securities. We expect that to exercise this right, we will also be required to deliver to the trustee an opinion of counsel to the effect that the deposit and related covenant defeasance should not cause the holders of such series to recognize income, gain or loss for United States federal income tax purposes.

#### Global Securities

The debt securities of a series may be issued in whole or in part in the form of one or more global securities that will be deposited with, or on behalf of, a depository identified in an applicable subsequent filing and registered in the name of the depository or a nominee for the depository. In such a case, one or more global securities will be issued in a denomination or aggregate denominations equal to the portion of the aggregate principal amount of outstanding debt securities of the series to be represented by the global security or securities.

Unless and until it is exchanged in whole or in part for debt securities in definitive certificated form, a global security may not be transferred except as a whole by the depository for the global security 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 nominee to a successor depository for that series or a nominee of the successor depository and except in the circumstances described in an applicable subsequent filing.

We refer you to applicable subsequent filings with respect to any deletions or additions or modifications from the description contained in this prospectus.

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#### DESCRIPTION OF WARRANTS

We may issue warrants to purchase our debt or equity securities. Warrants may be issued independently or together with any other securities and may be attached to, or separate from, such securities. Each series of warrants will be issued under a separate warrant agreement to be entered into between us and a warrant agent. The terms of any warrants to be issued and a description of the material provisions of the applicable warrant agreement will be set forth in the applicable prospectus supplement. We expect that such terms will include, among others:

- the title of such warrants;
- the aggregate number of such warrants;
- the price or prices at which such warrants will be issued;
- the number and type of our securities purchasable upon exercise of such warrants;
- the price at which our securities purchasable upon exercise of such warrants may be purchased;
- the date on which the right to exercise such warrants shall commence and the date on which such right shall expire;
- if applicable, the minimum or maximum amount of such warrants which may be exercised at any one time;
- if applicable, the designation and terms of the securities with which such warrants are issued and the number of such warrants issued with each such security;
- if applicable, the date on and after which such warrants and the related securities will be separately transferable;
- information with respect to book-entry procedures, if any;
- if applicable, a discussion of any material United States federal income tax considerations; and
- any other terms of such warrants, including terms, procedures and limitations relating to the exchange and exercise of such warrants.

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#### DESCRIPTION OF PURCHASE CONTRACTS

We may issue purchase contracts for the purchase or sale of any of our debt or equity securities issued by us. Each purchase contract will entitle the holder thereof to purchase or sell, and obligate us to sell or purchase, on specified dates, such securities, at a specified purchase price, which may be based on a formula, all as set forth in the applicable prospectus supplement. We may, however, satisfy our obligations, if any, with respect to any purchase contract by delivering the cash value of such purchase contract or the cash value of the securities otherwise deliverable, as set forth in the applicable prospectus supplement. The applicable prospectus supplement will also specify the methods by which the holders may purchase or sell such securities, and any acceleration, cancellation or termination provisions, provisions relating to U.S. federal income tax considerations, if any, or other provisions relating to the settlement of a purchase contract.

The purchase contracts may require us to make periodic payments to the holders thereof or vice versa, which payments may be deferred to the extent set forth in the applicable prospectus supplement, and those payments may be unsecured or pre-funded on some basis. The purchase contracts may require the holders thereof to secure their obligations in a specified manner to be described in the applicable prospectus supplement. Alternatively, purchase contracts may require holders to satisfy their obligations thereunder when the purchase contracts are issued. Our obligation to settle such pre-paid purchase contracts on the relevant settlement date may constitute indebtedness. Accordingly, pre-paid purchase contracts will be issued under either the senior indenture or the subordinated indenture.

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## DESCRIPTION OF RIGHTS

We may issue rights to purchase our equity securities. These rights may be issued independently or together with any other security offered by this prospectus and may or may not be transferable by the shareholder receiving the rights in the rights offering. In connection with any rights offering, we may enter into a standby underwriting agreement with one or more underwriters pursuant to which the underwriter will purchase any securities that remain unsubscribed for upon completion of the rights offering.

The applicable prospectus supplement relating to any rights will describe the terms of the offered rights, including, where applicable, the following:

- the exercise price for the rights;
- the number of rights issued to each shareholder;
- the extent to which the rights are transferable;
- any other terms of the rights, including terms, procedures and limitations relating to the exchange and exercise of the rights;
- the date on which the right to exercise the rights will commence and the date on which the right will expire;
- the amount of rights outstanding;
- the extent to which the rights include an over-subscription privilege with respect to unsubscribed securities; and
- the material terms of any standby underwriting arrangement entered into by us in connection with the rights offering.

The description in the applicable prospectus supplement of any rights we offer will not necessarily be complete and will be qualified in its entirety by reference to the applicable rights certificate or rights agreement, which will be filed with the Commission if we offer rights. For more information on how you can obtain copies of any rights certificate or rights agreement if we offer rights, see "Where You Can Find Additional Information" of this prospectus. We urge you to read the applicable rights certificate, the applicable rights agreement and any applicable prospectus supplement in their entirety.

DESCRIPTION OF UNITS

As specified in the applicable prospectus supplement, we may issue units consisting of one or more of our purchase contracts, warrants, debt securities, preferred shares, common shares, rights or any combination of such securities. The applicable prospectus supplement will describe the terms of the offered units. We expect that such terms will include, among others:

- the terms of the units and of the purchase contracts, warrants, debt securities, preferred shares, common shares, and
- rights comprising the units, including whether and under what circumstances the securities comprising the units may be traded separately;
- a description of the terms of any unit agreement governing the units;
- if applicable, a discussion of any material U.S. federal income tax considerations; and
- a description of the provisions for the payment, settlement, transfer or exchange of the units.

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#### ENFORCEABILITY OF CIVIL LIABILITIES

We are a Marshall Islands company, and our principal executive office is located outside of the United States in Greece. Some of our directors, officers and the experts named in this registration statement reside outside the United States. In addition, a substantial portion of our assets and the assets of certain of our directors, officers and experts are located outside of the United States. As a result, it may be difficult or impossible for U.S. investors to serve process within the United States upon us or any of these persons. You may also have difficulty enforcing, both in and outside the United States, judgments you may obtain in United States courts against us or these persons in any action, including actions based upon the civil liability provisions of United States federal or state securities laws. Furthermore, there is substantial doubt that courts in the countries in which we or our subsidiaries are incorporated or where our assets or the assets of our subsidiaries, directors or officers and such experts are located (i) would enforce judgments of U.S. courts obtained in actions against us or our subsidiaries, directors or officers and such experts based upon the civil liability provisions of applicable U.S. federal and state securities laws or (ii) would enforce, in original actions, liabilities against us or our subsidiaries, directors or officers and such experts based on those laws.

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**EXPENSES**

The following are the estimated expenses of the issuance and distribution of the securities being registered under the registration statement of which this prospectus forms a part, all of which will be paid by us.

Commission registration fee	\$23,467
FINRA filing fee	\$30,871
Nasdaq listing fees	\$*
Legal fees and expenses	\$*
Accounting fees and expenses	\$*
Printing and engraving expenses	\$*
Transfer agent and registrar fees	\$*
Indenture trustee fees and expenses	\$*
Blue sky fees and expenses	\$*
Miscellaneous	\$*
<b>Total</b>	<b>\$*</b>

\* To be provided by a prospectus supplement or as an exhibit to Report on Form 6-K that is incorporated by reference into this registration statement.

**LEGAL MATTERS**

The validity of the securities offered by this prospectus will be passed upon for us by Seward & Kissel LLP, New York, New York with respect to matters of United States and Marshall Islands law.

**EXPERTS**

The financial statements incorporated in this Prospectus by reference from Top Ships Inc.'s annual report on Form 20-F for the year ended December 31, 2015, have been audited by Deloitte Certified Public Accountants S.A. (formerly known as Deloitte Hadjipavlou, Sofianos & Cambanis S.A.), an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference. Such financial statements have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing. The offices of Deloitte Certified Public Accountants S.A. are located at Fragoklissias 3a & Granikou Str., 15125 Maroussi, Athens, Greece.

**WHERE YOU CAN FIND ADDITIONAL INFORMATION**

As required by the Securities Act, we filed a registration statement relating to the securities offered by this prospectus with the Commission. This prospectus is a part of that registration statement, which includes additional information.

**GOVERNMENT FILINGS**

We file annual and special reports with the Commission. You may read and copy any document that we file and obtain copies at prescribed rates from the Commission's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling 1 (800) SEC-0330. The Commission maintains a website (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding issuers that file electronically with the Commission. Our filings are also available on our website at <http://www.tops.org>. The information on our website, however, is not, and should not be deemed to be, a part of this prospectus.

This prospectus and any prospectus supplement are part of a registration statement that we filed with the Commission and do not contain all of the information in the registration statement. The full registration statement may be obtained from the Commission or us, as indicated below. Forms of the indenture and other documents establishing the terms of the offered securities are filed as exhibits to the registration statement. Statements in this prospectus or any prospectus supplement about these documents are summaries and each statement is qualified in all respects by reference to the document to which it refers. You should refer to the actual documents for a more complete description of the relevant matters. You may inspect a copy of the registration statement at the Commission's Public Reference Room in Washington, D.C., as well as through the Commission's website.



### Information Incorporated by Reference

The Commission allows us to "incorporate by reference" information that we file with it. This means that we can disclose important information to you by referring you to those filed documents. The information incorporated by reference is considered to be a part of this prospectus, and information that we file later with the Commission prior to the termination of this offering will also be considered to be part of this prospectus and will automatically update and supersede previously filed information, including information contained in this document.

We incorporate by reference in this prospectus the documents listed below which have been filed with the Commission:

Report on Form 6-K filed with the Commission on January 10, 2017, which contains a Waiver Agreement between the Company and the Selling Securityholder dated January 9, 2017, waiving certain provisions contained in the Securities Purchase Agreement dated November 22, 2016.

Report on Form 6-K filed with the Commission on November 23, 2016, which contains the press release announcing the transaction with the Selling Securityholder and the Securities Purchase Agreement, Certificate of Designation and Registration Rights Agreement between the Company and the Selling Securityholder.

Report on Form 6-K filed with the Commission on September 13, 2016, which contains Management's Discussion and Analysis of Financial Condition and Results of Operations and the Company's unaudited interim condensed statements and related notes thereto of comprehensive income and balance sheets as and for the six months ended June 30, 2016.

Form 8-A, filed with the Commission on September 22, 2016, registering our Preferred Stock Purchase Rights under Section 12(b) of the Exchange Act, including any subsequent amendments or reports filed for the purpose of updating the description of Preferred Stock contained therein.

Annual Report on Form 20-F for the year ended December 31, 2015, filed with the Commission on April 26, 2016, which contains our audited consolidated financial statements for the most recent fiscal year for which those statements have been filed.

Form 8-A, filed with the Commission on July 21, 2004, registering our common shares, par value \$0.01 per share, under Section 12(g) of the Exchange Act, including any subsequent amendments or reports filed for the purpose of updating the description of our common shares contained therein.

We are also incorporating by reference all subsequent Annual Reports on Form 20-F that we file with the Commission and certain reports on Form 6-K that we furnish to the Commission after the date of the initial filing of the registration statement of which this prospectus forms a part (if they state that they are incorporated by reference into this prospectus) until we file a post-effective amendment indicating that the offering of the securities made by this prospectus has been terminated. In all cases, you should rely on the later information over different information included in this prospectus or the prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus and any accompanying prospectus supplement. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus and any accompanying prospectus supplement as well as the information we previously filed with the Commission and incorporated by reference, is accurate as of the dates on the front cover of those documents only. Our business, financial condition and results of operations and prospects may have changed since those dates.

You may request a free copy of the above mentioned filing or any subsequent filing we incorporate by reference to this prospectus by writing or telephoning us at the following address:

Top Ships Inc.

1 Vas. Sofias and Meg. Alexandrou Str,

15124 Maroussi, Greece

(011) 30 210 812-8180 (telephone number)

#### Information Provided by the Company

We will furnish holders of our common shares with Annual Reports containing audited financial statements and a report by our independent registered public accounting firm. The audited financial statements will be prepared in accordance with U.S. generally accepted accounting principles. As a "foreign private issuer," we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements to shareholders. While we furnish proxy statements to shareholders in accordance with the rules of the Nasdaq Capital Market, those proxy statements do not conform to Schedule 14A of the proxy rules promulgated under the Exchange Act. In addition, as a "foreign private issuer," our officers and directors are exempt from the rules under the Exchange Act relating to short swing profit reporting and liability.

#### Disclosure of Commission Position on Indemnification for Securities Act Liabilities

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the registrant pursuant to the foregoing provisions, the registrant has been informed that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

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\$  
45.00

\$  
55.00

\$  
56.82

Floor price (per Bbl)

\$  
66.43

\$  
55.00

\$  
65.00



\$  
66.82

Ceiling price (per Bbl)  
\$  
78.82

\$  
70.23

\$  
82.47

\$  
77.60

Balance sheet offsetting of derivative assets and liabilities

The fair value of swaps is generally determined using established index prices and other sources which are based upon, among other things, futures prices and time to maturity. These fair values are recorded by netting asset and liability positions that are with the same counterparty and are subject to contractual terms which provide for net settlement.

The following tables present the gross amounts of recognized derivative assets and liabilities, the amounts offset under master netting arrangements with counterparties and the resulting net amounts presented in the Company's consolidated balance sheets as of September 30, 2018 and December 31, 2017.

	September 30, 2018		December 31, 2017	
	(in thousands)			
Gross amounts of assets presented in the Consolidated Balance Sheet	\$—		\$ 531	
Net amounts of assets presented in the Consolidated Balance Sheet	—		531	
Gross amounts of liabilities presented in the Consolidated Balance Sheet	129,757		106,670	
Net amounts of liabilities presented in the Consolidated Balance Sheet	\$129,757		\$ 106,670	

Diamondback Energy, Inc. and Subsidiaries  
Condensed Notes to Consolidated Financial Statements-(Continued)  
(Unaudited)

The net amounts are classified as current or noncurrent based on their anticipated settlement dates. The net fair value of the Company's derivative assets and liabilities and their locations on the consolidated balance sheet are as follows:

	September 30, 2018	December 31, 2017
	(in thousands)	
Current assets: derivative instruments	\$—	\$ 531
Noncurrent assets: derivative instruments	—	—
Total assets	\$—	\$ 531
Current liabilities: derivative instruments	\$ 123,826	\$ 100,367
Noncurrent liabilities: derivative instruments	5,931	6,303
Total liabilities	\$ 129,757	\$ 106,670

None of the Company's derivatives have been designated as hedges. As such, all changes in fair value are immediately recognized in earnings. The following table summarizes the gains and losses on derivative instruments included in the consolidated statements of operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(in thousands)			
Change in fair value of open non-hedge derivative instruments	\$(9,913 )	\$(58,645 )	\$(23,618 )	\$9,365
Gain (loss) on settlement of non-hedge derivative instruments	(38,460 )	8,000	(115,687 )	11,011
Gain (loss) on derivative instruments	\$(48,373 )	\$(50,645 )	\$(139,305 )	\$20,376

## 15. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value. The Company's assessment of the significance of a particular input to the fair value measurements requires judgment and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy. The Company uses appropriate valuation techniques based on available inputs to measure the fair values of its assets and liabilities.

Level 1 - Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets as of the reporting date.

Level 2 - Observable market-based inputs or unobservable inputs that are corroborated by market data. These are inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.

Level 3 - Unobservable inputs that are not corroborated by market data and may be used with internally developed methodologies that result in management's best estimate of fair value.

Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement.

Diamondback Energy, Inc. and Subsidiaries  
 Condensed Notes to Consolidated Financial Statements-(Continued)  
 (Unaudited)

The Company estimates the fair values of proved oil and natural gas properties assumed in business combinations using discounted cash flow techniques and based on market assumptions as to the future commodity prices, internal estimates of future quantities of oil and natural gas reserves, future estimated rates of production, expected recovery rates and risk-adjustment discounts. The estimated fair values of unevaluated oil and natural gas properties were based on the location, engineering and geological studies, historical well performance, and applicable mineral lease terms. Given the unobservable nature of the inputs, the estimated fair values of oil and natural gas properties assumed is deemed to use Level 3 inputs. The asset retirement obligations assumed as part of business combinations are estimated using the same assumptions and methodology as described below.

The Company estimates asset retirement obligations pursuant to the provisions of the Financial Accounting Standards Board issued Accounting Standards Codification Topic 410, "Asset Retirement and Environmental Obligations". The initial measurement of asset retirement obligations at fair value is calculated using discounted cash flow techniques and based on internal estimates of future retirement costs associated with the future plugging and abandonment of wells and related facilities. Given the unobservable nature of the inputs, including plugging costs and useful lives, the initial measurement of the asset retirement obligation liability is deemed to use Level 3 inputs. See Note 7—Asset Retirement Obligations for further discussion of the Company's asset retirement obligations.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Certain assets and liabilities are reported at fair value on a recurring basis, including the Company's derivative instruments and cost method investment. The fair values of the Company's fixed price swaps, fixed price basis swaps and costless collars are measured internally using established commodity futures price strips for the underlying commodity provided by a reputable third party, the contracted notional volumes, and time to maturity. These valuations are Level 2 inputs.

The following table provides fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2018 and December 31, 2017.

	September 30, 2018		
	Level 1	Level 2	Level 3
	(in thousands)		
Assets:			
Investment	\$20,240	\$—	\$ —
Liabilities:			
Fixed price swaps	\$—	\$(129,757)	\$ —
	December 31, 2017		
	Level 1	Level 2	Level 3
	(in thousands)		
Assets:			
Investment	\$—	\$ —	\$ —

Liabilities:

Fixed price swaps \$\$(106,139)\$ —

Diamondback Energy, Inc. and Subsidiaries  
Condensed Notes to Consolidated Financial Statements-(Continued)  
(Unaudited)

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The following table provides the fair value of financial instruments that are not recorded at fair value in the consolidated balance sheets:

	September 30, 2018		December 31, 2017	
	Carrying		Carrying	
	Amount	Fair Value	Amount	Fair Value
	(in thousands)			
Debt:				
Revolving credit facility	\$—	\$—	\$397,000	\$397,000
4.750% Senior Notes due 2024	\$1,250,000	\$1,252,613	\$500,000	\$501,855
5.375% Senior Notes due 2025	\$800,000	\$819,000	\$500,000	\$515,000
Partnership revolving credit facility	\$296,500	\$296,500	\$93,500	\$93,500

The fair value of the revolving credit facility and the Partnership's revolving credit facility approximates their carrying value based on borrowing rates available to the Company for bank loans with similar terms and maturities and is classified as Level 2 in the fair value hierarchy. The fair value of the Senior Notes was determined using the September 30, 2018 quoted market price, a Level 1 classification in the fair value hierarchy.

## 16. COMMITMENTS AND CONTINGENCIES

The Company could be subject to various possible loss contingencies which arise primarily from interpretation of federal and state laws and regulations affecting the natural gas and crude oil industry. Such contingencies include differing interpretations as to the prices at which natural gas and crude oil sales may be made, the prices at which royalty owners may be paid for production from their leases, environmental issues and other matters. Management believes it has complied with the various laws and regulations, administrative rulings and interpretations.

## 17. SUBSEQUENT EVENTS

### Recent Acquisitions and Divestitures

#### Ajax Resources, LLC

On July 22, 2018, the Company entered into a definitive purchase agreement to acquire all leasehold interests and related assets of Ajax Resources, LLC which includes approximately 25,493 net leasehold acres in the Northern Midland Basin for \$900.0 million in cash, subject to certain adjustments, and approximately 2.6 million shares of the Company's common stock. This transaction closed October 31, 2018, and was effective as of July 1, 2018. See Note 4—Acquisitions for additional information regarding the Ajax acquisition.

The cash portion of the purchase price for the Ajax acquisition was funded through a combination of cash on hand, proceeds from the sale of mineral interests to the Partnership, borrowing under the Company's revolving credit facility and a portion of the proceeds from the Company's September 2018 senior note offering. See Note 9—Debt for information relating to this offering.

ExL Petroleum Management, LLC and Energy Quest II LLC

On October 31, 2018, the Company completed the acquisition of approximately 3,646 net leasehold acres and related assets in the Northern Midland Basin from ExL Petroleum Management, LLC, ExL Petroleum Operating, Inc. and EnergyQuest II LLC for \$312.5 million in cash, subject to certain adjustments. See Note 4—Acquisitions for additional information regarding this acquisition.

Diamondback Energy, Inc. and Subsidiaries  
Condensed Notes to Consolidated Financial Statements-(Continued)  
(Unaudited)

### Divestiture of Oil and Natural Gas Properties

On November 1, 2018, the Company completed its divestiture of certain oil and natural gas properties in the Delaware Basin for an aggregate sale price of \$62.1 million. This transaction included the divestiture of approximately 2,485 gross (2,072 net) acres primarily in Pecos county, Texas.

### Third Quarter Dividend Declaration

On November 5, 2018, the Board of Directors of the Company declared a cash dividend for the third quarter of 2018 of \$0.125 per share of common stock, payable on November 26, 2018 to its stockholders of record at the close of business on November 19, 2018.

### Commodity Contracts

Subsequent to September 30, 2018, the Company entered into new fixed price basis swaps. The Company's derivative contracts are based upon reported settlement prices on commodity exchanges, with crude oil derivative settlements based on New York Mercantile Exchange West Texas Intermediate pricing (Cushing and Magellan East Houston) and Crude Oil Brent.

The following tables present the derivative contracts entered into by the Company subsequent to September 30, 2018. When aggregating multiple contracts, the weighted average contract price is disclosed.

	Volume (Bbls/MMBtu)	Fixed Price Swap (per Bbl/MMBtu)
April 2019 - December 2019		
Oil Swaps - WTI Magellan East Houston	458,000	\$ 76.18
Oil Swaps - BRENT	275,000	\$ 77.58

### The Company's Credit Facility

On October 26, 2018, the Company's borrowing base under its credit agreement was increased to \$2.5 billion and was increased further to \$2.65 billion on November 6, 2018 following the closing of the Company's acquisition of assets from Ajax Resources, LLC and satisfaction of certain other conditions. The Company also elected to increase the commitment amount from \$1.0 billion to \$2.0 billion effective October 26, 2018.

### The Partnership's Credit Facility

In connection with the Partnership's fall 2018 redetermination, the Partnership's borrowing base was increased to \$555.0 million effective October 26, 2018.

## 18. GUARANTOR FINANCIAL STATEMENTS

As of September 30, 2018, Diamondback E&P LLC and Diamondback O&G LLC (the "Guarantor Subsidiaries") are guarantors under the indentures relating to the 2024 Senior Notes and the 2025 Senior Notes, as supplemented. In connection with the issuance of the 2024 Senior Notes and the 2025 Senior Notes (including the New 2025 Senior Notes), the Partnership, the General Partner, Viper Energy Partners LLC and Rattler Midstream LLC were designated



as Non-Guarantor Subsidiaries. The following presents condensed consolidated financial information for the Company (which for purposes of this Note 18 is referred to as the “Parent”), the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries on a consolidated basis. Elimination entries presented are necessary to combine the entities. The information is presented in accordance with the requirements of Rule 3-10 under the SEC’s Regulation S-X. The financial information may not necessarily be indicative of results of operations, cash flows or financial position had the Guarantor Subsidiaries operated as independent entities. The Company has not presented separate financial and narrative information for each of the Guarantor Subsidiaries because it believes such financial and narrative information would not provide any additional information that would be material in evaluating the sufficiency of the Guarantor Subsidiaries.

Diamondback Energy, Inc. and Subsidiaries  
Condensed Notes to Consolidated Financial Statements-(Continued)  
(Unaudited)

Condensed Consolidated Balance Sheet  
September 30, 2018  
(In thousands)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
<b>Assets</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$471,148	\$20,469	\$16,829	\$—	\$508,446
Accounts receivable	—	226,299	38,018	—	264,317
Accounts receivable - related party	—	—	7,758	(7,758 )	—
Intercompany receivable	3,199,881	262,503	—	(3,462,384 )	—
Inventories	—	14,815	—	—	14,815
Other current assets	257	7,708	146	—	8,111
<b>Total current assets</b>	<b>3,671,286</b>	<b>531,794</b>	<b>62,751</b>	<b>(3,470,142 )</b>	<b>795,689</b>
<b>Property and equipment:</b>					
Oil and natural gas properties, at cost, full cost method of accounting	—	9,209,250	1,612,425	(3,297 )	10,818,378
Midstream assets	—	355,758	—	—	355,758
Other property, equipment and land	—	80,194	5,688	—	85,882
Accumulated depletion, depreciation, amortization and impairment	—	(2,306,710 )	(230,784 )	(7,918 )	(2,545,412 )
<b>Net property and equipment</b>	<b>—</b>	<b>7,338,492</b>	<b>1,387,329</b>	<b>(11,215 )</b>	<b>8,714,606</b>
Funds held in escrow	—	62,034	—	—	62,034
Investment in subsidiaries	4,631,753	989	—	(4,632,742 )	—
Deferred tax asset	—	—	95,551	—	95,551
Investment in real estate, net	—	106,834	—	—	106,834
Other assets	—	8,513	23,346	—	31,859
<b>Total assets</b>	<b>\$8,303,039</b>	<b>\$8,048,656</b>	<b>\$1,568,977</b>	<b>\$(8,114,099)</b>	<b>\$9,806,573</b>
<b>Liabilities and Stockholders' Equity</b>					
<b>Current liabilities:</b>					
Accounts payable-trade	\$—	\$85,865	\$4	\$—	\$85,869
Intercompany payable	—	3,470,142	—	(3,470,142 )	—
Other current liabilities	41,026	590,186	4,706	—	635,918
<b>Total current liabilities</b>	<b>41,026</b>	<b>4,146,193</b>	<b>4,710</b>	<b>(3,470,142 )</b>	<b>721,787</b>
Long-term debt	2,035,859	—	296,500	—	2,332,359
Derivative instruments	—	5,931	—	—	5,931
Asset retirement obligations	—	23,897	—	—	23,897
Deferred income taxes	292,795	—	—	—	292,795
Other long-term liabilities	—	7	—	—	7
<b>Total liabilities</b>	<b>2,369,680</b>	<b>4,176,028</b>	<b>301,210</b>	<b>(3,470,142 )</b>	<b>3,376,776</b>
<b>Commitments and contingencies</b>					
Stockholders' equity	5,933,359	3,872,628	572,217	(4,444,845 )	5,933,359
Non-controlling interest	—	—	695,550	(199,112 )	496,438
<b>Total equity</b>	<b>5,933,359</b>	<b>3,872,628</b>	<b>1,267,767</b>	<b>(4,643,957 )</b>	<b>6,429,797</b>

Total liabilities and equity	\$8,303,039	\$8,048,656	\$1,568,977	\$(8,114,099)	\$9,806,573
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Diamondback Energy, Inc. and Subsidiaries  
Condensed Notes to Consolidated Financial Statements-(Continued)  
(Unaudited)

Condensed Consolidated Balance Sheet  
December 31, 2017  
(In thousands)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
<b>Assets</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$54,074	\$34,175	\$24,197	\$—	\$112,446
Accounts receivable	—	205,859	25,754	—	231,613
Accounts receivable - related party	—	—	5,142	(5,142)	—
Intercompany receivable	2,624,810	2,267,308	—	(4,892,118)	—
Inventories	—	9,108	—	—	9,108
Other current assets	618	4,461	355	—	5,434
<b>Total current assets</b>	<b>2,679,502</b>	<b>2,520,911</b>	<b>55,448</b>	<b>(4,897,260)</b>	<b>358,601</b>
<b>Property and equipment:</b>					
Oil and natural gas properties, at cost, full cost method of accounting	—	8,129,211	1,103,897	(414)	9,232,694
Midstream assets	—	191,519	—	—	191,519
Other property, equipment and land	—	80,776	—	—	80,776
Accumulated depletion, depreciation, amortization and impairment	—	(1,976,248)	(189,466)	4,342	(2,161,372)
<b>Net property and equipment</b>	<b>—</b>	<b>6,425,258</b>	<b>914,431</b>	<b>3,928</b>	<b>7,343,617</b>
Funds held in escrow	—	—	6,304	—	6,304
Investment in subsidiaries	3,809,557	—	—	(3,809,557)	—
Other assets	—	25,609	36,854	—	62,463
<b>Total assets</b>	<b>\$6,489,059</b>	<b>\$8,971,778</b>	<b>\$1,013,037</b>	<b>\$(8,702,889)</b>	<b>\$7,770,985</b>
<b>Liabilities and Stockholders' Equity</b>					
<b>Current liabilities:</b>					
Accounts payable-trade	\$1	\$91,629	\$2,960	\$—	\$94,590
Intercompany payable	132,067	4,765,193	—	(4,897,260)	—
Other current liabilities	7,236	472,933	2,669	—	482,838
<b>Total current liabilities</b>	<b>139,304</b>	<b>5,329,755</b>	<b>5,629</b>	<b>(4,897,260)</b>	<b>577,428</b>
Long-term debt	986,847	397,000	93,500	—	1,477,347
Derivative instruments	—	6,303	—	—	6,303
Asset retirement obligations	—	20,122	—	—	20,122
Deferred income taxes	108,048	—	—	—	108,048
<b>Total liabilities</b>	<b>1,234,199</b>	<b>5,753,180</b>	<b>99,129</b>	<b>(4,897,260)</b>	<b>2,189,248</b>
<b>Commitments and contingencies</b>					
Stockholders' equity	5,254,860	3,218,598	913,908	(4,132,506)	5,254,860
Non-controlling interest	—	—	—	326,877	326,877
<b>Total equity</b>	<b>5,254,860</b>	<b>3,218,598</b>	<b>913,908</b>	<b>(3,805,629)</b>	<b>5,581,737</b>
<b>Total liabilities and equity</b>	<b>\$6,489,059</b>	<b>\$8,971,778</b>	<b>\$1,013,037</b>	<b>\$(8,702,889)</b>	<b>\$7,770,985</b>



Diamondback Energy, Inc. and Subsidiaries  
Condensed Notes to Consolidated Financial Statements-(Continued)  
(Unaudited)

Condensed Consolidated Statement of Operations  
Three Months Ended September 30, 2018  
(In thousands)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
<b>Revenues:</b>					
Oil sales	\$—	\$ 391,051	\$ —	\$ 63,593	\$ 454,644
Natural gas sales	—	10,891	—	3,923	14,814
Natural gas liquid sales	—	50,740	—	6,870	57,610
Royalty income	—	—	74,386	(74,386)	—
Lease bonus	—	—	4,205	(2,883)	1,322
Midstream services	—	7,280	—	—	7,280
Other operating income	—	2,347	12	—	2,359
Total revenues	—	462,309	78,603	(2,883)	538,029
<b>Costs and expenses:</b>					
Lease operating expenses	—	49,111	—	—	49,111
Production and ad valorem taxes	—	28,509	5,027	—	33,536
Gathering and transportation	—	6,087	889	—	6,976
Midstream services	—	19,725	—	—	19,725
Depreciation, depletion and amortization	—	125,627	16,532	4,159	146,318
General and administrative expenses	6,862	6,629	1,309	(615)	14,185
Asset retirement obligation accretion	—	387	—	—	387
Other operating expense	—	940	—	—	940
Total costs and expenses	6,862	237,015	23,757	3,544	271,178
Income (loss) from operations	(6,862)	225,294	54,846	(6,427)	266,851
<b>Other income (expense)</b>					
Interest expense, net	(10,868)	(3,969)	(3,711)	—	(18,548)
Other income (expense), net	416	1,521	640	(615)	1,962
Loss on derivative instruments, net	—	(48,373)	—	—	(48,373)
Loss on revaluation of investment	—	—	(199)	—	(199)
Total other income (expense), net	(10,452)	(50,821)	(3,270)	(615)	(65,158)
Income (loss) before income taxes	(17,314)	174,473	51,576	(7,042)	201,693
Provision for income taxes	41,512	—	764	—	42,276
Net income (loss)	(58,826)	174,473	50,812	(7,042)	159,417
Net income attributable to non-controlling interest	—	—	48,466	(46,103)	2,363
Net income (loss) attributable to Diamondback Energy, Inc.	\$(58,826)	\$ 174,473	\$ 2,346	\$ 39,061	\$ 157,054

Diamondback Energy, Inc. and Subsidiaries  
Condensed Notes to Consolidated Financial Statements-(Continued)  
(Unaudited)

Condensed Consolidated Statement of Operations  
Three Months Ended September 30, 2017  
(In thousands)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
<b>Revenues:</b>					
Oil sales	\$—	\$ 223,038	\$—	\$ 36,011	\$ 259,049
Natural gas sales	—	11,774	—	3,148	14,922
Natural gas liquid sales	—	22,214	—	3,052	25,266
Royalty income	—	—	42,211	(42,211)	—
Lease bonus	—	—	322	—	322
Midstream services	—	1,694	—	—	1,694
Total revenues	—	258,720	42,533	—	301,253
<b>Costs and expenses:</b>					
Lease operating expenses	—	32,498	—	—	32,498
Production and ad valorem taxes	—	15,546	2,825	—	18,371
Gathering and transportation	—	3,271	205	—	3,476
Midstream services	—	4,445	—	—	4,445
Depreciation, depletion and amortization	—	74,766	11,068	1,745	87,579
General and administrative expenses	6,506	4,629	1,368	(615)	11,888
Asset retirement obligation accretion	—	357	—	—	357
Total costs and expenses	6,506	135,512	15,466	1,130	158,614
Income (loss) from operations	(6,506)	123,208	27,067	(1,130)	142,639
<b>Other income (expense)</b>					
Interest expense, net	(6,393)	(1,940)	(859)	—	(9,192)
Other income (expense), net	9	210	399	(615)	3
Loss on derivative instruments, net	—	(50,645)	—	—	(50,645)
Total other income (expense), net	(6,384)	(52,375)	(460)	(615)	(59,834)
Income (loss) before income taxes	(12,890)	70,833	26,607	(1,745)	82,805
Provision for income taxes	857	—	—	—	857
Net income (loss)	(13,747)	70,833	26,607	(1,745)	81,948
Net income attributable to non-controlling interest	—	—	—	8,924	8,924
Net income (loss) attributable to Diamondback Energy, Inc.	\$(13,747)	\$ 70,833	\$ 26,607	\$(10,669)	\$ 73,024

Diamondback Energy, Inc. and Subsidiaries  
Condensed Notes to Consolidated Financial Statements-(Continued)  
(Unaudited)

Condensed Consolidated Statement of Operations  
Nine Months Ended September 30, 2018  
(In thousands)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
<b>Revenues:</b>					
Oil sales	—	1,149,184	—	185,165	1,334,349
Natural gas sales	—	31,405	—	9,152	40,557
Natural gas liquid sales	—	116,976	—	16,882	133,858
Royalty income	—	—	211,199	(211,199)	—
Lease bonus	—	—	5,133	(2,883)	2,250
Midstream services	—	26,658	—	—	26,658
Other operating income	—	6,705	120	—	6,825
Total revenues	—	1,330,928	216,452	(2,883)	1,544,497
<b>Costs and expenses:</b>					
Lease operating expenses	—	129,103	—	—	129,103
Production and ad valorem taxes	—	78,909	14,133	—	93,042
Gathering and transportation	—	16,777	1,297	—	18,074
Midstream services	—	48,515	—	—	48,515
Depreciation, depletion and amortization	—	337,823	41,317	12,261	391,401
General and administrative expenses	20,891	19,763	6,230	(1,845)	45,039
Asset retirement obligation accretion	—	1,107	—	—	1,107
Other operating expense	—	2,416	—	—	2,416
Total costs and expenses	20,891	634,413	62,977	10,416	728,697
Income (loss) from operations	(20,891)	696,515	153,475	(13,299)	815,800
<b>Other income (expense)</b>					
Interest expense, net	(29,945)	(10,339)	(9,061)	—	(49,345)
Other income (expense), net	750	88,786	1,479	(1,845)	89,170
Loss on derivative instruments, net	—	(139,305)	—	—	(139,305)
Gain on revaluation of investment	—	—	5,165	—	5,165
Total other income (expense), net	(29,195)	(60,858)	(2,417)	(1,845)	(94,315)
Income (loss) before income taxes	(50,086)	635,657	151,058	(15,144)	721,485
Provision for (benefit from) income taxes	153,864	—	(71,114)	—	82,750
Net income (loss)	(203,950)	635,657	222,172	(15,144)	638,735
Net income attributable to non-controlling interest	—	—	77,526	22,197	99,723
Net income (loss) attributable to Diamondback Energy, Inc.	(203,950)	635,657	144,646	(37,341)	539,012



Diamondback Energy, Inc. and Subsidiaries  
Condensed Notes to Consolidated Financial Statements-(Continued)  
(Unaudited)

Condensed Consolidated Statement of Operations  
Nine Months Ended September 30, 2017  
(In thousands)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
<b>Revenues:</b>					
Oil sales	\$—	\$ 607,381	\$—	\$ 96,626	\$ 704,007
Natural gas sales	—	31,088	—	6,449	37,537
Natural gas liquid sales	—	50,506	—	7,119	57,625
Royalty income	—	—	110,194	(110,194)	—
Lease bonus	—	—	2,613	(106)	2,507
Midstream services	—	4,241	—	—	4,241
Total revenues	—	693,216	112,807	(106)	805,917
<b>Costs and expenses:</b>					
Lease operating expenses	—	88,113	—	—	88,113
Production and ad valorem taxes	—	42,307	7,668	—	49,975
Gathering and transportation	—	8,618	492	—	9,110
Midstream services	—	7,127	—	—	7,127
Depreciation, depletion and amortization	—	190,748	28,587	2,346	221,681
General and administrative expenses	20,046	14,259	5,064	(1,845)	37,524
Asset retirement obligation accretion	—	1,030	—	—	1,030
Total costs and expenses	20,046	352,202	41,811	501	414,560
Income (loss) from operations	(20,046)	341,014	70,996	(607)	391,357
<b>Other income (expense)</b>					
Interest expense, net	(23,526)	(4,022)	(2,114)	—	(29,662)
Other income (expense), net	1,101	9,690	526	(1,845)	9,472
Gain on derivative instruments, net	—	20,376	—	—	20,376
Total other income (expense), net	(22,425)	26,044	(1,588)	(1,845)	186
Income (loss) before income taxes	(42,471)	367,058	69,408	(2,452)	391,543
Provision for income taxes	4,393	—	—	—	4,393
Net income (loss)	(46,864)	367,058	69,408	(2,452)	387,150
Net income attributable to non-controlling interest	—	—	—	19,448	19,448
Net income (loss) attributable to Diamondback Energy, Inc.	\$(46,864)	\$ 367,058	\$ 69,408	\$ (21,900)	\$ 367,702

Diamondback Energy, Inc. and Subsidiaries  
Condensed Notes to Consolidated Financial Statements-(Continued)  
(Unaudited)

Condensed Consolidated Statement of Cash Flows  
Nine Months Ended September 30, 2018  
(In thousands)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by operating activities	\$220	\$ 975,082	\$ 176,414	\$ —	\$ 1,151,716
Cash flows from investing activities:					
Additions to oil and natural gas properties	—	(1,010,325)	—	—	(1,010,325 )
Additions to midstream assets	—	(129,820 )	—	—	(129,820 )
Purchase of other property, equipment and land	—	2,638	(4,687 )	—	(2,049 )
Acquisition of leasehold interests	—	(185,658 )	—	—	(185,658 )
Acquisition of mineral interests	—	170,268	(505,842 )	—	(335,574 )
Proceeds from sale of assets	—	6,206	565	—	6,771
Funds held in escrow	—	(51,045 )	—	—	(51,045 )
Equity investments	—	(604 )	—	—	(604 )
Intercompany transfers	(22,310 )	22,310	—	—	—
Investment in real estate	—	(110,654 )	—	—	(110,654 )
Net cash used in investing activities	(22,310 )	(1,286,684 )	(509,964 )	—	(1,818,958 )
Cash flows from financing activities:					
Proceeds from borrowing under credit facility	—	470,500	557,000	—	1,027,500
Repayment under credit facility	—	(867,500 )	(354,000 )	—	(1,221,500 )
Proceeds from senior notes	1,062,000	—	—	—	1,062,000
Debt issuance costs	(13,723 )	(232 )	(623 )	—	(14,578 )
Public offering costs	—	—	(2,636 )	—	(2,636 )
Proceeds from public offerings	—	—	305,773	—	305,773
Contributions to subsidiaries	(1,000 )	—	(1,000 )	2,000	—
Contributions by members	—	—	2,000	(2,000 )	—
Distributions from subsidiary	112,671	—	—	(112,671 )	—
Unit options exercised	—	—	140	—	140
Dividends to stockholders	(24,656 )	—	—	—	(24,656 )
Distributions to non-controlling interest	—	—	(181,472 )	112,671	(68,801 )
Intercompany transfers	(696,128 )	695,128	1,000	—	—
Net cash provided by financing activities	439,164	297,896	326,182	—	1,063,242
Net increase (decrease) in cash and cash equivalents	417,074	(13,706 )	(7,368 )	—	396,000
Cash and cash equivalents at beginning of period	54,074	34,175	24,197	—	112,446
Cash and cash equivalents at end of period	\$471,148	\$ 20,469	\$ 16,829	\$ —	\$ 508,446

Diamondback Energy, Inc. and Subsidiaries  
Condensed Notes to Consolidated Financial Statements-(Continued)  
(Unaudited)

Condensed Consolidated Statement of Cash Flows  
Nine Months Ended September 30, 2017  
(In thousands)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operating activities	\$(25,369 )	\$ 569,330	\$ 94,057	\$ —	\$ 638,018
Cash flows from investing activities:					
Additions to oil and natural gas properties	—	(531,489 )	—	—	(531,489 )
Additions to midstream assets	—	(22,491 )	—	—	(22,491 )
Purchase of other property, equipment and land	—	(21,534 )	—	—	(21,534 )
Acquisition of leasehold interests	—	(1,892,864 )	—	—	(1,892,864 )
Acquisition of mineral interests	—	(69,722 )	(301,133 )	—	(370,855 )
Acquisition of midstream assets	—	(50,279 )	—	—	(50,279 )
Proceeds from sale of assets	—	3,584	—	—	3,584
Funds held in escrow	—	121,391	—	—	121,391
Equity investments	—	(188 )	—	—	(188 )
Intercompany transfers	(1,651,328 )	1,651,328	—	—	—
Net cash used in investing activities	(1,651,328 )	(812,264 )	(301,133 )	—	(2,764,725 )
Cash flows from financing activities:					
Proceeds from borrowing under credit facility	—	312,500	220,500	—	533,000
Repayment under credit facility	—	(78,000 )	(305,500 )	—	(383,500 )
Purchase of subsidiary units by parent	(10,068 )	—	—	10,068	—
Debt issuance costs	(744 )	(790 )	(180 )	—	(1,714 )
Public offering costs	(77 )	—	(433 )	—	(510 )
Proceeds from public offerings	—	—	380,412	(10,068 )	370,344
Distributions from subsidiary	64,858	—	—	(64,858 )	—
Proceeds from exercise of stock options	358	—	—	—	358
Distributions to non-controlling interest	—	—	(92,498 )	64,858	(27,640 )
Net cash provided by financing activities	54,327	233,710	202,301	—	490,338
Net decrease in cash and cash equivalents	(1,622,370 )	(9,224 )	(4,775 )	—	(1,636,369 )
Cash and cash equivalents at beginning of period	1,643,226	14,135	9,213	—	1,666,574
Cash and cash equivalents at end of period	\$ 20,856	\$ 4,911	\$ 4,438	\$ —	\$ 30,205

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our unaudited consolidated financial statements and notes thereto presented in this report as well as our audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2017. The following discussion contains "forward-looking statements" that reflect our future plans, estimates, beliefs, and expected performance. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors. See "Part II. Item 1A. Risk Factors" and "Cautionary Statement Regarding Forward-Looking Statements."

### Overview

We are an independent oil and natural gas company focused on the acquisition, development, exploration and exploitation of unconventional, onshore oil and natural gas reserves in the Permian Basin in West Texas. Our activities are primarily directed at the horizontal development of the Wolfcamp and Spraberry formations in the Midland Basin and the Wolfcamp and Bone Spring formations in the Delaware Basin. We intend to continue to develop our reserves and increase production through development drilling and exploitation and exploration activities on our multi-year inventory of identified potential drilling locations and through acquisitions that meet our strategic and financial objectives, targeting oil-weighted reserves. Substantially all of our revenues are generated through the sale of oil, natural gas liquids and natural gas production.

The following table sets forth our production data for the periods indicated:

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
Oil (MBbls)	72	%73	% 73	%74
Natural gas (MMcf)	11	%13	% 12	%12
Natural gas liquids (MBbls)	17	%14	% 15	%14
	100%	100%	100%	100%

As of September 30, 2018, we had approximately 208,317 net acres, which consisted of approximately 104,973 net acres in the Northern Midland Basin and approximately 103,344 net acres in the Southern Delaware Basin. As of December 31, 2017, we had an estimated 3,800 gross horizontal locations that we believe to be economic at \$60 per Bbl West Texas Intermediate, or WTI.

In the third quarter of 2018, we again demonstrated our operational focus on achieving best-in-class execution, low-cost operations and a conservative balance sheet as we continued to execute on our growth plan while maintaining cash operating margins in excess of 80% on a per BOE basis. In doing so, we achieved another quarter of robust production growth within cash flow, which has allowed us to maintain a low leverage ratio, while generating what we believe to be a peer leading return on average capital employed. During the third quarter of 2018, we operated 13 drilling rigs and five dedicated frac spreads, and recently added our 14th operating rigs when we took over operations from Ajax Resources, LLC, or Ajax.

### 2018 Highlights

Transportation Contracts

In July 2018, we executed agreements to secure firm oil transportation out of the Midland Basin at fixed discounts to Gulf Coast pricing beginning with the third quarter of 2018 and have multiple term sales agreements in place to cover the remainder of our expected Midland production. We also executed an option agreement to acquire up to a 10% equity interest in the EPIC Crude Oil Pipeline project in connection with a 100,000 BOD/d volume commitment, with 50% of the volume covered via a take or pay contract and the remaining 50% covered via an acreage dedication.

In October 2018, we executed another agreement to secure firm oil transportation out of the Midland Basin at fixed discounts to Gulf Coast pricing beginning in November 2018 to transport product from the acreage we recently acquired from Ajax (described below) and production growth from our existing assets. This agreement, as well as the agreements executed in July, will provide transportation assurance for the majority of our existing Midland production, production from the Ajax acreage and our estimated production growth for the fourth quarter of 2018.

#### Ajax Resources, LLC

On July 22, 2018, we entered into a definitive purchase agreement to acquire leasehold interests and related assets of Ajax, which include approximately 25,493 net leasehold acres in the Northern Midland Basin, for \$900.0 million in cash, subject to certain adjustments, and approximately 2.6 million shares of our common stock, which we refer to as the Ajax acquisition. The Ajax acquisition closed on October 31, 2018 and was effective as of July 1, 2018. The cash portion of this transaction was funded through a combination of cash on hand, proceeds from the sale of mineral interests to Viper Energy Partners LP, which we refer to as Viper or the Partnership, described below, borrowing under our revolving credit facility and proceeds from our September 2018 senior note offering. See “Our September 2018 Senior Note Offering” below.

In connection with the closing of the Ajax acquisition on October 31, 2018, we entered into a registration rights agreement with Ajax and certain other holders of our common stock pursuant to which we agreed to (i) file with the SEC a shelf registration statement to facilitate the resale of common stock issued in the Ajax acquisition and (ii) use our reasonable best efforts to cause such registration statement to become effective by November 30, 2018. Pursuant to this registration rights agreement, we also agreed to provide certain demand and piggyback registration rights to such holders.

#### ExL Petroleum Management, LLC and EnergyQuest II LLC Acquisition

On September 21, 2018, we entered into two definitive purchase agreements to acquire leasehold interests and related assets, one with ExL Petroleum Management, LLC and ExL Petroleum Operating, Inc. and one with EnergyQuest II LLC, for an aggregate of approximately 3,646 net leasehold acres in the Northern Midland Basin for a total of \$312.5 million in cash, subject to certain adjustments. These transactions closed on October 31, 2018 and were effective as of August 1, 2018. These transactions, which we refer to collectively as the ExL acquisition, were funded through a combination of cash on hand, proceeds from the sale of assets to the Partnership (described below) and borrowing under our revolving credit facility.

#### Pending Merger with Energen Corporation

On August 14, 2018, we entered into a definitive merger agreement providing for our acquisition of Energen Corporation, or Energen, in an all-stock transaction valued at approximately \$9.2 billion including Energen’s net debt of \$831.0 million as of June 30, 2018, which we refer to as the Pending Merger. The addition of Energen’s assets will increase our assets to: (i) over 273,000 net Tier One acres in the Permian Basin, an increase of 57% from our current Tier One acreage of approximately 174,000 net acres, (ii) over 7,200 estimated total net horizontal Permian locations, an increase of over 120% from our current estimated net locations, and (iii) approximately 394,000 net acres across the Midland and Delaware Basins, an increase of 82% from our approximately 216,000 net acres as September 30, 2018, in each after giving effect to our recently completed Ajax acquisition and ExL acquisition.

The completion of the Pending Merger is subject to the satisfaction or waiver of certain customary mutual closing conditions. Our registration statement on Form S-4 relating to the Pending Merger was declared effective by the SEC on October 24, 2018, and the Pending Merger is expected to be completed at the end of November of 2018.



Under the terms of the merger agreement relating to the Pending Merger, we have agreed to assume Energen's outstanding debt, which as of June 30, 2018 was approximately \$831.0 million. This amount consists of \$301.0 million of borrowings under Energen's existing credit facility, \$400.0 million aggregate principal amount of 4.625% Notes, due September 1, 2021, \$20.0 million aggregate principal amount of 7.32% Medium-term Notes, Series A, due July 28, 2022, \$10.0 million aggregate principal amount of 7.35% Medium-term Notes, Series A, due July 28, 2027, and \$100.0 million aggregate principal amount of 7.125% Medium-term Notes, Series B, due February 15, 2028, which we collectively refer to as the Energen Notes. We may choose to refinance the Energen credit facility and our credit facility into a combined credit facility in connection with the consummation of the Pending Merger or we may choose to repay the outstanding borrowings under the Energen credit facility using cash on hand or borrowings under our revolving credit facility. With respect to the outstanding Energen Notes, we may take no action, or we may seek to amend the terms of the indenture governing the Energen Notes or engage in liability management transactions with respect to, repay or refinance any or all of the Energen Notes, with any repayment coming from cash on hand or borrowings under our revolving credit facility.

#### Drop-down Transaction

On August 15, 2018, we sold to the Partnership mineral interests underlying 32,424 gross (1,696 net royalty) acres primarily in Pecos County, Texas, in the Permian Basin, approximately 80% of which are operated by us, for \$175.0 million, which we refer to as the Drop-down Transaction.

#### Alliance with Obsidian Resources, L.L.C.

We entered into a participation and development agreement, which we refer to as the DrillCo agreement, dated September 10, 2018, with Obsidian Resources, L.L.C., which we refer to as CEMOF, to fund oil and natural gas development. Funds managed by CEMOF and its affiliates have agreed to commit to funding certain costs out of CEMOF's net production revenue and, for a period of time, to the extent not funded by such revenue, up to an additional \$300.0 million, to fund drilling programs on locations provided by us. Subject to adjustments depending on asset characteristics and return expectations of the selected drilling plan, CEMOF will fund up to 85% of the costs associated with new wells drilled under the DrillCo agreement and is expected to receive an 80% working interest in these wells until it reaches certain payout thresholds equal to a cumulative 9% and then 13% internal rate of return. Upon reaching the final internal rate of return target, CEMOF's interest will be reduced to 15%, while our interest will increase to 85%.

#### Third Quarter Dividend Declaration

On November 5, 2018, our board of directors declared a cash dividend for the third quarter of 2018 of \$0.125 per share of common stock, payable on November 26, 2018 to our stockholders of record at the close of business on November 19, 2018.

#### Our September 2018 Senior Note Offering

On September 25, 2018, we issued \$750.0 million aggregate principal amount of new 4.750% senior notes due 2024, or the "new 2024 notes". The new 2024 notes were issued in a transaction exempt from the registration requirements under the Securities Act. We received approximately \$740.7 million in net proceeds, after deducting the initial purchasers' discount and our estimated offering expenses, but disregarding accrued interest, from the issuance of the new 2024 notes. We used a portion of the net proceeds from the issuance of the new 2024 notes to repay a portion of the outstanding borrowings our revolving credit facility and we used the balance for general corporate purposes, including the funding of a portion of the cash consideration for the acquisition of assets from Ajax.



Viper's July 2018 Equity Offering

In July 2018, Viper completed an underwritten public offering of 10,080,000 common units, which included 1,080,000 common units issued pursuant to an option to purchase additional common units granted to the underwriters. Following this offering, we owned approximately 59% of Viper's total units then outstanding. Viper received net proceeds from this offering of approximately \$303.1 million, after deducting underwriting discounts and commissions and estimated offering expenses. Viper used the net proceeds to purchase units of the Operating Company. The Operating Company in turn used the net proceeds to repay a portion of the \$361.5 million then outstanding borrowings under its revolving credit facility.

## Operational Update

During the three months ended September 30, 2018, we drilled 40 gross (34 net) operated horizontal wells, of which 20 gross (18 net) wells were in the Delaware Basin and the remaining wells were in the Midland Basin, and turned 43 gross (38 net) operated horizontal wells into production, of which 30 gross (26 net) wells were in the Midland Basin and the remaining wells were in the Delaware Basin.

During the third quarter of 2018, we operated 13 drilling rigs and five dedicated frac spreads. Upon the closing of the Ajax acquisition on October 31, we took over operations of one operated rig and plan to run an average of 14 drilling rigs for the remainder of 2018. We expect to operate seven of these drilling rigs in the Midland Basin targeting horizontal development of the Wolfcamp and Spraberry formations, while the remainder of the drilling rigs are expected to operate in the Delaware Basin targeting the Wolfcamp and Bone Spring formations.

In the Midland Basin, we continue to see positive well results from our core development areas in Midland, Glasscock, Howard, Andrews and Martin counties. Assuming commodity prices at current levels, we anticipate operating between six and seven drilling rigs across our Northern Midland Basin acreage for the remainder of 2018.

In the Delaware Basin, we are currently operating seven drilling rigs, with plans to operate seven drilling rigs for the remainder of 2018. Our 2018 development plan is primarily focused on long-lateral Wolfcamp A wells in Pecos, Reeves and Ward counties. In the third quarter, we tested the Second Bone Spring in Pecos county by completing two wells with positive early time results.

We continue to focus on low cost operations and best in class execution. In doing so, we are focused on controlling oilfield service costs as our service providers seek additional pricing increases after a prolonged period of declining costs in 2015 and 2016. To combat rising service costs, we have taken proactive measures such as securing frac sand supply for future well completions, locking in costs where feasible and purchasing items such as casing in bulk and in advance. We will continue to seek opportunities to control and de-bundle additional costs where possible, such as diesel and frac sand costs for our completion operations. We believe that our 2018 drilling and completion budget covers potential increases in our service costs during the year.

The following table summarizes our average daily production for the periods presented:

	Three Months		Nine Months	
	Ended		Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Oil (Bbls)/d	88,262	61,720	82,046	55,212
Natural Gas (Mcf)/d	84,826	64,506	79,549	53,321
Natural Gas Liquids (Bbls)/d	20,575	12,558	17,495	10,526
Total average production per day (BOE)	122,975	85,029	112,799	74,624

Our average daily production for the three months ended September 30, 2018 as compared to the three months ended September 30, 2017 increased 37,946 BOE/d, or 44.6%.

## Recapitalization, Tax Status Election and Related Transactions by Viper

In March 2018, Viper announced that the Board of Directors of its general partner had unanimously approved a change of Viper's federal income tax status from that of a pass-through partnership to that of a taxable entity via a "check the box" election. In connection with making this election, on May 9, 2018 Viper (i) amended and restated its First Amended and Restated Partnership Agreement, (ii) amended and restated the First Amended and Restated Limited Liability Company Agreement of Viper Energy Partners LLC, or the Operating Company, (iii) amended and restated its existing registration rights agreement with us and (iv) entered into an exchange agreement with us, Viper's general partner, or the General Partner, and the Operating Company. Simultaneously with the effectiveness of these agreements, we delivered and assigned to Viper the 73,150,000 common units we owned in exchange for (i) 73,150,000 of Viper's newly-issued Class B units and (ii) 73,150,000 newly-issued units of the Operating Company pursuant to the terms of a Recapitalization Agreement dated March 28, 2018, as amended as of May 9, 2018, or the Recapitalization Agreement. Immediately following that exchange, Viper continued to be the managing member of the Operating Company, with sole control of its operations, and owned approximately 36% of the outstanding units issued by the Operating Company, and we owned the remaining approximately 64% of the outstanding units issued by the Operating Company. Upon completion of Viper's July 2018 offering of units, Viper owned approximately 41% of the outstanding units issued by the Operating Company and we owned the remaining approximately 59%. The Operating Company units and Viper's Class B units owned by us are exchangeable from time to time for Viper's common units (that is, one Operating Company unit and one Viper Class B unit, together, will be exchangeable for one Viper common unit).

On May 10, 2018, the change in Viper's income tax status became effective. On that date, pursuant to the terms of the Recapitalization Agreement, (i) the General Partner made a cash capital contribution of \$1.0 million to Viper in respect of its general partner interest and (ii) we made a cash capital contribution of \$1.0 million to Viper in respect of the Class B units. We, as the holder of the Class B units, and the General Partner, as the holder of the general partner interest, are entitled to receive an 8% annual distribution on the outstanding amount of these capital contributions, payable quarterly, as a return on this invested capital. On May 10, 2018, we also exchanged 731,500 Class B units and 731,500 units in the Operating Company for 731,500 common units of Viper and a cash amount of \$10,000 representing a proportionate return of the \$1.0 million invested capital in respect of the Class B units. The General Partner continues to serve as Viper's general partner and we continue to control Viper. After the effectiveness of the tax status election and the completion of related transactions, Viper's minerals business continues to be conducted through the Operating Company, which continues to be taxed as a partnership for federal and state income tax purposes. This structure is anticipated to provide significant benefits to Viper's business, including operational effectiveness, acquisition and disposition transactional planning flexibility and income tax efficiency. For additional information regarding the tax status election and related transactions, please refer to Viper's Definitive Information Statement on Schedule 14C filed with the SEC on April 17, 2018 and Viper's Current Report on Form 8-K filed with the SEC on May 15, 2018.

## Sources of Our Revenues

Our main sources of revenues are the sale of oil and natural gas production, as well as the sale of natural gas liquids that are extracted from our natural gas during processing. Our oil and natural gas revenues do not include the effects of derivatives. Our revenues may vary significantly from period to period as a result of changes in volumes of production sold, production mix or commodity prices.

The following table presents the breakdown of our revenues for the following periods:

Three	Nine
Months	Months
Ended	Ended

	September 30, 2018		September 30, 2017	
Revenues				
Oil sales	86	% 87	% 88	% 88
Natural gas sales	3	% 5	% 3	% 5
Natural gas liquid sales	11	% 8	% 9	% 7
	100%	100%	100%	100%

Since our production consists primarily of oil, our revenues are more sensitive to fluctuations in oil prices than they are to fluctuations in natural gas or natural gas liquids prices. Oil, natural gas and natural gas liquids prices have historically been volatile. During 2017, WTI posted prices ranged from \$42.48 to \$60.46 per Bbl and the Henry Hub spot market price of natural gas ranged from \$2.44 to \$3.71 per MMBtu. During the first nine months of 2018, WTI posted prices ranged from \$59.20 to \$77.41 per Bbl and the Henry Hub spot market price of natural gas ranged from \$2.49 to \$6.24 per MMBtu. On September 28, 2018, the WTI posted price for crude oil was \$73.16 per Bbl and the Henry Hub spot market price of natural gas was \$3.01 per MMBtu. Lower commodity prices may not only decrease our revenues, but also potentially the amount of oil and natural gas that we can produce economically. Lower oil and natural gas prices may also result in a reduction in the borrowing base under our credit agreement, which may be redetermined at the discretion of our lenders.

## Results of Operations

The following table sets forth selected historical operating data for the periods indicated.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
	(in thousands, except Bbl, Mcf and BOE amounts)			
<b>Revenues:</b>				
Oil, natural gas and natural gas liquids	\$527,068	\$299,237	\$1,508,764	\$799,169
Lease bonus	1,322	322	2,250	2,507
Midstream services	7,280	1,694	26,658	4,241
Other operating income	2,359	—	6,825	—
Total revenues	538,029	301,253	1,544,497	805,917
<b>Operating expenses:</b>				
Lease operating expenses	49,111	32,498	129,103	88,113
Production and ad valorem taxes	33,536	18,371	93,042	49,975
Gathering and transportation	6,976	3,476	18,074	9,110
Midstream services	19,725	4,445	48,515	7,127
Depreciation, depletion and amortization	146,318	87,579	391,401	221,681
General and administrative expenses	14,185	11,888	45,039	37,524
Asset retirement obligation accretion	387	357	1,107	1,030
Other operating expense	940	—	2,416	—
Total expenses	271,178	158,614	728,697	414,560
Income from operations	266,851	142,639	815,800	391,357
Interest expense, net	(18,548)	(9,192)	(49,345)	(29,662)
Other income, net	1,962	3	89,170	9,472
Gain (loss) on derivative instruments, net	(48,373)	(50,645)	(139,305)	20,376
Gain (loss) on revaluation of investment	(199)	—	5,165	—
Total other income (expense), net	(65,158)	(59,834)	(94,315)	186
Income before income taxes	201,693	82,805	721,485	391,543
Provision for income taxes	42,276	857	82,750	4,393
Net income	159,417	81,948	638,735	387,150
Net income attributable to non-controlling interest	2,363	8,924	99,723	19,448
Net income attributable to Diamondback Energy, Inc.	\$157,054	\$73,024	\$539,012	\$367,702

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
	2018	2017	2018	2017
	(in thousands)			
<b>Production Data:</b>				
Oil (MBbls)	8,120	5,678	22,399	15,073
Natural gas (MMcf)	7,804	5,935	21,717	14,557
Natural gas liquids (MBbls)	1,893	1,155	4,776	2,874
Combined volumes (MBOE)	11,314	7,823	30,794	20,372
Daily combined volumes (BOE/d)	122,975	85,029	112,799	74,624
<b>Average Prices:</b>				
Oil (per Bbl)	\$55.99	\$45.62	\$59.57	\$46.71
Natural gas (per Mcf)	1.90	2.51	1.87	2.58
Natural gas liquids (per Bbl)	30.44	21.87	28.03	20.05
Combined (per BOE)	46.59	38.25	49.00	39.23
Oil, hedged (\$ per Bbl) <sup>(1)</sup>	51.23	46.90	54.36	47.35
Natural gas, hedged (\$ per MMBtu) <sup>(1)</sup>	1.93	2.64	1.92	2.67
Average price, hedged (\$ per BOE) <sup>(1)</sup>	43.19	39.28	45.24	39.77
<b>Average Costs per BOE:</b>				
Lease operating expense	\$4.34	\$4.15	\$4.19	\$4.33
Production and ad valorem taxes	2.96	2.35	3.02	2.45
Gathering and transportation expense	0.62	0.44	0.59	0.45
General and administrative - cash component	0.78	0.73	0.86	0.89
Total operating expense - cash	\$8.70	\$7.67	\$8.66	\$8.12
General and administrative - non-cash component	\$0.47	\$0.79	\$0.60	\$0.95
Depreciation, depletion and amortization	12.93	11.20	12.71	10.88
Interest expense, net	1.64	1.18	1.60	1.46
Total expenses	\$15.04	\$13.17	\$14.91	\$13.29
Average realized oil price (\$/Bbl)	\$55.99	\$45.62	\$59.57	\$46.71
Average NYMEX (\$/Bbl)	69.69	48.18	66.93	49.30
Differential to NYMEX	(13.70 )	(2.56 )	(7.36 )	(2.59 )
Average realized oil price to NYMEX	80	%95	%89	%95
Average realized natural gas price (\$/Mcf)	\$1.90	\$2.51	\$1.87	\$2.58
Average NYMEX (\$/Mcf)	2.93	2.95	2.95	3.01
Differential to NYMEX	(1.03 )	(0.44 )	(1.08 )	(0.43 )
Average realized natural gas price to NYMEX	65	%85	%63	%86
Average realized natural gas liquids price (\$/Bbl)	\$30.44	\$21.87	\$28.03	\$20.05
Average NYMEX oil price (\$/Bbl)	69.69	48.18	66.93	49.30
Average realized natural gas liquids price to NYMEX oil price	44	%45	%42	%41

(1) Hedged prices reflect the effect of our commodity derivative transactions on our average sales prices. Our calculation of such effects include gains and losses on cash settlements for commodity derivatives, which we do not designate for hedge accounting.



## Comparison of the Three Months Ended September 30, 2018 and 2017

Oil, Natural Gas and Natural Gas Liquids Revenues. Our oil, natural gas and natural gas liquids revenues increased by approximately \$227.8 million, or 76%, to \$527.1 million for the three months ended September 30, 2018 from \$299.2 million for the three months ended September 30, 2017. Our revenues are a function of oil, natural gas and natural gas liquids production volumes sold and average sales prices received for those volumes. Average daily production sold increased by 37,946 BOE/d to 122,975 BOE/d during the three months ended September 30, 2018 from 85,029 BOE/d during the three months ended September 30, 2017. The total increase in revenue of approximately \$227.8 million is largely attributable to higher oil, natural gas and natural gas liquids production volumes and higher average sales prices for the three months ended September 30, 2018 as compared to the three months ended September 30, 2017. The increases in production volumes were due to a combination of increased drilling activity and growth through acquisitions. Our production increased by 2,441,927 Bbls of oil, 1,869,390 Mcf of natural gas and 737,526 Bbls of natural gas liquids for the three months ended September 30, 2018 as compared to the three months ended September 30, 2017.

The net dollar effect of the increases in prices of approximately \$95.7 million (calculated as the change in period-to-period average prices multiplied by current period production volumes of oil, natural gas and natural gas liquids) and the net dollar effect of the increase in production of approximately \$132.2 million (calculated as the increase in period-to-period volumes for oil, natural gas and natural gas liquids multiplied by the period average prices) are shown below.

	Change in prices	Production volumes <sup>(1)</sup>	Total net dollar effect of change (in thousands)
Effect of changes in price:			
Oil	\$ 10.37	8,120	\$ 84,206
Natural gas	(0.61)	7,804	(4,760)
Natural gas liquids	8.57	1,893	16,222
Total revenues due to change in price			\$ 95,668

	Change in production volumes <sup>(1)</sup>	Prior period Average Prices	Total net dollar effect of change (in thousands)
Effect of changes in production volumes:			
Oil	2,442	\$ 45.62	\$ 111,334
Natural gas	1,869	2.51	4,700
Natural gas liquids	738	21.87	16,129
Total revenues due to change in production volumes			132,163
Total change in revenues			\$ 227,831

(1) Production volumes are presented in MBbls for oil and natural gas liquids and MMcf for natural gas.

Lease Bonus Revenue. Lease bonus income increased by \$1.0 million for the three months ended September 30, 2018 as compared to the three months ended September 30, 2017. Lease bonus revenue was \$1.3 million for the three months ended September 30, 2018 attributable to lease bonus payments to extend the term of 13 leases, reflecting an



average bonus of \$7,369 per acre. Lease bonus revenue was \$0.3 million for the three months ended September 30, 2017 attributable to lease bonus payments to extend the term of one lease, reflecting an average bonus of \$10,000 per acre.

Midstream Services Revenue. Midstream services revenue was \$7.3 million for the three months ended September 30, 2018, an increase of \$5.6 million as compared to \$1.7 million for the three months ended September 30, 2017. We began generating midstream services revenue during the first quarter of 2017 and, prior to that period, had no midstream services revenue. Our midstream services revenue represents fees charged to our joint interest owners and third parties for the transportation of oil and natural gas along with water gathering and related disposal facilities. These assets complement our operations in areas where we have significant production.

**Lease Operating Expense.** Lease operating expense was \$49.1 million (\$4.34 per BOE) for the three months ended September 30, 2018 as compared to \$32.5 million (\$4.15 per BOE) for the three months ended September 30, 2017. The increase in lease operating expense was a result of nonrecurring charges due to work overs.

**Production and Ad Valorem Tax Expense.** Production and ad valorem taxes were \$33.5 million for the three months ended September 30, 2018, an increase of \$15.2 million, or 83%, from \$18.4 million for the three months ended September 30, 2017. In general, production taxes and ad valorem taxes are directly related to commodity price changes; however, Texas ad valorem taxes are based upon prior year commodity prices, among other factors, whereas production taxes are based upon current year commodity prices. During the three months ended September 30, 2018, our production and ad valorem taxes per BOE increased by \$0.61 as compared to the three months ended September 30, 2017, primarily due to increased commodity prices and production volumes.

**Midstream Services Expense.** Midstream services expense was \$19.7 million for the three months ended September 30, 2018, an increase of \$15.3 million as compared to \$4.4 million for the three months ended September 30, 2017. Prior to the first quarter of 2017, we had no midstream services expense. Midstream services expense represents costs incurred to operate and maintain our oil and natural gas gathering and transportation systems, natural gas lift, compression infrastructure and water transportation facilities.

**Depreciation, Depletion and Amortization.** Depreciation, depletion and amortization expense increased \$58.7 million, or 67%, to \$146.3 million for the three months ended September 30, 2018 from \$87.6 million for the three months ended September 30, 2017.

The following table provides the components of our depreciation, depletion and amortization expense for the periods presented:

	Three Months Ended September 30, 2018		2017
	(in thousands, except BOE amounts)		
Depletion of proved oil and natural gas properties	\$ 138,402	\$ 86,388	
Depreciation of midstream assets	5,451	830	
Depreciation of other property and equipment	2,465	361	
Depreciation, depletion and amortization expense	\$ 146,318	\$ 87,579	
Oil and natural gas properties depreciation, depletion and amortization per BOE	\$ 12.23	\$ 11.04	

The increase in depletion of proved oil and natural gas properties of \$52.0 million for the three months ended September 30, 2018 as compared to the three months ended September 30, 2017 resulted primarily from higher production levels and an increase in net book value on new reserves added.

**General and Administrative Expenses.** General and administrative expenses increased \$2.3 million from \$11.9 million for the three months ended September 30, 2017 to \$14.2 million for the three months ended September 30, 2018. The increase was primarily due to an increase in employee count.

**Net Interest Expense.** Net interest expense for the three months ended September 30, 2018 was \$18.5 million as compared to \$9.2 million for the three months ended September 30, 2017, an increase of \$9.4 million. This increase was due to a higher interest rate and increased average borrowings during the three months ended September 30, 2018

as compared to the three months ended September 30, 2017.

Derivatives. We are required to recognize all derivative instruments on the balance sheet as either assets or liabilities measured at fair value. We have not designated our derivative instruments as hedges for accounting purposes. As a result, we mark our derivative instruments to fair value and recognize the cash and non-cash changes in fair value on derivative instruments in our consolidated statements of operations under the line item captioned "Gain (loss) on derivative instruments, net." For the three months ended September 30, 2018, we had a cash loss on settlement of derivative instruments of \$38.5 million as compared to a cash gain on settlement of derivative instruments of \$8.0 million for the three months ended September 30, 2017. For the three months ended September 30, 2018 and 2017, we had a negative change in the fair value of open derivative instruments of \$9.9 million and \$58.6 million, respectively.

Provision for Income Taxes. We recorded an income tax provision of \$42.3 million for the three months ended September 30, 2018 as compared to an income tax provision of \$0.9 million for the three months ended September 30, 2017. The change in our income tax provision was primarily due to the increase in pre-tax book income for the three months ended September 30, 2018, and the change in the valuation allowance for the three months ended September 30, 2017.

#### Comparison of the Nine Months Ended September 30, 2018 and 2017

Oil, Natural Gas and Natural Gas Liquids Revenues. Our oil, natural gas and natural gas liquids revenues increased by approximately \$709.6 million, or 89%, to \$1,508.8 million for the nine months ended September 30, 2018 from \$799.2 million for the nine months ended September 30, 2017. Our revenues are a function of oil, natural gas and natural gas liquids production volumes sold and average sales prices received for those volumes. Average daily production sold increased by 38,175 BOE/d to 112,799 BOE/d during the nine months ended September 30, 2018 from 74,624 BOE/d during the nine months ended September 30, 2017. The total increase in revenue of approximately \$709.6 million is largely attributable to higher oil, natural gas and natural gas liquids production volumes and higher average sales prices for the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017. The increases in production volumes were due to a combination of increased drilling activity and growth through acquisitions. Our production increased by 7,325,834 Bbls of oil, 7,160,383 Mcf of natural gas and 1,902,459 Bbls of natural gas liquids for the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017.

The net dollar effect of the increases in prices of approximately \$310.7 million (calculated as the change in period-to-period average prices multiplied by current period production volumes of oil, natural gas and natural gas liquids) and the net dollar effect of the increase in production of approximately \$398.9 million (calculated as the increase in period-to-period volumes for oil, natural gas and natural gas liquids multiplied by the period average prices) are shown below.

	Change in prices	Production volumes <sup>(1)</sup>	Total net dollar effect of change (in thousands)
Effect of changes in price:			
Oil	\$ 12.86	22,399	\$288,046
Natural gas	(0.71 )	21,716	(15,418 )
Natural gas liquids	7.98	4,776	38,113
Total revenues due to change in price			\$310,741
	Change in production volumes <sup>(1)</sup>	Prior period Average Prices	Total net dollar effect of change (in thousands)
Effect of changes in production volumes:			
Oil	7,326	\$ 46.71	\$342,239
Natural gas	7,160	2.58	18,465
Natural gas liquids	1,902	20.05	38,150
Total revenues due to change in production volumes			398,854

Total change in revenues \$ 709,595

(1) Production volumes are presented in MBbls for oil and natural gas liquids and MMcf for natural gas.

Lease Bonus Revenue. Lease bonus income decreased by \$0.3 million for the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017. Lease bonus revenue was \$2.3 million for the nine months ended September 30, 2018 attributable to lease bonus payments to extend the term of 16 leases, reflecting an average bonus of \$7,090 per acre. Lease bonus revenue was \$2.5 million for the nine months ended September 30, 2017 attributable to lease bonus payments to extend the term of four leases, reflecting an average bonus of \$3,257 per acre.

**Midstream Services Revenue.** Midstream services revenue was \$26.7 million for the nine months ended September 30, 2018, an increase of \$22.4 million as compared to \$4.2 million for the nine months ended September 30, 2017. We began generating midstream services revenue during the first quarter of 2017 and, prior to that period, had no midstream services revenue. Our midstream services revenue represents fees charged to our joint interest owners and third parties for the transportation of oil and natural gas along with water gathering and related disposal facilities. These assets complement our operations in areas where we have significant production.

**Lease Operating Expense.** Lease operating expense was \$129.1 million (\$4.19 per BOE) for the nine months ended September 30, 2018 as compared to \$88.1 million (\$4.33 per BOE) for the nine months ended September 30, 2017. The increase in lease operating expense was a result of nonrecurring charges due to work overs. The decrease in lease operating expense per BOE was a result of lease operating expenses increasing at a lower percentage than the increase in production volumes.

**Production and Ad Valorem Tax Expense.** Production and ad valorem taxes were \$93.0 million for the nine months ended September 30, 2018, an increase of \$43.1 million, or 86%, from \$50.0 million for the nine months ended September 30, 2017. In general, production taxes and ad valorem taxes are directly related to commodity price changes; however, Texas ad valorem taxes are based upon prior year commodity prices, among other factors, whereas production taxes are based upon current year commodity prices. During the nine months ended September 30, 2018, our production and ad valorem taxes per BOE increased by \$0.57 as compared to the nine months ended September 30, 2017, primarily due to increased commodity prices and production volumes.

**Midstream Services Expense.** Midstream services expense was \$48.5 million for the nine months ended September 30, 2018, an increase of \$41.4 million as compared to \$7.1 million for the nine months ended September 30, 2017. Prior to the first quarter of 2017, we had no midstream services expense. Midstream services expense represents costs incurred to operate and maintain our oil and natural gas gathering and transportation systems, natural gas lift, compression infrastructure and water transportation facilities.

**Depreciation, Depletion and Amortization.** Depreciation, depletion and amortization expense increased \$169.7 million, or 77%, to \$391.4 million for the nine months ended September 30, 2018 from \$221.7 million for the nine months ended September 30, 2017.

The following table provides the components of our depreciation, depletion and amortization expense for the periods presented:

	Nine Months Ended September 30, 2018		2017
	(in thousands, except BOE amounts)		
Depletion of proved oil and natural gas properties	\$370,771	\$218,335	
Depreciation of midstream assets	14,023	2,261	
Depreciation of other property and equipment	6,607	1,085	
Depreciation, depletion and amortization expense	\$391,401	\$221,681	
Oil and natural gas properties depreciation, depletion and amortization per BOE	\$12.04	\$10.71	

The increase in depletion of proved oil and natural gas properties of \$152.4 million for the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017 resulted primarily from higher

production levels and an increase in net book value on new reserves added.

**General and Administrative Expenses.** General and administrative expenses increased \$7.5 million from \$37.5 million for the nine months ended September 30, 2017 to \$45.0 million for the nine months ended September 30, 2018. The increase was primarily due to an increase in employee count.

**Net Interest Expense.** Net interest expense for the nine months ended September 30, 2018 was \$49.3 million as compared to \$29.7 million for the nine months ended September 30, 2017, an increase of \$19.7 million. This increase was due to a higher interest rate and increased borrowings during the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017.

Derivatives. We are required to recognize all derivative instruments on the balance sheet as either assets or liabilities measured at fair value. We have not designated our derivative instruments as hedges for accounting purposes. As a result, we mark our derivative instruments to fair value and recognize the cash and non-cash changes in fair value on derivative instruments in our consolidated statements of operations under the line item captioned “Gain (loss) on derivative instruments, net.” For the nine months ended September 30, 2018, we had a cash loss on settlement of derivative instruments of \$115.7 million as compared to a cash gain on settlement of derivative instruments of \$11.0 million for the nine months ended September 30, 2017. For the nine months ended September 30, 2018, we had a negative change in the fair value of open derivative instruments of \$23.6 million as compared to a positive change of \$9.4 million for the nine months ended September 30, 2017.

Provision for Income Taxes. We recorded an income tax provision of \$82.8 million and \$4.4 million for the nine months ended September 30, 2018 and 2017, respectively. The change in our income tax provision was primarily due to the increase in pre-tax book income for the nine months ended September 30, 2018, and the change in the valuation allowance for the nine months ended September 30, 2017.

### Liquidity and Capital Resources

Historically, our primary sources of liquidity have been proceeds from our public equity offerings, borrowings under our revolving credit facility, proceeds from the issuance of our senior notes and cash flows from operations. Our primary uses of capital have been for the acquisition, development and exploration of oil and natural gas properties. As we pursue reserves and production growth, we regularly consider which capital resources, including equity and debt financings, are available to meet our future financial obligations, planned capital expenditure activities and liquidity requirements. Our future ability to grow proved reserves and production will be highly dependent on the capital resources available to us.

### Liquidity and Cash Flow

Our cash flows for the nine months ended September 30, 2018 and 2017 are presented below:

	Nine Months Ended	
	September 30,	
	2018	2017
	(in thousands)	
Net cash provided by operating activities	\$1,151,716	\$638,018
Net cash used in investing activities	(1,818,958)	(2,764,725)
Net cash provided by financing activities	1,063,242	490,338
Net increase (decrease) in cash	\$396,000	\$(1,636,369)

### Operating Activities

Net cash provided by operating activities was \$1.2 billion for the nine months ended September 30, 2018 as compared to \$638.0 million for the nine months ended September 30, 2017. The increase in operating cash flows is primarily the result of an increase in our oil and natural gas revenues due to an increase in average prices and production growth during the nine months ended September 30, 2018.

Our operating cash flow is sensitive to many variables, the most significant of which is the volatility of prices for the oil and natural gas we produce. Prices for these commodities are determined primarily by prevailing market conditions. Regional and worldwide economic activity, weather and other substantially variable factors influence market conditions for these products. These factors are beyond our control and are difficult to predict. See “—Sources of our revenue” above.



### Investing Activities

The purchase and development of oil and natural gas properties accounted for the majority of our cash outlays for investing activities. Net cash used in investing activities was \$1.8 billion and \$2.8 billion during the nine months ended September 30, 2018 and 2017, respectively.

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During the nine months ended September 30, 2018, we spent (a) \$1.0 billion on capital expenditures in conjunction with our development program, in which we drilled 40 gross (34 net) operated horizontal wells, of which 20 gross (18 net) wells were in the Delaware Basin and the remaining wells were in the Midland Basin, and turned 43 gross (38 net) operated horizontal wells into production, of which 30 gross (26 net) wells were in the Delaware Basin and the remaining wells were in the Midland Basin, (b) \$129.8 million on additions to midstream assets, (c) \$185.7 million on leasehold acquisitions, (d) \$335.6 million for the acquisition of mineral interests, (e) \$110.7 million in real estate investments, (f) \$51.0 million funds held in escrow and (g) \$2.0 million for the purchase of other property and equipment.

During the nine months ended September 30, 2017, we spent (a) \$531.5 million on capital expenditures in conjunction with our drilling program and related infrastructure projects, in which we drilled 106 gross (94 net) horizontal wells, completed 85 gross (71 net) horizontal wells and participated in the drilling of 12 gross (one net) non-operated wells in the Permian Basin, (b) \$22.5 million on additions to midstream assets, (c) \$1,892.9 million on leasehold acquisitions, (d) \$50.3 million for midstream assets, (e) \$21.5 million for the purchase of other property and equipment and (f) \$370.9 million for mineral interests acquisitions.

Our investing activities for the nine months ended September 30, 2018 and 2017 are summarized in the following table:

	Nine Months Ended	
	September 30,	
	2018	2017
	(in thousands)	
Drilling, completion and infrastructure	\$(1,010,325)	\$(531,489 )
Additions to midstream assets	(129,820 )	(22,491 )
Acquisition of leasehold interests	(185,658 )	(1,892,864 )
Acquisition of mineral interests	(335,574 )	(370,855 )
Acquisition of midstream assets	—	(50,279 )
Purchase of other property, equipment and land	(2,049 )	(21,534 )
Investment in real estate	(110,654 )	—
Proceeds from sale of assets	6,771	3,584
Funds held in escrow	(51,045 )	121,391
Equity investments	(604 )	(188 )
Net cash used in investing activities	\$(1,818,958)	\$(2,764,725)

#### Financing Activities

Net cash provided by financing activities for the nine months ended September 30, 2018 and 2017 was \$1.1 billion and \$490.3 million, respectively. During the nine months ended September 30, 2018, the amount provided by financing activities was primarily attributable to the issuance of \$1.1 billion of new senior notes, partially offset by \$194.0 million of repayments, net of aggregate borrowings under our credit facility in January and September 2018, an aggregate of \$305.8 million of net proceeds from Viper's public offerings, \$68.8 million of distributions to non-controlling interest and \$24.7 million of dividends to stockholders. The 2017 amount provided by financing activities was primarily attributable to \$370.3 million of proceeds from Viper's January and July 2017 equity offerings as well as \$149.5 million of borrowings, net of repayments, under Viper's credit facility and \$27.6 million in distributions.

#### 2024 Senior Notes

On October 28, 2016, we issued \$500.0 million in aggregate principal amount of 4.750% senior notes due 2024, which we refer to as the existing 2024 senior notes. The existing 2024 senior notes bear interest at a rate of 4.750% per annum, payable semi-annually, in arrears on May 1 and November 1 of each year, commencing on May 1, 2017 and will mature on November 1, 2024. All of our existing and future restricted subsidiaries that guarantee our revolving credit facility or certain other debt guarantee the existing 2024 senior notes; provided, however, that the existing 2024 senior notes are not guaranteed by Viper, Viper Energy Partners GP LLC, Viper Energy Partners LLC or Rattler Midstream LLC, and will not be guaranteed by any of our future unrestricted subsidiaries.

On September 25, 2018, we issued \$750.0 million aggregate principal amount of new 4.750% senior notes due 2024, which we refer to as the new 2024 notes and, together with the existing 2024 senior notes, as the 2024 senior notes, as additional notes under, and subject to the terms of, the 2024 Indenture (as defined below). The new 2024 notes were issued in a transaction exempt from the registration requirements under the Securities Act. We received approximately \$740.7 million in net proceeds, after deducting the initial purchasers' discount and our estimated offering expenses, but disregarding accrued interest, from the issuance of the new 2024 notes. We used a portion of the net proceeds from the issuance of the new 2024 notes to repay a portion of the outstanding borrowings our revolving credit facility and the balance for general corporate purposes, including funding a portion of the cash consideration for the acquisition of assets from Ajax.

The 2024 senior notes were issued under, and are governed by, an indenture among us, the subsidiary guarantors party thereto and Wells Fargo, as the trustee (which, as may be amended or supplemented from time to time, is referred to as the 2024 Indenture). The 2024 Indenture contains certain covenants that, subject to certain exceptions and qualifications, among other things, limit our ability and the ability of the restricted subsidiaries to incur or guarantee additional indebtedness, make certain investments, declare or pay dividends or make other distributions on capital stock, prepay subordinated indebtedness, sell assets including capital stock of restricted subsidiaries, agree to payment restrictions affecting our restricted subsidiaries, consolidate, merge, sell or otherwise dispose of all or substantially all of our assets, enter into transactions with affiliates, incur liens, engage in business other than the oil and natural gas business and designate certain of our subsidiaries as unrestricted subsidiaries.

We may on any one or more occasions redeem some or all of the 2024 senior notes at any time on or after November 1, 2019 at the redemption prices (expressed as percentages of principal amount) of 103.563% for the 12-month period beginning on November 1, 2019, 102.375% for the 12-month period beginning on November 1, 2020, 101.188% for the 12-month period beginning on November 1, 2021 and 100.000% beginning on November 1, 2022 and at any time thereafter with any accrued and unpaid interest to, but not including, the date of redemption. Prior to November 1, 2019, we may on any one or more occasions redeem all or a portion of the 2024 senior notes at a price equal to 100% of the principal amount of the 2024 senior notes plus a "make-whole" premium and accrued and unpaid interest to the redemption date. In addition, any time prior to November 1, 2019, we may on any one or more occasions redeem the 2024 senior notes in an aggregate principal amount not to exceed 35% of the aggregate principal amount of the 2024 senior notes issued prior to such date at a redemption price of 104.750%, plus accrued and unpaid interest to the redemption date, with an amount equal to the net cash proceeds from certain equity offerings.

Under a registration rights agreement executed in connection with the issuance of the new 2024 notes, we and our subsidiary guarantors agreed to file, subject to certain conditions, a registration statement relating to the new 2024 notes with the SEC pursuant to which we will either offer to exchange the new 2024 notes for registered notes with substantially identical terms or, in certain circumstances, register the resale of the new 2024 notes. Additional interest on the new 2024 notes may become payable if we do not comply with our obligations under the registration rights agreement relating to the new 2024 notes.

#### 2025 Senior Notes

On December 20, 2016, we issued \$500.0 million in aggregate principal amount of 5.375% senior notes due 2025, which we refer to as the existing 2025 notes, under an indenture (which, as may be amended or supplemented from time to time, is referred to as the 2025 Indenture) among us, the subsidiary guarantors party thereto and Wells Fargo, as the trustee. On July 27, 2017, we exchanged all of the existing 2025 notes for substantially identical notes in the same aggregate principal amount that were registered under the Securities Act.

On January 29, 2018, we issued \$300.0 million aggregate principal amount of new 5.375% senior notes due 2025, which we refer to as the new 2025 notes, as additional notes under the 2025 Indenture. The new 2025 notes were issued in a transaction exempt from the registration requirements under the Securities Act. We refer to the new 2025

notes, together with the existing 2025 notes, as the 2025 senior notes. We received approximately \$308.4 million in net proceeds, after deducting the initial purchaser's discount and our estimated offering expenses, but disregarding accrued interest, from the issuance of the new 2025 notes. We used the net proceeds from the issuance of the new 2025 notes to repay a portion of the outstanding borrowings under our revolving credit facility.

The 2025 senior notes bear interest at a rate of 5.375% per annum, payable semi-annually, in arrears on May 31 and November 30 of each year and will mature on May 31, 2025. All of our existing and future restricted subsidiaries that guarantee our revolving credit facility or certain other debt guarantee the 2025 senior notes; provided, however, that the 2025 senior notes are not guaranteed by Viper, Viper Energy Partners GP LLC, Viper Energy Partners LLC or Rattler Midstream LLC, and will not be guaranteed by any of our future unrestricted subsidiaries.

The 2025 Indenture contains certain covenants that, subject to certain exceptions and qualifications, among other things, limit our ability and the ability of the restricted subsidiaries to incur or guarantee additional indebtedness, make certain investments, declare or pay dividends or make other distributions on capital stock, prepay subordinated indebtedness, sell assets including capital stock of restricted subsidiaries, agree to payment restrictions affecting our restricted subsidiaries, consolidate, merge, sell or otherwise dispose of all or substantially all of our assets, enter into transactions with affiliates, incur liens, engage in business other than the oil and natural gas business and designate certain of our subsidiaries as unrestricted subsidiaries.

We may on any one or more occasions redeem some or all of the 2025 senior notes at any time on or after May 31, 2020 at the redemption prices (expressed as percentages of principal amount) of 104.031% for the 12-month period beginning on May 31, 2020, 102.688% for the 12-month period beginning on May 31, 2021, 101.344% for the 12-month period beginning on May 31, 2022 and 100.000% beginning on May 31, 2023 and at any time thereafter with any accrued and unpaid interest to, but not including, the date of redemption. Prior to May 31, 2020, we may on any one or more occasions redeem all or a portion of the 2025 senior notes at a price equal to 100% of the principal amount of the 2025 senior notes plus a “make-whole” premium and accrued and unpaid interest to the redemption date. In addition, any time prior to May 31, 2020, we may on any one or more occasions redeem the 2025 senior notes in an aggregate principal amount not to exceed 35% of the aggregate principal amount of the 2025 senior notes issued prior to such date at a redemption price of 105.375%, plus accrued and unpaid interest to the redemption date, with an amount equal to the net cash proceeds from certain equity offerings.

As required under the terms of the registration rights agreements relating to the new 2025 senior notes, we filed with the SEC our Registration Statement on Form S-4 relating to the exchange offers of the new 2025 senior notes for substantially identical notes registered under the Securities Act. The Registration Statement was declared effective by the SEC on July 18, 2018 and we closed the exchange offer on August 24, 2018.

#### Second Amended and Restated Credit Facility

Our credit agreement dated November 1, 2013, as amended and restated, with a syndicate of banks, including Wells Fargo, as administrative agent, and its affiliate Wells Fargo Securities, LLC, as sole book runner and lead arranger, provides for a revolving credit facility in the maximum credit amount of \$5.0 billion, subject to a borrowing base based on our oil and natural gas reserves and other factors (the “borrowing base”). The borrowing base is scheduled to be redetermined, under certain circumstances, annually with an effective date of May 1st, and, under certain circumstances, semi-annually with effective dates of May 1st and November 1st. In addition, we and Wells Fargo may each request up to two interim redeterminations of the borrowing base during any 12-month period. As of September 30, 2018, the borrowing base was set at \$2.0 billion, we had elected a commitment amount of \$1.0 billion and we had no outstanding borrowings under the revolving credit facility and \$1.0 billion available for future borrowings under our revolving credit facility. On October 26, 2018, our credit agreement was further amended to increase the borrowing base to \$2.5 billion, which was increased further to \$2.65 billion on November 6, 2018 following our closing of the Ajax acquisition and satisfaction of certain other conditions. We also elected to increase the commitment amount from \$1.0 billion to \$2.0 billion effective October 26, 2018. In addition, this amendment increased our flexibility to make restricted payments and redeem senior unsecured notes.

Diamondback O&G LLC is the borrower under our credit agreement. As of September 30, 2018, the credit agreement is guaranteed by us, Diamondback E&P LLC and Rattler Midstream LLC (formerly known as White Fang Energy LLC) and will also be guaranteed by any of our future subsidiaries that are classified as restricted subsidiaries under the credit agreement. The credit agreement is also secured by substantially all of our assets and the assets of Diamondback O&G LLC and the guarantors.

The outstanding borrowings under the credit agreement bear interest at a per annum rate elected by us that is equal to an alternative base rate (which is equal to the greatest of the prime rate, the Federal Funds effective rate plus 0.50% and 3-month LIBOR plus 1.0%) or LIBOR, in each case plus the applicable margin. The applicable margin ranges from 0.25% to 1.25% in the case of the alternative base rate and from 1.25% to 2.25% in the case of LIBOR, in each

case depending on the amount of loans and letters of credit outstanding in relation to the commitment, which is defined as the least of the maximum credit amount, the borrowing base and the elected commitment amount. We are obligated to pay a quarterly commitment fee ranging from 0.375% to 0.500% per year on the unused portion of the borrowing base, which fee is also dependent on the amount of loans and letters of credit outstanding in relation to the commitment. Loan principal may be optionally repaid from time to time without premium or penalty (other than customary LIBOR breakage), and is required to be repaid (a) to the extent the loan amount exceeds the commitment or the borrowing base, whether due to a borrowing base redetermination or otherwise (in some cases subject to a cure period), (b) in an amount equal to the net cash proceeds from the sale of property when a borrowing base deficiency or event of default exists under the credit agreement and (c) at the maturity date of November 1, 2022.

The credit agreement contains various affirmative, negative and financial maintenance covenants. These covenants, among other things, limit additional indebtedness, additional liens, sales of assets, mergers and consolidations, dividends and distributions, transactions with affiliates and entering into certain swap agreements and require the maintenance of the financial ratios described below.

Financial Covenant	Required Ratio
Ratio of total net debt to EBITDAX, as defined in the credit agreement	Not greater than 4.0 to 1.0
Ratio of current assets to liabilities, as defined in the credit agreement	Not less than 1.0 to 1.0

The covenant prohibiting additional indebtedness, as amended in November 2017, allows for the issuance of unsecured debt in the form of senior or senior subordinated notes if no default would result from the incurrence of such debt after giving effect thereto and if, in connection with any such issuance, the borrowing base is reduced by 25% of the stated principal amount of each such issuance.

As of September 30, 2018, we were in compliance with all financial covenants under our revolving credit facility. The lenders may accelerate all of the indebtedness under our revolving credit facility upon the occurrence and during the continuance of any event of default. The credit agreement contains customary events of default, including non-payment, breach of covenants, materially incorrect representations, cross-default, bankruptcy and change of control. With certain specified exceptions, the terms and provisions of our revolving credit facility generally may be amended with the consent of the lenders holding a majority of the outstanding loans or commitments to lend.

#### Viper's Facility-Wells Fargo Bank

On July 8, 2014, Viper entered into a secured revolving credit agreement, or revolving credit facility, with Wells Fargo, as administrative agent, certain other lenders, and the Operating Company, as guarantor. On May 8, 2018, the Operating Company assumed all liabilities as borrower under the credit agreement and Viper became a guarantor of the credit agreement. On July 20, 2018, the Operating Company, Viper, Wells Fargo and the other lenders amended and restated the credit agreement to reflect the assumption by the Operating Company. The credit agreement, as amended and restated, provides for a revolving credit facility in the maximum credit amount of \$2.0 billion and a borrowing base based on Viper's oil and natural gas reserves and other factors (the "borrowing base") of \$475.0 million, subject to scheduled semi-annual and other borrowing base redeterminations. The borrowing base is scheduled to be re-determined semi-annually with effective dates of May 1st and October 26th. In addition, the Operating Company and Wells Fargo each may request up to three interim redeterminations of the borrowing base during any 12-month period. As of September 30, 2018, the borrowing base was set at \$475.0 million, and Viper had \$296.5 million of outstanding borrowings and \$178.5 million available for future borrowings under its revolving credit facility. In connection with Viper's fall 2018 redetermination, Viper's borrowing base was increased to \$555.0 million effective October 26, 2018.

The outstanding borrowings under Viper's credit agreement bear interest at a per annum rate elected by the Operating Company that is equal to an alternate base rate (which is equal to the greatest of the prime rate, the Federal Funds effective rate plus 0.5% and 3-month LIBOR plus 1.0%) or LIBOR, in each case plus the applicable margin. The applicable margin ranges from 0.75% to 1.75% per annum in the case of the alternate base rate and from 1.75% to 2.75% per annum in the case of LIBOR, in each case depending on the amount of loans and letters of credit outstanding in relation to the commitment, which is defined as the lesser of the maximum credit amount and the borrowing base. The Operating Company is obligated to pay a quarterly commitment fee ranging from 0.375% to 0.500% per year on the unused portion of the commitment, which fee is also dependent on the amount of loans and letters of credit outstanding in relation to the commitment. Loan principal may be optionally repaid from time to time without premium or penalty (other than customary LIBOR breakage), and is required to be repaid (a) to the extent the loan amount exceeds the commitment or the borrowing base, whether due to a borrowing base redetermination or otherwise (in some cases subject to a cure period), (b) in an amount equal to the net cash proceeds from the sale of property when a borrowing base deficiency or event of default exists under the credit agreement and (c) at the maturity date of November 1, 2022. The loan is secured by substantially all of the assets of Viper and the Operating



Company.

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The Viper credit agreement contains various affirmative, negative and financial maintenance covenants. These covenants, among other things, limit additional indebtedness, additional liens, sales of assets, mergers and consolidations, dividends and distributions, transactions with affiliates and entering into certain swap agreements, and require the maintenance of the financial ratios described below:

Financial Covenant	Required Ratio
Ratio of total net debt to EBITDAX, as defined in the credit agreement	Not greater than 4.0 to 1.0
Ratio of current assets to liabilities, as defined in the credit agreement	Not less than 1.0 to 1.0

The covenant prohibiting additional indebtedness allows for the issuance of unsecured debt of up to \$400.0 million in the form of senior unsecured notes and, in connection with any such issuance, the reduction of the borrowing base by 25% of the stated principal amount of each such issuance. A borrowing base reduction in connection with such issuance may require a portion of the outstanding principal of the loan to be repaid.

The lenders may accelerate all of the indebtedness under the revolving credit facility upon the occurrence and during the continuance of any event of default. The credit agreement contains customary events of default, including non-payment, breach of covenants, materially incorrect representations, cross-default, bankruptcy and change of control. There are no cure periods for events of default due to non-payment of principal and breaches of negative and financial covenants, but non-payment of interest and breaches of certain affirmative covenants are subject to customary cure periods.

#### Capital Requirements and Sources of Liquidity

Our board of directors approved a 2018 capital budget for drilling and infrastructure of approximately \$1.5 billion to \$1.6 billion, representing an increase of 74% over our 2017 capital budget. We estimate that, of these expenditures, approximately:

\$1.25 billion to \$1.3 billion will be spent on drilling and completing 170 to 175 gross (146 to 163 net) horizontal wells across our operated leasehold acreage in the Northern Midland and Southern Delaware Basins, with an average lateral length of approximately 9,300 feet; and

\$225.0 million to \$275.0 million will be spent on infrastructure and other expenditures, excluding the cost of any leasehold and mineral interest acquisitions.

During the nine months ended September 30, 2018, our aggregate capital expenditures for our development program were \$1.0 billion. We do not have a specific acquisition budget since the timing and size of acquisitions cannot be accurately forecasted. During the nine months ended September 30, 2018, we spent approximately \$521.2 million in cash on acquisitions of leasehold interests and mineral acres. Subsequently, on October 31, 2018, we purchased certain oil and natural gas assets for an aggregate of \$1,212.5 million in cash and approximately 2.6 million shares of our common stock, subject to certain adjustments. We funded the cash portion of the consideration for these acquisitions through a combination of cash on hand, proceeds from the Drop-down Transaction, borrowings under our revolving credit facility and a portion of the proceeds from our issuance of the new 2024 notes. For a discussion of these acquisitions and the Pending Merger to acquire Energen in an all-stock transaction valued at approximately \$9.2 billion, including Energen's net debt of \$831.0 million as of June 30, 2018, see "—2018 Highlights" above.

The amount and timing of these capital expenditures are largely discretionary and within our control. We could choose to defer a portion of these planned capital expenditures depending on a variety of factors, including but not limited to the success of our drilling activities, prevailing and anticipated prices for oil and natural gas, the availability of necessary equipment, infrastructure and capital, the receipt and timing of required regulatory permits and approvals, seasonal conditions, drilling and acquisition costs and the level of participation by other interest owners. We are

currently operating 11 drilling rigs and five completion crews. We will continue monitoring commodity prices and overall market conditions and can adjust our rig cadence up or down in response to changes in commodity prices and overall market conditions.

Based upon current oil and natural gas prices and production expectations for 2018, we believe that our cash flow from operations, cash on hand and borrowings under our revolving credit facility will be sufficient to fund our operations through year-end 2018. However, future cash flows are subject to a number of variables, including the level of oil and natural gas production and prices, and significant additional capital expenditures will be required to more fully develop our properties. Further, our 2018 capital expenditure budget does not allocate any funds for leasehold interest and property acquisitions.

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We monitor and adjust our projected capital expenditures in response to success or lack of success in drilling activities, changes in prices, availability of financing, drilling and acquisition costs, industry conditions, the timing of regulatory approvals, the availability of rigs, contractual obligations, internally generated cash flow and other factors both within and outside our control. If we require additional capital, we may seek such capital through traditional reserve base borrowings, joint venture partnerships, production payment financing, asset sales, offerings of debt and or equity securities or other means. We cannot assure you that the needed capital will be available on acceptable terms or at all. If we are unable to obtain funds when needed or on acceptable terms, we may be required to curtail our drilling programs, which could result in a loss of acreage through lease expirations. In addition, we may not be able to complete acquisitions that may be favorable to us or finance the capital expenditures necessary to replace our reserves. If there is a decline in commodity prices, our revenues, cash flows, results of operations, liquidity and reserves may be materially and adversely affected.

#### Contractual Obligations

Except as discussed in Note 16 of the Notes to the Consolidated Financial Statements of this report, there were no material changes to our contractual obligations and other commitments, as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2017.

#### Critical Accounting Policies

There have been no changes in our critical accounting policies from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2017.

#### Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of September 30, 2018. Please read Note 16 included in Notes to the Consolidated Financial Statements set forth in Part I, Item 1 of this report, for a discussion of our commitments and contingencies, some of which are not recognized in the balance sheets under GAAP.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

#### Commodity Price Risk

Our major market risk exposure is in the pricing applicable to our oil and natural gas production. Realized pricing is primarily driven by the prevailing worldwide price for crude oil and spot market prices applicable to our natural gas production. Pricing for oil and natural gas production has been volatile and unpredictable for several years, and we expect this volatility to continue in the future. The prices we receive for production depend on many factors outside of our control.

We use price swap derivatives, including basis swaps and costless collars, to reduce price volatility associated with certain of our oil and natural gas sales. With respect to these fixed price swap contracts, the counterparty is required to make a payment to us if the settlement price for any settlement period is less than the swap price, and we are required to make a payment to the counterparty if the settlement price for any settlement period is greater than the swap price. Our derivative contracts are based upon reported settlement prices on commodity exchanges, with crude oil derivative settlements based on NYMEX West Texas Intermediate pricing (Cushing and Magellan East Houston) and Crude Oil - Brent and with natural gas derivative settlements based on NYMEX Henry Hub pricing.

At September 30, 2018 and December 31, 2017, we had a net liability derivative position of \$129.8 million and \$106.7 million, respectively, related to our price swap derivatives. Utilizing actual derivative contractual volumes under our fixed price swaps as of September 30, 2018, a 10% increase in forward curves associated with the underlying commodity would have increased the net liability position to \$137.7 million, an increase of \$7.9 million, while a 10% decrease in forward curves associated with the underlying commodity would have decreased the net liability derivative position to \$121.9 million, a decrease of \$7.9 million. However, any cash derivative gain or loss would be substantially offset by a decrease or increase, respectively, in the actual sales value of production covered by the derivative instrument.

#### Counterparty and Customer Credit Risk

Our principal exposures to credit risk are through receivables resulting from joint interest receivables (approximately \$82.0 million at September 30, 2018) and receivables from the sale of our oil and natural gas production (approximately \$182.4 million at September 30, 2018).

We are subject to credit risk due to the concentration of our oil and natural gas receivables with several significant customers. We do not require our customers to post collateral, and the inability of our significant customers to meet their obligations to us or their insolvency or liquidation may adversely affect our financial results. For the nine months ended September 30, 2018, three purchasers each accounted for more than 10% of our revenue: Shell Trading (US) Company (26%), Koch Supply & Trading LP (18%), and Rio Oil & Gas LLC (11%). For the nine months ended September 30, 2017, three purchasers each accounted for more than 10% of our revenue: Shell Trading (US) Company (33%); Koch Supply & Trading LP (20%); and Enterprise Crude Oil LLC (11%). No other customer accounted for more than 10% of our revenue during these periods.

Joint operations receivables arise from billings to entities that own partial interests in the wells we operate. These entities participate in our wells primarily based on their ownership in leases on which we intend to drill. We have little ability to control whether these entities will participate in our wells. At September 30, 2018, we had seven customers that represented approximately 76% of our total joint operations receivables. At December 31, 2017, we had three customers that represented approximately 74% of our total joint operations receivables.

## Interest Rate Risk

We are subject to market risk exposure related to changes in interest rates on our indebtedness under our revolving credit facility. The terms of our revolving credit facility provide for interest on borrowings at a floating rate equal to an alternative base rate (which is equal to the greatest of the prime rate, the Federal Funds effective rate plus 0.5% and 3-month LIBOR plus 1.0%) or LIBOR, in each case plus the applicable margin. The applicable margin ranges from 0.25% to 1.25% in the case of the alternative base rate and from 1.25% to 2.25% in the case of LIBOR, in each case depending on the amount of the loan outstanding in relation to the borrowing base.

As of September 30, 2018, we had no outstanding borrowings under our revolving credit facility. As of October 31, 2018, upon the closing of the Ajax acquisition and the ExL acquisition, we had \$748.0 million in outstanding borrowings under our revolving credit facility. Our weighted average interest rate on borrowings under our revolving credit facility was 3.8% as of October 31, 2018. An increase or decrease of 1% in the interest rate would have a corresponding decrease or increase in our interest expense of approximately \$7.5 million based on an aggregate of \$748.0 million outstanding under our revolving credit facility as of October 31, 2018 upon the closing of the Ajax acquisition and ExL acquisition.

## ITEM 4. CONTROLS AND PROCEDURES

### Evaluation of Disclosure Control and Procedures

Under the direction of our Chief Executive Officer and Chief Financial Officer, we have established disclosure controls and procedures, as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, 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. The disclosure controls and procedures are also intended to ensure that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

As of September 30, 2018, an evaluation was performed under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) under the Exchange Act. Based upon our evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of September 30, 2018, our disclosure controls and procedures are effective.

### Changes in Internal Control over Financial Reporting

There have not been any changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.





PART II

ITEM 1. LEGAL PROCEEDINGS

Due to the nature of our business, we are, from time to time, involved in routine litigation or subject to disputes or claims related to our business activities, including workers' compensation claims and employment related disputes. In the opinion of our management, none of the pending litigation, disputes or claims against us, if decided adversely, will have a material adverse effect on our financial condition, cash flows or results of operations.

ITEM 1A. RISK FACTORS

Our business faces many risks. Any of the risks discussed in this Form 10-Q and our other SEC filings could have a material impact on our business, financial position or results of operations. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also materially impair our business operations, financial condition or future results.

In addition to the information set forth in this report, you should carefully consider the risk factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2017. Except as disclosed in our 424(b)(3) prospectus, which we refer to as the merger prospectus, filled by us with the SEC on October 25, 2018 in connection with our pending merger with Energen, which contains, among other things, additional risk factors relating to such merger, there have been no material changes in our risk factors from those described in our Annual Report on Form 10-K for the year ended December 31, 2017.

ITEM 6. EXHIBITS

EXHIBIT INDEX

Exhibit Number	Description
2.1#	<u>Agreement and Plan of Merger, dated as of August 14, 2018, by and among Diamondback Energy, Inc., Sidewinder Merger Sub Inc. and Energen Corporation (incorporated by reference to Exhibit 2.1 to the Form 8-K, File No. 001-35700, filed by the Company with the SEC on August 15, 2018).</u>
3.1	<u>Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Form 10-Q, File No. 001-35700, filed by the Company with the SEC on November 16, 2012).</u>
3.2	<u>Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 to the Form 10-Q, File No. 001-35700, filed by the Company with the SEC on November 16, 2012).</u>
4.1	<u>Specimen certificate for shares of common stock, par value \$0.01 per share, of the Company (incorporated by reference to Exhibit 4.1 to Amendment No. 4 to the Registration Statement on Form S-1, File No. 333-179502, filed by the Company with the SEC on August 20, 2012).</u>
4.2	<u>Registration Rights Agreement, dated as of October 11, 2012, by and between the Company and DB Energy Holdings LLC (incorporated by reference to Exhibit 4.2 to the Form 10-Q, File No. 001-35700, filed by the Company with the SEC on November 16, 2012).</u>
4.3	<u>Investor Rights Agreement, dated as of October 11, 2012, by and between the Company and Gulfport Energy Corporation (incorporated by reference to Exhibit 4.3 to the Form 10-Q, File No. 001-35700, filed by the Company with the SEC on November 16, 2012).</u>
4.4	<u>Indenture, dated as of October 28, 2016, among Diamondback Energy, Inc., the guarantors party thereto and Wells Fargo Bank, National Association, as trustee (including the form of Diamondback Energy, Inc.'s 4.750 % Senior Notes due 2024) (incorporated by reference to Exhibit 4.1 to the Form 8-K, File No. 001-35700, filed by the Company with the SEC on November 2, 2016).</u>
4.5	<u>First Supplemental Indenture, dated as of September 25, 2018, among Diamondback Energy, Inc., the guarantors party thereto and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Form 8-K, File No. 001-35700, filed by the Company with the SEC on October 1, 2018).</u>
4.6	<u>Registration Rights Agreement, dated September 25, 2018, among Diamondback Energy, Inc., the guarantors party thereto and Merrill Lynch, Pierce, Fenner &amp; Smith Incorporated and Goldman Sachs &amp; Co. LLC (incorporated by reference to Exhibit 4.2 to the Form 8-K, File No. 001-35700, filed by the Company with the SEC on October 1, 2018).</u>
4.7	<u>Indenture, dated as of December 20, 2016, among Diamondback Energy, Inc., the guarantors party thereto and Wells Fargo Bank, National Association, as trustee (including the form of Diamondback Energy, Inc.'s 5.375% Senior Notes due 2025) (incorporated by reference to Exhibit 4.1 to the Form 8-K, File No. 001-35700, filed by the Company with the SEC on December 21, 2016).</u>
4.8	<u>First Supplemental Indenture, dated as of January 29, 2018, among Diamondback Energy, Inc., the guarantors party thereto and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.3 to the Form 8-K, File No. 001-35700, filed by the Company with the SEC on January 30, 2018).</u>
4.9	<u>Registration Rights Agreement, dated as of February 28, 2017, by and among Diamondback Energy, Inc., Brigham Resources, LLC, Brigham Resources Operating, LLC and Brigham Resources Upstream Holdings, LP (incorporated by reference to Exhibit 4.1 to the Form 8-K, File No. 001-35700, filed by the Company with the SEC on March 6, 2017).</u>



Exhibit Number	Description
4.10*	<u>Registration Rights Agreement, dated October 31, 2018, by and between Diamondback Energy, Inc. and Ajax Resources, LLC.</u>
10.1	<u>Eighth Amendment to the Second Amended and Restated Credit Agreement, dated as of October 26, 2018, by and among Diamondback Energy, Inc., as parent guarantor, Diamondback O&amp;G LLC, as borrower, certain other subsidiaries of Diamondback Energy, Inc., as guarantors, Wells Fargo Bank, National Association, as administrative agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Form 8-K, File No. 001-35700, filed by the Company with the SEC on November 1, 2018).</u>
31.1*	<u>Certification of Chief Executive Officer of the Registrant pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.</u>
31.2*	<u>Certification of Chief Financial Officer of the Registrant pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.</u>
32.1**	<u>Certification of Chief Executive Officer of the Registrant pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.</u>
32.2**	<u>Certification of Chief Financial Officer of the Registrant pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.</u>
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

\* Filed herewith.

The certifications attached as Exhibit 32.1 and Exhibit 32.2 accompany this Annual Report on Form 10-K pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed “filed” by the Registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The registrant hereby undertakes to # furnish supplementally copies of any of the omitted schedules upon request by the SEC.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DIAMONDBACK ENERGY, INC.

Date: November 7, 2018 /s/ Travis D. Stice  
Travis D. Stice  
Chief Executive Officer  
(Principal Executive Officer)

Date: November 7, 2018 /s/ Teresa L. Dick  
Teresa L. Dick  
Chief Financial Officer  
(Principal Financial and Accounting Officer)