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ASST. CLERK OF COURTS  
REPUBLIC OF THE MARSHALL ISLANDS

IN THE HIGH COURT OF THE  
REPUBLIC OF THE MARSHALL ISLANDS

MICHAEL SAMMONS, personally, )  
& Derivatively, )

Plaintiff, )

\_\_\_\_\_  
vs. )

GEORGE ECONOMOU )  
DRYSHIPS, INC. )

Defendants. )  
\_\_\_\_\_)

Civil Action No. 2017- 131

**SUMMONS**

To: Defendants: George Economou & Dryships, Inc.,

Your are hereby summoned and notified to file any answer you may wish to make to the complaint, a copy of which is provided to you herewith, within 21 days after service of this SUMMONS upon you and to deliver or mail a copy of your answer to JOHN E. MASEK, ESQ., at P.O. Box 3373 Majuro, Marshall Islands, 96960 or at Suite #5, Payless, Majuro, Marshall Islands. It may also be prepared and signed by your Counsel and sent to the Clerk of Courts by messenger or mail. It is not necessary to appear personally until further notice.

If you fail to answer in accordance with this SUMMONS judgment by default may be taken against you for the relief requested in this Complaint.

By Order of the above Court.

Dated at Majuro this 3<sup>rd</sup> day of July, 2017.

*Stanne*  
Clerk of Courts



**John E. Masek**  
P.O. Box 3373,  
Majuro, MH 96960  
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GEORGE ECONOMOU )  
DRYSHIPS, INC. )  
)  
Defendants. )  
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**Civil Action No. 2017- 131**

**Complaint for:  
Breach of Fiduciary Duties and Fraud;  
Unjust Enrichment;  
Conflict of Interest; and  
Derivative Demand and Claim.**

## COMPLAINT

Michael Sammons, through his attorney John E. Masik, files this complaint (1) against GEORGE ECONOMOU (“Economou”), the CEO and Chairman and 99.8% controlling stockholder of DRYSHIPS, INC. (“DRYSHIPS”), and also against DRYSHIPS, and (2) derivatively on behalf DRYSHIPS, INC. against Economou.

## THE PARTIES AND ADDRESSES

1. Plaintiff Michael Sammons is a citizen and resident of the State of Texas in the United States of America, with address 15706 Seekers St, San Antonio, TX 78255.  
Email address: **michaelsammons@yahoo.com**
2. Defendant George Economou is a citizen and resident of Athens, Greece, with a business mailing address of 109 Kifisias Avenue and Sina Street, Athens, Greece.

Email address: **finance@dryships.com**

3. Defendant DRYSHIPS, INC. ("DRYSHIPS") is a corporation organized under the laws of the Marshall Islands. Its registered agent is "The Trust Company of the Marshall Islands, Inc., Marshall Islands Trust Company Complex, Ajeltake Island, P.O. Box 1405, Majuro, Marshall Islands MH 96960." Email: **finance@dryships.com**

## **INTRODUCTION**

4. This is a direct minority shareholder action against DRYSHIPS controlling stockholder George Economou, and DRYSHIPS, for breach of fiduciary duties, fraud, and unjust enrichment, seeking damages and equitable relief.

5. This is also a shareholder derivative action brought by minority shareholder Michael Sammons on behalf of DRYSHIPS against Defendant George Economou, seeking damages and equitable relief.

6. Plaintiff alleges that the Defendants intentionally and recklessly breached their fiduciary duties by approving and executing an ongoing dilutive issuance of new DRYSHIPS common shares, without regard to reasonable market conditions or price, and which was not the product of good faith business judgment, and that served to only enrich Defendant Economou, at the expense of the Plaintiff, DRYSHIPS, and its common shareholders.

## **FACTS**

7. Plaintiff Michael Sammons is a shareholder of DRYSHIPS, Inc., was a shareholder at the time of the wrongdoing alleged in this case, and has been since that time.

8. DRYSHIPS is a corporation incorporated under the laws of the Republic of the Marshall Islands and headquartered in Athens, Greece.

9. Defendant Economou founded the Company in 2004 as a holding company engaged in the ocean transportation of dry bulk cargoes worldwide, and is the current CEO and Chairman of the Board for DRYSHIPS.

10. DRYSHIPS has been a publicly traded company since February 2005. Shares of DRYSHIPS' common stock are traded on the NASDAQ Global Market stock exchange under the symbol "DRYS."

11. In a February 28, 2005 article entitled "The Golden Fleece?" Economou was quoted as saying that **"Americans are the dumbest investors around ..."**

12. In subsequent interviews Economou has expressed unvarnished disdain for DRYSHIPS' common shareholders, mostly Americans, implying that the only ones trading DRYSHIPS shares were fools, computer programs, and day-traders.

13. DRYSHIPS was on the verge of bankruptcy in 2016, but through a fortuitous (and suspicious) short squeeze of DRYSHIPS shares, spiking the share price by over 1500% in a few days, DRYSHIPS was miraculously in position to immediately take advantage (literally the next day) by issuing shares at the artificial and inflated trading price. As a result of that fortuitous series of events, DRYSHIPS was able to issue over \$500 million in new DRYSHIPS common stock in the past eight months.

14. DRYSHIPS reported on June 22, 2017 the following key financial facts: (a) cash of \$113.1 million, (b) ships with a book value of \$529.1 million, (c) total debt of \$200 million, (d) total common equity value of \$442.2 million, and (e) 5,652,257 outstanding common shares (\$78.23/share).

15. DRYSHIPS is essentially debt-free except for \$200 million owned to Economou, which is unsecured and not due for several years. As part of the compensation for that loan, in addition to a market interest rate, Economou is to receive 30% of the profits from the future sale of many of the ships owned by DRYSHIPS.

16. With over \$600 million in cash and unencumbered assets to support additional debt, DRYSHIPS has absolutely no need to issue additional equity at this time – certainly not equity at a 96-97% discount to fair value. Economou explicitly stated that after the delivery of the four most recently purchased new ships, that DRYSHIPS would still have 32 vessels, all unencumbered, which "assuming a modest 50% leverage of the market value of these assets, this would imply the ability to raise approximately \$250 million."

17. Economou, through ownership of 29,166 super-voting preferred shares (100,000 votes per share) has more than 99.9% of voting control of DRYSHIPS. Economou owns virtually no common shares. Economou, with control of 99.9% of voting shares, and iron control of the small board (consisting of only Economou and two hand-picked long-time associates of Economou who have never been known to oppose any Economou scheme), have the common shareholders of DRYSHIPS, mostly Americans investors, at his mercy, tempered only by fiduciary obligations which Economou believes do not apply to him.

18 Economou personally benefits from a greater number of ships owned by DRYSHIPS because virtually all ships are managed by the "TMS Entities," a group of ship management companies majority owned and controlled by Economou. Such payments will exceed \$7 million per year upon delivery of all optioned or purchased ships to be delivered by year end. If additional shares are issued, regardless of price, Economou will benefit from higher TMS Entities management fees.

19. Beginning sometime prior to June 22, 2017 Economou began executing a fourth dilutive common stock issuance (following three similar and successful transactions) in which DRYSHIPS would issue millions of new DRYSHIPS shares regardless of market conditions and regardless of price.

20. Economou, through a \$2 billion shelf offering statement, had previously signaled to the market that he could issue an additional \$2 billion in DRYSHIPS shares anytime in the future.

21. In the most recent similar transaction conducted in April-May, 2017, Economou began issuing new shares regardless of price and at discounts to true value per share approaching 90%. Economou had made clear that he would issue such additional shares regardless of price and regardless of the resulting loss suffered by DRYSHIPS and all of its common shareholders. Combined with the \$2 billion shelf offering statement, Economou has utterly undermined and destroyed any semblance of a rational or efficient public market for DRYSHIPS common shares.

22. The mechanism used to issue new shares was that DRYSHIPS sold unissued discounted DRYSHIPS shares to co-conspirator Kalani Investments, a shell corporation run by

Mark Bistricher of Toronto based Murchinson, Ltd, which would then dump them on the market regardless of price.

23. As of June 22, 2017 Economou and Kalani intended to issue an additional \$100+ million of new shares into the market regardless of price. As they fully expected, their intent to issue \$100+ million of new shares, and eventually perhaps an additional \$2 billion in shares, all without regard to price, caused a dramatic implosion in the price of DRYSHIPS stock. DRYSHIPS common shares, which had recently traded for a split-adjusted price of \$50/share, traded as low as \$2.82 on June 22, 2017 and as low as \$2.43 on June 23, 2017.

24. DRYSHIPS, through co-conspirator Kalani, dumped almost 4 million shares into the dysfunctional market (they created) from June 19 to June 23, at an average price of \$3.23/share (a 96% discount to tangible liquidation/book value per share), signaling its continued intent to issue shares regardless of price and at staggering losses to all common shareholders.

25. Based upon the trajectory of the decline in DRYSHIPS share price in the face of such stock issuances the remaining \$100+ million in new shares will be issued over the next several weeks at an average price of approximately \$1/share (or less), an almost 99% discount to the June 22, 2017 net liquidation or book value per share.

26. On June 22, 2017 the existing DRYSHIPS common shareholders, owning all 5,652,257 common shares outstanding, had an aggregate liquidation or book equity value of \$442.2 million (\$78.23/share). Within several weeks from now, after the issuance of the new \$100+ million at a 97-99% discount to true value, that \$442.2 million (\$78.23/share) will have been reduced to approximately \$29 million (\$5.13/share), a loss of \$413 million to the June 22, 2017 owners of DRYSHIPS (a 92% loss in the value of their DRYSHIPS equity).

27. There is no remotely reasonable, economic, or good faith reason for intentionally inflicting such a devastating \$413 million loss upon all June 22, 2017 DRYSHIPS common shareholders.

28. Mr. Economou has a severe conflict of interest, aside from his pathological predatory disdain for American investors, in that such dilution only benefits him personally. The more equity that is issued, regardless of price, the better secured and valuable his DRYSHIPS debt be-

comes. And the more ships that DRYSHIPS can buy, with such stock issuance proceeds, regardless of the issuance price,

(a) increases the number of DRYSHIPS ships which can be sold in the future with 30% of any profits going to Economou, and (b) increases the management fees also going to Economou.

### **Count 1: Breach of Fiduciary Duties and Fraud**

29. Paragraphs 1-28 of this Complaint are incorporated within this Count as if fully included herein.

30. Defendant Economou controls over 99.9% of DRYSHIPS shareholder votes through ownership of super-voting preferred shares (100,000 votes for each of 29,166 preferred shares), and he is therefore the sole controlling shareholder.

31. Economou personally benefits from a greater number of ships owned by DRYSHIPS because virtually all ships are managed by the "TMS Entities," a group of ship management companies majority owned and controlled by Economou. Such payments will exceed \$10 million per year upon delivery of all optioned or purchased ships to be delivered by year end. If additional shares are issued, regardless of price, Economou and his sister benefit from proportionally higher TMS Entities management fees.

32. Defendant Economou has breached his fiduciary duties to the Plaintiff and all common shareholders of DRYSHIPS by issuing new shares at prices at which no rational or sane businessman would ever agree to do so.

33. Defendant Economou has destroyed a functional public market for DRYSHIPS common shares by publicizing his insane and irrational intent to issue millions, if not billions, of additional shares *regardless of price* and regardless of the resulting financial devastation to current DRYSHIPS shareholders.

34. But for such breach of fiduciary duties, the Plaintiff and all existing common shareholders would have the benefit of an efficient and functional public market to buy and sell DRYSHIPS shares. In such a public market the Plaintiff's shares would trade, based upon comparable publically trading shipping companies, at no less than \$39.00 per share (a 50% discount to liquidation/book value per share).

35. Such breach of fiduciary duties constitutes an intentional and reckless disregard of fiduciary duties with malice rising to the level of criminal fraud.

36. But for such breach of fiduciary duties and fraud, Plaintiff's DRYSHIPS common shares would be worth not less than \$39.00 per share, rather than the \$2.43 per share they last traded and the \$.50/share they are reasonably expected to trade for following the dumping of \$100+ million in new shares into the market without regard to market conditions or stock price; i.e., the market knows that if Economou is determined to dump millions and millions of new shares into the market, regardless of price, the trading price can only continue to drop.

37. Such reckless disregard of fiduciary duties, and intentional dereliction of such duties with malice, constituting fraud, warrants punitive damages to be determined by the Court.

#### **Count 2: Unjust Enrichment**

38. Paragraphs 1-37 of this Complaint are incorporated within this Count as if fully included herein.

39. Economou's scheme, constituting criminal fraud, only serves to enrich himself at the expense of the Plaintiff and all common shareholders.

40. If Economou issues a new DRYSHIPS share worth \$78.23/share (liquidation/book value) for \$2.43/share he is enriched as follows:

- (a) An additional \$2.43 in equity is paid into DRYSHIPS which increases the security and value of Economies' DRYSHIPS debt;
- (b) An additional \$2.43 in equity can go towards buying new DRYSHIPS' ships and Economou receives 30% of any profits from any future sale;
- (c) Economou personally benefits from a greater number of ships owned by DRYSHIPS because virtually all ships are managed by the "TMS Entities," a group of ship management companies majority owned and controlled by Economou. Such payments will exceed \$7 million per year upon delivery of all optioned or purchased ships to be delivered by year end. If additional shares are issued, regardless of price, Economou will benefit from higher TMS Entities management fees.



41. If Economou issues a new DRYSHIPS share worth \$78.23/share (liquidation/book value) for \$2.43/share the Plaintiff, and all common shareholders, are impoverished as follows:

42. If DRYSHIPS issues shares at \$2.43/share when DRYSHIPS liquidation/book value is \$78.23/share, which results in a dilutive loss of \$75.80 per share in equity value, such loss is suffered proportionally by all DRYSHIPS common shareholders.

43. The math is devastating: as of June 22, 2017 current DRYSHIPS equity was worth \$78.23/share and there were 5,652,257 shares outstanding, for a total equity value of \$442.2 million. If DRYSHIPS issues an additional 100 million shares at an average \$1/share (the exact scheme Economou is currently executing), in a matter of weeks total common shares will explode from the original 5,652,257 shares into 105,652,257 shares with a loss of liquidation/book value per share from \$78.23/share (\$442.2 million/5,652,257 shares) to \$5.13 [(\$442.2 million + new \$100 million equity)/105,652,257 shares], representing an aggregate devastating loss to the original June 22, 2017 DRYSHIPS shareholders of \$413.2 million (93% loss) in a few weeks.

44. The harm done to the Plaintiff under both this Count 2, and Count 1, supports both a direct and derivative claim. "The harm to the minority shareholder plaintiffs resulted from a breach of a fiduciary duty owed to them by the controlling shareholder, namely, not to cause the corporation to effect a transaction that would benefit the fiduciary at the expense of the minority stockholders." Gentile v. Rossette, 906 A.2d 91, 103 (Del. 2006); see also Cede & Co. v. Technicolor, Inc., 634 A.2d 345, 361 (Del.1993) ("the duty of loyalty mandates that the best interest of the corporation and its shareholders takes precedence over any interest possessed by a ... controlling shareholder and not shared by the stockholders generally."). In this case the majority controlling (preferred) shareholder, Economou, received benefits which the corporation did not, at the expense of the minority (common) shareholders.

### **Count 3: Conflict of Interest**

45. Paragraphs 1-44 to this Complaint are incorporated within this Count as if fully included herein.

46. The reckless disregard of fiduciary duties to the DRYSHIPS common shareholders, constituting criminal fraud, requires that this Court order DRYSHIPS to redeem or otherwise extinguish the super-voting preferred shares owned and so abused by Economou. Neither the laws of the Marshall Islands nor the DRYSHIPS Articles of Incorporation allow such reckless disregard of such fiduciary duties, amounting to criminal fraud, as has been displayed by Economou.

47. The reckless disregard of fiduciary duties to the DRYSHIPS common shareholders, constituting criminal fraud, also requires that this Court order DRYSHIPS to obtain a majority vote of non-insider controlled DRYSHIPS shares in the future for any issuance of new common shares at a greater than 25% discount to the lower of liquidation or book value per share.

#### **Count 4: Derivative Demand and Claim**

48. Paragraphs 1-47 of this Complaint are incorporated within this Count as if fully included herein.

49. On June 5, 2017 the Plaintiff (and his wife) made a formal shareholder derivative demand upon the DRYSHIPS Board of Directors calling for the prosecution of Defendant Economou for transactions in May, 2017 identical to those detailed in this Complaint, to recover from Economou similar damages for unreasonable, and fraudulent, issuance of shares at a 90+% discount in May, 2017. Such demand letter stated that the Plaintiff has been a continuous shareholder since April 6, 2017.

50. No response was received to such demand. Any future demand based upon the same dilutive scheme would therefore be pointless. Furthermore, no sane businessman issues new shares at \$2.43/share when the liquidation/book value is \$78.23/share, absent extreme exigent circumstances, none of which remotely exist here. Therefore the Sammons "shareholder derivative demand letter" was actually unnecessary for this derivative action to proceed.

51. The issuance of common stock at a 96-97% discount to liquidation or book value, in the absence of any exigent circumstances, and which causes a loss to all June 22, 2017 common shareholders of \$413.2 million of their \$442.2 combined equity value in DRYSHIPS, over a period of a matter of weeks, is a transaction "so one sided that no business person of ordinary,

sound judgment could conclude that the corporation has received adequate consideration.”  
Brehm v. Eisner, 746 A.2d 244 (Del. 2000).

52. As a direct result of the dilutive scheme, the stock price of DRYSHIPS has been reduced from a recent \$50.00 per share to a most recent low of \$1.26 on June 30, 2017, having dropped almost every day for the last trading month.

53. A Maryland appeals court in Oliveira v. Sugarman, 152 A. 3d 728, 748 (Md. Ct App 2017) recently best summarized Delaware law which recognizes direct action in cases where stock dilution results to a substantial loss of stock value:

“The Delaware Supreme Court permits direct claims, however, when minority shareholders have suffered a substantial decrease in the value of their stock due to share dilution. It first recognized such a claim in In re Tri-Star Pictures, Inc., Litigation, 634 A.2d 319 (Del. 1993), where the court explained that the economic harm due to share dilution was “the reduction in value of the minority stockholders’ shares, determined by the liquidation value of each share both before and after [the business decision].” *Id.* at 330. Furthermore, the court recognized that the plaintiffs “suffer harm by voting power dilution which, in essence, is no more than a relative diminution in the minority’s proportionate influence over corporate affairs.” *Id.* (footnote omitted). Accordingly, the court allowed the plaintiffs’ direct claims to proceed. *Id.* at 335.”

54. The “liquidation value” of Plaintiffs common shares was \$78.23/share on June 22, 2017. After the issuance of 10.8 million new common shares at a weighted average price of \$2.30 from June 19-30, 2017 the “liquidation value” of Plaintiffs’ shares had been reduced to \$28.45/share. Assuming an additional \$90 million in new shares are issued at an average weighted price of \$.50/share, the end result of the Defendants’ dilutive scheme will be a final liquidation value per share of \$2.84/share, a loss in liquidation value of  $\$78.23 - \$2.84 = \$75.39/\text{share}$  (96% loss in value).

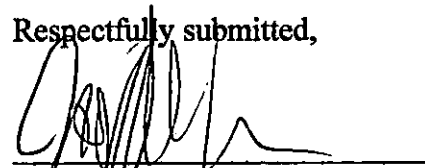
WHEREFORE PLAINTIFF seeks the following Relief:

1. Plaintiff seeks compensatory damages for 45,000 DRYSHIPS common shares he owns, in an amount estimated to be \$2,000,000 (the wrongs are continuing with escalating damages), and punitive damages, for the economic and financial loss to the value of his DRYSHIPS common shares against Defendant Economou, in precise compensatory and

punitive amounts to be determined by this Court, plus costs, interest, and any other relief deemed appropriate by this Court.

2. Plaintiff, in the derivative count, seeks compensatory damages, in an amount estimated to be \$413 million (the wrongs are continuing with escalating damages), and punitive damages against Defendant Economou for all issuances of common stock at unreasonable discounts to liquidation/book value on or after June 22, 2017 as determined this Court, as well as costs, interest, attorney fees, and any other relief deemed appropriate by this Court.
3. Plaintiff also seeks equitable relief through an Order requiring DRYSHIPS to (a) redeem or otherwise extinguish the 29,166 super-voting preferred shares so abused by Defendant Economou, and/or (b) requiring a majority vote of non-insider controlled DRYSHIPS shares for any issuance of new common shares in the future at a greater than 25% discount to the lower of liquidation or book value per share, as well as costs, interest, attorney fees, and any other relief deemed appropriate by this Court.

Respectfully submitted,



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John E. Masek, Attorney for  
Plaintiff.

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MICHAEL SAMMONS, personally,  
& Derivatively,

Plaintiff,

vs.

GEORGE ECONOMOU  
DRYSHIPS, INC.

Defendants.

Civil Action No. 2017- 131

PLAINTIFF'S MOTION FOR  
EMERGENCY TEMPORARY  
RESTRAINING ORDER ("TRO")  
and for PRELIMINARY INJUNCTION  
WITH AFFIDAVIT OF  
MICHAEL SAMMONS

Plaintiff Michael Sammons, through his attorney John Masek, Esq., directly and derivatively, as the owner of 45,000 common shares of Defendant DRYSHIPS, Inc. ("DRYSHIPS"), supported by the fully incorporated attached "**Affidavit of Michael Sammons**" ("Affidavit") with five Exhibits (all SEC filings by DRYSHIPS), respectfully moves this Honorable Court for an **emergency** temporary restraining order ("TRO") and a preliminary injunction ordering Defendants GEORGE ECONOMOU ("Economou") and DRYSHIPS to cease issuance of additional common shares of DRYSHIPS to co-conspirator Kalani Investments Limited ("Kalani") or any other person or entity at any price less than \$39.11/share (adjusted for any future splits), which is a 50% **discount** to the liquidation/book value per share of \$78.23 as reported to the SEC on a Form-6 filing on June 22, 2017, until this case is resolved.

### UNDISPUTED FACTS FROM SEC FILINGS

1. On June 22, 2017 there were 5,652,257 DRYSHIPS common shares outstanding with a tangible liquidation/book value of \$78.23/share for a total DRYSHIPS common shareholder equity value of \$442.2 million; i.e., if DRYSHIPS were subject to an orderly liquidation, proceeds to each common shareholder as of June 22, 2017 would be \$78.23 per share. See **Exhibits 1 and 3 to Affidavit of Michael Sammons**.
2. Of the \$529.9 million in current “market value” of 32 vessels owned by DRYSHIPS, Economou stated that, “assuming a modest 50% leverage of the market value of these assets ... (we could now) raise approximately \$250 million ...”). **Exhibits 1 and 3 to Affidavit of Michael Sammons**.
3. As of June 23, 2017 Economou stated that he intended to issue an additional \$107.3 million worth of new common shares (regardless of price). **Exhibit 2 to Affidavit of Michael Sammons**(“... up to \$107.3 million ... is remaining” – *to simplify calculations and the presentation in this motion a round \$100 million is used going forward*).
4. From June 19-23, 2017 Economou issued 3.9 million shares for an average \$3.23/share, a 96% discount to the \$78.23 June 22, 2017 liquidation value/share. **Exhibit 2 to Affidavit of Michael Sammons**.
5. From June 26 -30, 2017 Economou issued 6.9 million shares for an average \$1.93/share, a 98% discount to the \$78.23 June 22, 2017 liquidation value/share. **Exhibit 4 to Affidavit of Michael Sammons**.
6. Based upon the last 30 days stock trading trend, it is projected that the additional \$100 million will require an average selling price of less than \$1/share from June 22, 2017 on, which is almost a 99% discount to the \$78.23 liquidation value per share as of June 22, 2017. **Affidavit, #7 of Michael Sammons**.
7. As of June 22, 2017, current DRYSHIPS equity (actual liquidation value) was worth \$78.23/share and there were 5,652,257 shares outstanding, for a total equity value of \$442.2 million. If DRYSHIPS issues an additional 100 million shares at an average \$1/

share (the exact scheme Economou is currently executing), in a matter of weeks total common shares will explode from the original 5,652,257 shares into 105,652,257 shares with a loss of liquidation/book value per share from \$78.23/share (\$442.2 million/ 5,652,257 shares) to \$5.13/share [(\$442.2 million + new \$100 million equity)/ 105,652,257 shares], representing an aggregate devastating loss to 100% of the June 22, 2017 DRYSHIPS shareholders of \$413.2 million (a 93% equity loss) in a few weeks.

8. DRYSHIPS common shares, which had recently traded for a split-adjusted price of \$50.00/share, **traded as low as \$1.26 on June 30, 2017** as a result of Economou loudly telegraphing his intent to dump \$100 million in new common shares upon the market *regardless of price*. DRYSHIPS common shares have declined almost every one of the past 30 trading days as a result to \$1.26/share, which is by far the largest publicly traded discount to liquidation value *ever* seen in the free world.
9. As stated in the last Dryships Annual Report, a Form-20 filed with the SEC on March 13, 2017, of which this Court may take judicial notice:
  - a. Economou owns virtually no common stock. Economou owns \$8.75 million par value of 29,166 super-voting preferred shares (100,000 votes/share), which gives Economou 99.8% voting control of DRYSHIPS; **Affidavit of Michael Sammons, Exhibit 5.b**
  - b. Economou owns \$200 million in DRYSHIPS debt, which is unsecured and matures in 5 years. Economou receives a market rate of interest, plus 30% of any future profits from the sale of DRYSHIPS' vessels; **Affidavit of Michael Sammons, Exhibit 5.c**
  - c. Economou directly or indirectly owns 100% of various management companies ("TMS Entities") which receive over \$10 million per year in management fees from DRYSHIPS. **Affidavit of Michael Sammons, Exhibit 5.d**
10. Economou personally benefits from raising equity, *regardless of the price*, and at the expense of common shareholders, primarily because Economou, through management companies owned by Economou ("TMS Entities"), receives \$1,500 per day per ship

(\$547,500 per year per ship) in vessel management fees. **Affidavit of Michael Sammons, Exhibit 5.d**

### **ARGUMENT**

As detailed in the Complaint, the ongoing issuance of 100 million of new DRYSHIPS common shares through co-conspirator Kalani Investments, at a discount approaching 99% of fair (liquidation) value per share, will result in the loss of over \$413 million to all of the DRYSHIPS shareholders holding 100% of common shares as of June 22, 2017. Complaint, para. 20. This *ongoing* 93% loss in their equity value in DRYSHIPS over a matter of a few weeks, with no benefit to anyone other than Defendant Economou, necessitates the drastic remedy of a TRO and a preliminary injunction to maintain the status quo until this case advances.

The exigent and dire circumstances are made clear from the obvious efforts of Economou to dump as many shares upon the market as possible, *regardless of price*, as quickly as possible following receipt of a shareholder derivative demand letter on June 5, 2017 (ignored), and before this Court can intervene. **Complaint, para. 41-42.**

As detailed in **Exhibits 2 and 4 to the Affidavit**, Economou, through co-conspirator Kalani, dumped almost 11 million new shares of DRYSHIPS onto the market from June 19, 2017 to June 30, 2017 at an average weighted price of \$2.40/share – with the last net price to DRYSHIPS of less than \$1.40/share, a discount of 98% to the \$78.23 liquidation/book value per share reported by DRYSHIPS to the SEC on June 22, 2017.

Unless an immediate TRO and temporary injunction is issued, Plaintiff and all outstanding DRYSHIPS common shareholders as of June 22, 2017 will see their \$442.2 million equity value (\$78.23/share) in DRYSHIPS reduced to \$29 million (\$5.13/share) in a matter of weeks and long before this case is resolved – and there is little chance Defendant Economou could ever make the Plaintiff and other common shareholders whole even with a judgment against Economou personally for the \$413 million loss – Economou, a Greek citizen, well versed in the bankruptcy laws, sees himself as judgment proof.

Finally, there is no possibility of harm resulting to DRYSHIPS or any person (other than perhaps Economou) should the TRO and temporary injunction issue. As is clear from DRYSHIPS' filings with the SEC, it is flush with cash and there are no financial circumstances which



require DRYSHIPS to raise *any* equity over the next several months. Indeed, there is no need now for an exorbitantly expensive equity raise *at all* – DRYSHIPS admits it has over \$113 million in cash and 32 unencumbered vessels with a “market value” of over \$500 million, which Economou himself states would support \$250 million in additional secured debt, far more than enough to finance any operating expenses and contracted ship purchases through year end. **Exhibits 1 and 3 to Affidavit of Michael Sammons.**

### **Existing Dryships Financial Commitments**

According to the June 22, 2017 DRYSHIPS press release, **Exhibit 1 to Affidavit of Michael Sammons**, as of that date DRYSHIPS had cash of \$113.1 million and unencumbered ships worth \$529.1 million. In a May 30, 2017 filing with the SEC, **Exhibit 3 to Affidavit of Michael Sammons**, Economou stated that the “market value” of those ships exceeded \$500 million as of that date which would support a future secured bank loan of at least \$250 million. Against this \$642.2 million in hard assets, the only debt is \$200 million owed to Economou which is unsecured and due in five years (Economou receives a market interest rate *plus* 30% of the profits from the future sale of most of the DRYSHIPS ships). **Exhibit 5.c to Affidavit of Michael Sammons.**

At the time of a May 30, 2017 DRYSHIPS press release, DRYSHIPS had paid \$87.6 million down (as an option fee) for the purchase of four large cargo ships (VLGCs) to be delivered in June, September, October, and December, 2017. The total purchase price was \$334 million. DRYSHIPS has arranged bank financing for \$150 million to be secured by the four ships. See **Exhibit 3 to Affidavit of Michael Sammons**. In addition, according to SEC Form-6 filings almost every Friday, DRYSHIPS has raised over \$30 million in equity since that May 30, 2017 press release. So the balance due in December, 2017 for the last ship is approximately \$334 mil - \$87.6 mil - \$150 mil - \$30 mil = \$66.4 million.

**So DRYSHIPS needs to raise \$66.4 million (or less) by December, 2017 to exercise its option to purchase the last VLGC ship.** Economou has decided to do so by issuing \$100 million in new common shares at a 97-99% discount to the June 22, 2017 liquidation/book value per share. This will cause the Plaintiff and 100% of the June 22, 2017 common shareholders to lose

\$413 million of their \$442.2 June 22, 2017 equity value in DRYSHIPS due to devastating dilution (assuming a new 100 million shares at a \$1.00/share average issuance price, total common shares outstanding will increase 2000%, from 5 million to 105 million shares, while total equity will only increase \$100 million or 23%, from \$442.2 million to \$542.2 million). Those 5,652,257 total common shares on June 22, 2017 worth \$78.23/share for a total of \$442.2 million in equity, will become worth only \$5.13/share for a total of \$29 million after the dilution – again, a **\$413 million loss** to 100% of June 22, 2017 common shareholders.

“If” Economou owned most of the \$442.2 million in common equity, would he – would any reasonable businessman – decide to raise the \$66 million needed at a cost to himself of \$413 million? Or would he raise the \$66 million needed by borrowing against his other \$500+ million in unencumbered ships ... or even forfeit the \$22 million option deposit and not take the last of the four new VLGC ships? We are not talking about what a brilliant businessman would do, or even an average businessman, or even the worst businessman in history – we are talking about any *sane* businessman.

Economou is not inflicting a \$413 million loss upon all June 22, 2017 common shareholders because he must, or because it is necessary or unavoidable, but rather simply because he believes he can do so with impunity. If it costs common shareholders \$413 million so that Economou can benefit financially, then that is a sacrifice by 100% of common shareholders which Economou is willing to demand.

### **Legal Standard for TRO and Preliminary Injunction**

"Under the traditional standard, a court may issue preliminary relief if it finds that (1) the moving party will suffer irreparable injury if the relief is denied; (2) the moving party will probably prevail on the merits; (3) the balance of hardships favors the moving party; and (4) the public interest favors granting relief." Nuka v. Morelik, 3 MILR 39, 41 (2007).

In the alternative, "the moving party may meet its burden by demonstrating either (1) a combination of probable success on the merits and the possibility of irreparable injury or (2) **that serious questions exist and the balance of hardships tips sharply in its favor.**" *Id.* (emphasis added). Under the alternative standard, "the required degree of irreparable harm (decreases) as

the probability of success (increases)." *Id.* The Supreme Court in *Niedenthal v. CEO* cited *Nuka* with approval in evaluating a request for a stay pending appeal. S. Ct. Civil 15-01, at \*3 (2015).

### **Irreparable Harm**

As detailed above, and in the Complaint, the Plaintiff and all DRYSHIPS common shareholders as of June 22, 2017 face the *current and ongoing* destruction of approximately \$413.2 million of their \$442.2 million equity value in DRYSHIPS. As will be calculated later herein, the loss is currently running at approximately ***\$8 million per trading day***.

Defendant Economou, who controls 99.8% of shareholder votes through 29,166 super-voting preferred shares (100,000 votes per preferred share) worth only \$8.75 million, **Affidavit, Exhibit 5.b**, and who owns essentially no common shares, is *at this moment* executing a scheme to issue over \$100 million in new common shares to co-conspirator Kalani Investments, a BVI shell corporation, at a 97-99% discount to true value as calculated by Economou himself (\$78.23 liquidation value per share, per June 22, 2017 press release, **Exhibit 1 to Affidavit, of Michael Sammons** and May 30, 2017 press release discussing "market value" of DRYSHIPS assets, **Exhibit 3 to Affidavit of Michael Sammons**). There is no financial need *whatsoever* to issue \$100 million in new common shares at this time. DRYSHIPS has assets with a liquidation value totaling in excess of \$600 million – all of which are *unencumbered*. **Affidavit of Michael Sammons, Exhibits 1 and 3**. And DRYSHIPS only has \$200 million in debts, all of which is unsecured and which is not due for five years. **Affidavit of Michael Sammons, Exhibits 1 and 5.c**.

If these disturbing facts were not enough, one becomes markedly more uncomfortable realizing that virtually all of DRYSHIPS common stockholders are Americans, who Economou has described as "the dumbest investors around ..." Complaint, para 5. Suffice it to say that Economou has a palpable disdain for American DRYSHIPS common shareholders, and even less regard for the \$442.2 million in equity value those common shareholders have in DRYSHIPS as of June 22, 2017.

The almost 11 million shares dumped upon the market from June 19-30, **Exhibits 2 and 4 to Affidavit of Michael Sammons**, at a 97-98% discount to actual equity value of

\$78.23/share (as of June 22, 2017), inflicted a **loss of \$8 million PER TRADING DAY** upon 100% of the June 22, 2017 common shareholders (\$78.23/share minus average weighted \$2.40 issuance price/share x 1.1 million new shares issued per day).

These undisputed facts, as reflected in the Defendants' own recent SEC filings, present a compelling prima facie case of reckless breach of fiduciary duty. Given the very high likelihood of success, the necessary showing of "irreparable harm" is correspondingly reduced. Nuka v. Morelik, 3 MILR 39, 41 (2007).

While it is well established that monetary damages alone will not typically support a TRO, since a complete remedy would be a money judgment, many courts have recognized an exception, particularly for ongoing and/or rapidly escalating and/or enormous damages. If the circumstances are that there is a reasonable doubt, absent a TRO, that the defendant might not have sufficient assets to satisfy a substantial and likely judgment, a court may find this sufficient to justify a TRO. See generally Alpha Capital Aktiengesellschaft v. Advanced Viral Research Corp., case No. 02-cv-10237 (S.D.N.Y. Feb. 11, 2003); Toyoda Mach. United States Corp. v. Gorski, No. 03-cv-7020 (N.D. Ill. Dec. 11, 2003). The judges in those cases would probably not allow a defendant, who is either

(a) arguably bankrupt,<sup>1</sup> or (b) faces a highly probably and rapidly escalating damage award, to continue to run up a bill which he is unlikely to be able to pay. As previously calculated, *infra*, pg. 7, Economou is inflicting approximately **\$8 million per trading day in damages** from June

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<sup>1</sup> As a practical matter, the \$413 million in estimated damages here involve only the common shareholders as of June 22, 2017. As Economou issues more and more new shares, those new shares, separately from the 5.56 million shares outstanding on June 22, 2017, can file similar claims, because every new common share issued after their purchase damages them as well. Calculating the potential damages if 100 million new DRYSHIPS shares are issued in the next eight weeks or so, and assuming issuance discounts approaching 97-99% of the liquidation value on any such given day new shares are issued, the potential damages for subsequent purchasers of the 100 million of new shares exceeds \$4 billion. It is highly doubtful Economou could pay the \$413 million he will owe common shareholders holding 100% of the common shares on June 22, 2017, let alone the additional \$4 billion in increasing liability for every one of the 100 million or so common shares wrongfully issued thereafter. Economou is already probably bankrupt - he just does not know it yet.

22, 2017 ongoing – at roughly ***\$40 million in additional damages per week*** there will probably come a date, well before the maximum \$413 million total damages, that Economou will not be able to satisfy. A TRO stops the \$40 million per week running tab, better ensures that justice (payment) can be done at the conclusion of the case, and simply maintains the status quo while inconveniencing absolutely no one for the few months of delay necessary to conclude this case.

In a particularly instructive case, the Fifth Circuit affirmed a preliminary injunction issued solely for the purpose of limiting or protecting damages in Productos Carnic, S.A. v. Central American Beef & Seafood Trading Co., 621 F2d 683, 686 (5<sup>th</sup> Cir 1980). In that case the judge properly considered the rather questionable character of the defendant, in accessing the likelihood he could, or would, satisfy the inevitable damages to be imposed against him. Economou, in recklessly violating his fiduciary duties to all 100% of the common shareholders as of June 22, 2107, bordering on criminal fraud, is morally suspect to say the least. And that Economou is a Greek citizen, well versed in bankruptcy law, who apparently sees himself as “judgment proof” (brazenly inflicting enormous damage for a far lesser personal financial benefit) is also a factor for the Court to consider.

Even if such likely enormous money damages against Economou, perhaps exceeding \$413 million, could be collected (which is certainly highly doubtful – and does not even include the inevitable additional damages described *infra*, footnote 1), *other* non-money damages will be inflicted which *cannot* be undone:

1. Plaintiffs "suffer harm by voting power dilution which, in essence, is no more than a relative diminution in the minority's proportionate influence over corporate affairs." The ongoing wrongful issuance of 100 million new common shares, which will dilute the 100% common ownership on June 22, 2017 to less than 5% upon completion of the wrongful new common stock issuance, will not be able to be undone.
2. Plaintiffs in this case also seek equitable relief in the form of requiring DRYSHIPS to redeem or take other action to enable common shareholders to have a meaningful voice (vote) in the running of their company, DRYSHIPS. Given the abuses committed by Defendant Economou as a result of his controlling 99.8% of all votes of a \$442.2 million net worth corporation, through his \$8.75 million in super-voting pre-

ferred shares (100,000 votes per preferred share), some form of equitable relief (such as requiring they be redeemed) is appropriate—such likely equitable relief would significantly increase the practical dilutive effect of the voting dilution.

3. Economou's schemes to issue hundreds of millions of new common shares since early April, 2017, regardless of price, and regardless of the loss inflicted upon common shareholders, has rendered the public trading market for DRYSHIPS shares completely dysfunctional. Faced with the threat of a 100 million of new shares, to be issued *regardless of price*, has resulted in common shares trading from a recent high of \$50.00/share to a recent low of \$1.26/share. Economou's wrongful dilutive scheme is responsible for *artificially* pressuring the public trading price to ever lower levels (lower for almost every day of the past month). Neither the public nor current DRYSHIPS investors have the benefit of a fair, efficient, and functional public market to buy and sell their shares. All of those thousands of trades, all at *artificially* depressed prices caused by Economou's loudly stated intent to issue 100 million new common shares, *regardless of price*, can never be individually calculated and compensated. The wrong of being unable to sell shares at a fair price, perhaps when a financial need arises, is the direct result of Economou causing an artificially depressed and dysfunctional market for DRYSHIPS shares. The value of a fair, honest, efficient, and functional market for trading shares is a value to shareholders and the general public which cannot be precisely calculated and affects thousands of investors who cannot all be known or identified. Money damages may not be adequate if they are difficult to calculate with any certainty. Cf. Philip Morris, Inc. v. Pittsburg Penguins, Inc., 589 F.Supp. 912, 920 (W.D. Pa. 1983).

A Maryland appeals court in Oliveira v. Sugarman, 152 A. 3d 728, 748 (Md. Ct App 2017) recently summarized Delaware law which recognizes that such wrongful dilution causes two distinct injuries: (1) "the **reduction in value of the minority stockholders' shares, determined by the liquidation value of each share both before and after [the business decision],**" and (2) plaintiffs "suffer harm by **voting power dilution** which, in essence, is no more than a

relative diminution in the minority's proportionate influence over corporate affairs." (emphasis added)(citing In re Tri-Star Pictures, Inc., Litigation, 634 A.2d 319 (Del. 1993)).

The wrongful dilution from 100% of all common shareholder votes as of June 22, 2017, to only 5% of all common votes after an additional 100 million in wrongfully issued common shares are issued, simply cannot be undone regardless of any money damages awarded in this case (even if such enormous money damages could be collected, which they certainly cannot). There is simply no way to recall or cancel 100 million shares after they are issued into the public stock market. And after the issuance of the new shares, those shares can thereafter change hands countless times.

Therefore, "irreparable harm" has been shown where (1) the wrongful conduct is ongoing with ongoing escalating damages accruing at a rate which will ultimately dwarf Economou's ability to ever pay them; (2) the wrongful dilutive scheme currently ongoing is rendering the public market for DRYSHIPS common shares completely dysfunctional, depriving current DRYSHIPS shareholders of the immediate opportunity to sell their shares at a fair market price if financial needs arise, and (3) the reduction in 100% of common shareholders votes on June 22, 2017 to approximately 5% of common shareholder votes as a result of the wrongful issuance of 100 million new common shares can never be undone, because those new shares, once issued onto the public market simply cannot be recalled or cancelled.

### **Success on the Merits**

A stockholder owes a fiduciary duty to other stockholders "if it owns a majority interest in or exercises control over the business affairs of the corporation." Ivanhoe Partners v. Newmont Mining Corp., 535 A.2d 1334, 1344 (Del. 1987). Economou, who controls 99.8% of all shareholder votes, therefore owes a fiduciary duty to the common shareholders.

The broad protections of the business judgment rule do not apply when, as here, a controlling shareholder and director dictates the terms of the transaction and engages in self-dealing. Getty Oil Co. vs Skelly Oil Co., 267 A.2d 883, 887 (Del. 1970). Nor does it apply when a prima facie case of a breach of fiduciary duty is shown. Cede & Co. v. Technicolor, 634 A.2d 345, 361 ("A plaintiff can rebut the presumption of the business judgment rule by showing that the board

of directors . . . violated any one of its triad of fiduciary duties: due care, loyalty, or good faith.”) (Del. 1993).

One measure of the money damages is "the reduction in value of the minority stockholders' shares, determined by the **liquidation value of each share** both before and after [the business decision]." Oliveira v. Sugarman, 152 A. 3d 728, 748 (Md. Ct App 2017)(emphasis added)(citing In re Tri-Star Pictures, Inc., Litigation, 634 A.2d 319 (Del. 1993)).

Since the business judgment rule is inapplicable, the Court must consider the “entire fairness” of the transaction. Cede & Co., 634 A.2d at 361. A transaction satisfies “entire fairness” if (a) it is the product of fair dealing, and (b) if it has a fair price. *Id.*

The “fairness” test requires “a compelling (business purpose) justification.” Stroud v. Grace, 606 A.2d 75, 91 (Del. 1992)(citing Blasius Industries, Inc. v. Atlas Corp., Del. Ch., 564 A.2d 651, 661 (1988), and Aprahamian v. HBO & Co., Del.Ch., 531 A.2d 1204, 1206-07 (1987)). Under this test, the Court must consider whether there exists “a compelling justification” for inflicting a \$413 million loss upon 100% of the common shareholders as of June 22, 2017. “The stringent standards of review imposed by Stahl and Blasius arise from questions of divided loyalty, and are well settled.” Stroud, 606 A.2d at 91.

Let’s look at what Economou gets, and what the other shareholders get.

Economou personally gains in three unique ways: (1) as a creditor, additional equity, regardless of issuance price, increases the security and value of his debt, (2) Economou gets 30% of the appreciation of ships bought with such equity (as required in the debt agreement), so the more ships the better, regardless of the issuance price of new equity, **Affidavit of Michael Sammons, Exhibit 5.c**, and, most importantly, (3) Economou owns 100% of TMS Entities, a group of companies which are paid millions for managing all of DRYSHIPS’s vessels (so the more equity issued, regardless of price, the more ships can be purchased for which Economou gets additional management fees), **Affidavit of Michael Sammons, Exhibit 5.d**.

So Economou cares only about getting as many ships as possible, regardless of the cost to common shareholders, to generate more and more management fees for Economou through his ownership of TMS Entities (\$547,500 per year per vessel). **Affidavit of Michael Sammons, Exhibit 5.d**. And, of course, issuing an unlimited number of new shares,



*regardless of price*, and regardless of the loss suffered by existing common shareholders, achieves Economou's sole goal of buying as many ships as possible to generate more and more management fees for himself. So Economou alone profits at the common shareholders' expense.

The common shareholders gain nothing from the \$100 million stock issuance transaction. The common shareholders do, however, *lose* \$413 million of their \$442.2 million in real equity in DRYSHIPS as of June 22, 2017. So the additional \$100 million in an equity raise, at a cost of \$413 million to all June 22, 2017 common shareholders, at a 96-98% discount to true liquidation value/share, allows DRYSHIPS to buy perhaps two additional ships, which in turn would pay Economou over \$1.1 million per year in additional management fees. **Affidavit of Michael Sammons, Exhibit 5.d.**

So the legal question is: is a loss to common shareholders of \$413 million, vs. an annual gain to Economou of \$1.1 million per year in increased management fees, a fair transaction to common shareholders? Would any rational shareholder ... *ever* ... approve or vote to approve such a transaction? Suffice it to say that when a CEO determines to enrich himself, by destroying over \$413 million of the common shareholders' \$442 million equity value, for no legitimate business purpose other than to increase his own management fees by \$1.1 million per year, "a compelling justification" for the \$413 million equity destruction has not been shown. However, a reckless disregard of fiduciary duties, bordering on criminal fraud, has been shown. Cf. US v. Ely, 142 F.3d. 1113, 1120-21 (9<sup>th</sup> Cir 1998)("reckless disregard of fiduciary duties"); US v. Hausmann, 345 F.3d. 952, 956 (7<sup>th</sup> Cir 2003)("furtherance of a scheme to misuse his fiduciary relationship for gain at the expense of the party to whom the fiduciary duty was owed.").

### **The Balance of the Equities Weighs for an Injunction**

Economou has rendered the market for publically traded DRYSHIPS common shares completely dysfunctional. In words and deeds he has made DRYSHIPS simply uninvestable because he has declared and is effecting a scheme to issue millions and millions of new shares *regardless of price* and regardless of the loss inflicted upon existing American DRYSHIPS common shareholders – inevitably the market price for DRYSHIPS common stock has been driven

by Economou artificially lower almost every day for the past month (and will certainly continue artificially lower and lower in the weeks to come).

The balancing of the equities in this case requires consideration of the interest of the parties but also of the general public.

If the TRO is issued, DRYSHIPS and its common shareholders, as well as the general public, benefit from a restored normal and efficient public market to buy and sell DRYSHIPS common shares. And all DRYSHIPS shareholders as of June 22, 2017 will not suffer an undeserved, and completely unnecessary, \$413 million reduction in their current \$442.2 million in DRYSHIPS equity. As DRYSHIPS own recent filings with the SEC make clear, DRYSHIPS has no real or current financing needs, and will probably *never* need to issue an additional \$100 million in such exorbitantly expensive equity, given its \$113 million in cash and \$529.1 million in 32 other unencumbered vessels. **Exhibits 1 and 3 to Affidavit of Michael Sammons.**

Balancing the equities between the Plaintiff, all other common shareholders, the general public, and even DRYSHIPS itself for a TRO vs. the benefits to Economou of no TRO, must weigh in favor of a TRO and preliminary injunction.

### **The Public Interest Weighs in Favor of an Injunction**

The reckless disregard and breach of his fiduciary duties to common shareholders by Economou, bordering on criminal fraud, causing enormous financial losses to 100% of all June 22, 2017 DRYSHIPS shareholders, with only Economou benefiting financially, is an injustice which requires judicial intervention.

Given the facts, no knowledgeable and rational investor would buy DRYSHIPS stock, because it is now clear that Economou intends to dump millions and millions of shares onto the market *regardless of price*, except possibly for investors who believe that this Court will not stand by in the face of such undeserved, unnecessary, and unjust financial destruction. But many small investors see only that DRYSHIPS is trading for 2-4% of its true (liquidation) value and buy, shocked at why a stock trading at 2-4% of true value (and with a 100% dividend yield) just keeps dropping. Predators like Economou, who prey upon the naïve or gullible, should not be

left by the Courts to prey upon innocent investors, whether “dumb” as insisted by Economou, Complaint para. 5, or simply too trusting in the fairness of the U.S. stock market and the government agencies charged with preventing just such criminal fraud. Cf. U.S. v. Kreimer, 609 F.2d 126, 132 (5<sup>th</sup> Cir 1980)(“The laws protecting against fraud are most needed to protect the careless and naïve from lupine predators ...”).

In the final analysis, Economou is destroying \$413 million of the \$442.2 million July 22, 2017 common shareholder equity value for no reason other than his own greed. Economou is doing so simply because he believes can do so with impunity. Such wanton and unnecessary destruction of minority shareholder value cannot be condoned, and a Court with jurisdiction must intervene to remedy the wrong. Sometimes sheep, no matter how foolish or naïve or undeserving, need protection from a wolf. The magnitude of the abuse of fiduciary duty and destruction of equity value in this case is simply unparalleled in the annals of corporate law.

The interests of justice, to protect those informed investors as well as those naïve investors in DRYSHIPS, would be best served by issuance of a TRO and a preliminary injunction against Economou and DRYSHIPS.

**Alternative: “Serious Questions Exist and the  
Balance of Hardships Tips Sharply In Its Favor”**

In the alternative to the above traditional requirements for a TRO, “the moving party may meet its burden by demonstrating ... that serious questions exist and the balance of hardships tips sharply in its favor.” Nuka v. Morelik, 3 MILR 39, 41 (2007). Accord Cassim v. Bowen, 824 F.2d 791, 795 (9<sup>th</sup> Cir 1987):

“A party seeking a preliminary injunction must fulfill one of two standards, described in this circuit as “traditional” and “alternative.” American Motorcyclist Ass’n v. Watt, 714 F.2d 962, 965 (9<sup>th</sup> Cir.1983). Under the traditional standard, a court may issue preliminary relief if it finds that (1) the moving party will suffer irreparable injury if the relief is denied; (2) the moving party will probably prevail on the merits; (3) the balance of potential harm favors the moving party; and (4) the public interest favors granting relief. ... Under the alternative standard, the moving party may meet its burden by demonstrating either (1) a combination of probable success and the possibility of irreparable injury or (2) **that serious questions are raised and the balance of hardships tips sharply in its favor.**” (emphasis added)

## **SERIOUS QUESTIONS RAISED:**

Based upon the Defendants' own filings with the SEC, the material facts are not in dispute. The ongoing unprecedented and enormous destruction of \$413 million of minority shareholder equity value, by issuing \$100 million of new common stock at a 96-98% discount to liquidation value per share, and which results in a financial benefit to no one other than Defendant fiduciary Economou, presents "serious" and deeply troubling fiduciary questions. What cannot be questioned is that no common shareholders of this company, or any company, would ever approve of such dilution absent desperate financial circumstances wholly lacking here.

For practical purposes, the "serious questions raised" prong focuses on the nature of the wrong and the strength of the Plaintiffs' case. Here the material facts are undisputed, established by the Defendants' own recent filings with the SEC. The unnecessary destruction of \$413 million in common shareholder equity, with no benefit whatsoever to common shareholders, while providing financial benefits solely to the controlling shareholder fiduciary, presents a *prima facie* case of reckless breach of fiduciary duty.

In any event, it must be conceded that "serious questions exist" (even if the answers seem all too obvious as well).

## **BALANCE OF HARDSHIPS:**

This prong requires the Court to balance the hardships on the parties (a) if the TRO is issued, and (b) if the TRO is not issued.

Economou has rendered the market for publically traded DRYSHIPS common shares completely dysfunctional. In words and deeds he has made DRYSHIPS simply uninvestable because he has declared and is effecting a scheme to issue 100 million of new shares *regardless of price* and regardless of the loss inflicted upon existing American DRYSHIPS common shareholders – inevitably the market price for DRYSHIPS common stock has been driven by Economou artificially lower almost every day for the past month (and will certainly continue artificially lower and lower in the weeks to come).

The balancing of hardships in this case requires consideration of the interests of the parties but also of the general public.

If the TRO is issued, DRYSHIPS and its common shareholders, as well as the general public, benefit from a restored normal and efficient public market to buy and sell DRYSHIPS common shares. And all DRYSHIPS shareholders as of June 22, 2017 will not suffer an undeserved, and completely unnecessary, \$413 million reduction in their current \$442.2 million in DRYSHIPS equity. As DRYSHIPS own recent filings with the SEC make clear, DRYSHIPS has no real or current financing needs, and will probably *never* need to issue an additional \$100 million in such exorbitantly expensive equity, given its \$113 million in cash and \$529.1 million in 32 other unencumbered vessels. **Exhibits 1 and 3 to Affidavit of Michael Sammons.**

The case for self-dealing and reckless breach of fiduciary duty here is compelling. The reckless disregard of such fiduciary duty can rise to the level of criminal fraud, as has been criminally prosecuted several times by the past. Certainly in the case of ongoing criminal fraud – a line Economou may well be crossing – the public interests weight for enjoining such ongoing wrongful, unnecessary and destructive, even possibly criminal, behavior.

Considering the “hardships” to Defendant Economou presents an interesting analysis. The question of whether his reckless disregard for his fiduciary duty to common shareholders rises to the level of criminal fraud aside for the moment, what harm to Economou would result from a TRO? The probability of money damages ultimately being awarded against Economou are very high – the relevant facts are undisputed – and the law of controlling shareholder fiduciary duty is well established. So if a TRO is issued, the ultimate money damages imposed against Economou would at least be limited. Absent a TRO, the money damages are estimated to be approximately \$413 million (but see, *infra* n.1). If this Court believes that the Plaintiffs will probably prevail, the very worst thing for Economou would be for the TRO to be denied – total damages would certainly bankrupt him. The financial benefits to Economou of being allowed to continue his scheme of wrongfully issuing 100 million – gaining management fees with the additional vessel(s) he could purchase with the new equity – will be dwarfed by the ultimate damages in this case. So Economou, just like the Plaintiffs and the general public, stands to gain much if the TRO is issued.

Balancing the hardships tip overwhelmingly, for all parties as well as the general public, in favor of a TRO and preliminary injunction.

## CONCLUSION

The ongoing harm done to the Plaintiff and all common shareholders since June 22, 2017, supports both direct and derivative claims. The facts require a TRO to maintain the status quo pending resolution of this case. “The harm to the minority shareholder plaintiffs resulted from a breach of a fiduciary duty owed to them by the controlling shareholder, namely, not to cause the corporation to effect a transaction that would benefit the fiduciary at the expense of the minority stockholders.” Gentile v. Rossette, 906 A.2d 91, 103 (Del. 2006); see also Cede & Co. v. Technicolor, Inc., 634 A.2d 345, 361 (Del.1993) (“the duty of loyalty mandates that the best interest of the corporation and its shareholders takes precedence over any interest possessed by a ... controlling shareholder and not shared by the stockholders generally.”). In this case the majority controlling (preferred) shareholder, Economou, received benefits which the common shareholders did not, at the expense of those minority (common) shareholders.

When evaluating the fairness of a transaction which the Court believes the minority shareholders would never ... *never* ... approve, one in which only the controlling shareholder fiduciary profits at the enormous expense to minority shareholders, and in the absence of any adequate rational justification for inflicting such harm to the minority shareholders, the Court should act decisively if the principle of fiduciary duty is to have any meaning at all.

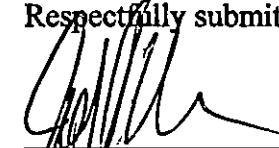
Finally, as Judge Friendly once remarked, “district judges would do well to ponder whether, if a violation has been sufficiently proved on an application for a temporary injunction, the opportunity for doing equity is not considerably better than it will be later on.” If this Court is of the firm conviction that a prima facie case breach of fiduciary duty has been established, a TRO would benefit greatly not only the Plaintiffs and the general public, but Defendant Economou s as well (who faces an expensive and painful lesson on what being a fiduciary means, which will be progressively more expensive with each new common share wrongfully issued). A decision which achieves the interests of justice while simply maintaining the status quo at no inconvenience to any party, while benefiting all parties involved as well as the general public, is probably the correct decision.

In summary, if this Court firmly believes, upon review of the undisputed SEC filings and applicable fiduciary law, that controlling shareholder Economou's inflicting enormous unnecessary and undeserved financial destruction upon 100% of all common shareholders as of June 22, 2017, increasing such damage at the rate of \$40 million *every* week, a pace at which at some point we will cross the amount he could ever personally pay, a TRO is needed, in the words of Susan Powter, "To stop the insanity!"

**WHEREFORE**, an emergency TRO and a preliminary injunction should issue stopping the wanton and unnecessary *destruction of over \$8 million in equity value per day*, some \$40 million per week, until this Court can decide whether such unnecessary self-dealing equity destruction by Economou comports with fundamental principles of fiduciary duties applicable to a controlling shareholder.

As an alternative to a TRO temporarily halting *any* further issuance of new common shares pending further proceedings before this Court, the Court could prohibit the issuance of any additional common stock at some temporary and reasonable discount, perhaps \$39.11/share (adjusted for any future splits), which is a 50% *discount* to liquidation/book value per share of \$78.23 as reported to the SEC on a Form-6 filing on June 22, 2017, pending final disposition of this case.

Respectfully submitted,

  
\_\_\_\_\_  
John E. Masek, Attorney for  
Plaintiff

## **AFFIDAVIT OF MICHAEL SAMMONS**

I, Michael Sammons, being of age and competent to testify, states the following to be true and correct under penalty of perjury:

1. I have been a shareholder continuously in Defendant Dryships, Inc. ("Dryships") since April 4, 2017 and my wife and I jointly own 45,000 Dryships common shares.
2. On June 22, 2017 there were 5,652,257 DRYSHIPS common shares outstanding with a tangible liquidation/book value of \$78.23/share for a total DRYSHIPS common shareholder equity value of \$442.2 million; i.e., if DRYSHIPS were subject to an orderly liquidation, proceeds to each common shareholder as of June 22, 2017 would be \$78.23 per share. See **Exhibit 1 attached**.
3. Of the \$529.9 million in current "market value" of vessels owned by DRYSHIPS, Economou stated that "assuming a modest 50% leverage of the market value of these assets ... (we could) raise approximately \$250 million ..") **Exhibits 1 and 3 attached**.
4. As of June 23, 2017 Economou stated that he intended to issue an additional \$107.3 million worth of new common shares (regardless of price). **Exhibit 2 attached**.
5. From June 19-23, 2017 Economou issued 3.9 million shares for an average \$3.23/share, a 96% discount to the \$78.23 June 22, 2017 liquidation value/share. **Exhibit 2 attached**.
6. From June 26 -30, 2017 Economou issued 6.9 million shares for an average \$1.93/share, a 98% discount to the \$78.23 June 22, 2017 liquidation value/share. **Exhibit 4 attached**.
7. Based upon the last 30 days trend, I, as a former CPA and investment banker with Merrill Lynch, project that the additional \$100 million in new shares will require an average net selling price of less than \$1/share from June 22, 2017 on, which is almost a 99% discount to the \$78.23 liquidation value per share as of June 22, 2017.
8. As of June 22, 2017 current DRYSHIPS equity (actual liquidation value) was worth \$78.23/share and there were 5,652,257 shares outstanding, for a total equity value of \$442.2 million. If DRYSHIPS issues an additional 100 million shares at an average \$1/share (the exact scheme Economou is currently executing), in a matter of weeks



total common shares will explode from the original 5,652,257 shares into 105,652,257 shares with a loss of liquidation/book value per share from \$78.23/share (\$442.2 million/5,652,257 shares) to \$5.13 [(\$442.2 million + new \$100 million equity)/105,652,257 shares], representing an aggregate devastating loss to 100% of the June 22, 2017 DRYSHIPS shareholders of \$413.2 million (93% loss) in a few weeks.

9. DRYSHIPS common shares, which had recently traded for a split-adjusted price of \$50.00/share, **traded as low as \$1.26 on June 30, 2017** as a result of Economou telegraphing his intent to dump \$100 million in new common shares upon the market *regardless of price*. DRYSHIPS common shares have declined almost every one of the past 30 trading days as a result to \$1.26/share, which is by far the largest publically traded discount to liquidation value *ever* seen in this country (and probably the world).
10. As stated in the last Dryships Annual Report, a Form-20 filed with the SEC on March 13, 2017, of which this Court may take judicial notice:
  - a. Economou owns virtually no common stock. Economou owns \$8.75 million par value of 29,166 super-voting preferred shares (100,000 votes/share), which is 99.8% voting control of DRYSHIPS; **Exhibit 5.b**
  - b. Economou owns \$200 million in Dryships debt, which is unsecured and matures in 5 years. Economou receives a market rate of interest, plus 30% of any future profits from the sale of Dryships' vessels; **Exhibit 5.c**
  - c. Economou directly or indirectly owns 100% of various management companies ("TMS Entities") which receive over \$10 million per year in management fees from DRYSHIPS. **Exhibit 5.d**
11. Economou personally benefits from raising equity, regardless of the exorbitant price discount of 96-98% to liquidation vlaue, and at the expense of common shareholders, primarily because Economou, through management companies owned by Economou ("TMS Entities"), receives \$1,500 per day per ship (\$534,000 per year per ship) in vessel management fees. **Exhibit 5.d**

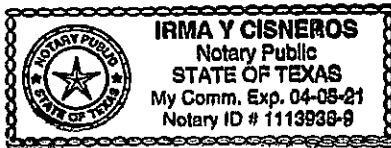
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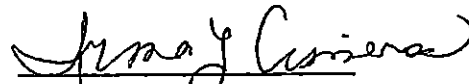
I, Michael Sammons, being of age and competent to testify, swears under penalty of perjury that the foregoing is true and correct and known personally to me.

  
Michael Sammons

State of Texas  
County of Bexar

The foregoing instrument was acknowledged before me this 30<sup>th</sup> day of June, 2017  
by Michael Sammons.



  
Notary Public  
My commission expires:

## Exhibit 1



### **DRYSHIPS INC. REPORTS UPDATED KEY FINANCIAL INFORMATION POST REVERSE STOCK SPLIT**

**June 22, 2017, Athens, Greece.** DryShips Inc. (NASDAQ:DRYS), or DryShips or the Company, a diversified owner of ocean going cargo vessels, today reports its updated key financial information giving effect to the reverse stock split on June 22, 2017:

Key Financial Information as of June 22, 2017, post reverse stock split:

- Cash and cash equivalents: approximately \$113.1 million (or \$20.01 per share)
- Book value of vessels, net: approximately \$529.1 million (or \$93.61 per share)
- Debt outstanding balance: approximately \$200.0 million
- Equity, book value: approximately \$442.2 million (or \$78.23 per share)
- Number of Shares Outstanding: 5,652,257

#### **About DryShips Inc.**

The Company is a diversified owner of ocean going cargo vessels that operate worldwide. The Company owns a fleet of (i) 13 Panamax drybulk vessels; (ii) 4 Newcastlemax drybulk vessels, 3 of which are expected to be delivered in the second quarter of 2017; (iii) 5 Kamsarmax drybulk vessels; (iv) 1 Very Large Crude Carrier; (v) 2 Aframax tankers; (vi) 1 Suezmax tanker; (vii) 4 Very Large Gas Carriers which are expected to be delivered in June, September October and December of 2017; and (viii) 6 offshore support vessels, comprising 2 platform supply and 4 oil spill recovery vessels.

DryShips' common stock is listed on the NASDAQ Capital Market where it trades under the symbol "DRYS."

Visit the Company's website at [www.dryships.com](http://www.dryships.com)

**Dated: June 23, 2017**

**Exhibit 2**

**FORM 6-K**  
**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**

For the month of June 2017

Commission File Number 001-33922

**DRYSHIPS INC.**

109 Kifissias Avenue and Sina Street  
151 24, Marousi  
Athens, Greece  
(Address of principal executive offices)

**INFORMATION CONTAINED IN THIS FORM 6-K REPORT**

As previously disclosed, DryShips Inc. (the "Company") entered into a common stock purchase agreement (the "Purchase Agreement") with Kalani Investments Limited (the "Investor"), dated as of April 3, 2017, relating to the public offering by the Company of (i) up to \$226.4 million of the Company's shares of common stock, par value \$0.01 per share, to the Investor over a 24 month period (the "Shares") and (ii) up to an aggregate of \$1.5 million of shares of the Company's common stock, par value \$0.01 per share, issuable to the Investor as a commitment fee in consideration for entering into the Purchase Agreement. Capitalized terms used herein and not otherwise defined have the meanings given in the Purchase Agreement, which was included as Exhibit 1.1 to the Report on Form 6-K filed by the Company with the Securities and Exchange Commission (the "SEC") on April 3, 2017. The information herein reflects the previously announced 1-for-4, 1-for-7 and 1-for-5 reverse stock splits of the Company's common shares that became effective as of the opening of trading on April 11, 2017, May 11, 2017 and June 22, 2017, respectively.

**As mutually agreed to by the Company and the Investor, the Company sold 3,868,393 Shares to the Investor, pursuant to a Fixed Request Notice with a Fixed Amount Requested of \$13.0 million, following a Pricing Period from June 19, 2017 to June 23, 2017, for a Fixed Request Amount of approximately \$12.5 million at a price per share of approximately \$3.23 mutually agreed to by the parties, resulting in estimated net proceeds of approximately \$12.4 million, after deducting estimated aggregate offering expenses.**

Between the date of the Purchase Agreement, April 3, 2017, and June 23, 2017, the Company has sold an aggregate 7,906,778 Shares to the Investor at an average price of approximately \$15.06 per share. The aggregate gross purchase price for these Shares was approximately \$119.1 million. The Company's estimated aggregate net proceeds from the sale of these Shares is approximately \$117.9 million, after deducting estimated aggregate offering expenses. Following the settlement for all of such Shares sold as of the date hereof, the Company will have a total of 9,020,650 shares of common stock outstanding. **As of the date hereof, up to \$107.3 million of the Shares is remaining that the Company may sell pursuant to the Purchase Agreement.**

The information contained in this Report on Form 6-K is hereby incorporated by reference into the Company's registration statements on Form F-3 (File Nos. 333-202821 and 333-216826).

**Forward-Looking Statements**

Matters discussed in this report may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. 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. The Company desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with such safe harbor legislation.

Forward-looking statements reflect the Company's current views with respect to future events, including future sales pursuant to the Purchase Agreement and the Company's financial performance and may include statements [https://www.sec.gov/Archives/edgar/data/1308858/000091957417004996/d7390524n\\_6-k....](https://www.sec.gov/Archives/edgar/data/1308858/000091957417004996/d7390524n_6-k....) 6/30/2017

## Exhibit 3



### **DRYSHIPS INC. RECEIVES FIRM COMMITMENT OF \$150 MILLION SENIOR SECURED CREDIT FACILITY FROM ABN AMRO BANK N.V. ("ABN AMRO") AND EXPORT-IMPORT BANK OF KOREA ("KEXIM")**

May 30, 2017, Athens, Greece. DryShips Inc. (NASDAQ:DRYS), or DryShips or the Company, a diversified owner of ocean going cargo vessels, announced today, it has received firm commitment for a senior secured credit facility of up to \$150 million (the "Facility") with ABN AMRO bank and KEXIM to partly finance the delivery of its four Very Large Gas Carriers (VLGCs). The Facility remains subject to definitive documentation.

The Facility will be secured by the Company's four VLGCs, will have a tenor of 6 years, will bear an interest rate of LIBOR plus margin and will have an amortization profile of approximately 12 years.

The four high specifications VLGCs currently under construction at Hyundai Heavy Industries are scheduled for delivery in June, September, October and December of 2017 and will be employed on long term charters to major oil companies and oil traders, with a total gross backlog of approximately \$390 million, including optional periods.

Mr. George Economou, Chairman and Chief Executive Officer commented:

*"We have come a long way since a year ago, when we were in discussions with commercial lenders about the restructuring of our debt. We are pleased that we have put all this behind us and grateful for the support of ABN AMRO and KEXIM in arranging our first bank financing since 2014. Following the closing of the ABN/KEXIM loan, DryShips will still have the majority of its fleet (32 vessels) unencumbered. In dollar terms, assuming a modest 50% leverage of the market value of these assets, this would imply the ability to raise approximately \$250 million (or \$19.13 per share) of additional debt capital. We will now concentrate our efforts on arranging financing for these vessels. This will allow us to focus on further accretive vessel acquisitions without the need to raise further equity."*

#### **About DryShips Inc.**

The Company is a diversified owner of ocean going cargo vessels that operate worldwide. The Company owns a fleet of (i) 13 Panamax drybulk vessels; (ii) 4 Newcastlemax drybulk vessels, 3 of which are expected to be delivered in the second quarter of 2017; (iii) 5 Kamsarmax drybulk vessels, 3 of which are expected to be delivered in the second quarter of 2017; (iv) 1 Very Large Crude Carrier, which is expected to be delivered in the second quarter of 2017; (v) 2 Aframax tankers; (vi) 1 Suezmax tanker; (vii) 4 VLGCs which are expected to be delivered in June, September, October and December of 2017; and (viii) 6 offshore support vessels, comprising 2 platform supply and 4 oil spill recovery vessels.

DryShips' common stock is listed on the NASDAQ Capital Market where it trades under the symbol "DRYS."

Visit the Company's website at [www.dryships.com](http://www.dryships.com)

#### **Forward-Looking Statement**

Matters discussed in this press release may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. 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. The Company desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with such safe harbor legislation.

## Exhibit 4

**FORM 6-K**  
**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**

For the month of June 2017

June 30, 2017

Commission File Number 001-33922

**DRYSHIPS INC.**

109 Kifissias Avenue and Sina Street  
151 24, Marousi  
Athens, Greece  
(Address of principal executive offices)

**INFORMATION CONTAINED IN THIS FORM 6-K REPORT**

As previously disclosed, DryShips Inc. (the "Company") entered into a common stock purchase agreement (the "Purchase Agreement") with Kalani Investments Limited (the "Investor"), dated as of April 3, 2017, relating to the public offering by the Company of (i) up to \$226.4 million of the Company's shares of common stock, par value \$0.01 per share, to the Investor over a 24 month period (the "Shares") and (ii) up to an aggregate of \$1.5 million of shares of the Company's common stock, par value \$0.01 per share, issuable to the Investor as a commitment fee in consideration for entering into the Purchase Agreement. Capitalized terms used herein and not otherwise defined have the meanings given in the Purchase Agreement, which was included as Exhibit 1.1 to the Report on Form 6-K filed by the Company with the Securities and Exchange Commission (the "SEC") on April 3, 2017. The information herein reflects the previously announced 1-for-4, 1-for-7 and 1-for-5 reverse stock splits of the Company's common shares that became effective as of the opening of trading on April 11, 2017, May 11, 2017 and June 22, 2017, respectively.

**As mutually agreed to by the Company and the Investor, the Company sold 6,904,566 Shares to the Investor, pursuant to a Fixed Request Notice with a Fixed Amount Requested of \$15.0 million, following a Pricing Period from June 26, 2017 to June 30, 2017, for a Fixed Request Amount of approximately \$13.3 million at a price per share of approximately \$1.93 mutually agreed to by the parties, resulting in estimated net proceeds of approximately \$13.2 million, after deducting estimated aggregate offering expenses.**

Between the date of the Purchase Agreement, April 3, 2017, and June 30, 2017, the Company has sold an aggregate 14,811,344 Shares to the Investor at an average price of approximately \$8.94 per share. The aggregate gross purchase price for these Shares was approximately \$132.4 million. The Company's estimated aggregate net proceeds from the sale of these Shares is approximately \$131.1 million, after deducting estimated aggregate offering expenses. Following the settlement for all of such Shares sold as of the date hereof, the Company will have a total of 15,925,216 shares of common stock outstanding. As of the date hereof, up to \$94.0 million of the Shares is remaining that the Company may sell pursuant to the Purchase Agreement.

The information contained in this Report on Form 6-K is hereby incorporated by reference into the Company's registration statements on Form F-3 (File Nos. 333-202821 and 333-216826).

**Forward-Looking Statements**

Matters discussed in this report may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. 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. The Company desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with such safe harbor legislation.

Forward-looking statements reflect the Company's current views with respect to future events, including future sales pursuant to the Purchase Agreement and the Company's financial performance and may include statements concerning plans, objectives, goals, strategies and other statements.

**Exhibit 5.a**  
**Annual Report, pg. 1**

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 20-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 11(b) OR 11(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

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

For the fiscal year ended December 31, 2016

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

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

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

Date of event requiring this shell company report: Not applicable  
Commission file number 001-33922

**DRYSHIPS INC.**

(Exact name of Registrant as specified in its charter)

(Translation of Registrant's name into English)

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

109 Kifisias Avenue and Sina Street  
15124, Marousi  
Athens, Greece  
(Address of principal executive offices)

Mr. George Economou  
Tel: +30 210 80 90 570, Fax: +30 210 80 90 585  
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Title of class	Name of exchange on which registered
Common Stock, \$0.01 par value	The NASDAQ Stock Market LLC
Preferred Stock Purchase Rights	The NASDAQ Stock Market LLC

**Exhibit 5.b**  
**Annual Report, pg. 36, 41**

**Our Series D Preferred Stock, owned by an entity controlled by our Chairman and Chief Executive Officer, Mr. George Economou, the New Revolving Facility, the new services agreements with the TMS Entities, as well as other securities we may issue and agreements we may enter into in the future with affiliated entities, may be challenged to be on terms that are less favorable to us than terms that would be obtained in arm's-length negotiations with unaffiliated third-parties.**

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

On September 9, 2016, we entered into an agreement with Sifnos to convert \$8.75 million of the outstanding amount under our then existing secured revolving credit facility to 29,166 shares of Series D Preferred Stock (3,500,000 shares before the 1-for-15 and 1-for-8 reverse stock splits). As of March 10, 2017, our Chairman Chief Executive Officer, Mr. George Economou, may be deemed to have beneficially owned, directly or indirectly, 100% of our Series D Preferred Stock. The shares of Series D Preferred Stock each carry 100,000 votes. As of March 10, 2017, there were 29,166 shares (3,500,000 shares before the 1-for-15 and 1-for-8 reverse stock splits) of Series D Preferred Stock outstanding. By his ownership of 100% of our Series D Preferred Stock, Mr. Economou has control over our actions. The interests of our Chairman and Chief Executive Officer may be different from your interests.



## Exhibit 5.c



### **DRYSHIPS INC. ANNOUNCES AGREEMENT TO AMEND ITS SECURED REVOLVING FACILITY WITH SIFNOS SHAREHOLDERS INC. TO EXTEND THE FACILITY'S MATURITY AND MAKE IT UNSECURED**

**April 10, 2017**, Athens, Greece — DryShips Inc. (NASDAQ:DRYS) (the "Company"), a diversified owner of ocean going cargo vessels, announced today that it has reached an agreement with Sifnos Shareholders Inc. ("Sifnos"), an entity controlled by the Company's Founder, Chairman and Chief Executive Officer, Mr. George Economou, to amend the Revolving Facility Agreement with Sifnos (the "Sifnos Facility").

As part of the amendment, (the \$200 million) Sifnos Facility will cease to be secured by all of the Company's present and future assets, and the maturity will be extended from 3 years to 5 years. The previously announced ability of Sifnos to participate in realized asset value increases of the collateral base in a fixed percentage of 30% will be maintained and will now be documented under a separate contract. Sifnos will receive an amendment fee of \$2.0 million and the margin over LIBOR of the Sifnos Facility will be increased by 100bps to 650bps.

The transaction was approved by the independent members of the Company's board of directors, and a fairness opinion was obtained in connection with this transaction.

Mr. Anthony Kandylidis, the Company's President and Chief Financial Officer commented:

*"We are very excited by the commitment shown by Mr. George Economou to free up collateral which will assist DryShips in its efforts to access bank debt financing for the first time since November 2014. This should increase our available liquidity and allow us to pursue further acquisitions."*

#### About DryShips Inc.

The Company is a diversified owner of ocean going cargo vessels that operates worldwide. The Company owns a fleet of (i) 13 Panamax drybulk vessels; (ii) four Newcastlemax drybulk vessels, which are expected to be delivered in the second quarter of 2017; (iii) three Kamsarmax drybulk vessels, two second-hand vessels expected to be delivered in the second quarter of 2017 and one newbuilding expected to be delivered in the third quarter of 2017; (iv) one very large crude carrier, which is expected to be delivered in the second quarter of 2017; (v) one Aframax tanker newbuilding and one Aframax second-hand tanker, both of which are expected to be delivered in the second quarter of 2017; (vi) four VLGC newbuildings, two of which are expected to be delivered in June and September 2017 and the other two before the end of 2017; and (vii) six offshore support vessels, comprising two platform supply and four oil spill recovery vessels.

The Company's common stock is listed on the NASDAQ Capital Market where it trades under the symbol "DRYS."

**Exhibit 5.d**  
**Annual Report, pg. 34-35, 47**

We depend entirely on the TMS Entities to manage and charter our drybulk, tanker, LPG, and offshore support fleet, respectively.

**The TMS Entities are beneficially-owned by our Chairman and Chief Executive Officer, Mr. George Economou.** The loss of the services of the TMS Entities or their failure to perform their obligations to us could materially and adversely affect the results of our operations. Although we may have rights against the TMS Entities if they default on their obligations to us, you will have no recourse against any of them. Further, we are required to seek approval from our lender to change our manager.

We and our vessel-owning subsidiaries expect to enter into new separate agreements with the TMS Entities for services, including executive management services, effective as of January 1, 2017 .... The all-in base cost for providing the increased scope of services .... **\$1,500 per day per vessel.** The term of the agreements with the TMS Entities is expected to be 10 years.

John E. Masek  
P.O. Box 3373,  
Majuro, MH 96960  
Tel.: 692-625-4824  
E-mail: [jemesq@hotmail.com](mailto:jemesq@hotmail.com)

FILED

JUL 03 2017

*Boone*  
ASST. CLERK OF COURTS  
REPUBLIC OF THE MARSHALL ISLANDS

IN THE HIGH COURT  
OF THE  
REPUBLIC OF THE MARSHALL ISLANDS

MICHAEL SAMMONS, personally, and )  
Derivatively, )  
Plaintiff, )

Civil Action No. 2017- 131


\_\_\_\_\_  
vs. )

MOTION FOR ALTERNATIVE  
SERVICE UPON DEFENDANT  
GEORGE ECONOMOU.

GEORGE ECONOMOU )  
DRYSHIPS, INC. )  
Defendants. )  
\_\_\_\_\_ )

Plaintiff Michael Sammons, through his attorney John E. Masek, moves this Honorable Court to allow alternative service upon Defendant Dryships CEO and Chairman George Economou by (a) registered mail to his corporate headquarters in Greece, (b) his known operating and valid corporate email address, and (c) upon the registered agent for Dryships, "The Trust Company of the Marshall Islands, Inc., Marshall Islands trust Company Complex, Majuro, RMI 96960." Such service is certain to provide actual notice to Defendant Economou of this lawsuit. See Brown v. China Integrated Energy, 285 FRD 560, 566 (C.D.Cal.2012) ("Obviously a corporation will inform its own Chairman and CEO of a lawsuit pending against him."); STREAM SICAV v. Wang, 989 F.Supp.2d 264, 278 ( SD NY 2013) (same).

Respectfully submitted,

  
\_\_\_\_\_  
John E. Masek, Attorney for  
Plaintiff.