

DIANA SHIPPING INC.  
Form 424B5  
May 08, 2009  
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Filed Pursuant to Rule 424(b)(5)

Registration No. 333-159016

**CALCULATION OF REGISTRATION FEE**

| <b>Title of Each Class of Securities<br/>to be Registered</b> | <b>Amount to be<br/>Registered/Proposed<br/>Maximum Aggregate<br/>Offering Price Per<br/>Security/Proposed<br/>Maximum Aggregate<br/>Offering Price (1)</b> | <b>Amount of<br/>Registration Fee (2)</b> |
|---------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|
| Common Shares, par value \$0.01 per share                     | \$116,265,000                                                                                                                                               | \$6,487.59                                |

- (1) Estimated solely for purposes of determining the registration fee pursuant to Rule 457(a) under the Securities Act of 1933.
- (2) Calculated in accordance with Rule 457(r) under the Securities Act of 1933.

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PROSPECTUS SUPPLEMENT

(to Prospectus dated May 6, 2009)

**6,000,000 Shares**

**Diana Shipping Inc.**

**Common Stock**

We are offering 6,000,000 shares of our common stock (including preferred stock purchase rights) pursuant to this prospectus supplement. Our common stock is listed on the New York Stock Exchange under the symbol DSX. The last reported sale price of our common stock on the New York Stock Exchange on May 7, 2009 was \$16.30 per share.

Each share of our common stock includes one right that, under certain circumstances, entitles the holder to purchase from us a unit consisting of one-thousandth of a share of our preferred stock at a purchase price of \$100.00 per unit, subject to specified adjustments.

**Investing in our common stock involves a high degree of risk. Before buying shares of our common stock you should carefully read the section entitled Risk Factors on page 5 of the accompanying prospectus.**

|                                                 | <b>Per Share</b> | <b>Total</b>   |
|-------------------------------------------------|------------------|----------------|
| Public Offering Price                           | \$ 16.85         | \$ 101,100,000 |
| Underwriting Discounts and Commissions          | \$ 0.37          | \$ 2,220,000   |
| Proceeds to Diana Shipping Inc. Before Expenses | \$ 16.48         | \$ 98,880,000  |

Delivery of the shares of common stock will be made on or about May 12, 2009.

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

We have granted the underwriter an option to purchase a maximum of 900,000 additional shares of our common stock to cover over-allotments of shares, exercisable at any time until 30 days after the date of this prospectus supplement.

**UBS Investment Bank**

The date of this prospectus supplement is May 8, 2009.

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## Important notice about information in this prospectus supplement

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying base prospectus and the documents incorporated by reference into this prospectus supplement and the base prospectus. The second part, the base prospectus, gives more general information about securities we may offer from time to time, some of which does not apply to this offering. Generally, when we refer only 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, the shares of common stock being offered and other information you should know before investing. You should read this prospectus supplement and the accompanying prospectus together with additional information described under the heading, *Where You Can Find More Information* before investing in our common stock.

We prepare our financial statements, including all of the financial statements included or incorporated by reference in this prospectus supplement, in U.S. dollars, or Dollars, and in conformity with U.S. generally accepted accounting principles, or U.S. GAAP. We have a fiscal year end of December 31.

**You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. 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, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in or incorporated by reference in this document is accurate only as of the date such information was issued, regardless of the time of delivery of this prospectus supplement or any sale of our shares of common stock.**

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Diana Shipping Inc. is a holding company incorporated under the laws of Liberia in March 1999 as Diana Shipping Investments Corp. In February 2005, the Company's articles of incorporation were amended. Under the amended articles of incorporation, the Company was renamed Diana Shipping Inc. and was redomiciled from the Republic of Liberia to the Marshall Islands. Our executive offices are located at Pendelis 16, 175 64 Palaio Faliro, Athens, Greece. Our telephone number at this address is 011 30 (210) 947-0100. Our website address is [www.dianashippinginc.com](http://www.dianashippinginc.com). The information on our website is not a part of this prospectus supplement or accompanying prospectus.

In this prospectus supplement, references to Diana Shipping Inc., we, us, company and our refer to Diana Shipping Inc. and its subsidiaries. References to our fleet refer to the 13 Panamax and six Capesize dry bulk carriers that we currently own and operate and to the two additional Capesize dry bulk carriers that we have agreed to purchase.

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## Forward-looking statements

Matters discussed in this document 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 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 believe, anticipate, intend, estimate, forecast, project, plan, potential, may, should, expect and similar expressions identify forward-looking statements.

The forward-looking statements in this document 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 important factors and matters discussed elsewhere in this prospectus, and in the documents incorporated by reference in this prospectus, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of world economies, fluctuations in currencies and interest rates, general market conditions, including fluctuations in charter hire rates and vessel values, changes in demand in the dry bulk shipping industry, changes in the Company's operating expenses, including bunker prices, drydocking and insurance costs, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents or political events, and other important factors described from time to time in the reports filed by the Company with the U.S. Securities and Exchange Commission, or Commission, and the New York Stock Exchange. We caution readers of this prospectus supplement not to place undue reliance on these forward-looking statements, which speak only as of their dates. We undertake no obligation to update or revise any forward-looking statements.

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## **Prospectus supplement summary**

*This summary provides an overview of our business and the key aspects of the offering. This summary is not complete and does not contain all of the information you should consider before purchasing our securities. You should carefully read all of the information contained or incorporated by reference in this prospectus and any accompanying prospectus supplement, including the Risk factors and our financial statements and related notes contained herein and therein, before making an investment decision. Unless we specify otherwise, all references in this prospectus to we, our, us and the Company refer to Diana Shipping Inc. and its subsidiaries.*

### **OUR COMPANY**

We are Diana Shipping Inc., a Marshall Islands company that owns and operates dry bulk carriers that transport iron ore, coal, grain and other dry cargoes along worldwide shipping routes. As of May 6, 2009 our fleet consisted of 13 modern Panamax dry bulk carriers and six Capesize dry bulk carriers. We also had assumed shipbuilding contracts for two additional Capesize dry bulk carriers, Hull H1107 and Hull H1108, which are under construction by the China Shipbuilding Trading Company Ltd. and Shanghai Waigaoqiao Shipbuilding Co. Ltd., respectively. In April 2009, we entered into an agreement with a related party company to acquire a single purpose company, Gala Properties Inc., or Gala, that has a contract with China Shipbuilding Trading Company Ltd. and Shanghai Jiangnan-Changxing Shipbuilding Co. Ltd., for the construction of a 177,000 dwt Capesize dry bulk carrier, Hull H1138, for the contract price of \$60.2 million in exchange for our ownership in our subsidiary, Eniwetok Shipping Company Inc., that has the contract for the construction of Hull H1108, and an additional expected payment of \$15 million. This transaction closed on May 6, 2009. These two additional Capesize dry bulk newbuildings that we have agreed to purchase will further increase the carrying capacity of our fleet by approximately 354,000 deadweight tons, or dwt. Excluding these two vessels, since the completion of our initial public offering in March 2005, we have increased the size of our fleet from eight Panamax dry bulk carriers and one Capesize dry bulk carrier with a combined carrying capacity of 768,587 dwt to 13 Panamax dry bulk carriers and six Capesize dry bulk carriers with a combined carrying capacity of approximately 2.0 million dwt and a weighted average age of 4.6 years, based upon dwt capacity.

We intend to continue to grow our fleet through timely and selective acquisitions of vessels. We expect to focus future vessel acquisitions primarily on Panamax and Capesize dry bulk carriers. However, we will also consider purchasing other classes of dry cargo vessels, such as container vessels, if we determine that those vessels would, in our view, present favorable investment opportunities.

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The following table presents certain information concerning the dry bulk carriers in our fleet as of the date of this prospectus:

| Vessel         | Sister Ships <sup>(1)</sup> | Year Built | DWT     | Charterer                                         | Age as of May 5, 2009 | Daily Time               |                           | Charter                     |                             |
|----------------|-----------------------------|------------|---------|---------------------------------------------------|-----------------------|--------------------------|---------------------------|-----------------------------|-----------------------------|
|                |                             |            |         |                                                   |                       | Charter Hire Rate        | Expiration <sup>(2)</sup> |                             |                             |
| Nirefs         | A                           | 2001       | 75,311  | Cosco Bulk Carrier Co. Ltd.                       | 8.3 years             | \$ 60,500                |                           | Feb 3, 2010                 |                             |
| Alcyon         | A                           | 2001       | 75,247  | Cargill International S.A., Geneva                | 8.2 years             | \$ 34,500                |                           | Nov 21, 2012                | Apr 3, 2010                 |
| Triton         | A                           | 2001       | 75,336  | Cargill International S.A., Geneva                | 8.1 years             | \$ 24,400                |                           | Oct 17, 2009                | Feb 21, 2013                |
| Oceanis        | A                           | 2001       | 75,211  | Hanjin Shipping Co. Ltd., Seoul                   | 7.9 years             | \$ 40,000                |                           | Oct 29, 2009                | Jan 17, 2010 <sup>(3)</sup> |
| Dione          | A                           | 2001       | 75,172  | Louis Dreyfus Commodities S.A., Geneva            | 8.3 years             | \$ 12,000                |                           | Jun 1, 2010                 | Sep 1, 2010                 |
| Danae          | A                           | 2001       | 75,106  | Augustea Atlantica Srl, Naples                    | 8.3 years             | \$ 12,000                |                           | Jan 23, 2011                | Apr 22, 2011                |
| Protefs        | B                           | 2004       | 73,630  | Hanjin Shipping Co. Ltd., Seoul                   | 4.7 years             | \$ 59,000                |                           | Aug 18, 2011                | Nov 18, 2011                |
| Calipso        | B                           | 2005       | 73,691  | Cargill International S.A., Geneva                | 4.3 years             | \$ 9,400                 |                           | Dec 24, 2009                | Mar 24, 2010                |
| Clio           | B                           | 2005       | 73,691  | Cargill International S.A., Geneva                | 4.0 years             | \$ 11,000 <sup>(*)</sup> |                           | Dec 26, 2009                | Mar 26, 2010                |
| Thetis         | B                           | 2004       | 73,583  | Cargill International S.A., Geneva                | 4.8 years             | \$ 10,500                |                           | Dec 12, 2009                | Mar 12, 2010                |
| Naias          | B                           | 2006       | 73,546  | Constellation Energy Commodities Group, Baltimore | 2.9 years             | \$ 34,000                |                           | Aug 24, 2009                | Oct 24, 2009                |
| Erato          | C                           | 2004       | 74,444  | Cargill International S.A., Geneva                | 4.7 years             | \$ 15,000                |                           | Nov 27, 2009                | Feb 27, 2010                |
| Coronis        | C                           | 2006       | 74,381  | TPC Korea Co. Ltd., Seoul                         | 3.3 years             | \$ 14,000                |                           | Feb 26, 2010                | Apr 26, 2010                |
| Sideris GS     | D                           | 2006       | 174,186 | BHP Billiton Marketing AG                         | 2.4 years             | \$ 39,000<br>\$ 36,000   |                           | Nov 30, 2009                | Oct 15, 2010                |
| Aliki          |                             | 2005       | 180,235 | Cargill International S.A., Geneva                | 4.2 years             | \$ 45,000                |                           | Jan 15, 2011 <sup>(4)</sup> | Mar 1, 2011                 |
| Semirio        | D                           | 2007       | 174,261 | BHP Billiton Marketing AG                         | 1.9 years             | \$ 51,000<br>\$ 31,000   |                           | Jun 15, 2009                | Apr 30, 2011                |
| Boston         | D                           | 2007       | 177,828 | BHP Billiton Marketing AG                         | 1.5 years             | \$ 52,000                |                           | Jul 30, 2011 <sup>(4)</sup> | Sep 28, 2011                |
| Salt Lake City |                             | 2005       | 171,810 | Refined Success Limited                           | 3.7 years             | \$ 55,800                |                           | Dec 28, 2011 <sup>(5)</sup> | Aug 28, 2012                |
| Norfolk        |                             | 2002       | 164,218 | Corus UK Limited                                  | 6.7 years             | \$ 74,750                |                           | Oct 28, 2012                | Jan 12, 2013                |
|                |                             |            |         |                                                   |                       |                          |                           | Mar 12, 2013                |                             |





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| Vessel                                     | Sister<br>Ships <sup>(1)</sup> | Year<br>Built       | DWT              | Charterer                        | Age as               | Daily Time                  | Charter                                     |
|--------------------------------------------|--------------------------------|---------------------|------------------|----------------------------------|----------------------|-----------------------------|---------------------------------------------|
|                                            |                                |                     |                  |                                  | of<br>May 5,<br>2009 | Charter Hire<br>Rate        |                                             |
| Hull 1107<br>(tbn New York) <sup>(6)</sup> | D                              | 2010                | 177,000          | Nippon Yusen Kaisha, Tokyo (NYK) |                      | \$ 48,000 <sup>(7)(8)</sup> | Jan 31, 2015<br>May 31, 2015 <sup>(8)</sup> |
| Hull 1138<br>(tbn Houston) <sup>(9)</sup>  | D                              | 2009 <sup>(8)</sup> | 177,000          | Jiangsu Shagang<br>Group Co.     |                      | \$ 55,000                   | Oct 30, 2014<br>Jan 30, 2015 <sup>(8)</sup> |
|                                            |                                |                     | <b>2,364,887</b> |                                  |                      |                             |                                             |

- (1) Each dry bulk carrier is a sister ship, or closely similar, to other dry bulk carriers that have the same letter.
- (2) Charterers optional period to redeliver the vessel to us. Charterers have the right to add the off hire days to the duration of the charter, if any, and therefore the optional period may be extended.
- (3) The charterer has the option to employ the vessel for a further 11-13 month period at a daily rate based on the average rate of four pre-determined time charter routes as published by the Baltic Exchange. The optional period, if exercised, must be declared on or before the end of the 30th month of employment and can only commence at the end of the 36th month.
- (4) The charterer has the option to employ the vessel for a further 11-13 month period. The optional period, if exercised, must be declared on or before the end of the 42nd month of employment and can only commence at the end of the 48th month, at the daily time charter rate of \$48,500.
- (5) The charterer has the option to employ the vessel for a further 11-13 month period. The optional period, if exercised, must be declared on or before the end of the 42nd month of employment and can only commence at the end of the 48th month, at the daily time charter rate of \$52,000.
- (6) Expected to be delivered to us in the first quarter of 2010 with latest possible delivery in the second quarter of 2010.
- (7) The gross rate will vary as follows: \$50,000 per day for delivery between October 1, 2009 and January 31, 2010 or \$48,000 per day for delivery between February 1, 2010 and April 30, 2010.
- (8) Based on the expected date of delivery to us from the builder.
- (9) Expected to be delivered to us from the builder in November 2009.

(\*) The daily time charter hire rate for the Clio for the first 30 days of its term was \$6,000.  
Each of our vessels is owned through a separate wholly-owned subsidiary.

Our vessels operate worldwide within the trading limits imposed by our insurance policy conditions and do not operate in areas where sanctions of the United States, the European Union or the United Nations have been imposed.

**CHARTERING**

We charter our dry bulk carriers to customers primarily pursuant to time charters. Under our time charters, the charterer typically pays us a fixed daily charter hire rate and bears all voyage expenses, including the cost of bunkers (fuel oil) and canal and port charges. We remain responsible for paying the chartered vessel's operating expenses, including the cost of crewing, insuring, repairing and maintaining the vessel. We have historically paid commissions ranging from 0% to 6.25% of the total daily charter hire rate of each charter to unaffiliated ship brokers and to in-house brokers associated with the charterer, depending on the number of brokers involved with arranging the charter. Our in-house fleet manager, Diana Shipping Services S.A., or DSS, performs the commercial and technical management of our vessels.

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We strategically monitor developments in the dry bulk shipping industry on a regular basis and, subject to market demand, seek to target the charter hire periods for our vessels according to prevailing market conditions. In order to take advantage of the relatively stable cash flow and high utilization rates associated with long-term time charters along with the historically high charter hire rates that prevailed during the first half of 2008 for Panamax and Capesize vessels, we employ our vessels on long-term time charters ranging in initial duration from 17 months to 62 months. Our vessels employed under short-term time charters provide us with flexibility in responding to market developments. We will continue to evaluate our balance of short- and long-term charters relative to developments in the dry bulk shipping industry and may extend or reduce the charter hire periods of additional vessels in our fleet to take advantage of higher charter hire rates or enter into more short-term time charters to take advantage of rates in that market.

### **OUR COMPETITIVE STRENGTHS**

We believe that we possess a number of strengths that provide us with a competitive advantage in the dry bulk shipping industry:

- Ø *We own a modern, high quality fleet of dry bulk carriers.* We believe that owning a modern, high quality fleet reduces operating costs, improves safety and provides us with a competitive advantage in securing favorable time charters. We maintain the quality of our vessels by carrying out regular inspections, both while in port and at sea, and adopting a comprehensive maintenance program for each vessel.
  
- Ø *Our fleet includes four groups of sister ships.* We believe that maintaining a fleet that includes sister ships enhances the revenue generating potential of our fleet by providing us with operational and scheduling flexibility. The uniform nature of sister ships also improves our operating efficiency by allowing our fleet manager, DSS, to apply the technical knowledge of one vessel to all vessels of the same series and creates economies of scale that enable us to realize cost savings when maintaining, supplying and crewing our vessels.
  
- Ø *We have an experienced management team.* Our management team consists of experienced executives who have on average more than 23 years of operating experience in the shipping industry and have demonstrated ability in managing the commercial, technical and financial areas of our business. Our management team is led by Mr. Simeon Palios, a qualified naval architect and engineer who has 41 years of experience in the shipping industry.
  
- Ø *Internal management of vessel operations.* We conduct all of the commercial and technical management of our vessels in-house through DSS. We believe having in-house commercial and technical management provides us with a competitive advantage over many of our competitors by allowing us to more closely monitor our operations and to offer higher quality performance, reliability and efficiency in arranging charters and the maintenance of our vessels.
  
- Ø *We benefit from strong relationships with members of the shipping and financial industries.* We have developed strong relationships with major international charterers, shipbuilders and financial institutions that we believe are the result of the quality of our operations, the strength of our management team and our reputation for dependability.
  
- Ø *We have a strong balance sheet and a relatively low level of indebtedness.* We believe that our strong balance sheet and relatively low level of indebtedness provide us with the flexibility to increase the amount of funds that we may draw under our credit facilities in connection with future acquisitions.

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**OUR BUSINESS STRATEGY**

Our main objective is to manage and expand our fleet. To accomplish this objective, we intend to:

- Ø *Continue to operate a high quality fleet.* We intend to limit our acquisition of ships to vessels that meet rigorous industry standards and that are capable of meeting charterer certification requirements. We intend to preserve the quality of our fleet through regular inspections of our vessels and a comprehensive maintenance program.
  
- Ø *Strategically expand the size of our fleet.* We intend to grow our fleet through timely and selective acquisitions of vessels. We expect to focus our dry bulk carrier acquisitions primarily on Panamax and Capesize dry bulk carriers, although we will also consider acquisitions of other classes of dry cargo vessels, including container vessels, that would, in our view, provide favorable investment opportunities. We may also acquire other vessel-owning companies to expand the size of our fleet. We intend to continue to regularly monitor developments in market conditions and expect to acquire vessels in the future when those acquisitions would, in our view, present favorable investment opportunities.
  
- Ø *Pursue an appropriate balance of short-term and long-term time charters.* We strategically monitor developments in the dry bulk shipping industry on a regular basis and, subject to market demand, seek to adjust the charter hire periods for our vessels according to prevailing market conditions. In order to take advantage of the relatively stable cash flow and high utilization rates associated with long-term time charters along with the historically high charter hire rates that prevailed during the first half of 2008 for Panamax and Capesize vessels, we have entered into long-term time charters ranging in duration from 17 months to 62 months. Those of our vessels on short-term time charters provide us with flexibility in responding to market developments. We will continue to evaluate our balance of short- and long-term charters and may extend or reduce the charter hire periods of the vessels in our fleet according to the developments in the dry bulk shipping industry.
  
- Ø *Maintain a strong balance sheet with conservative leverage in high market periods and increased leverage in low market periods.* In the future, we expect to draw funds under our credit facilities to partially fund vessel acquisitions. Our current policy is to gradually increase our debt during low market periods of the drybulk industry to facilitate vessel expansion. In addition, from time to time we may use the net proceeds from equity offerings to finance vessel acquisitions or other uses. As of March 31, 2009 and May 6, 2009 we had total debt outstanding of \$238.8 million and \$256.8 million, respectively, including construction pre-delivery financing of \$24.1 million and \$42.1 million, respectively.
  
- Ø *Maintain low cost, highly efficient operations.* We intend to actively monitor and control vessel operating expenses without compromising the quality of our vessel management by utilizing regular inspection and maintenance programs, employing and retaining qualified crew members and taking advantage of the economies of scale that result from operating sister ships.
  
- Ø *Capitalize on our established reputation.* We intend to capitalize on our reputation for maintaining high standards of performance, reliability and safety in establishing and maintaining relationships with major international charterers who consider the reputation of a vessel owner and operator when entering into time charters and with shipyards and financial institutions who consider reputation to be an indicator of creditworthiness.

**DIVIDEND POLICY**

As a result of market conditions in the international shipping industry and in line with our dividend policy, as of November 2008, our board of directors has decided to suspend the payment of future dividends. We believe that this suspension will enhance our future flexibility by permitting cash flow that

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would have been devoted to dividends to be used for opportunities that may arise in the current marketplace, such as funding our operations, acquiring vessels or servicing our debt. In addition, other external factors, such as our lenders imposing restrictions on our ability to pay dividends under the terms of our credit facilities, may limit our ability to pay dividends. Further, we may not be permitted to pay dividends if we are in breach of the covenants contained in our loan agreements.

Our previous policy was to declare quarterly distributions to stockholders by each February, May, August and November substantially equal to our available cash from operations during the previous quarter after expenses and reserves for scheduled drydockings, intermediate and special surveys and other purposes as our board of directors from time to time determined were required, and after taking into account contingent liabilities, the terms of our credit facilities, our growth strategy and other cash needs and the requirements of Marshall Islands law. Marshall Islands law generally prohibits the payment of dividends other than from surplus or when a company is insolvent or if the payment of the dividend would render the company insolvent. Our board of directors may review and amend our dividend policy from time to time in light of our plans for future growth and other factors.

We have paid the following dividends per share since our initial public offering with respect to the following periods:

| Period                                                                                                  | Dividends<br>(Dollars) |
|---------------------------------------------------------------------------------------------------------|------------------------|
| Fourteen day period from initial public offering on March 17, 2005 through and including March 31, 2005 | 0.08                   |
| Second quarter 2005                                                                                     | 0.54                   |
| Third quarter 2005                                                                                      | 0.465                  |
| Fourth quarter 2005                                                                                     | 0.40                   |
| First quarter 2006                                                                                      | 0.345                  |
| Second quarter 2006                                                                                     | 0.355                  |
| Third quarter 2006                                                                                      | 0.40                   |
| Fourth quarter 2006                                                                                     | 0.46                   |
| First quarter 2007                                                                                      | 0.50                   |
| Second quarter 2007                                                                                     | 0.51                   |
| Third quarter 2007                                                                                      | 0.58                   |
| Fourth quarter 2007                                                                                     | 0.60                   |
| First quarter 2008                                                                                      | 0.85                   |
| Second quarter 2008                                                                                     | 0.91                   |
| Third quarter 2008                                                                                      | 0.95                   |

**RECENT DEVELOPMENTS IN THE INTERNATIONAL DRYBULK SHIPPING INDUSTRY****Recent significant decline in dry bulk charter hire rates**

The Baltic Dry Index, or BDI, a daily average of charter rates in 26 shipping routes measured on a time charter and voyage basis and covering dry bulk carriers, declined from a high of 11,793 in May 2008 to 1,806 on May 4, 2009, reaching a low of 663 in December 2008, which represents a decline of 94%. The BDI fell over 70% during the month of October 2008 alone. Over the comparable period of May through December 2008, the high and low of the Baltic Panamax Index and the Baltic Capesize Index represent a decline of 96% and 99%, respectively. The general decline in the dry bulk carrier charter market is due to various factors, including the lack of trade financing for purchases of commodities carried by sea, which has resulted in a significant decline in cargo shipments, and the excess supply of iron ore in China, which has resulted in falling iron ore prices and increased stockpiles in Chinese ports.

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**Recent significant decline in dry bulk carrier prices**

Dry bulk carrier values have declined both as a result of a slowdown in the availability of global credit and the significant deterioration in charter rates. Charter rates and vessel values have been affected in part by the lack of availability of credit to finance both vessel purchases and purchases of commodities carried by sea, resulting in a decline in cargo shipments, and the excess supply of iron ore in China which resulted in falling iron ore prices and increased stockpiles in Chinese ports. Consistent with these trends, the market value of our dry bulk carriers has declined. There can be no assurance as to how long charter rates and vessel values will remain at their currently low levels or whether they will improve to any significant degree. Charter rates may remain at depressed levels for some time which will adversely affect our revenue and profitability.

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## The offering

|                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The Company                                        | Diana Shipping Inc.                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Common Stock to be Offered                         | 6,000,000 shares (6,900,000 shares if the underwriter's over-allotment option is exercised in full)                                                                                                                                                                                                                                                                                                                                                                                               |
| Common Stock to be Outstanding After This Offering | 81,428,366 shares (82,328,366 shares if the underwriter's over-allotment option is exercised in full)                                                                                                                                                                                                                                                                                                                                                                                             |
| Listing                                            | Our common stock is listed on the New York Stock Exchange under the symbol DSX.                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Use of Proceeds                                    | We estimate that we will receive net proceeds of \$98,455,000 (\$113,287,000 if the underwriter's over-allotment option is exercised in full) from the sale of the common stock in this offering, after deducting the underwriting discount and estimated offering expenses payable by us. We intend to use the net proceeds from this offering to make vessel acquisitions and for capital expenditures, to repay debt when appropriate, for working capital and for general corporate purposes. |
| Risk Factors                                       | See the section entitled "Risk Factors" in our report on Form 20-F filed on February 27, 2009, and incorporated herein by reference and the information in the section entitled "Risk Factors" on page 5 of the accompanying prospectus, for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.                                                                                                                                       |

**Table of Contents****Summary consolidated financial and other data**

The following table sets forth our summary consolidated financial and other operating data. The summary consolidated and other financial data in the table as of and for the three years ended December 31, 2008 are derived from our audited consolidated financial statements. The summary consolidated and other financial data in the table as of and for the three months ended March 31, 2009 are derived from our unaudited consolidated financial statements. We refer you to the footnotes to our consolidated financial statements for a discussion of the basis on which our consolidated financial statements are presented.

The following data should be read in conjunction with the consolidated financial statements, related notes and other financial information as of and for the year ended December 31, 2008, filed with the Commission on our Annual Report on Form 20-F on February 27, 2009 and incorporated by reference herein and for the three months ended March 31, 2009 and 2008, filed with the Commission on our report on Form 6-K on May 6, 2009.

|                                                                        | As of March 31,                                                |            | As of December 31, |            |            |
|------------------------------------------------------------------------|----------------------------------------------------------------|------------|--------------------|------------|------------|
|                                                                        | 2008                                                           | 2009       | 2006               | 2007       | 2008       |
|                                                                        | (in thousands of Dollars, except for share and per share data) |            |                    |            |            |
| <b>Income Statement Data:</b>                                          |                                                                |            |                    |            |            |
| Voyage and time charter revenues                                       | \$ 78,876                                                      | \$ 62,693  | \$ 116,101         | \$ 190,480 | \$ 337,391 |
| Voyage expenses                                                        | 2,594                                                          | 3,226      | 6,059              | 8,697      | 15,003     |
| Vessel operating expenses                                              | 9,213                                                          | 9,441      | 22,489             | 29,332     | 39,899     |
| Depreciation and amortization of deferred charges                      | 10,253                                                         | 10,837     | 16,709             | 24,443     | 43,259     |
| Management fees                                                        |                                                                |            | 573                |            |            |
| Executive management services and rent                                 |                                                                |            | 76                 |            |            |
| General and administrative expenses                                    | 3,589                                                          | 4,073      | 6,331              | 11,718     | 13,831     |
| Gain on vessel sale                                                    |                                                                |            |                    | (21,504)   |            |
| Foreign currency (gains) losses                                        | (9)                                                            | (243)      | (52)               | (144)      | (438)      |
| Operating income                                                       | \$ 53,236                                                      | \$ 35,359  | \$ 63,916          | \$ 137,938 | \$ 225,837 |
| Interest and finance cost, net                                         | (1,518)                                                        | (804)      | (3,886)            | (6,394)    | (5,851)    |
| Interest income                                                        | 552                                                            | 255        | 1,033              | 2,676      | 768        |
| Insurance settlements for vessel unrepaired damages                    | 945                                                            |            |                    |            | 945        |
| Net income                                                             | \$ 53,215                                                      | \$ 34,810  | \$ 61,063          | \$ 134,220 | \$ 221,699 |
| Preferential deemed dividend                                           | \$                                                             | \$         | \$ (20,267)        | \$         | \$         |
| Net income available to common stockholders                            | \$ 53,215                                                      | \$ 34,810  | \$ 40,796          | \$ 134,220 | \$ 221,699 |
| Earnings per common share, basic and diluted                           | 0.71                                                           | \$ 0.47    | \$ 0.82            | \$ 2.11    | \$ 2.97    |
| Weighted average number of shares of common stock outstanding, basic   | 74,375,000                                                     | 74,396,880 | 49,528,904         | 63,748,973 | 74,375,686 |
| Weighted average number of shares of common stock outstanding, diluted | 74,404,038                                                     | 74,436,579 | 49,528,904         | 63,748,973 | 74,558,254 |



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|                                                                | As of March 31, |            | As of December 31, |           | 2008      |
|----------------------------------------------------------------|-----------------|------------|--------------------|-----------|-----------|
|                                                                | 2008            | 2009       | 2006               | 2007      |           |
| (in thousands of Dollars, except for share and per share data) |                 |            |                    |           |           |
| <b>Other Financial Data:</b>                                   |                 |            |                    |           |           |
| Cash and cash equivalents                                      |                 | \$ 104,303 | \$ 14,511          | \$ 16,726 | \$ 62,033 |
| Total current assets                                           |                 | 110,778    | 19,062             | 21,514    | 68,554    |
| Total assets                                                   |                 | 1,088,940  | 510,675            | 944,342   | 1,057,206 |
| Total current liabilities                                      |                 | 43,033     | 7,636              | 20,964    | 20,012    |
| Long-term debt (including current portion)                     |                 | 214,026    | 138,239            | 98,819    | 238,094   |
| Total stockholders' equity                                     |                 | 811,233    | 363,103            | 799,474   | 775,476   |
| Net cash flow provided by operating activities                 | 61,898          | 42,329     | 82,370             | 148,959   | 261,151   |
| Net cash flow used in investing activities                     | (107,875)       | (81)       | (193,096)          | (409,085) | (108,662) |
| Net cash flow provided by (used in) financing activities       | 53,830          | 22         | 104,007            | 262,341   | (107,182) |
| <b>Fleet Data:</b>                                             |                 |            |                    |           |           |
| Average number of vessels <sup>(1)</sup>                       | 18.5            | 19.0       | 13.4               | 15.9      | 18.9      |
| Number of vessels at end of period                             | 19.0            | 19.0       | 15.0               | 18.0      | 19.0      |
| Weighted average age of fleet (in years)                       | 3.5             | 4.5        | 3.7                | 3.4       | 4.3       |
| Fleet utilization <sup>(2)</sup>                               | 99.8%           | 98.0%      | 99.9%              | 99.3%     | 99.6%     |
| Time charter equivalent (TCE) rate <sup>(3)</sup>              | \$ 45,191       | \$ 34,898  | \$ 22,661          | \$ 31,272 | \$ 46,777 |

- (1) Average number of vessels is the number of vessels that constituted our fleet for the relevant period, as measured by the sum of the number of days each vessel was a part of our fleet during the period divided by the number of calendar days in the period.
- (2) We calculate fleet utilization by dividing the number of our operating days during a period by the number of our available days during the period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the number of days that its vessels are off-hire for reasons other than scheduled repairs or repairs under guarantee, vessel upgrades, special surveys or vessel positioning.
- (3) Time charter equivalent rates, or TCE rates, are defined as our voyage and time charter revenues less voyage expenses during a period divided by the number of our available days during the period, which is consistent with industry standards. Voyage expenses include port charges, bunker (fuel) expenses, canal charges and commissions. TCE rate is a non-GAAP measure and is a standard shipping industry performance measure used primarily to compare daily earnings generated by vessels on time charters with daily earnings generated by vessels on voyage charters because charter hire rates for vessels on voyage charters generally are not expressed in per day amounts while charter hire rates for vessels on time charters generally are expressed in such amounts. The following table reflects the calculation of our TCE rates for the periods presented:

|                                                                    | Three months ended<br>March 31, |           | Year Ended December 31, |            |            |
|--------------------------------------------------------------------|---------------------------------|-----------|-------------------------|------------|------------|
|                                                                    | 2008                            | 2009      | 2006                    | 2007       | 2008       |
| (in thousands of Dollars, except for TCE rates and available days) |                                 |           |                         |            |            |
| Voyage and time charter revenues                                   | \$ 78,876                       | \$ 62,693 | \$ 116,101              | \$ 190,480 | \$ 337,391 |
| Less: voyage expenses                                              | (2,594)                         | (3,226)   | (6,059)                 | (8,697)    | (15,003)   |
| Time charter equivalent revenues                                   | \$ 76,282                       | \$ 59,467 | \$ 110,042              | \$ 181,783 | \$ 322,388 |
| Available days                                                     | 1,688                           | 1,704     | 4,856                   | 5,813      | 6,892      |
| Time charter equivalent (TCE) rate                                 | \$ 45,191                       | \$ 34,898 | \$ 22,661               | \$ 31,272  | \$ 46,777  |



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## Use of proceeds

We estimate that we will receive net proceeds of \$98,455,000 (\$113,287,000 if the underwriter's over-allotment option is exercised in full) from the sale of the common stock in this offering, after deducting the underwriting discount and estimated offering expenses payable by us. We intend to use the net proceeds from this offering to make vessel acquisitions and for capital expenditures, to repay debt when appropriate, for working capital and for general corporate purposes.

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**Table of Contents****Capitalization**

The following table sets forth our consolidated capitalization as of March 31, 2009:

Ø on an actual basis; and

Ø on an adjusted basis giving effect to our drawdown on April 30, 2009 of \$18.1 million under our amended and restated agreement with Fortis Bank, to finance part of the construction cost of Hull H1138;

Ø on an as further adjusted basis giving effect to our issuance and sale of 6,000,000 shares of common stock in this offering at the offering price of \$16.85 per share.

You should read this capitalization table together with the section of this prospectus supplement entitled "Prospectus Summary Supplement," and the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes incorporated by reference into this prospectus supplement and the base prospectus.

|                                                                                                                                                                                                                                | Actual <sup>(1)</sup><br>(in thousands of Dollars,<br>except share amount) | As adjusted      | As further<br>adjusted <sup>(2)</sup> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|------------------|---------------------------------------|
| <b>Debt (Principal balance)</b>                                                                                                                                                                                                |                                                                            |                  |                                       |
| Current portion of long-term debt                                                                                                                                                                                              | 24,080                                                                     | 42,140           | 42,140                                |
| Long-term debt, net of current portion                                                                                                                                                                                         | 214,700                                                                    | 214,700          | 214,700                               |
| <b>Total debt</b>                                                                                                                                                                                                              | <b>238,780</b>                                                             | <b>256,840</b>   | <b>256,840</b>                        |
| <b>Stockholders' equity</b>                                                                                                                                                                                                    |                                                                            |                  |                                       |
| Preferred stock, \$0.01 par value; 25,000,000 shares authorized, none issued                                                                                                                                                   |                                                                            |                  |                                       |
| Common stock, \$0.01 par value; 200,000,000 shares authorized; 75,428,008 issued and outstanding, actual; 75,428,366 shares issued and outstanding, as adjusted; 81,428,366 shares issued and outstanding, as further adjusted | 754                                                                        | 754              | 814                                   |
| Additional paid-in capital                                                                                                                                                                                                     | 803,523                                                                    | 803,523          | 901,918                               |
| Accumulated other comprehensive income                                                                                                                                                                                         | 177                                                                        | 177              | 177                                   |
| Retained earnings                                                                                                                                                                                                              | 6,779                                                                      | 6,779            | 6,779                                 |
| <b>Total shareholders' equity</b>                                                                                                                                                                                              | <b>811,233</b>                                                             | <b>811,233</b>   | <b>909,688</b>                        |
| <b>Total capitalization</b>                                                                                                                                                                                                    | <b>1,050,013</b>                                                           | <b>1,068,073</b> | <b>1,166,528</b>                      |

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- (1) *There have been no significant adjustments to our capitalization since March 31, 2009, as adjusted.*
- (2) *Assumes no exercise of the underwriter's over-allotment option.*

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## Underwriting

Subject to the terms and conditions of an Underwriting Agreement, dated May 6, 2009, UBS Securities LLC, or the underwriter, has agreed to purchase, and we have agreed to sell, to the underwriter, 6,000,000 shares of our common stock.

The underwriter is offering the shares of our common stock subject to its acceptance of the shares from us and subject to prior sale. The underwriting agreement provides that the obligations of the underwriter to pay for and accept delivery of the shares of common stock offered by us pursuant to this prospectus supplement are subject to the approval of certain legal matters by its counsel and to certain other conditions. The underwriter is obligated to take and pay for all of the shares of common stock offered by us pursuant to this prospectus supplement if any such shares are taken, except that the underwriter is not required to take or pay for shares covered pursuant to the exercise of the underwriter's option to purchase additional shares described below.

The underwriter initially proposes to offer the shares of our common stock directly to the public at the offering price set forth on the cover page of this prospectus supplement, and to dealers at that price less a concession not in excess of \$0.1685 per share. After the offering of the shares of our common stock, the offering price and other selling terms may be from time to time varied by the underwriter.

### OVER-ALLOTMENT OPTION

We have granted to the underwriter an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to an aggregate of 900,000 additional shares of common stock at the offering price, less underwriting discounts and commission. The underwriter may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of our common stock offered by this prospectus supplement. To the extent the option is exercised, the underwriter will become obligated, subject to certain conditions, to purchase 900,000 additional shares of common stock. If the underwriter's option is exercised in full, the total price to the public would be \$116,265,000, the total underwriter's discounts and commissions would be \$2,553,000 and the total proceeds, before expenses, to us would be \$113,712,000.

### COMMISSIONS AND DISCOUNTS

The following table shows the per share and total underwriting discounts and commissions to be paid by us in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriter's option.

|                                                   | Per Share |          | Total        |              |
|---------------------------------------------------|-----------|----------|--------------|--------------|
|                                                   | No        | Full     | No           | Full         |
|                                                   | Exercise  | Exercise | Exercise     | Exercise     |
| Underwriting discounts and commissions paid by us | \$ 0.37   | \$ 0.37  | \$ 2,220,000 | \$ 2,553,000 |

The expenses of this offering payable by us, not including underwriting discounts and commission, are estimated to be approximately \$0.425 million, which includes legal, accounting and printing costs.

### LOCK-UP AGREEMENTS

During the period of 90 days from the date of the final prospectus for this offering, without the prior written consent of UBS Securities LLC, we and each of our executive officers and directors have agreed, subject to certain exceptions, not to:

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Ø directly or indirectly, issue, offer, sell, agree to issue, offer or sell, solicit offers to purchase, grant any call option, warrant or other right to purchase, purchase any put option with respect to, pledge,

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**Underwriting**

borrow or otherwise dispose of any of our common stock or other of our securities or those of any of our subsidiaries or any security convertible into, or exercisable or exchangeable for, our common stock or any other of our securities, or make any announcement of any of the foregoing; or

Ø establish or increase any put equivalent position or liquidate or decrease any call equivalent position (in each case within the meaning of Section 15 of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder) with respect to any of our common stock or other of our securities or those of any of our subsidiaries or any security convertible into, or exercisable or exchangeable for, our common stock or any other of our securities; or

Ø otherwise enter into any swap, derivative or other transaction or arrangement that transfers to another, in whole or in part, any economic consequence of ownership of any of our common stock or other of our securities or those of any of our subsidiaries or any security convertible into, or exercisable or exchangeable for, our common stock or any other of our securities, whether or not such transaction is to be settled by delivery of such common stock, other securities, cash or other consideration.

This restriction terminates after the close of trading of the shares of common stock on and including the 90 days after the date of the final prospectus for this offering. However, if (a) during the period that begins on the date that is 15 calendar days plus 3 business days before the last day of the 90-day restricted period, we issue an earnings release or material news or a material event relating to us occurs or (b) prior to the expiration of such 90-day period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 90-day period, these imposed lock-up restrictions shall continue to apply until the expiration of the date that is 15 calendar days plus 3 business days after the date on which the issuance of the earnings release or the material news or material event occurs, unless UBS Securities LLC waives, in writing, the extension of such restrictions. UBS Securities LLC may, at any time or from time to time before the expiration of the lock-up period, without notice, release all or any portion of the securities subject to these agreements. There are no existing agreements between UBS Securities LLC and any person who will execute a lock-up agreement, providing consent to the sale of shares prior to the expiration of the lock-up period.

In addition, we have agreed that, subject to certain exceptions, during the lock-up period referred to above, we will not, without the prior written consent of UBS Securities LLC, consent to the disposition of any shares held by executive officers, directors or stockholders subject to lock-up agreements prior to the expiration of the lock-up period, or issue, sell, contract to sell, or otherwise dispose of, any shares of common stock, any options or warrants to purchase any shares of common stock or any securities convertible into, exercisable for or exchangeable for shares of common stock, other than our sale of shares of common stock in this offering. Notwithstanding the foregoing, we may issue common stock or securities convertible into or exercisable or exchangeable for common stock for the benefit of our employees, directors and executive officers under incentive plans described in this prospectus supplement or accompanying prospectus, provided that recipients are subject to the lock-up described above.

The underwriter has informed us that in order to facilitate this offering of our common stock they may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriter may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriter under the over-allotment option. The underwriter can close out a covered short sale by exercising the over-allotment option or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriter will consider, among other things, the open market price of shares compared to the price available under the over-allotment option. The underwriter may also sell shares in excess of the over-allotment option, creating a naked short position. The underwriter must close out any naked short



**Table of Contents****Underwriting**

position by purchasing shares in the open market. The underwriter has informed us that a naked short position is more likely to be created if the underwriter is concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in this offering. In addition, to stabilize the price of our common stock, the underwriter may bid for, and purchase, shares of our common stock in the open market. Finally, the underwriter may reclaim selling concessions allowed to the underwriter or a dealer for distributing our common stock in this offering, if the underwriter repurchases previously distributed shares of our common stock to cover short positions or to stabilize or maintain the market price of our common stock above independent market levels. The underwriter is not required to engage in these activities and may end any of these activities at any time.

**ELECTRONIC PROSPECTUS DELIVERY**

A prospectus in electronic format may be made available on websites or through other online services maintained by the underwriter or by its affiliates. Other than the prospectus in electronic format, the information on any of these websites and any other information contained on a website maintained by the underwriter is not part of this prospectus.

**OTHER RELATIONSHIPS**

The underwriter and its affiliates have provided in the past to us and our affiliates and may provide from time to time in the future certain commercial banking, financial advisory, investment banking and other services for us and such affiliates in the ordinary course of their business, for which they have received and may continue to receive customary fees and commissions.

**LISTING ON THE NEW YORK STOCK EXCHANGE**

Our common stock is listed on the New York Stock Exchange under the symbol **DSX**.

We have agreed to indemnify the underwriter against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriter may be required to make in connection with such liabilities.

The trading market for shares of our common stock is the New York Stock Exchange, on which our shares trade under the symbol **DSX**. The following table sets forth the high and low closing prices for shares of our common stock since our initial public offering on March 17, 2005, as reported by the New York Stock Exchange:

| Period      | 2009     |          | 2008     |         | 2007     |          | 2006     |         | 2005     |          |
|-------------|----------|----------|----------|---------|----------|----------|----------|---------|----------|----------|
|             | High     | Low      | High     | Low     | High     | Low      | High     | Low     | High     | Low      |
| Annual      |          |          | \$ 39.00 | \$ 7.24 | \$ 44.82 | \$ 15.79 | \$ 15.83 | \$ 9.85 | \$ 17.50 | \$ 12.14 |
| 1st quarter | \$ 16.89 | \$ 10.15 | 31.10    | 21.12   | 20.31    | 15.79    |          |         |          |          |
| 2nd quarter |          |          | 39.00    | 26.05   | 23.00    | 17.95    |          |         |          |          |
| 3rd quarter |          |          | 31.66    | 19.21   | 29.24    | 21.62    |          |         |          |          |
| 4th quarter |          |          | 20.07    | 7.24    | 44.82    | 27.94    |          |         |          |          |
| November    |          |          | 17.23    | 7.84    |          |          |          |         |          |          |
| December    |          |          | 14.88    | 7.24    |          |          |          |         |          |          |
| January     | 15.04    | 10.83    |          |         |          |          |          |         |          |          |
| February    | 16.89    | 11.73    |          |         |          |          |          |         |          |          |
| March       | 13.54    | 10.15    |          |         |          |          |          |         |          |          |
| April       | 15.70    | 11.73    |          |         |          |          |          |         |          |          |
| May*        | 18.52    | 16.30    |          |         |          |          |          |         |          |          |

\* *Through May 7, 2009.*

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### **Underwriting**

## **SELLING RESTRICTIONS**

### **United Kingdom**

The underwriter has represented and agreed that:

it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (as amended) (FSMA) received by it in connection with the issue or sale of the common stock or in circumstances in which section 21 of FSMA does not apply to the Company; and

it has complied with, and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

### **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State ) an offer to the public of the common stock may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of any common stock may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

1. to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
2. to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000 and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts;
3. by the underwriter to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the underwriter for any such offer, or
4. in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of the common stock shall result in a requirement for the publication by the Company or the underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of Shares to the public in relation to any common stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Shares to be offered so as to enable an investor to decide to purchase or subscribe the common stock, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

### **Federal Republic of Germany**

The underwriter has agreed to comply with the following selling restrictions applicable to the Federal Republic of Germany.

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The underwriter has agreed that it shall not offer or sell the common stock in the Federal Republic of Germany other than in compliance with the German Securities Prospectus Act (Wertpapierprospektgesetz), the German Securities Sales Prospectus Act (Wertpapier-Verkaufprospektgesetz), the German Investment Act (Investmentgesetz), respectively, and any other laws and regulations applicable in the Federal Republic of Germany governing the issue, the offering and the sale of securities.

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### **Underwriting**

The common stock may neither be nor intended to be distributed by way of public offering, public advertisement or in a similar manner within the meaning of sections 2Nr. 4, 3 (1) of the German Securities Prospectus Act (Wertpapierprospektgesetz), section 8f (1) of the German Securities Sales Prospectus Act (Wertpapier-Verkaufprospektgesetz) and sections 1, 2 (11), 101 (1) and (2) of the German Investment Act (Investmentgesetz) nor shall the distribution of this prospectus or any other document relating to the common stock constitute such public offer.

The distribution of the common stock has not been notified and the common stock are not registered or authorized for public distribution in the Federal Republic of Germany under the German Securities Prospectus Act (Wertpapierprospektgesetz) or the German Investment Act (Investmentgesetz). Accordingly, this prospectus has not been filed or deposited with the German Federal Financial Supervisory Authority (Bundesanstalt fuer Finanzdienstleistungsaufsicht BaFin).

Prospective German investors in the common stock are urged to seek independent tax advice and to consult their professional advisors as to the legal and tax consequences that may arise from the application of the German Investment Tax Act (Investmentsteuergesetz) to the common stock and neither we nor the underwriter accept any responsibility in respect of the German tax position of the common stock.

### **Hong Kong**

Our common stock may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to professional investors within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a prospectus within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to our common stock may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to common stock which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

### **Singapore**

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of our common stock may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (or, the SFA ), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where our common stock are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries rights and interest in that trust shall not be

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### **Underwriting**

transferable for 6 months after that corporation or that trust has acquired the shares under Section 275 except: (i) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (ii) where no consideration is given for the transfer; or (iii) by operation of law.

### **Japan**

Our common stock has not been and will not be registered under the Securities and Exchange Law of Japan (or, the Securities and Exchange Law ) and the underwriter has agreed that it will not offer or sell any of our common stock, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

### **Switzerland**

Our common stock may be offered in Switzerland on the basis only of a non-public offering. This prospectus does not constitute an issuance prospectus according to articles 652a or 1156 of the Swiss Federal Code of Obligations or a listing prospectus according to article 32 of the Listing Rules of the SWX Swiss Exchange. Our common stock may not be offered or distributed on a professional basis in, into or from Switzerland and neither this prospectus nor any other offering material relating to our common stock may be publicly issued in connection with any such offer or distribution. Our common stock has not been and will not be approved by any Swiss regulatory authority. In particular, our common stock are not and will not be registered with or supervised by the Swiss Federal Banking Commission, and investors may not claim protection under the Swiss Federal Act on Collective Investment Schemes.

### **Italy**

The offering of our common stock has not been registered with the Commissione Nazionale per le Società e la Borsa ( CONSOB ), in accordance with Italian securities legislation. Accordingly, the shares may not be offered, sold or delivered, and copies of this prospectus or any other document relating to the shares may not be distributed in Italy except to Professional Investors, as defined in Art. 31.2 of CONSOB Regulation no. 11522 of July 1, 1998, as amended, pursuant to Art. 30.2 and Art. 100 of Legislative Decree no. 58 of February 24, 1998 (the Finance Law ) or in any other circumstance where an express exemption to comply with the solicitation restrictions provided by the Finance Law or CONSOB Regulation no. 11971 of May 14, 1999, as amended (the Issuers Regulation ) applies, including those provided for under Art. 100 of the Finance Law and Art. 33 of the Issuers Regulation, and provided, however, that any such offer, sale, or delivery of the shares or distribution of copies of this prospectus or any other document relating to the shares in Italy must (i) be made in accordance with all applicable Italian laws and regulations, (ii) be made in compliance with Article 129 of Legislative Decree no. 385 of September 1, 1993, as amended (the Banking Law Consolidated Act ) and the implementing guidelines of the Bank of Italy (Istruzioni di Vigilanza per le banche) pursuant to which the issue, trading or placement of securities in the Republic of Italy is subject to prior notification to the Bank of Italy, unless an exemption applies depending, inter alia, on the amount of the issue and the characteristics of the securities, (iii) be conducted in accordance with any relevant limitations or procedural requirements the Bank of Italy or CONSOB may impose upon the offer or sale of the securities, and (iv) be made only by (a) banks, investment firms or financial companies enrolled in the special register provided for in Article 107 of the Banking Law Consolidated Act, to the extent duly authorized to engage in the

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### **Underwriting**

placement and/or underwriting of financial instruments in Italy in accordance with the Financial Laws Consolidated Act and the relevant implementing regulations; or by (b) foreign banks or financial institutions (the controlling shareholding of which is owned by one or more banks located in the same EU Member State) authorized to place and distribute securities in the Republic of Italy pursuant to Articles 15, 16 and 18 of the Banking Law Consolidated Act, in each case acting in compliance with every applicable law and regulation.

### **Ireland**

The underwriter has agreed that it will not underwrite the issue of, or place the common stock, otherwise than in conformity than with the provisions of the Irish Investment Intermediaries Act 1995 (as amended), including, without limitation, Sections 9 and 23 thereof and any codes of conduct rules made under Section 37 thereof and the provisions of the Investor Compensation Act 1998.

### **Australia**

This document does not constitute a prospectus or other disclosure document under the Corporations Act 2001 (Cth) (the Corporations Act ) and does not include the information required for a disclosure document under the Corporations Act. This document has not been lodged with the Australian Securities and Investments Commission ( ASIC ) and no steps have been taken to lodge it with ASIC. Any offer in Australia of the common stock under this prospectus may only be made to persons who come within one of the categories set out in sections 708(8), 708(10), 708(11) of the Corporations Act, or otherwise pursuant to one or more exemptions in section 708 of the Corporations Act so that it is lawful to offer the common stock without disclosure to investors under Part 6D.2 of the Corporations Act (collectively referred to as Sophisticated and Professional Investors ).

As no formal disclosure document (such as a prospectus) will be lodged with ASIC, the common stock will only be offered and issued in Australia to one of the categories of Sophisticated or Professional Investors. If a person to whom common stock are issued (called an Investor ) on-sells the common stock in Australia within 12 months from their issue, the Investor may need to lodge a prospectus with ASIC unless that sale is to another Sophisticated or Professional Investor or otherwise in reliance on a prospectus disclosure exemption under the Corporations Act. Any person acquiring common stock should observe such Australian on-sale restrictions.

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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 supplement forms a part, all of which will be paid by us.

|                                 |                   |
|---------------------------------|-------------------|
| Printing and engraving expenses | \$ 50,000         |
| Legal fees and expenses         | \$ 225,000        |
| NYSE Listing Fee                | \$ 50,000         |
| Accounting fees and expenses    | \$ 75,000         |
| Transfer agent and registrar    | \$                |
| Miscellaneous                   | \$ 25,000         |
| <b>Total</b>                    | <b>\$ 425,000</b> |

## Legal matters

The validity of the securities offered by this prospectus 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. Certain legal matters in connection with this offering will be passed upon for the underwriter by Simpson Thacher & Bartlett LLP, New York, New York.

## Experts

The consolidated financial statements of Diana Shipping Inc. appearing in Diana Shipping Inc.'s Annual Report on Form 20-F for the year ended December 31, 2008 and the effectiveness of Diana Shipping Inc.'s internal control over financial reporting as of December 31, 2008, have been audited by Ernst & Young (Hellas) Certified Auditors Accountants S.A., independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.



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## Where you can find more information

We have filed with the Commission a registration statement including exhibits and schedules thereto on Form F-3 under the Securities Act of 1933 with respect to the shares of common stock offered hereby. This prospectus supplement, which forms a part of the registration statement, does not contain all of the information in the registration statement, as permitted by Commission rules and regulations. For further information with respect to the Company and the shares of common stock offered hereby, reference is made to the registration statement. In addition, we are subject to the reporting requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934 and file such reports and other information with the Commission. You can read and copy any materials we file with the Commission at its Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You can obtain information about the operation of the Commission's Public Reference Room by calling the Commission at 1-800-SEC-0330. The Commission also maintains a Web site that contains information we file electronically, which you can access over the internet at <http://www.sec.gov>. You may also learn about our Company by visiting our website at <http://www.dianashippinginc.com>. The information on our website is not a part of this prospectus.

### **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 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 will automatically update and supersede previously filed information, including information contained in this document.

We incorporate by reference the documents listed below and any future filings made with the Commission under Section 13(a), 13(c) or 15(d) of the Securities Exchange Act of 1934: our annual report on Form 20-F for the year ended December 31, 2008, filed with the Commission on February 27, 2009, which contains audited consolidated financial statements for the most recent fiscal year for which those statements have been filed, and our report on Form 6-K filed with the Commission on May 6, 2009.

You should rely only on the information contained or incorporated by reference in this 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 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 filings or any subsequent filing we incorporated by reference to this prospectus supplement or the accompanying prospectus by writing or telephoning us at the following address:

Diana Shipping Inc.

Pendelis 16

175 64 Palaio Faliro

Athens, Greece

011 30 (210) 947-0100



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Prospectus

## **Diana Shipping Inc.**

### **Common Stock, Preferred Stock Purchase Rights, Preferred Stock, Debt Securities, Warrants, Purchase Contracts and Units**

Through this prospectus, we or any selling shareholder may periodically offer:

- (1) our common stock (including preferred stock purchase rights),
- (2) our preferred stock,
- (3) our debt securities, which may be guaranteed by one or more of our subsidiaries,
- (4) our warrants,
- (5) our purchase contracts, and
- (6) our units.

The prices and other terms of the securities that we or any selling shareholder will offer 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 shareholders.

Our common stock is currently listed on the New York Stock Exchange under the symbol DSX.

The securities issued under this prospectus may be offered directly or through underwriters, agents or dealers. The names of any underwriters, agents or dealers will be included in a supplement to this prospectus.

**An investment in these securities involves a high degree of risk. See the section entitled Risk Factors on page 5 of this prospectus, and other risk factors contained in the applicable prospectus supplement and in the documents incorporated by reference herein and therein.**

**Neither the 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 May 6, 2009.

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We prepare our financial statements, including all of the financial statements included or incorporated by reference in this prospectus, in U.S. dollars and in conformity with U.S. generally accepted accounting principles, or U.S. GAAP. We have a fiscal year end of December 31.

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 or any selling shareholder may sell our common stock (including preferred stock purchase rights), preferred stock, debt securities (and related guarantees), warrants, purchase contracts and units described in this prospectus in one or more offerings. This prospectus provides you with a general description of the securities we or any selling shareholder may offer. Each time we or a selling shareholder offer securities, we will provide you with a prospectus supplement that will describe the specific amounts, prices and terms of the offered securities. We may file a prospectus supplement in the future that may also add, update or change the information contained in this prospectus. You should read carefully both this prospectus and any prospectus supplement, together with the additional information described below.

This prospectus does not contain all the information provided in the registration statement that we filed with the Commission. For further information about us or the securities offered hereby, you should refer to that registration statement, which you can obtain from the Commission as described below under Where You Can Find More Information.

**Table of Contents****PROSPECTUS SUMMARY**

*This summary provides an overview of our company and our business. This summary is not complete and does not contain all of the information you should consider before purchasing our securities. You should carefully read all of the information contained or incorporated by reference in this prospectus and any accompanying prospectus supplement, including the Risk factors and our financial statements and related notes contained herein and therein, before making an investment decision. Unless we specify otherwise, all references in this prospectus to we, our, us and the Company refer to Diana Shipping Inc. and its subsidiaries.*

**Our Company**

We are Diana Shipping Inc., a Marshall Islands company that owns and operates dry bulk carriers that transport iron ore, coal, grain and other dry cargoes along worldwide shipping routes. As of May 6, 2009 our fleet consisted of 13 modern Panamax dry bulk carriers and six Capesize dry bulk carriers. We also had assumed shipbuilding contracts for two additional Capesize dry bulk carriers, Hull H1107 and Hull H1108, which are under construction by the China Shipbuilding Trading Company Ltd. and Shanghai Waigaoqiao Shipbuilding Co. Ltd., respectively. In April 2009, we entered into an agreement with a related party company to acquire a single purpose company, Gala Properties Inc., or Gala, that has a contract with China Shipbuilding Trading Company Ltd. and Shanghai Jiangnan-Changxing Shipbuilding Co. Ltd., for the construction of a 177,000 dwt Capesize dry bulk carrier, Hull H1138, for the contract price of \$60.2 million in exchange for our ownership in our subsidiary, Eniwetok Shipping Company Inc., that has the contract for the construction of Hull H1108, and an additional expected payment of \$15 million. This transaction closed on May 6, 2009. These two additional Capesize dry bulk newbuildings that we have agreed to purchase will further increase the carrying capacity of our fleet by approximately 354,000 deadweight tons, or dwt. Excluding these two vessels, since the completion of our initial public offering in March 2005, we have increased the size of our fleet from eight Panamax dry bulk carriers and one Capesize dry bulk carrier with a combined carrying capacity of 768,587 dwt to 13 Panamax dry bulk carriers and six Capesize dry bulk carriers with a combined carrying capacity of approximately 2.0 million dwt and a weighted average age of 4.6 years, based upon dwt capacity.

We intend to continue to grow our fleet through timely and selective acquisitions of vessels. We expect to focus future vessel acquisitions primarily on Panamax and Capesize dry bulk carriers. However, we will also consider purchasing other classes of dry cargo vessels, such as container vessels, if we determine that those vessels would, in our view, present favorable investment opportunities.

**Our Fleet**

The following table presents certain information concerning the dry bulk carriers in our fleet as of the date of this prospectus:

| Vessel  | Sister               |  | Year Built | DWT    | Charterer                          | Age as of May 5, 2009 | Daily Time Charter Hire Rate | Charter                     |              |
|---------|----------------------|--|------------|--------|------------------------------------|-----------------------|------------------------------|-----------------------------|--------------|
|         | Ships <sup>(1)</sup> |  |            |        |                                    |                       |                              | Expiration <sup>(2)</sup>   |              |
| Nirefs  | A                    |  | 2001       | 75,311 | Cosco Bulk Carrier Co. Ltd.        | 8.3 years             | \$ 60,500                    | Feb 3, 2010                 |              |
|         |                      |  |            |        |                                    |                       |                              | Apr 3, 2010                 |              |
| Alcyon  | A                    |  | 2001       | 75,247 | Cargill International S.A., Geneva | 8.2 years             | \$ 34,500                    | Nov 21, 2012                |              |
|         |                      |  |            |        |                                    |                       |                              | Feb 21, 2013                |              |
| Triton  | A                    |  | 2001       | 75,336 | Cargill International S.A., Geneva | 8.1 years             | \$ 24,400                    | Oct 17, 2009                |              |
|         |                      |  |            |        |                                    |                       |                              | Jan 17, 2010 <sup>(3)</sup> |              |
| Oceanis | A                    |  | 2001       | 75,211 | Hanjin Shipping Co. Ltd., Seoul    | 7.9 years             | \$ 40,000                    | Jul 29, 2009                | Oct 29, 2009 |

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| Vessel                                     | Sister               |                     | DWT              | Charterer                                               | Age as of<br>May 5,<br>2009 | Daily Time<br>Charter Hire<br>Rate | Charter                   |                                             |
|--------------------------------------------|----------------------|---------------------|------------------|---------------------------------------------------------|-----------------------------|------------------------------------|---------------------------|---------------------------------------------|
|                                            | Ships <sup>(1)</sup> | Year<br>Built       |                  |                                                         |                             |                                    | Expiration <sup>(2)</sup> |                                             |
| Dione                                      | A                    | 2001                | 75,172           | Louis Dreyfus<br>Commodities S.A., Geneva               | 8.3 years                   | \$ 12,000                          | Jun 1, 2010               | Sep 1, 2010                                 |
| Danae                                      | A                    | 2001                | 75,106           | Augustea Atlantica Srl,<br>Naples                       | 8.3 years                   | \$ 12,000                          | Jan 23, 2011              | Apr 22, 2011                                |
| Protefs                                    | B                    | 2004                | 73,630           | Hanjin Shipping Co. Ltd.,<br>Seoul                      | 4.7 years                   | \$ 59,000                          | Aug 18, 2011              | Nov 18,<br>2011                             |
| Calipso                                    | B                    | 2005                | 73,691           | Cargill International S.A.,<br>Geneva                   | 4.3 years                   | \$ 9,400                           | Dec 24, 2009              | Mar 24,<br>2010                             |
| Clio                                       | B                    | 2005                | 73,691           | Cargill International S.A.,<br>Geneva                   | 4.0 years                   | \$ 11,000                          | Dec 26, 2009              | Mar 26,<br>2010                             |
| Thetis                                     | B                    | 2004                | 73,583           | Cargill International S.A.,<br>Geneva                   | 4.8 years                   | \$ 10,500                          | Dec 12, 2009              | Mar 12,<br>2010                             |
| Naias                                      | B                    | 2006                | 73,546           | Constellation Energy<br>Commodities Group,<br>Baltimore | 2.9 years                   | \$ 34,000                          | Aug 24, 2009              | Oct 24,<br>2009                             |
| Erato                                      | C                    | 2004                | 74,444           | Cargill International S.A.,<br>Geneva                   | 4.7 years                   | \$ 15,000                          | Nov 27, 2009              | Feb 27,<br>2010                             |
| Coronis                                    | C                    | 2006                | 74,381           | TPC Korea Co. Ltd., Seoul                               | 3.3 years                   | \$ 14,000                          | Feb 26, 2010              | Apr 26,<br>2010                             |
| Sideris GS                                 | D                    | 2006                | 174,186          | BHP Billiton<br>Marketing AG                            | 2.4 years                   | \$ 39,000<br>\$ 36,000             | Nov 30, 2009              | Oct 15, 2010<br>Jan 15, 2011 <sup>(4)</sup> |
| Aliki                                      |                      | 2005                | 180,235          | Cargill International S.A.,<br>Geneva                   | 4.2 years                   | \$ 45,000                          | Mar 1, 2011               | Jun 1, 2011<br><sup>(4)</sup>               |
| Semirio                                    | D                    | 2007                | 174,261          | BHP Billiton<br>Marketing AG                            | 1.9 years                   | \$ 51,000<br>\$ 31,000             | Jun 15, 2009              | Apr 30, 2011<br>Jul 30, 2011 <sup>(4)</sup> |
| Boston                                     | D                    | 2007                | 177,828          | BHP Billiton<br>Marketing AG                            | 1.5 years                   | \$ 52,000                          | Sep 28, 2011              | Dec 28, 2011 <sup>(5)</sup>                 |
| Salt Lake City                             |                      | 2005                | 171,810          | Refined Success Limited                                 | 3.7 years                   | \$ 55,800                          | Aug 28, 2012              | Oct 28,<br>2012                             |
| Norfolk                                    |                      | 2002                | 164,218          | Corus UK Limited                                        | 6.7 years                   | \$ 74,750                          | Jan 12, 2013              | Mar 12, 2013                                |
| Hull 1107<br>(tbn New York) <sup>(6)</sup> | D                    | 2010                | 177,000          | Nippon Yusen<br>Kaisha, Tokyo (NYK)                     |                             | \$ 48,000 <sup>(7)(8)</sup>        | Jan 31, 2015              | May 31, 2015 <sup>(8)</sup>                 |
| Hull 1138<br>(tbn Houston) <sup>(9)</sup>  | D                    | 2009 <sup>(8)</sup> | 177,000          | Jiangsu Shagang<br>Group Co.                            |                             | \$ 55,000                          | Oct 30, 2014              | Jan 30, 2015 <sup>(8)</sup>                 |
|                                            |                      |                     | <b>2,364,887</b> |                                                         |                             |                                    |                           |                                             |

- (1) Each dry bulk carrier is a sister ship, or closely similar, to other dry bulk carriers that have the same letter.
- (2) Charterers' optional period to redeliver the vessel to us. Charterers have the right to add the off hire days to the duration of the charter, if any, and therefore the optional period may be extended.
- (3) The charterer has the option to employ the vessel for a further 11-13 month period at a daily rate based on the average rate of four pre-determined time charter routes as published by the Baltic Exchange. The optional period, if exercised, must be declared on or before the end of the 30th month of employment and can only commence at the end of the 36th month.

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- (4) The charterer has the option to employ the vessel for a further 11-13 month period. The optional period, if exercised, must be declared on or before the end of the 42nd month of employment and can only commence at the end of the 48th month, at the daily time charter rate of \$48,500.
- (5) The charterer has the option to employ the vessel for a further 11-13 month period. The optional period, if exercised, must be declared on or before the end of the 42nd month of employment and can only commence at the end of the 48th month, at the daily time charter rate of \$52,000.
- (6) Expected to be delivered to us in the first quarter of 2010 with latest possible delivery in the second quarter of 2010.
- (7) The gross rate will vary as follows: \$50,000 per day for delivery between October 1, 2009 and January 31, 2010 or \$48,000 per day for delivery between February 1, 2010 and April 30, 2010.
- (8) Based on the expected date of delivery to us from the builder.
- (9) Expected to be delivered to us from the builder in November 2009.

Each of our vessels is owned through a separate wholly-owned subsidiary.

Our vessels operate worldwide within the trading limits imposed by our insurance policy conditions and do not operate in areas where sanctions of the United States, the European Union or the United Nations have been imposed.

## **Chartering**

We charter our dry bulk carriers to customers primarily pursuant to time charters. Under our time charters, the charterer typically pays us a fixed daily charter hire rate and bears all voyage expenses, including the cost of bunkers (fuel oil) and canal and port charges. We remain responsible for paying the chartered vessel's operating expenses, including the cost of crewing, insuring, repairing and maintaining the vessel. We have historically paid commissions ranging from 0% to 6.25% of the total daily charter hire rate of each charter to unaffiliated ship brokers and to in-house brokers associated with the charterer, depending on the number of brokers involved with arranging the charter. Our in-house fleet manager, Diana Shipping Services S.A., or DSS, performs the commercial and technical management of our vessels.

We strategically monitor developments in the dry bulk shipping industry on a regular basis and, subject to market demand, seek to target the charter hire periods for our vessels according to prevailing market conditions. In order to take advantage of the relatively stable cash flow and high utilization rates associated with long-term time charters along with the historically high charter hire rates that prevailed during the first half of 2008 for Panamax and Capesize vessels, we employ our vessels on long-term time charters ranging in initial duration from 17 months to 62 months. Our vessels employed under short-term time charters provide us with flexibility in responding to market developments. We will continue to evaluate our balance of short- and long-term charters relative to developments in the dry bulk shipping industry and may extend or reduce the charter hire periods of additional vessels in our fleet to take advantage of higher charter hire rates or enter into more short-term time charters to take advantage of rates in that market.

## **Credit Facilities**

On February 18, 2005, we entered into a \$230.0 million secured revolving credit facility with the Royal Bank of Scotland Plc., which was amended on May 24, 2006 to increase the facility amount to \$300.0 million. Our \$300.0 million credit facility permits us to borrow up to \$50.0 million for working capital. In January 2007, we entered into a supplemental agreement with the Royal Bank of Scotland Plc. for a 364-day standby credit facility of up to \$200.0 million, which facility expired on March 6, 2008. We intend to draw funds under our \$300.0 million credit facility to fund acquisitions and, as necessary, fund our working capital needs. We may repay outstanding debt from time to time with the net proceeds of future equity issuances.

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The \$300.0 million revolving credit facility has a term of ten years from May 24, 2006, and we are permitted to borrow up to the facility limit, provided that conditions to drawdown are satisfied and that borrowings do not exceed 75% of the aggregate value of the vessels that secure the facility. On May 24, 2012, the \$300.0 million facility limit will be reduced to \$285.0 million. Thereafter, the facility limit will be reduced by \$15.0 million semi-annually over a period of four years with a final reduction of \$165.0 million at the time of the last semi-annual reduction.

Our obligations under our credit facilities are secured, or will be secured upon drawdown, by a first priority mortgage on one or more of the vessels in our fleet and such other vessels that we may from time to time include with the approval of our lender, and a first assignment of all freights, earnings, insurances and requisition compensation of such collateral vessels. We may grant additional security from time to time in the future.

Our credit facility does not prohibit us from paying dividends as long as an event of default has not occurred and we are not, and after giving effect to the payment of the dividend would not be, in breach of a covenant. When we have debt outstanding under our credit facility, however, the amount of cash that we have available to distribute as dividends in a period may be reduced by any interest or principal payments that we are required to make.

On March 31, 2009 and May 6, 2009, an amount of \$214.7 million was outstanding under this revolving credit facility, which was used to fund part of the purchase cost of the *Salt Lake City* and the *Norfolk*.

In November 2006, we entered into a loan agreement with Fortis Bank for a secured term loan of \$60.2 million and a guarantee facility of up to \$36.5 million, which we are using to finance the pre-delivery installments of the two newbuilding Capesize dry bulk carriers that we expect to take delivery of during November 2009 and the second quarter of 2010. Under this loan agreement, principal payments are scheduled upon completion of certain stages of the construction of the vessels. The interest and finance costs on this facility during the construction period are capitalized and included in the construction cost of the vessels. In connection with our acquisition of Gala, discussed in greater detail below, we entered into an agreement with Fortis Bank to restate the existing loan agreement to include Gala as a borrower thereunder. Pursuant to the agreement, the bank consented to the termination of the Eniwetok contract, the amendment of the purpose of the loan facility to include the financing of part of the construction and acquisition cost of the newbuilding Hull H1138 owned by Gala and certain amendments to the terms of the principal agreement and the corporate guarantee issued thereunder. Fortis Bank also agreed to reduce the shareholding required to be beneficially owned by the Palios and Margaronis families from 20% to 10%. As of March 31, 2009 and May 6, 2009, we had \$24.1 million and \$42.1 million, respectively, of principal balance outstanding under this loan facility.

As of March 31, 2009 and May 6, 2009, our total indebtedness under both our \$300 million credit facility with the Royal Bank of Scotland Plc. and our loan agreement with Fortis Bank, described above, amounted to \$238.8 million and \$256.8 million, respectively.

## **Recent Developments**

As discussed above, we have executed an agreement with 4 Sweet Dreams S.A., a related party, to acquire Gala, a single purpose company, that has contracted with China Shipbuilding Trading Company, Limited and Shanghai Jiangnan-Changxing Shipbuilding Co., Ltd. for the construction of a 177,000 dwt Capesize drybulk carrier, identified as Hull No. H1138, for the contract price of \$60.2 million. The seller is a company controlled by Semiramis and Aliko Paliou, the daughters of our Chairman and Chief Executive Officer, Mr. Simeon Palios.

Gala has entered into a time charter for Hull No. H1138 with Jiangsu Shagang Group Co. or its nominee, with performance guaranteed by Shagang Shipping Company Ltd., at a gross charter hire rate of \$55,000 per day for a minimum period of fifty-nine (59) months and a maximum period of sixty-two (62) months, commencing upon delivery of the vessel from the shipbuilders. We expect this vessel to be delivered, and the charter to commence, in November 2009.



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In exchange for the acquisition of Gala, we transferred to the seller our ownership interest in Eniwetok Shipping Company Inc., or Eniwetok, our wholly owned subsidiary. Eniwetok has contracted with the same shipbuilders for the construction of a separate 177,000 dwt Capesize drybulk carrier, identified as Hull No. H1108, for the contract price of \$60.2 million, with a scheduled delivery date of June 30, 2010. In connection with these transactions, the shipbuilders cancelled the construction contract of Hull No. H1108 upon the closing. We expect the incremental cost to us (excluding legal and other transaction-related expenses) to be approximately \$15.0 million. The closing of the share purchase transactions took place on May 6, 2009.

## **Corporate Structure**

Diana Shipping Inc. is a holding company incorporated under the laws of Liberia in March 1999 as Diana Shipping Investments Corp. In February 2005, we redomiciled from the Republic of Liberia to the Republic of the Marshall Islands and changed our name to Diana Shipping Inc. Our executive offices are located at Pendelis 16, 175 64 Palaio Faliro, Athens, Greece. Our telephone number at this address is 011 30 (210) 947-0100. Our website address is [www.dianashippinginc.com](http://www.dianashippinginc.com). The information on our website is not a part of this prospectus.

## **The Securities We or any Selling Shareholder May Offer**

We or any selling shareholder may use this prospectus to offer our:

common stock (including preferred stock purchase rights),

preferred stock,

debt securities, which may be guaranteed by one or more of our subsidiaries,

warrants,

purchase contracts, or

units.

We or any selling shareholder may also offer securities of the types listed above that are convertible or exchangeable into one or more of the securities listed above.

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. You should carefully consider the risks and the discussion of risks in this section, which is an update to the information under the heading "Risk Factors" in our annual report on Form 20-F filed on February 27, 2009 for the year ended December 31, 2008 and the documents we have incorporated by reference in this prospectus including this "Risk Factors" section in future annual reports, that summarize the risks that may materially affect our business before making an investment in our common stock. Please see

"Where You Can Find Additional Information" Information Incorporated by Reference. 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 results of operations or financial condition.

*United States tax authorities could treat us as a passive foreign investment company, which could have adverse United States federal income tax consequences to United States holders*

A foreign corporation will be treated as a passive foreign investment company, or PFIC, for United States federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of certain

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types of passive income or (2) at least 50% of the average value of the corporation's assets produce or are held for the production of those types of passive income. For purposes of these tests, passive income includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business. For purposes of these tests, income derived from the performance of services does not constitute passive income. United States stockholders of a PFIC are subject to a disadvantageous United States federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

Based on our current and proposed method of operation, we do not believe that we will be a PFIC with respect to any taxable year. In this regard, we intend to treat the gross income we derive or are deemed to derive from our time chartering activities as services income, rather than rental income. Accordingly, we believe that our income from our time chartering activities does not constitute passive income, and the assets that we own and operate in connection with the production of that income do not constitute passive assets.

There is, however, no direct legal authority under the PFIC rules addressing our method of operation. We believe there is substantial legal authority supporting our position consisting of case law and United States Internal Revenue Service, or IRS, pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, we note that there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. Accordingly, no assurance can be given that the IRS or a court of law will accept our position, and there is a risk that the IRS or a court of law could determine that we are a PFIC. Moreover, no assurance can be given that we would not constitute a PFIC for any future taxable year if there were to be changes in the nature and extent of our operations.

If the IRS were to find that we are or have been a PFIC for any taxable year, our United States stockholders will face adverse United States tax consequences. Under the PFIC rules, unless those stockholders make an election available under the Internal Revenue Code of 1986, as amended (which election could itself have adverse consequences for such stockholders), such stockholders would be liable to pay United States federal income tax at the then prevailing income tax rates on ordinary income plus interest upon excess distributions and upon any gain from the disposition of our common stock, as if the excess distribution or gain had been recognized ratably over the stockholder's holding period of our common stock. Please see the section of this prospectus entitled "Tax Considerations" for a more comprehensive discussion of the United States federal income tax consequences if we were to be treated as a PFIC.

**USE OF PROCEEDS**

Unless we specify otherwise in any prospectus supplement, we intend to use the net proceeds from the sale of securities by us offered by this prospectus to make vessel acquisitions and for capital expenditures, to repay indebtedness, for working capital, and for general corporate purposes. We will not receive any proceeds from sales of our securities by selling shareholders.

**FORWARD LOOKING STATEMENTS**

Matters discussed in this document 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 document

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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 believe, anticipate, intend, estimate, forecast, project, plan, should, expect and similar expressions identify forward-looking statements.

The forward-looking statements in this document 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 important factors and matters discussed elsewhere in this prospectus, and in the documents incorporated by reference in this prospectus, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of world economies, fluctuations in currencies and interest rates, general market conditions, including fluctuations in charter hire rates and vessel values, changes in demand in the dry bulk shipping industry, changes in our operating expenses, including bunker prices, drydocking and insurance costs, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents or political events, and other important factors described from time to time in the reports filed by us with the Commission and the New York Stock Exchange. We caution readers of this prospectus and any prospectus supplement not to place undue reliance on these forward-looking statements, which speak only as of their dates. We undertake no obligation to update or revise any forward-looking statements.

**RATIO OF EARNINGS TO FIXED CHARGES**

The following table sets forth our unaudited ratio of earnings to fixed charges for each of the preceding five fiscal years.<sup>(1)</sup>

|                                                                             | <b>Three months<br/>ended<br/>March 31,<br/>2009</b> | <b>2008</b> | <b>For the years ended December 31,<br/>2007 2006 2005 2004</b> |           |           |           |
|-----------------------------------------------------------------------------|------------------------------------------------------|-------------|-----------------------------------------------------------------|-----------|-----------|-----------|
|                                                                             | <b>(in thousands of U.S. dollars)</b>                |             |                                                                 |           |           |           |
| <b>Earnings</b>                                                             |                                                      |             |                                                                 |           |           |           |
| Net income                                                                  | \$ 34,810                                            | \$ 221,699  | \$ 134,220                                                      | \$ 61,063 | \$ 64,990 | \$ 60,083 |
| Add: Fixed charges                                                          | 816                                                  | 6,311       | 7,059                                                           | 3,316     | 2,093     | 2,470     |
|                                                                             | 35,626                                               | 228,010     | 141,279                                                         | 64,379    | 67,083    | 62,553    |
| Less: Interest capitalized                                                  | 65                                                   | 853         | 1,440                                                           | 133       | 122       | 339       |
| Total Earnings                                                              | \$ 35,651                                            | \$ 227,157  | \$ 139,839                                                      | \$ 64,246 | \$ 66,961 | \$ 62,214 |
| <b>Fixed Charges</b>                                                        |                                                      |             |                                                                 |           |           |           |
| Interest expensed and capitalized                                           | 800                                                  | 6,225       | 6,948                                                           | 3,188     | 1,503     | 2,382     |
| Amortization and write-off of capitalized expenses relating to indebtedness | 16                                                   | 86          | 111                                                             | 128       | 590       | 88        |
| Total Fixed Charges                                                         | 816                                                  | \$ 6,311    | \$ 7,059                                                        | \$ 3,316  | \$ 2,093  | \$ 2,470  |
| Ratio of Earnings to Fixed Charges <sup>(2)</sup>                           | 43.6x                                                | 36.0x       | 19.8x                                                           | 19.4x     | 32.0x     | 25.2x     |

(1) We have not issued any preferred stock as of the date of this prospectus.

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- (2) For purposes of computing the consolidated ratio of earnings to fixed charges, earnings consist of net income available to common stockholders plus interest expensed and any amortization and write-off of capitalized expenses relating to indebtedness. Fixed charges consist of interest expensed and capitalized, interest portion of rental expense and amortization and write-off of capitalized expenses relating to indebtedness.

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### **CAPITALIZATION**

A prospectus supplement will include information on our consolidated capitalization.

### **PLAN OF DISTRIBUTION**

We or any selling shareholder 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 shareholders 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 shareholders may enter into option 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 any selling shareholder may enter into hedging transactions with respect to our securities. For example, we or any selling shareholder may:

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

sell shares of common stock short themselves and deliver the shares to close out short positions;

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

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

We or any selling shareholder 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, including in short sale transactions. If so, the third party may use securities pledged by us or any selling shareholder or borrowed from us, any selling shareholder or others to settle those sales or to close out any related open borrowings of stock, and may use securities received from us or any selling shareholder in settlement of those derivatives to close out any related open borrowings of stock. The third party in such sale transactions will 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 a selling shareholder 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.

Any broker-dealers or other persons acting on our behalf or the behalf of the selling shareholders that participates with us or the selling shareholders 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 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.

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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

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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 reallocated or paid to dealers.

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 New York Stock Exchange, the existing trading market for our shares of common stock, or sales made to or through a market maker other than on an exchange.

We will bear costs relating to all of the securities being registered under this Registration Statement.

As a result of requirements of the Financial Industry Regulatory Authority, or FINRA, formerly the National Association of Securities Dealers, Inc., or the NASD, the maximum commission or discount to be received by any FINRA member or independent broker/dealer may not be greater than eight percent (8%) of the gross proceeds received by us or any selling shareholder for the sale of any securities. If more than 10% of the net proceeds of any offering of shares of common stock made under this prospectus will be received by FINRA members participating in the offering or affiliates or associated persons of such FINRA members, the offering will be conducted in accordance with NASD Conduct Rule 2710(h).

## **ENFORCEMENT OF CIVIL LIABILITIES**

Diana Shipping Inc. is a Marshall Islands corporation and our principal executive offices are located outside the United States in Athens, Greece. A majority of our directors, officers and the experts named in the prospectus reside outside the United States. In addition, a substantial portion of our assets and the assets of our directors, officers and experts are located outside the United States. As a result, you may have difficulty serving legal process within the United States upon us or any of these persons. You may also have difficulty enforcing, both in and outside the United States, judgments you may obtain in 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 the courts of the Marshall Islands or Greece would enter judgments in original actions brought in those courts predicated on United States federal or state securities laws.

## **DESCRIPTION OF CAPITAL STOCK**

The following is a description of the material terms of our amended and restated articles of incorporation and bylaws. We refer you to our amended and restated articles of incorporation and bylaws, copies of which have been filed as identified in the exhibit index to this registration statement and are incorporated by reference herein.

### **Purpose**

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

### **Authorized Capitalization**

Under our amended and restated articles of incorporation, as of the date of this prospectus, our authorized capital stock consists of 200,000,000 shares of common stock, par value \$0.01 per share, of which 75,428,366 shares are issued and outstanding, and 25,000,000 shares of preferred stock, par value \$0.01 per share, of which no shares are issued and outstanding. All of our shares of stock are in registered form.



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**Share History**

On March 17, 2005, we completed our initial public offering in the United States. In this respect, 12,375,000 shares of common stock, par value \$0.01 per share, were issued for \$17 per share. The net proceeds of the initial public offering totaled approximately \$194.0 million.

In February 2005, we adopted an equity incentive plan, or the Plan, which entitles our employees, officers and directors to receive options to acquire our common stock. A total of 2,800,000 shares of common stock were reserved for issuance under the Plan. The Plan is administered by our board of directors. Under the terms of the Plan, our board of Directors is able to grant a) incentive stock options, b) non-qualified stock options, c) stock appreciation rights, d) dividend equivalent rights, e) restricted stock, f) unrestricted stock, g) restricted stock units, and h) performance shares. No options, stock appreciation rights or restricted stock units can be exercisable prior to the first anniversary or subsequent to the tenth anniversary of the date on which such award was granted. The Plan will expire 10 years from the adoption of the Plan by our board of directors. In January 2008, our board of directors approved a policy for annual incentive bonuses of up to approximately 3% of our annual net profit, consisting of cash bonuses and restricted stock. In February 2008, our board of directors approved the grant of 75,500 shares of restricted common stock to executive management and non-executive directors, pursuant to the Plan and in accordance with terms and conditions of restricted shares award agreements signed by the grantees. The restricted shares will be vested over a period of three years, by one-third each year and are subject to forfeiture until they become vested. Unless they forfeit their shares, grantees have the right to vote, to receive and retain all dividends paid and to exercise all other rights, powers and privileges of a holder of shares. In September 2008, our board of directors approved the grant of 600,000 shares of restricted common stock to executive management and non-executive directors. The restricted shares will be vested over a period of six years (1/6 each year) and the grantees may receive dividends and exercise voting rights prior to vesting. Any unvested shares and all existing equity grants are to be vested in full and immediately in case of a change of control of the Company. In October 2008, the Plan was amended and restated. Under the amended and restated plan, the administrator may waive or modify the application of forfeiture of awards of restricted stock and performance shares in connection with a cessation of service with us. Our board of directors delegated to the members of the Compensation Committee its authority as administrator of the amended and restated plan to vest restricted stock awards granted under such plan in the event of the grantee's death. In October 2008 and January 2009, 600,000 shares and 364,200 shares, respectively, of restricted common stock were granted to our senior management and non-executive directors to be vested over a period of six years and three years, respectively. As of the date of this prospectus 1,760,300 shares of common stock are reserved for issuance under the Plan and 25,167 shares of restricted stock were vested.

In December 2005, we completed a follow-on public offering in the United States and issued 5,000,000 shares of common stock for \$13.50 per share. The net proceeds of the follow-on public offering amounted to \$63.0 million.

In June 2006, we completed a follow-on public offering in the United States and issued 8,050,000 shares of common stock for \$9.50 per share. The net proceeds of the follow-on public offering amounted to \$72.0 million.

In January 2007, we completed a follow-on public offering in the United States, offering 5,750,000 shares of common stock offered by three selling shareholders at a price of \$15.75 per share. The three selling shareholders were Zoe S. Company Ltd., Ironwood Trading Corp., or Ironwood, and Corozal Compania Naviera S.A., or Corozal. Ironwood and Corozal are controlled by our Chairman and Chief Executive Officer, Mr. Palios. We did not receive any proceeds from the sale.

In April 2007, we completed a follow-on public offering in the United States of 12,075,000 shares of common stock of which 2,250,000 were offered by selling shareholders at a price of \$17.00 per share. We received \$159.0 million of net proceeds from the total of 9,825,000 shares sold by us and did not receive any proceeds from the sale of the 2,250,000 shares offered by selling shareholders. In September 2007, we completed a follow-on public offering in the United States of 11,500,000 shares of common stock at a price of \$25.00 per share, the net proceeds of which amounted to \$274.0 million.

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In April 2008, we initiated a Dividend Reinvestment and Direct Stock Purchase Plan, or the Drip Plan. The Drip Plan allows existing shareholders to increase their holdings of our common stock and gives new investors an opportunity to make an initial investment in our common stock. Pursuant to the Drip Plan, existing shareholders may purchase additional shares of common stock by reinvesting all or a portion of the dividends paid on their shares of common stock and by making optional cash investments of not less than \$100 each and up to a maximum of \$10,000 per month. New investors that are not existing shareholders may from time to time be offered the opportunity to join the Drip Plan by making an initial investment of not less than \$250 and up to a maximum of \$10,000. Participants in the Drip Plan may authorize electronic deductions from their bank accounts for optional cash investments. Pursuant to the Drip Plan, we may also offer discounts ranging from 0% to 5% on optional and initial cash investments that are made pursuant to a request for waiver (e.g., on investments that are in excess of \$10,000). As of the date of this prospectus, a total of 13,666 shares were issued under the Drip Plan.

In April 2008, we entered into a sales agency financing agreement, or the SAFA, with BNY Capital Markets Inc. Pursuant to the SAFA, we and certain selling shareholders named in a prospectus supplement may offer and sell up to \$200,000,000 shares of our common stock and such selling shareholders may offer and sell up to an aggregate of 2,500,000 shares of our common stock from time to time through BNY Capital Markets Inc., as agent for us and the selling shareholders. As of the date of this prospectus, no shares were issued under the SAFA.

## **Common Stock**

Each outstanding share of common stock entitles the holder to one vote on all matters submitted to a vote of stockholders. Subject to preferences that may be applicable to any outstanding shares of preferred stock, holders of shares of common stock are entitled to receive ratably all dividends, if any, declared by our board of directors out of funds legally available for dividends. 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 preferred stock having liquidation preferences, if any, the holders of our common stock will be entitled to receive pro rata our remaining assets available for distribution. Holders of common stock do not have conversion, redemption or preemptive rights to subscribe to any of our securities. The rights, preferences and privileges of holders of common stock are subject to the rights of the holders of any shares of preferred stock which we may issue in the future.

## **Preferred Stock**

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 is 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 stock which has voting, conversion and other rights that could adversely affect the holders of our common stock 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 our common stock.

## **Preferred Stock Purchase Rights**

Each share of our common stock includes one right, which we refer to as a right, that entitles the holder to purchase from us a unit consisting of one-thousandth of a share of our preferred stock at a purchase price of

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\$100.00 per unit, subject to specified adjustments. The rights were issued pursuant to an amended and restated stockholders rights agreement dated October 15, 2005, between us and Computershare Trust Company, Inc., as rights agent. We subsequently appointed Mellon Investor Services LLC as successor rights agent and entered into a second amended and restated rights agreement with Mellon Investor Services LLC, dated October 7, 2008. Until a right is exercised, the holder of a right will have no rights to vote or receive dividends or any other stockholder rights.

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 or a permitted offer, the rights should not interfere with a merger or other business combination approved by our board of directors. The adoption of the rights agreement was approved by our existing stockholders prior to our initial public offering.

We have summarized the material terms and conditions of the rights agreement and the rights below. For a complete description of the rights, we encourage you to read the rights agreement, which we have filed as an exhibit to the registration statement of which this prospectus is a part.

***Detachment of the Rights***

The rights are attached to all certificates representing our currently outstanding common stock and will attach to all common stock certificates we issue prior to the rights distribution date that we describe below. The rights are not exercisable until after the rights distribution date and will expire at the close of business on the tenth anniversary date of the adoption of the rights plan, unless we redeem or exchange them earlier as we describe below. The rights will separate from the common stock and a rights distribution date would occur, subject to specified exceptions, on the earlier of the following two dates:

the 10th day after public announcement that a person or group has acquired ownership of 15% or more of the Company's common stock or

the 10th business day (or such later date as determined by the Company's board of directors) after a person or group announces a tender or exchange offer which would result in that person or group holding 15% or more of the Company's common stock.

Persons who are our stockholders on the effective date of the rights agreement are excluded from the definition of "acquiring person" until such time as they acquire an additional 20% of our outstanding common stock for purposes of the rights, and therefore until such time, their ownership cannot trigger the rights. Specified "inadvertent" owners that would otherwise become an acquiring person, including those who would have this designation as a result of repurchases of common stock by us, will not become acquiring persons as a result of those transactions.

Our board of directors may defer the rights distribution date in some circumstances, and some inadvertent acquisitions will not result in a person becoming an acquiring person if the person promptly divests itself of a sufficient number of shares of common stock.

Until the rights distribution date:

our common stock certificates will evidence the rights, and the rights will be transferable only with those certificates; and

any new common stock will be issued with rights and new certificates will contain a notation incorporating the rights agreement by reference.

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As soon as practicable after the rights distribution date, the rights agent will mail certificates representing the rights to holders of record of common stock at the close of business on that date. After the rights distribution date, only separate rights certificates will represent the rights.

We will not issue rights with any shares of common stock we issue after the rights distribution date, except as our board of directors may otherwise determine.

### ***Flip-In Event***

A flip-in event will occur under the rights agreement when a person becomes an acquiring person other than pursuant to certain kinds of permitted offers. An offer is permitted under the rights agreement if a person will become an acquiring person pursuant to a merger or other acquisition agreement that has been approved by our board of directors prior to that person becoming an acquiring person.

If a flip-in event occurs and we have not previously redeemed the rights as described under the heading *Redemption of Rights* below or, if the acquiring person acquires less than 50% of our outstanding common stock and we do not exchange the rights as described under the heading *Exchange of Rights* below, each right, other than any right that has become void, as we describe below, will become exercisable at the time it is no longer redeemable for the number of shares of common stock, or, in some cases, cash, property or other of our securities, having a current market price equal to two times the exercise price of such right.

When a flip-in event occurs, all rights that then are, or in some circumstances that were, beneficially owned by or transferred to an acquiring person or specified related parties will become void in the circumstances the rights agreement specifies.

### ***Flip-Over Event***

A flip-over event will occur under the rights agreement when, at any time after a person has become an acquiring person:

we are acquired in a merger or other business combination transaction, other than specified mergers that follow a permitted offer of the type we describe above; or

50% or more of our assets or earning power is sold or transferred.

If a flip-over event occurs, each holder of a right, other than any right that has become void as we describe under the heading *Flip-In Event* above, will have the right to receive the number of shares of common stock of the acquiring company which has a current market price equal to two times the exercise price of such right.

### ***Antidilution***

The number of outstanding rights associated with our common stock is subject to adjustment for any stock split, stock dividend or subdivision, combination or reclassification of our common stock occurring prior to the rights distribution date. With some exceptions, the rights agreement will not require us to adjust the exercise price of the rights until cumulative adjustments amount to at least 1% of the exercise price. It also will not require us to issue fractional shares of our preferred stock that are not integral multiples of one-thousandth of a share, and, instead we may make a cash adjustment based on the market price of the common stock on the last trading date prior to the date of exercise.

### ***Redemption of Rights***

At any time until the date on which the occurrence of a flip-in event is first publicly announced, we may order redemption of the rights in whole, but not in part, at a redemption price of \$0.01 per right. The redemption

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price is subject to adjustment for any stock split, stock dividend or similar transaction occurring before the date of redemption. At our option, we may pay that redemption price in cash or shares of common stock. The rights are not exercisable after a flip-in event if they are timely redeemed by us or until ten days following the first public announcement of a flip-in event. If our board of directors timely orders the redemption of the rights, the rights will terminate on the effectiveness of that action.

### ***Exchange of Rights***

We may, at our option, exchange the rights (other than rights owned by an acquiring person or an affiliate or an associate of an acquiring person, which have become void), in whole or in part. The exchange will be at an exchange ratio of one share of common stock per right, subject to specified adjustments at any time after the occurrence of a flip-in event and prior to any person other than us or our existing stockholders becoming the beneficial owner of 50% or more of our outstanding common stock for the purposes of the rights agreement.

### ***Amendment of Terms of Rights***

During the time the rights are redeemable, we may amend any of the provisions of the rights agreement, other than by decreasing the redemption price. Once the rights cease to be redeemable, we generally may amend the provisions of the rights agreement, other than to decrease the redemption price, only as follows:

to cure any ambiguity, defect or inconsistency;

to make changes that do not materially adversely affect the interests of holders of rights, excluding the interests of any acquiring person; or

to shorten or lengthen any time period under the rights agreement, except that we cannot lengthen the time period governing redemption or lengthen any time period that protects, enhances or clarifies the benefits of holders of rights other than an acquiring person.

### **Other Matters**

#### **Directors**

Our directors are elected by a majority of the votes cast by stockholders entitled to vote. There is no provision for cumulative voting.

Our board of directors must consist of at least one member. Stockholders may change the number of directors only by the affirmative vote of holders of a majority of the outstanding common stock. The board of directors may change the number of directors only by a majority vote of the entire board. Our board of directors is divided into three classes, with each class serving staggered, three-year terms. Each director shall be elected to serve until the next annual meeting of stockholders, at which the term expires for the relevant class, 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. Our board of directors has the authority to fix the amounts which shall be payable to the members of the board of directors for attendance at any meeting or for services rendered to us.

#### **Stockholder Meetings**

Under our bylaws, annual stockholder meetings will be held at a time and place selected by our board of directors. The meetings may be held in or outside of the Marshall Islands. Special meetings may be called by stockholders holding not less than one-fifth of all the outstanding shares entitled to vote at such meeting. Our board of directors may set a record date between 15 and 60 days before the date of any meeting to determine the stockholders that will be eligible to receive notice and vote at the meeting.

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### **Dissenters Rights of Appraisal and Payment**

Under the BCA, our stockholders have the right to dissent from various corporate actions, including any merger or consolidation sale of all or substantially all of our assets not made in the usual course of our business, and receive payment of the fair value of their shares. In the event of any further amendment of our amended and restated articles of incorporation, a stockholder also has the right to dissent and receive payment for his or her shares if the amendment alters certain rights in respect of those shares. The dissenting stockholder must follow the procedures set forth in the BCA to receive payment. In the event that we and any dissenting stockholder fail to agree on a price for the shares, the BCA procedures involve, among other things, the institution of proceedings in the high court of the Republic of the Marshall Islands or in any appropriate court in any jurisdiction in which the company's shares are primarily traded on a local or national securities exchange.

### **Stockholders Derivative Actions**

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

### **Limitations on Liability and Indemnification of Officers and Directors**

The BCA authorizes corporations to limit or eliminate the personal liability of directors and officers to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties. Our bylaws include a provision that eliminates the personal liability of directors for monetary damages for actions taken as a director to the fullest extent permitted by law.

Our bylaws provide that we must indemnify our directors and officers to the fullest extent authorized by law. We are also expressly authorized to advance certain expenses (including attorneys fees and disbursements and court costs) to our directors and officers and carry directors' and officers' insurance providing indemnification for our directors, officers and certain employees for some liabilities. We believe that these indemnification provisions and insurance are useful to attract and retain qualified directors and executive offices.

The limitation of liability and indemnification provisions in our amended and restated articles of incorporation and bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. In addition, your investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

There is currently no pending material litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought.

### **Anti-takeover Effect of Certain Provisions of our Amended and Restated Articles of Incorporation and Bylaws**

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

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### ***Business Combinations***

Our amended and restated articles of incorporation generally prohibit us from entering into a business combination with an interested shareholder for a period of three years following the date on which the person became an interested shareholder. Interested shareholder is defined, with certain exceptions, as a person who (i) owns more than 15% of our outstanding voting stock, or (ii) is an affiliate or associate of the Company that owned more than 15% of our outstanding stock at any time in the prior three years from the date the determination is being made as to whether he or she is an interested shareholder.

This prohibition does not apply in certain circumstances such as if (i) prior to the person becoming an interested shareholder, our board of directors approved the business combination or the transaction which resulted in the person becoming an interested shareholder, or (ii) the person became an interested shareholder prior to the Company's initial public offering.

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

Under the terms of our amended and restated articles of incorporation, our board of directors has authority, without any further vote or action by our stockholders, to issue up to 25,000,000 shares of blank check preferred stock. Our board of directors may issue shares of preferred stock on terms calculated to discourage, delay or prevent a change of control of our company or the removal of our management.

### ***Classified Board of Directors***

Our 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 us. It could also delay stockholders who do not agree with the policies of our board of directors from removing a majority of our board of directors for two years.

### ***Election and Removal of Directors***

Our amended and restated articles of incorporation prohibit cumulative voting in the election of directors. Our bylaws require parties other than the board of directors to give advance written notice of nominations for the election of directors. Our articles of incorporation also provide that our directors may be removed only for cause and only upon the affirmative vote of a majority 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.

### ***Limited Actions by Stockholders***

Our amended and restated articles of incorporation and our bylaws provide that any action required or permitted to be taken by our stockholders must be effected at an annual or special meeting of stockholders or by the unanimous written consent of our stockholders. Our amended and restated articles of incorporation and our bylaws provide that, subject to certain exceptions, our Chairman, Chief Executive Officer, or Secretary at the direction of the board of directors or holders of not less than one-fifth of all outstanding shares may call special meetings of our stockholders and the business transacted at the special meeting is limited to the purposes stated in the notice. Accordingly, a stockholder may be prevented from calling a special meeting for stockholder consideration of a proposal over the opposition of our board of directors and stockholder consideration of a proposal may be delayed until the next annual meeting.

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### ***Stockholders Rights Agreement***

Our Stockholders Rights Agreement may have anti-takeover effects. The rights exercisable under the Stockholders Rights Agreement will cause substantial dilution to any person or group that attempts to acquire us without the approval of our board of directors. Please see Preferred Stock Purchase Rights.

### ***Advance Notice Requirements for Stockholder Proposals and Director Nominations***

Our bylaws provide that stockholders seeking to nominate candidates for election as directors or to bring business before an annual meeting of stockholders must provide timely notice of their proposal in writing to the corporate secretary. Generally, to be timely, a stockholder's notice must be received at our principal executive offices not less than 90 days nor more than 120 days prior to the date on which we first mailed our proxy materials for the preceding year's annual meeting. Our bylaws also specify requirements as to the form and content of a stockholder's notice. These provisions may impede stockholders' ability to bring matters before an annual meeting of stockholders or make nominations for directors at an annual meeting of stockholders.

### **Transfer Agent**

The registrar and transfer agent for our common stock is BNY Mellon Shareowner Services.

### **Listing**

Shares of our common stock are listed on the New York Stock Exchange under the symbol DSX.

## **DESCRIPTION OF OTHER SECURITIES**

### **Debt Securities**

We may 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. 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. These indentures will be filed either as exhibits to an amendment to this Registration Statement or a prospectus supplement, or as an exhibit to a Securities Exchange Act of 1934, or Exchange Act, report that will be incorporated by reference to the Registration Statement or a prospectus supplement. We will refer to any or all of these reports as subsequent filings. 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. The aggregate principal amount of debt securities which may be issued under each indenture will be unlimited and 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.

Certain of our subsidiaries may guarantee the debt securities we offer. Those guarantees may or may not be secured by liens, mortgages, and security interests in the assets of those subsidiaries. The terms and conditions of any such subsidiary guarantees, and a description of any such liens, mortgages or security interests, will be set forth in the prospectus supplement that will accompany this prospectus.

Our statements below relating to the debt securities and the indentures are summaries of their anticipated provisions, are not complete and are subject to, and are qualified in their entirety by reference to, all of the provisions of the applicable indenture and any applicable United States federal income tax considerations as well as any applicable modifications of or additions to the general terms described below in the applicable prospectus supplement or supplemental indenture.



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*General*

Neither indenture limits the amount of debt securities which may be issued. The debt securities may be issued in one or more series. The senior debt securities will be unsecured and will rank on a parity with all of our other unsecured and unsubordinated indebtedness. Each series of subordinated debt securities will be unsecured and subordinated to all present and future senior indebtedness. Any such debt securities will be described in an accompanying prospectus supplement.

You should read the 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 offered 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 conversion or exchangeability provisions;

the date, if any, after which and the price or prices at which the offered 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 offered debt securities of the series will be issuable;

if other than the full principal amount, the portion of the principal amount of offered debt securities of the series which 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 offered 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 offered 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 offered debt securities, which may not be inconsistent with the applicable indenture;

whether the offered debt securities will be issued in the form of global securities or certificates in registered or bearer form;

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any terms with respect to subordination;

any listing on any securities exchange or quotation system;

additional provisions, if any, related to defeasance and discharge of the offered debt securities; and

the applicability of any guarantees.

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 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.

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

*Senior Debt*

We will issue senior debt securities under the senior debt indenture. These senior debt securities will rank on an equal basis with all our other unsecured debt except subordinated debt.

*Subordinated Debt*

We will issue subordinated debt securities under the subordinated debt indenture. Subordinated debt will rank subordinate and junior in right of payment, to the extent set forth in the subordinated debt indenture, to all our senior debt (both secured and unsecured).

In general, the holders of all senior debt are first entitled to receive payment of the full amount unpaid on senior debt before the holders of any of the subordinated debt securities are entitled to receive a payment on account of the principal or interest on the indebtedness evidenced by the subordinated debt securities in certain events.

If we default in the payment of any principal of, or premium, if any, or interest on any senior debt when it becomes due and payable after any applicable grace period, then, unless and until the default is cured or waived or ceases to exist, we cannot make a payment on account of or redeem or otherwise acquire the subordinated debt securities.

If there is any insolvency, bankruptcy, liquidation or other similar proceeding relating to us or our property, then all senior debt must be paid in full before any payment may be made to any holders of subordinated debt securities.

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Furthermore, if we default in the payment of the principal of and accrued interest on any subordinated debt securities that is declared due and payable upon an event of default under the subordinated debt indenture, holders of all our senior debt will first be entitled to receive payment in full in cash before holders of such subordinated debt can receive any payments.

Senior debt means:

the principal, premium, if any, interest and any other amounts owing in respect of our indebtedness for money borrowed and indebtedness evidenced by securities, notes, debentures, bonds or other similar instruments issued by us, including the senior debt securities or letters of credit;

all capitalized lease obligations;

all hedging obligations;

all obligations representing the deferred purchase price of property; and

all deferrals, renewals, extensions and refundings of obligations of the type referred to above;  
but senior debt does not include:

subordinated debt securities; and

any indebtedness that by its terms is subordinated to, or ranks on an equal basis with, our subordinated debt securities.

*Covenants*

Any series of offered 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:

the ability of us or our subsidiaries to incur either secured or unsecured debt, or both;

the 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*

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 no modification that:

- (1) changes the amount of securities whose holders must consent to an amendment, supplement or waiver;
- (2) 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;

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- (3) reduces the principal or changes the maturity of any security or reduce the amount of, or postpone the date fixed for, the payment of any sinking fund or analogous obligation;
- (4) 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);
- (5) makes the principal of or interest, if any, on any security payable in any currency other than that stated in the security;
- (6) 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
- (7) waives a redemption payment with respect to any security or change 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.

*Events of Default*

Each indenture defines 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 when due;

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 filing, 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 does not necessarily constitute an event of default with respect to any other series of debt securities.

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

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. Any event of default for the debt securities of any series which has been cured may be waived by the holders of a majority in aggregate principal amount of the debt securities of that series then outstanding.

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Each indenture requires 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. Each indenture provides 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, each indenture provides 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 provides 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 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 U.S. 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. 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*

The terms of the debt securities provide us with the right to omit complying with specified covenants and that specified events of default described in a subsequent filing will not apply. In order to exercise this right, we will be required to 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 principal, premium, if any, 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 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.

A subsequent filing may further describe the provisions, if any, of any particular series of offered debt securities permitting a discharge defeasance.

### *Subsidiary Guarantees*

Certain of our subsidiaries may guarantee the debt securities we offer. In that case, the terms and conditions of the subsidiary guarantees will be set forth in the applicable prospectus supplement. Unless we indicate differently in the applicable prospectus supplement, if any of our subsidiaries guarantee any of our debt securities that are subordinated to any of our senior indebtedness, then the subsidiary guarantees will be subordinated to the senior indebtedness of such subsidiary to the same extent as our debt securities are subordinated to our senior indebtedness.



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*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 expect that the following provisions will apply to depository arrangements for any portion of a series of debt securities to be represented by a global security. Any additional or different terms of the depository arrangement will be described in an applicable subsequent filing.

Upon the issuance of any global security, and the deposit of that global security with or on behalf of the depository for the global security, the depository will credit, on its book-entry registration and transfer system, the principal amounts of the debt securities represented by that global security to the accounts of institutions that have accounts with the depository or its nominee. The accounts to be credited will be designated by the underwriters or agents engaging in the distribution of the debt securities or by us, if the debt securities are offered and sold directly by us. Ownership of beneficial interests in a global security will be limited to participating institutions or persons that may hold interest through such participating institutions. Ownership of beneficial interests by participating institutions in the global security will be shown on, and the transfer of the beneficial interests will be effected only through, records maintained by the depository for the global security or by its nominee. Ownership of beneficial interests in the global security by persons that hold through participating institutions will be shown on, and the transfer of the beneficial interests within the participating institutions will be effected only through, records maintained by those participating institutions. The laws of some jurisdictions may require that purchasers of securities take physical delivery of the securities in certificated form. The foregoing limitations and such laws may impair the ability to transfer beneficial interests in the global securities.

So long as the depository for a global security, or its nominee, is the registered owner of that global security, the depository or its nominee, as the case may be, will be considered the sole owner or holder of the debt securities represented by the global security for all purposes under the applicable indenture. Unless otherwise specified in an applicable subsequent filing and except as specified below, owners of beneficial interests in the global security will not be entitled to have debt securities of the series represented by the global security registered in their names, will not receive or be entitled to receive physical delivery of debt securities of the series in certificated form and will not be considered the holders thereof for any purposes under the indenture. Accordingly, each person owning a beneficial interest in the global security must rely on the procedures of the depository and, if such person is not a participating institution, on the procedures of the participating institution through which the person owns its interest, to exercise any rights of a holder under the indenture.

The depository may grant proxies and otherwise authorize participating institutions to give or take any request, demand, authorization, direction, notice, consent, waiver or other action which a holder is entitled to give or take under the applicable indenture. We understand that, under existing industry practices, if we request any action of holders or any owner of a beneficial interest in the global security desires to give any notice or take any action a holder is entitled to give or take under the applicable indenture, the depository would authorize the participating institutions to give the notice or take the action, and participating institutions would authorize beneficial owners owning through such participating institutions to give the notice or take the action or would otherwise act upon the instructions of beneficial owners owning through them.

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Unless otherwise specified in an applicable subsequent filings, payments of principal, premium and interest on debt securities represented by global security registered in the name of a depository or its nominee will be made by us to the depository or its nominee, as the case may be, as the registered owner of the global security.

We expect that the depository for any debt securities represented by a global security, upon receipt of any payment of principal, premium or interest, will credit participating institutions' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the global security as shown on the records of the depository. We also expect that payments by participating institutions to owners of beneficial interests in the global security held through those participating institutions will be governed by standing instructions and customary practices, as is now the case with the securities held for the accounts of customers registered in street names, and will be the responsibility of those participating institutions. None of us, the trustees or any agent of ours or the trustees will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial interests in a global security, or for maintaining, supervising or reviewing any records relating to those beneficial interests.

Unless otherwise specified in the applicable subsequent filings, a global security of any series will be exchangeable for certificated debt securities of the same series only if:

the depository for such global securities notifies us that it is unwilling or unable to continue as depository or such depository ceases to be a clearing agency registered under the Exchange Act and, in either case, a successor depository is not appointed by us within 90 days after we receive the notice or become aware of the ineligibility;

we in our sole discretion determine that the global securities shall be exchangeable for certificated debt securities; or

there shall have occurred and be continuing an event of default under the applicable indenture with respect to the debt securities of that series.

Upon any exchange, owners of beneficial interests in the global security or securities will be entitled to physical delivery of individual debt securities in certificated form of like tenor and terms equal in principal amount to their beneficial interests, and to have the debt securities in certificated form registered in the names of the beneficial owners, which names are expected to be provided by the depository's relevant participating institutions to the applicable trustee.

In the event that the Depository Trust Company, or DTC, acts as depository for the global securities of any series, the global securities will be issued as fully registered securities registered in the name of Cede & Co., DTC's partnership nominee.

DTC is a limited purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participating institutions deposit with DTC. DTC also facilitates the settlement among participating institutions of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in participating institutions' accounts, thereby eliminating the need for physical movement of securities certificates. Direct participating institutions include securities brokers and dealers, banks, trust companies, clearing corporations and other organizations. DTC is owned by a number of its direct participating institutions and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as securities brokers and dealers and banks and trust companies that clear through or maintain a custodial relationship with a direct participating institution, either directly or indirectly. The rules applicable to DTC and its participating institutions are on file with the Commission.

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To facilitate subsequent transfers, the debt securities may be registered in the name of DTC's nominee, Cede & Co. The deposit of the debt securities with DTC and their registration in the name of Cede & Co. will effect no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the debt securities. DTC's records reflect only the identity of the direct participating institutions to whose accounts debt securities are credited, which may or may not be the beneficial owners. The participating institutions remain responsible for keeping account of their holdings on behalf of their customers.

Delivery of notices and other communications by DTC to direct participating institutions, by direct participating institutions to indirect participating institutions, and by direct participating institutions and indirect participating institutions to beneficial owners of debt securities are governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect.

Neither DTC nor Cede & Co. consents or votes with respect to the debt securities. Under its usual procedures, DTC mails a proxy to the issuer as soon as possible after the record date. The proxy assigns Cede & Co.'s consenting or voting rights to those direct participating institution to whose accounts the debt securities are credited on the record date.

If applicable, redemption notices shall be sent to Cede & Co. If less than all of the debt securities of a series represented by global securities are being redeemed, DTC's practice is to determine by lot the amount of the interest of each direct participating institution in that issue to be redeemed.

To the extent that any debt securities provide for repayment or repurchase at the option of the holders thereof, a beneficial owner shall give notice of any option to elect to have its interest in the global security repaid by us, through its participating institution, to the applicable trustee, and shall effect delivery of the interest in a global security by causing the direct participating institution to transfer the direct participating institution's interest in the global security or securities representing the interest, on DTC's records, to the applicable trustee. The requirement for physical delivery of debt securities in connection with a demand for repayment or repurchase will be deemed satisfied when the ownership rights in the global security or securities representing the debt securities are transferred by direct participating institutions on DTC's records.

DTC may discontinue providing its services as securities depository for the debt securities at any time. Under such circumstances, in the event that a successor securities depository is not appointed, debt security certificates are required to be printed and delivered as described above.

We may decide to discontinue use of the system of book-entry transfers through the securities depository. In that event, debt security certificates will be printed and delivered as described above.

**The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be reliable, but we take no responsibility for its accuracy.**

## **Warrants**

We may issue warrants to purchase our debt or equity securities or securities of third parties or other rights, including rights to receive payment in cash or securities based on the value, rate or price of one or more specified commodities, currencies, securities or indices, or any combination of the foregoing. 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.

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The applicable prospectus supplement will describe the following terms of any warrants in respect of which this prospectus is being delivered:

the title of such warrants;

the aggregate number of such warrants;

the price or prices at which such warrants will be issued;

the currency or currencies, in which the price of such warrants will be payable;

the securities or other rights, including rights to receive payment in cash or securities based on the value, rate or price of one or more specified commodities, currencies, securities or indices, or any combination of the foregoing, purchasable upon exercise of such warrants;

the price at which and the currency or currencies, in which the securities or other rights 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.

**Purchase Contracts**

We may issue purchase contracts for the purchase or sale of:

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debt or equity securities issued by us or securities of third parties, a basket of such securities, an index or indices of such securities or any combination of the above as specified in the applicable prospectus supplement;

currencies; or

commodities.

Each purchase contract will entitle the holder thereof to purchase or sell, and obligate us to sell or purchase, on specified dates, such securities, currencies or commodities 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 property otherwise deliverable or, in the case of purchase contracts on underlying currencies, by delivering the underlying currencies, 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, currencies or commodities and any acceleration, cancellation or termination provisions 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

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payments may be unsecured or prefunded 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.

### **Units**

As specified in the applicable prospectus supplement, we may issue units consisting of one or more purchase contracts, warrants, debt securities, preferred stock, common stock or any combination of such securities. The applicable prospectus supplement will describe:

the terms of the units and of the purchase contracts, warrants, debt securities, preferred stock and common stock 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; and a description of the provisions for the payment, settlement, transfer or exchange of the units.

### **TAX CONSIDERATIONS**

Please see the information below as an update to the section entitled "Taxation" in our Annual Report on Form 20-F filed on February 27, 2009 for the year ended December 31, 2008 and the documents we have incorporated by reference in this prospectus including this "Taxation" section in future annual reports, for a discussion of the provisions of the U.S. Internal Revenue Code of 1986, as amended, existing and proposed U.S. Treasury Department regulations, administrative rulings, pronouncements and judicial decisions. Please see "Where You Can Find Additional Information" Information Incorporated by Reference.

### **Passive Foreign Investment Company Status and Significant Tax Consequences**

Special U.S. federal income tax rules apply to a U.S. Holder that holds stock in a foreign corporation classified as a passive foreign investment company, or a PFIC, for U.S. federal income tax purposes. In general, the Company will be treated as a PFIC with respect to a U.S. Holder if, for any taxable year in which such holder held the Company's common shares, either

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

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

For purposes of determining whether the Company is a PFIC, the Company will be treated as earning and owning its proportionate share of the income and assets, respectively, of any of its subsidiary corporations in which it owns at least 25% of the value of the subsidiary's stock. Income earned, or deemed earned, by the Company in connection with the performance of services would not constitute passive income. By contrast, rental income would generally constitute passive income unless the Company is treated under specific rules as deriving its rental income in the active conduct of a trade or business.

Based on the Company's current operations and future projections, the Company does not believe that it is, nor does it expect to become, a PFIC with respect to any taxable year. Although there is no legal authority directly on point, the Company's belief is based principally on the position that, for purposes of determining

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whether the Company is a PFIC, the gross income the Company derives or is deemed to derive from the time chartering and voyage chartering activities of its wholly-owned subsidiaries should constitute services income, rather than rental income. Correspondingly, the Company believes that such income does not constitute passive income, and the assets that the Company or its wholly-owned subsidiaries own and operate in connection with the production of such income, in particular, the vessels, do not constitute passive assets for purposes of determining whether the Company is a PFIC. The Company believes there is substantial legal authority supporting its position consisting of case law and Internal Revenue Service pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. In addition, the Company has obtained an opinion from its counsel, Seward and Kissel LLP, that, based upon the Company's operations, its income from time charters should not be treated as passive income for purposes of determining whether the Company is a PFIC. However, there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. In the absence of any legal authority specifically relating to the statutory provisions governing passive foreign investment companies, the Internal Revenue Service or a court could disagree with this position. In addition, although the Company intends to conduct its affairs in a manner to avoid being classified as a PFIC with respect to any taxable year, there can be no assurance that the nature of its operations will not change in the future.

As discussed more fully below, if the Company were to be treated as a PFIC for any taxable year, a U.S. Holder would be subject to different taxation rules depending on whether the U.S. Holder makes an election to treat the Company as a Qualified Electing Fund, which election is referred to as a QEF election. As an alternative to making a QEF election, a U.S. Holder should be able to make a mark-to-market election with respect to the common shares, as discussed below.

*Taxation of U.S. Holders Making a Timely QEF Election*

If a U.S. Holder makes a timely QEF election, which U.S. Holder is referred to as an Electing Holder, the Electing Holder must report each year for U.S. federal income tax purposes his pro rata share of the Company's ordinary earnings and its net capital gain, if any, for the Company's taxable year that ends with or within the taxable year of the Electing Holder, regardless of whether or not distributions were received from the Company by the Electing Holder. The Electing Holder's adjusted tax basis in the common shares will be increased to reflect taxed but undistributed earnings and profits. Distributions of earnings and profits that had been previously taxed will result in a corresponding reduction in the adjusted tax basis in the common shares and will not be taxed again once distributed. An Electing Holder would generally recognize capital gain or loss on the sale, exchange or other disposition of the common shares. A U.S. Holder would make a QEF election with respect to any year that the Company is a PFIC by filing IRS Form 8621 with his U.S. federal income tax return. If the Company was aware that it was to be treated as a PFIC for any taxable year, it would provide each U.S. Holder with all necessary information in order to make the QEF election described above.

*Taxation of U.S. Holders Making a Mark-to-Market Election*

Alternatively, if the Company were to be treated as a PFIC for any taxable year and, as anticipated, the common shares are treated as marketable stock, a U.S. Holder would be allowed to make a mark-to-market election with respect to the Company's common shares provided the U.S. Holder completes and files IRS Form 8621 in accordance with the relevant instructions and related Treasury regulations. If that election is made, the U.S. Holder generally would include as ordinary income in each taxable year the excess, if any, of the fair market value of the common shares at the end of the taxable year over such holder's adjusted tax basis in the common shares. The U.S. Holder would also be permitted an ordinary loss in respect of the excess, if any, of the U.S. Holder's adjusted tax basis in the common shares over its fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A U.S. Holder's tax basis in his common shares would be adjusted to reflect any such income or loss amount. Gain realized on the sale, exchange or other disposition of the common shares would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of the common shares would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included by the U.S. Holder.

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*Taxation of U.S. Holders Not Making a Timely QEF or Mark-to-Market Election*

Finally, if the Company were to be treated as a PFIC for any taxable year, a U.S. Holder who does not make either a QEF election or a mark-to-market election for that year, whom is referred to as a Non-Electing Holder, would be subject to special rules with respect to (1) any excess distribution (i.e., the portion of any distributions received by the Non-Electing Holder on the common shares in a taxable year in excess of 125% of the average annual distributions received by the Non-Electing Holder in the three preceding taxable years, or, if shorter, the Non-Electing Holder's holding period for the common shares), and (2) any gain realized on the sale, exchange or other disposition of the common shares. Under these special rules:

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

the amount allocated to the current taxable year and any taxable years before the Company became a PFIC would be taxed as ordinary income; and

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

These penalties would not apply to a pension or profit sharing trust or other tax-exempt organization that did not borrow funds or otherwise utilize leverage in connection with its acquisition of the common shares. If the Company is a PFIC and Non-Electing Holder who is an individual dies while owning the common shares, such holder's successor generally would not receive a step-up in tax basis with respect to such common shares.

**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        | \$        | *        |
| Blue sky fees and expenses         | \$        | *        |
| Printing and engraving expenses    | \$        | *        |
| Legal fees and expenses            | \$        | *        |
| Accounting fees and expenses       | \$        | *        |
| Indenture trustee fees and experts | \$        | *        |
| Transfer agent and registrar       | \$        | *        |
| Miscellaneous                      | \$        | *        |
| <b>Total</b>                       | <b>\$</b> | <b>*</b> |

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

**LEGAL MATTERS**

The validity of the securities offered by this prospectus 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.

**EXPERTS**



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The consolidated financial statements of Diana Shipping Inc. appearing in Diana Shipping Inc.'s Annual Report on Form 20-F for the year ended December 31, 2008 and the effectiveness of Diana Shipping Inc.'s

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internal control over financial reporting as of December 31, 2008, have been audited by Ernst & Young (Hellas) Certified Auditors Accountants S.A., independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

### **WHERE YOU CAN FIND ADDITIONAL INFORMATION**

As required by the Securities Act of 1933, 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 within the Commission. You may read and copy any document that we file at the public reference room maintained by the Commission at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling 1 (800) SEC-0330, and you may obtain copies at prescribed rates from the Public Reference Section of the 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. In addition, you can obtain information about us at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005. You may also learn about our Company by visiting our website at <http://www.dianashippinginc.com>. The information on our website is not a part of this prospectus.

#### *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 the documents listed below and any future filings made with the Commission under Section 13(a), 13(c) or 15(d) of the Securities Exchange Act of 1934: our annual report on Form 20-F for the year ended December 31, 2008, filed with the Commission on February 27, 2009, which contains audited consolidated financial statements for the most recent fiscal year for which those statements have been filed.

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 or other filings that we furnish to the Commission after the date of this prospectus (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, 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. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this

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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 filings or any subsequent filing we incorporated by reference to this prospectus by writing or telephoning us at the following address:

Diana Shipping Inc.

Pendelis 16

175 64 Palaio Faliro

Athens, Greece

011 30 (210) 947-0100

**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 public accountants, and intend to furnish semi-annual reports containing selected unaudited financial data for the first six months of each fiscal year. The audited financial statements will be prepared in accordance with United States generally accepted accounting principles and those reports will include a Management's Discussion and Analysis of Financial Condition and Results of Operations section for the relevant periods. As a foreign private issuer, we are exempt from the rules under the Securities Exchange Act prescribing the furnishing and content of proxy statements to shareholders. While we intend to furnish proxy statements to any shareholder in accordance with the rules of the New York Stock Exchange, those proxy statements are not expected to conform to Schedule 14A of the proxy rules promulgated under the Exchange Act. In addition, as a foreign private issuer, we 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 of 1933 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 Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is therefore unenforceable.

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**6,000,000 Shares**

**Diana Shipping Inc.**

**Common Stock**

PROSPECTUS SUPPLEMENT

**UBS Investment Bank**