TOP SHIPS INC.
Form F-1
May 09, 2011
As filed with the U.S. Securities and Exchange Commission on May 6, 2011.

Registration No.

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

FORM F-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

TOP SHIPS INC.
(Exact name of Registrant as specified in its charter)

Republic of The Marshall Islands	4412	N/A
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

1 Vas. Sofias and Meg. Alexandrou Str, 15124 Maroussi, Greece +30 210 8128180 (Address and telephone number of Registrant's principal executive offices)	Seward & Kissel LLP Attention: Gary J. Wolfe, Esq. One Battery Park Plaza New York, New York 10004 (212) 574-1223 (Name, address and telephone number of agent for service)

Copies to:

Gary J. Wolfe, Esq. Seward & Kissel LLP One Battery Park Plaza New York, New York 10004 (212) 574-1223 (telephone number) (212) 480-8421 (facsimile number)	Yvan-Claude Pierre, Esq. Daniel I. Goldberg, Esq. Andrew Ledbetter, Esq. DLA Piper LLP (US) 1251 Avenue of the Americas New York, NY 10020 (212) 335-4500 (telephone number) (212) 335-4501 (facsimile number)

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee
Common stock, par value $0.01 per share	$115,000,000	$13,352
TOTAL	$115,000,000	$13,352

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended, or the Securities Act.
(2) Includes shares of common stock that the underwriter has the option to purchase to cover over-allotments, if any.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities, and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS SUBJECT TO COMPLETION, DATED MAY 6, 2011

TOP SHIPS, INC.

$100,000,000 of Shares of Common Stock

We are offering $100,000,000 of shares of our common stock. The number of shares of common stock that we will offer will be determined based on the public offering price per share. Our common stock is listed on the Nasdaq Global Select Market and trades under the symbol "TOPS." The last reported market price of our shares of common stock on May 5, 2011 was $0.68.

Investing in our Common Stock involves a high degree of risk. See "Risk Factors" beginning on page 11 to read about risks you should consider before buying our common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$	$
Underwriting discounts and commissions(1)	$	$
Proceeds to Top Ships, before expenses	$	$

(1) See "Underwriting" for a description of compensation payable tothe underwriters.

The underwriters have an option exercisable within 45 days from the date of this prospectus to purchase up to of additional shares of common stock from us at the public offering price, less the underwriting discount, solely to cover over-allotments. The shares of common stock issuable upon exercise of the underwriters' over-allotment option have been registered under the registration statement of which this prospectus forms a part.

The underwriters expect to deliver the common shares against payment in U.S. dollars in New York, New York on , 2011.

Rodman & Renshaw, LLC

Prospectus dated , 2011.

You should rely only on information contained in this prospectus. We have not authorized anyone to provide you with information other than that contained in this prospectus. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of its delivery or of any sale of our common stock. This prospectus will be updated and, as updated, will be made available for delivery to the extent required by federal securities laws.

No person is authorized in connection with this prospectus to give any information or to make any representations about us, the securities offered hereby or any matter discussed in this prospectus, other than the information and representations contained in this prospectus. If any other information or representation is given or made, such information or representation may not be relied upon as having been authorized by us. This prospectus does not constitute an offer to sell, or a solicitation of an offer to buy the securities in any circumstance under which the offer or solicitation is unlawful. Neither the delivery of this prospectus nor any distribution of securities in accordance with this prospectus shall, under any circumstances, imply that there has been no change in our affairs since the date of this prospectus. This prospectus will be updated and updated prospectuses will be made available for delivery to the extent required by the federal securities laws.

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PROSPECTUS SUMMARY

Unless the context otherwise requires, as used in this prospectus, the terms "Company," "we," "us," and "our" refer to TOP SHIPS INC. and all of its subsidiaries, and "TOP SHIPS INC." refers only to TOP SHIPS INC. and not to its subsidiaries. We use the term deadweight ton, or dwt, in describing the size of vessels. Dwt, expressed in metric tons each of which is equivalent to 1,000 kilograms, refers to the maximum weight of cargo and supplies that a vessel can carry. Our functional currency is in the U.S. dollar as all of our revenues are received in U.S. dollars and a majority of our expenditures are made in U.S. dollars. All references in this prospectus to "$" or "dollars" are to U.S. dollars. Our shareholders have authorized our Board of Directors to effect a reverse stock split within the range of 1:2 to 1:10 shares. We expect that our Board will effect a reverse stock split within that range prior to the effectiveness of the registration statement of which this prospectus is a part. All share and per share information concerning our common stock presented in this prospectus does not reflect this reverse stock split.

Our Company

We are a provider of international seaborne transportation services, carrying petroleum products and crude oil for the oil industry and drybulk commodities for the steel, electric utility, construction and agriculture-food industries.

As of the date of this prospectus our fleet consists of thirteen vessels: eight tankers, one of which is chartered-in, and five drybulk vessels.

Four of our drybulk vessels are currently employed on time charters and six of our tankers and one of our drybulk vessels are employed on bareboat charters. We actively manage the deployment of our fleet between time charters and bareboat charters, which last from several months to several years. Of our fleet, 63% by dwt are sister ships, which enhances the revenue generating potential of our fleet by providing us with operational and scheduling flexibility. Sister ships also increase our operating efficiencies because technical knowledge can be applied to all vessels in a series and create cost efficiencies and economies of scale when ordering spare parts, supplying and crewing these vessels.

During 2006, we ordered six newbuilding product tankers in the SPP shipyard in the Republic of Korea in order to modernize our tanker fleet. All of these tankers were delivered to us during 2009.

In addition, during 2007 we diversified our fleet portfolio by acquiring drybulk vessels, beginning with the acquisition of six drybulk vessels, one of which we subsequently sold.

We intend to continue to review the market for tanker and drybulk vessels to continue our program of acquiring suitable vessels on market terms.

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

Our predecessor, Ocean Holdings Inc., was formed as a corporation in January 2000 under the laws of the Republic of the Marshall Islands and renamed TOP TANKERS INC. in May 2004. In December 2007, TOP TANKERS INC. was renamed TOP SHIPS INC. Our common stock is currently listed on the NASDAQ Global Select Market under the symbol "TOPS". The current address of our principal executive office is 1 Vas. Sofias and Meg. Alexandrou Str,

15124 Maroussi, Greece. The telephone number of our registered office is +30 210 812 8000.

Our Fleet

The following table presents the Company's fleet list and employment as of the date of this prospectus:

Eight Tanker Vessels	Dwt	Year Built	Charter Type	Expiry	Daily Base Rate
Miss Marilena	50,000	2009	Bareboat Charter	Q1-2/2019	$14,400
Lichtenstein	50,000	2009	Bareboat Charter	Q1-2/2019	$14,550
UACC Sila (ex Ionian Wave)	50,000	2009	Bareboat Charter	Q1-2/2018	$9,000(A)
Tyrrhenian Wave	50,000	2009	Bareboat Charter	Q1-2/2016	$14,300(A)

Britto	50,000	2009	Bareboat Charter	Q1-2/2019	$14,550
Hongbo	50,000	2009	Bareboat Charter	Q1-2/2019	$14,550
Ioannis P	46,346	2003	Spot		
Delos (B)	47,067	1991	Spot		
Total Tanker dwt	393,413				
Five Drybulk Vessels					
Cyclades	75,681	2000	Time Charter	Q1-2/2014	$20,000
Amalfi	45,526	2000	Time Charter	Q4/2011-Q1/2012	$14,000
Papillon (ex Voc Gallant)	51,200	2002	Bareboat Charter	Q1-3/2012	$24,000
Pepito	75,928	2001	Time Charter	Q1-2/2013	$41,000
Astrale	75,933	2000	Time Charter	Q3-4/2011	$18,000
Total Drybulk dwt	324,268				
TOTAL DWT	717,681				

A. On January 11, 2010, we announced that we received from the bareboat charterer of the M/T Ionian Wave, currently named UACC Sila, and the M/T Tyrrhenian Wave, a reduced charter hire rate of $10,000 per day rather than the $14,300 per day on a bareboat basis that is set forth in the charter agreement. Furthermore on January 26, 2011, we announced that we had received from the same charterer another decrease in the charter hire rate that currently stands at $9,092 per day. We are currently examining this unilateral reduction and intend to take all necessary steps to recover the amounts owed since the said charterer is considered to be in breach of the charter. During April 2011, we announced that we had repossessed the M/T Ionian Wave and entered into a bareboat charter with a new charterer.

B. On October 1, we entered into a bareboat agreement to charter in M/T Delos for five years at an average daily rate of $5,219.

Chartering of the Fleet

As of the date of this prospectus, four of our drybulk vessels are employed on time charters while six of our tankers and one of our drybulk vessels are employed on bareboat charters. We actively manage the deployment of our fleet between time charters and bareboat charters, which last from several months to several years. We seek to deploy our vessels on both time charters and in the spot market in a manner that will optimize our earnings and profitability.

Management of the Fleet

Except as set forth below, since July 1, 2010, our Fleet Manager, Central Mare, a related party controlled by the family of our Chief Executive Officer, has been performing all of our operational, technical and commercial functions relating to the chartering and operation of our vessels, pursuant to management agreements concluded between Central Mare and Top Ships as well as Central Mare and our vessel-owning subsidiaries.

On October 1, 2010, we entered into a management agreement with TMS Tankers, a party related to one of our major shareholders, for the technical management and crewing of M/T Delos. Commercial management of the vessel was contracted to Central Mare as of that date. The management agreement with TMS Tankers is expected to be terminated during the second quarter of 2011 and all management functions transferred to another manager, which

may or not be Central Mare.

Through June 30, 2010, TOP Tanker Management Inc., or TOP Tanker Management, our wholly-owned subsidiary, was responsible for the management of our fleet.

Competitive Strengths

We believe we possess a number of distinguishing factors that provide us with a strong position within the industry including:

Focus on modern sister ships. Approximately 63% of our current tanker fleet by deadweight are sister ships. We believe that the uniform nature of sister ships provides us with operating cost efficiencies and economies of scale with respect to maintenance, supplies, crew familiarity and training. We have and will continue to seek to acquire sister ships, to take advantage of such efficiencies to meet our customers' needs and enhance the revenue generating potential of our fleet by providing operational and scheduling flexibility.

Diversified Sector Profile. As of the date of this prospectus, our fleet is comprised of eight tanker and five dry bulk carriers. Our tankers carry refined petroleum products and crude oil while our drybulk carriers carry predominantly iron ore, coal, grains, steel products, cement, bauxite, fertilizers, sugar and scrap metals. These commodities are used in the energy, construction, steel and agri-food industries. We transport these cargoes on several geographically diverse routes, thereby reducing our dependency on any one cargo, industry or trade route. We believe that by operating a mixed fleet of vessels we lower our dependence on each shipping sector while we benefit from a broader customer base.

Experienced Management Team. Our founder, President and Chief Executive Officer, Evangelos J. Pistiolis, has assembled a management team of senior executive officers and key employees with extensive experience in the shipping industry. Our management team has substantial experience in the international shipping and commodities industries, and a successful track record of exploiting investment opportunities in these sectors throughout various economic cycles. We believe that our management team is capable of dealing with all aspects of commercial, technical, management and financial areas of our business, promoting a focused marketing effort, tight quality and cost controls, effective operations and safety.

Cost-Efficient Operations. We believe we are a cost-efficient and reliable vessel operator because of the strength of our management team and the quality of our vessels. Furthermore, we believe that by operating our fleet through Central Mare Inc. we provide reliable and cost efficient services to our customers. We have contained operating expenses through rigorous technical supervision and planned vessel maintenance programs. We believe that the experience of our management team across shipping sectors and that of Central Mare Inc. will enable us to operate our fleet with efficiency, limited off-hire periods, and with an emphasis on safety and quality of operations.

High-Quality Mixed Fleet. Our fleet consists of high quality, well maintained double hull tankers as well as drybulk carriers that are designed for enhanced safety and low operating costs.

Business Strategy

Our business strategy is focused on building and maintaining enduring relationships with participants in the international tanker and drybulk industries, including leading charterers, oil companies, oil traders, brokers, suppliers, classification societies, insurers and others. We believe we have established a reputation in the international ocean transport industry for operating and maintaining our fleet with high standards of performance, reliability and safety. We have assembled a management team comprised of executives who have extensive experience operating large and diversified fleets of tankers and drybulk vessels, and who have strong ties to a number of national, regional and international oil companies, charterers and traders.

The key elements of our business strategy are:

Attractive Chartering Strategy. We actively and strategically deploy our fleet by employing our vessels under a mix of short-term charters and longer-term charters, including time charters of more than six months and bareboat charters, possibly with profit-sharing arrangements depending on our outlook for the tanker and dry bulk charter markets. As of the date of this prospectus, four of our drybulk vessels are employed on time charters, six of our tankers and one of

our drybulk vessels are employed on bareboat charters, and two of our tankers are employed on spot charters. We believe that our existing charter coverage provides us with predictable contracted revenues and operating visibility.

Return-Driven Acquisitions and Selected Fleet Expansion. We intend to grow our fleet through timely and selective accretive acquisitions of high quality, double-hull crude oil and refined petroleum product tankers as well as drybulk carriers. We continuously monitor acquisition opportunities in the shipping industry based on certain financial returns criteria. We seek to identify, analyze and strategically invest when attractive opportunities arise.

Significant Market Presence. Our growth strategy of operating what we believe is a fleet with a significant number of vessels in select size sectors of both the tanker and drybulk markets aims to enhance our attractiveness to charterers by offering multiple vessels, including sister ships, to meet such charterers' diverse scheduling needs and provide flexibility to deploy our vessels in period and spot charter contracts.

Superior Customer Service. We believe that our commitment to providing safe and quality transportation services will enable us to continue to grow our relationships with our customers who seek transportation partners that have a reputation for high reliability, safety, environmental and quality standards. Our tanker vessels have been vetted by most oil majors from time to time.

RECENT DEVELOPMENTS

New charters for M/T Ionian Wave and M/V Cyclades

During April, we announced that we had taken repossession of the M/T Ionian Wave from the previous Charterer and delivered the vessel to a major Charterer under a new bareboat charter for a minimum period of seven (7) years with three successive one-year options at a daily rate of US$ 9,000. The new charterer has renamed the vessel UACC Sila.

We also announced that we have entered into a new time-charter with a Korean charterer for the M/V Cyclades. The time-charter is for a period of three years at a gross rate of $20,000 per day.

Compliance with NASDAQ minimum bid price requirement and shareholders' approval for a reverse stock split

Following written notification from the Nasdaq Stock Market, or Nasdaq, dated August 12, 2010, indicating that because the closing bid price of our common stock for the previous 30 consecutive business days was below the minimum $1.00 per share bid price requirement for continued listing on the Nasdaq Global Select Market, we were not in compliance with Nasdaq Listing Rule 5450(a)(1), we announced on October 21, 2010 that we had regained compliance. A written notification was subsequently received from Nasdaq confirming our compliance and that this matter was closed.

For the purpose of regaining compliance with the Nasdaq Global Select Market minimum bid price requirement and creating the greatest marketability of its shares based upon prevailing market conditions, we announced in October 2010 that our shareholders also approved the amendment of our Amended and Restated Articles of Incorporation to effect a reverse stock split of our issued and outstanding common shares at a ratio of not less than one-for-two and not more than one-for-ten. Following the shareholders' approval, our Board of Directors has the authority, but not the obligation, to select one of the approved reverse stock split ratios and to effect the reverse stock split at any time until the next annual general meeting of shareholders.

On March 28, 2011 we received a notification from Nasdaq stating that our common stock was again in violation of its minimum bid price requirements. The applicable grace period to regain compliance is 180 calendar days expiring September 26, 2011. As of the date of this prospectus, we have not yet effected a reverse stock split in order to regain compliance. However, we expect our Board of Directors to effect the reverse stock split, within the range mentioned above, prior to the effectiveness of the registration statement of which this prospectus is a part. However, we cannot guarantee that any reverse stock split or other measure will allow us to regain compliance with Nasdaq's listing requirements.

RISK FACTORS

We face various risks, including:

- We will depend upon related-party managers to provide the technical and commercial management of our fleet. Any failure of these managers to perform their obligations could adversely affect our business, results of operations, cash flows, financial condition and ability to pay dividends. Although we may have rights against a related-party manager if it defaults on its obligations to us, our shareholders will share that recourse only indirectly to the extent that we recover funds.

- The international tanker and drybulk shipping industry is cyclical and volatile, which may lead to reductions and volatility in our charter rates, vessel values and results of operations. If we enter into new charters when charter hire rates are low, our earnings, the value of our vessels and our ability to pay dividends may be adversely affected.

- The shipping industry has inherent operational risks which may adversely affect our business. The shipping industry has inherent operational risks, including loss of vessels, environmental accidents, piracy and terrorist attacks. Although we insure our vessels against those types of risks commonly insured against by vessel owners and operators, we cannot assure you that we are adequately insured against all risks.

- We cannot assure you that we will pay dividends which could reduce the return on your investment in us. The Company does not currently pay dividends to holders of its common stock. Our ability to pay dividends in the future will depend on, among other things, our earnings and cash flow, cash reserves, our ability to obtain financing on terms acceptable to us, our ability to satisfy the covenants contained in our financing arrangements and our compliance with relevant provisions of Marshall Islands law.

This is not a comprehensive list of risks to which we are subject, and you should carefully consider all of the information in this prospectus before investing in our common stock. In particular, we urge you to consider carefully the additional factors set forth in the section of this prospectus entitled "Risk Factors" beginning on page 11.

DIVIDEND POLICY

We do not currently pay dividends to holders of our common stock.

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

CORPORATE STRUCTURE

We were incorporated in the Marshall Islands in 2000. Other than the M/T Delos which we charter in, our vessels are owned through separate wholly-owned subsidiaries incorporated in the Marshall Islands and Liberia. Except as set forth below, since July 1, 2010, our Fleet Manager, Central Mare, a related party controlled by the family of our Chief

Executive Officer, or CEO, has been performing all of our operational, technical and commercial functions relating to the chartering and operation of our vessels, pursuant to management agreements concluded between Central Mare and Top Ships, as well as between Central Mare and our vessel-owning subsidiaries. On October 1, 2010, we entered into a management agreement with TMS Tankers, a party related to one of our major shareholders, for the technical management and crewing of M/T Delos. Commercial management of the vessel was contracted to Central Mare as of that date. The management agreement with TMS Tankers is expected to be terminated during the second quarter of 2011 and all management functions performed by TMS Tankers will be transferred to another manager, which may or may not be Central Mare.

The current address of our principal executive office is 1 Vas. Sofias and Meg. Alexandrou Str, 15124 Maroussi, Greece. The telephone number of our registered office is +30 210 812 8000.Our corporate website address is www.topships.org. The information contained on our website does not constitute part of this prospectus.

THE OFFERING

The following summary contains basic information about the offering of our common stock hereunder and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of our common stock, please refer to the section of this prospectus entitled "Description of Capital Stock."

Shares offered by us	shares of common stock
Shares to be outstanding immediately after this offering	shares of common stock (assumes no exercise of the underwriters' overallotment option)
Shares outstanding prior to this offering	34,200,673 shares of common stock
Over-allotment option	We have granted the underwriters a 45-day option to purchase from us, from time to time, up to an additional shares of common stock, to cover any over-allotments.
Use of proceeds	We estimate that the net proceeds from this offering will be approximately $ million or approximately $ million if the underwriters exercise their over-allotment option, after the payment of discounts and commissions to the underwriters. These estimates are based on the public offering price of $ per share. We expect to use the net proceeds of this offering to (1) reduce our corporate debt outstanding; (2) pursue additional vessel acquisitions according to our business strategy on market terms and (3) apply any amounts not used for the above purposes for working capital and general corporate purposes. Please read "Use of Proceeds."
Tax Consequences	The U.S. federal income tax and Marshall Islands tax consequences of purchasing, owning and disposing of shares of our common stock are described under "Tax Considerations." Prospective investors are urged to consult their own tax advisors regarding the tax consequences of purchasing, owning and disposing of our common stock. See "Tax Considerations".
Nasdaq Global Select Market listing	Our common stock is listed for trading on the Nasdaq Global Select Market under the symbol "TOPS."

The number of shares of our common stock to be outstanding after the offering is based on actual shares outstanding as of , 2011 and does not include shares of common stock reserved for issuance in connection with the underwriters' option to purchase additional shares to cover over-allotments. In addition, the number of shares of common stock to be outstanding after this offering excludes, as of May 6, 2011, shares of our common stock reserved for issuance but not yet issued pursuant to our equity incentive plan , out of a total equity incentive plan

reserve of 12,000,000 shares of our common stock.

All share and per share information concerning our common stock presented does not reflect a reverse stock split, within the range of 1:2 to 1:10 shares, that we expect our Board to effect prior to the effectiveness of the registration statement of which this prospectus is a part.

Summary Financial Data

The following table sets forth our summary historical consolidated financial data and other operating for the years ended December 31, 2006, 2007, 2008, 2009 and 2010. The following information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes included herein. The following summary historical consolidated financial data are derived from our consolidated financial statements and notes thereto which have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP, and have been audited for the years ended December 31, 2006, 2007, 2008, 2009 and 2010 by Deloitte, Hadjipavlou, Sofianos & Cambanis S.A., or Deloitte, our independent registered public accounting firm.

	Year Ended December 31,				
U.S. Dollars in thousands, except per share data	2006	2007	2008	2009	2010
STATEMENT OF OPERATIONS DATA					
Revenues	310,043	252,259	257,380	107,979	90,875
Voyage expenses	55,351	59,414	38,656	3,372	2,468
Charter hire expense	96,302	94,118	53,684	10,827	480
Amortization of deferred gain on sale and leaseback of vessels and write-off of seller's credit	(8,110)	(15,610)	(18,707)	(7,799)	-
Lease termination expense				15,391	-
Vessel operating expenses	66,082	67,914	67,114	23,739	12,853
Dry-docking costs	39,333	25,094	10,036	4,602	4,103
Management fees-third parties	2,755	1,828	1,159	419	159
Management fees-related parties	-	-	-	-	3,131
General and administrative expenses	20,516	23,172	30,229	23,416	18,142
Gain on sale of vessels	(12,667)	(1,961)	(19,178)	-	(5,101)
Vessel Depreciation	35,266	27,408	32,664	31,585	32,376
Impairment on vessels	-	-	-	36,638	-
Total operating expenses	294,828	281,377	195,657	142,190	68,611
Operating income (loss)	15,215	(29,118)	61,723	(34,211)	22,264
Interest and finance costs	(27,030)	(19,518)	(25,764)	(13,969)	(14,776)
Loss on financial instruments	(2,145)	(3,704)	(12,024)	(2,081)	(5,057)
Interest income	3,022	3,248	1,831	235	136
Other (expense) income, net	(67)	16	(127)	(170)	(54)
Net (loss) income	(11,005)	(49,076)	25,639	(50,196)	2,513
(Loss) earnings per share, basic and diluted	$(1.16)	$(4.09)	$0.97	$(1.78)	$0.08
Weighted average common shares outstanding, basic	10,183,424	11,986,857	25,445,031	28,230,585	30,752,779
Weighted average common shares outstanding, diluted	10,183,424	11,986,857	25,445,031	28,230,585	30,777,413
Dividends declared per share	$23.13	-	-	-	-

	Year Ended December 31,				
	2006	2007	2008	2009	2010

U.S. Dollars in thousands, except fleet data and average daily results					
BALANCE SHEET DATA					
Current assets	72,799	102,161	57,088	3,787	3,420
Total assets	490,885	776,917	698,375	675,149	622,091

Current liabilities, including current portion of long-term debt	45,416	153,290	386,934	427,953	366,609
Total long-term debt, including current portion	218,052	438,884	342,479	399,087	337,377
Common stock	108	205	283	311	322
Stockholders' equity	161,198	211,408	292,051	247,196	255,482
FLEET DATA					
Total number of vessels at end of period	24.0	23.0	12.0	13.0	13.0
Average number of vessels(1)	26.7	22.4	18.8	13.7	13.1
Total calendar days for fleet(2)	9,747	8,176	6,875	5,008	4,781
Total available days for fleet(3)	8,837	7,562	6,610	4,813	4,686
Total operating days for fleet(4)	8,634	7,032	6,099	4,775	4,676
Total time charter days for fleet	6,223	4,720	4,729	2,841	2,076
Total bareboat charter days for fleet	-	-	335	1,934	2,555
Total spot market days for fleet	2,411	2,312	1,035	-	45
Fleet utilization(5)	97.70 %	93.00 %	92.30 %	99.20 %	99.80 %
AVERAGE DAILY RESULTS					
Time charter equivalent(6)	$29,499	$27,424	$35,862	$21,907	$18,907
Vessel operating expenses(7)	$6,780	$8,307	$9,762	$4,740	$2,688
General and administrative expenses(8)	$2,105	$2,834	$4,397	$4,676	$3,795

(1) Average number of vessels is the number of vessels that constituted our fleet (including leased vessels) for the relevant period, as measured by the sum of the number of days each vessel was a part of our fleet during the period divided by the number of calendar days in that period.

(2) Calendar days are the total days the vessels were in our possession for the relevant period. Calendar days are an indicator of the size of our fleet over the relevant period and affect both the amount of revenues and expenses that we record during that period.

(3) Available days are the number of calendar days less the aggregate number of days that our vessels are off-hire due to scheduled repairs or scheduled guarantee inspections in the case of newbuildings, vessel upgrades or special or intermediate surveys and the aggregate amount of time that we spend positioning our vessels. Companies in the shipping industry generally use available days to measure the number of days in a period during which vessels should be capable of generating revenues. We determined to use available days as a performance metric, for the first time, in the second quarter and first half of 2009. We have adjusted the calculation method of utilization to include available days in order to be comparable with shipping companies that calculate utilization using operating days divided by available days.

(4) Operating days are the number of available days in a period less the aggregate number of days that our vessels are off-hire due to unforeseen circumstances. The shipping industry uses operating days to measure the aggregate number of days in a period that our vessels actually generate revenue.

(5) Fleet utilization is calculated by dividing the number of operating days during a period by the number of available days during that period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the number of days that its vessels are off-hire for reasons other than scheduled repairs or scheduled guarantee inspections in the case of newbuildings, vessel upgrades, special or intermediate surveys and vessel positioning. We used a new calculation method for fleet utilization, for

the first time, in the second quarter and first half of 2009. In all prior filings and reports, utilization was calculated by dividing operating days by calendar days. We have adjusted the calculation method in order to be comparable with most shipping companies, which calculate utilization using operating days divided by available days.

(6) Time charter equivalent rate, or TCE rate, is a measure of the average daily revenue performance of a vessel on a per voyage basis. Our method of calculating TCE rate is consistent with industry standards and is determined by dividing time charter equivalent revenues or TCE revenues by operating days for the relevant time period. TCE revenues are revenues minus voyage expenses. Voyage expenses primarily consist of port, canal and fuel costs that are unique to a particular voyage, which would otherwise be paid by the charterer under a time charter contract, as well as commissions. TCE revenues and TCE rate, which are non-GAAP measures, provide additional meaningful information in conjunction with shipping revenues, the most directly comparable GAAP measure, because it assists the Company's management in making decisions regarding the deployment and use of its vessels and in evaluating their financial performance. The reconciliation of TCE revenues to shipping revenues is depicted in the following tables.

(7) Daily vessel operating expenses, which include crew costs, provisions, deck and engine stores, lubricating oil, insurance, maintenance and repairs are calculated by dividing vessel operating expenses by fleet calendar days for the relevant time period.

(8) Daily general and administrative expenses are calculated by dividing general and administrative expenses by fleet calendar days for the relevant time period.

The following table reflects reconciliation of TCE revenues to revenues as reflected in the consolidated statements of operations and calculation of the TCE rate (all amounts are expressed in thousands of U.S. Dollars, except for Average Daily Time Charter Equivalent amounts and Total Operating Days):

U.S. Dollars in thousands, except operating days figures and average daily results	2006	2007	2008	2009	2010
On a consolidated basis					
Revenues	310,043	252,259	257,380	107,979	90,875
Less:					
Voyage expenses	(55,351)	(59,414)	(38,656)	(3,372)	(2,468)
Time charter equivalent revenues	254,692	192,845	218,724	104,607	88,407
Total Operating days	8,634	7,032	6,099	4,775	4,676
Average Daily Time Charter Equivalent	$ 29,499	$ 27,424	$ 35,862	$ 21,907	$ 18,907

U.S. Dollars in thousands, except operating days figures and average daily results	2006	2007	2008	2009	2010
Tanker Fleet					
Revenues	310,043	248,944	163,995	47,353	39,394
Less:					
Voyage expenses	(55,351)	(59,253)	(34,215)	(1,118)	(1,277)
Time charter equivalent revenues	254,692	189,691	129,780	46,235	38,117
Total Operating days	8,634	6,991	4,357	2,989	2,927
Average Daily Time Charter Equivalent	$29,499	$27,134	$29,786	$15,468	$13,023

U.S. Dollars in thousands, except operating days figures and average daily results	2007	2008	2009	2010
Drybulk Fleet				
Revenues	1,902	71,590	56,715	51,481
Less:				
Voyage expenses	(161)	(4,441)	(2,254)	(1,191)
Time charter equivalent revenues	1,741	67,149	54,461	50,290
Total Operating days	41	1,742	1,786	1,749
Average Daily Time Charter Equivalent	$42,463	$38,547	$30,493	$28,754

RISK FACTORS

You should consider carefully the following factors, as well as the other information set forth in this prospectus, before making an investment in our common stock. Some of the following risks relate principally to the industry in which we operate and our business in general. Other risks relate principally to the securities market and ownership of our stock. Any of the risk factors could significantly and negatively affect our business, financial condition or operating results and the trading price of our stock. You could lose all or part of your investment.

Risks Related to Our Industries

The international tanker and drybulk shipping industries have experienced drastic downturns after experiencing historically high charter rates and vessel values in early 2008, and a continued downturn in these markets may have an adverse effect on our earnings, impair the carrying value of our vessels and affect compliance with our loan covenants.

The Baltic Drybulk Index, or BDI, is a U.S. Dollar daily average of charter rates that takes into account input from brokers around the world regarding fixtures for various routes, dry cargoes and various drybulk vessel sizes and is issued by the London-based Baltic Exchange (an organization providing maritime market information for the trading and settlement of physical and derivative contracts). The BDI declined from a high of 11,793 in May 2008 to a low of 663 in December 2008, which represents a decline of 94%, but has since modestly risen to 1,430 as of April 6, 2011. The decline in charter rates was due to various factors, including the lack of trade financing for purchases of commodities carried by sea, which resulted in a significant decline in cargo shipments, and the excess supply of iron ore in China, which resulted in falling iron ore prices and increased stockpiles in Chinese ports. The decline in charter rates in the drybulk market affected the earnings on our charters and the value of our drybulk vessels. As a result, this decline negatively affected our cash flows, liquidity and compliance with the covenants contained in our loan agreements. During 2009 and 2010, the above factors affecting the BDI partially subsided, allowing for the recovery of rates and a recovery in drybulk vessel values.

The Baltic Dirty Tanker Index, a U.S. Dollar daily average of charter rates issued by the Baltic Exchange that takes into account input from brokers around the world regarding crude oil fixtures for various routes and tanker vessel sizes, declined from a high of 2,347 in July 2008 to a low of 453 in mid-April 2009, which represents a decline of 80%, but has since modestly risen to 891 as of April 6, 2011. The Baltic Clean Tanker Index fell from 1,509 points as of June 19, 2008, to 345 points as of April 4, 2009, but has modestly risen to 825 points as of April 6, 2011. The dramatic decline in charter rates was due to various factors, including the significant fall in demand for crude oil and petroleum products, the consequent rising inventories of crude oil and petroleum products in the United States and in other industrialized nations and the corresponding reduction in oil refining, the dramatic fall in the price of oil in 2008, and the restrictions on crude oil production that the Organization of Petroleum Exporting Countries (OPEC) and other non-OPEC oil producing countries have imposed in an effort to stabilize the price of oil. During 2009 and 2010, the abovementioned factors affecting the Baltic Dirty and Clean Tanker Indices partially subsided, allowing for the modest recovery of rates and a stabilization of tanker vessel values.

A decline in charter rates could have a material adverse effect on our business, financial condition and results of operations. If the charter rates in the tanker and drybulk market decline from their current levels, our future earnings may be adversely affected and we may have to record impairment adjustments to the carrying values of our fleet, and we may not be able to comply with the financial covenants in our loan agreements.

The international tanker and drybulk industries are both cyclical and volatile and this may lead to reductions and volatility in our charter rates when we re-charter our vessels, vessel values and our results of operations.

The international tanker and drybulk industries in which we operate are cyclical with attendant volatility in charter hire rates, vessel values and industry profitability. For both tankers and drybulk vessels, the degree of charter rate volatility among different types of vessels has varied widely. If we enter into a charter when charter rates are low, our revenues and earnings will be adversely affected. In addition, a decline in charter hire rates likely will cause the value of our vessels to decline.

We currently employ our tankers mainly on long term bareboat charters and our drybulk carriers mainly on short to medium term time charters. However, one of our tankers has been employed in the spot market since the expiration of its time charter in November 2010, and we have chartered-in another tanker that we employ in a pool which also carries spot market exposure. As a result, our exposure to charter rate volatility in the tanker segment is limited but not minimal. We expect that our exposure to charter rate volatility in the drybulk segment will be significant in 2012, when the charters of three of our drybulk carriers (M/Vs Amalfi, Papillon and Astrale)will have expired. This may affect our result of operations. We do not use freight forward agreements to hedge our exposure to freight rates.

Changes in spot rates and time charters can not only affect the revenues we receive from operations but can also affect the value of our vessels, even if they are employed under long term time charters. Our ability to re-charter our vessels on the expiration or termination of their current time and bareboat charters and the charter rates payable under any renewal or replacement charters will depend upon, among other things, economic conditions in the tanker and drybulk market.

The factors affecting the supply and demand for our vessels are outside our control and are unpredictable. The nature, timing, direction and degree of changes in tanker and drybulk industry conditions are also unpredictable. Factors that influence demand for tanker and drybulk vessel capacity include:

- supply and demand for (i) refined petroleum products and crude oil for tankers and (ii) drybulk commodities for drybulk vessels;
- changes in (i) crude oil production and refining capacity and (ii) drybulk commodity production and resulting shifts in trade flows for crude oil and petroleum products and trade flows of drybulk commodities;
- the location of regional and global crude oil refining facilities and drybulk commodities markets that affect the distance commodities are to be moved by sea;
- global and regional economic and political conditions, including developments in international trade and fluctuations in industrial and agricultural production;
- environmental and other legal and regulatory developments;
- currency exchange rates;
- weather and acts of God and natural disasters, including hurricanes and typhoons;
- competition from alternative sources of energy and for other shipping companies and other modes of transportation; and
- international sanctions, embargoes, import and export restrictions, nationalizations, piracy and wars.

The factors that influence the supply of oceangoing vessel capacity include:

- the number of newbuilding deliveries;
- current and expected purchase orders for vessels;
- the scrapping rate of older vessels;

- vessel freight rates;
- the price of steel and vessel equipment;
- technological advances in the design and capacity of vessels
- potential conversion of vessels to alternative use;
- changes in environmental and other regulations that may limit the useful lives of vessels;

- port or canal congestion;
- the number of vessels that are out of service at a given time; and
- changes in global crude oil and drybulk commodity production.

Disruptions in world financial markets and the resulting governmental action in the United States and in other parts of the world could have a material adverse impact on our results of operations, financial condition and cash flows, and could cause the market price of our common stock to decline.

According to the head of the International Monetary Fund as quoted in April 2011, the global economic recovery remains fragile. Following the global economic downturn of 2007-2009, credit remains tight, the extent of recovery in demand for goods and services is uncertain, and unemployment is high. The credit markets worldwide and in the United States have experienced significant contraction, deleveraging and reduced liquidity, and the U.S. federal government, state governments and foreign governments have implemented and are considering a broad variety of governmental action and/or new regulation of the financial markets. Securities and futures markets and the credit markets are subject to comprehensive statutes, regulations and other requirements. The Securities and Exchange Commission, or SEC, other regulators, self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies, and may effect changes in law or interpretations of existing laws. The uncertainty surrounding the future of the credit markets in the United States and the rest of the world has resulted in reduced access to credit worldwide.

We face risks attendant to changes in economic environments, changes in interest rates, and instability in the banking and securities markets around the world, among other factors. Major market disruptions and any adverse changes in market conditions and regulatory climate in the United States and worldwide may adversely affect our business or impair our ability to borrow amounts under our credit facilities or any future financial arrangements. We cannot predict how long the current market conditions will last. However, these economic and governmental factors, including reform of the financial system, could have a material adverse impact on our business, financial condition, results of operations and our ability to pay dividends.

We are subject to complex laws and regulations, including environmental regulations that can adversely affect the cost, manner or feasibility of doing business.

Our operations are subject to numerous laws and regulations in the form of international conventions and treaties, national, state and local laws and national and international regulations in force in the jurisdictions in which our vessels operate or are registered, which can significantly affect the ownership and operation of our vessels. These regulations include, but are not limited to the U.S. Oil Pollution Act of 1990, or OPA, the U.S. Clean Air Act, U.S. Clean Water Act and the U.S. Marine Transportation Security Act of 2002, European Union Directives relating to air emissions, and regulations of the International Maritime Organization, or the IMO, including the International Convention for the Prevention of Pollution from Ships of 1975, the International Convention for the Prevention of Marine Pollution of 1973, the IMO International Convention for the Safety of Life at Sea of 1974 and the International Convention on Load Lines of 1966. Compliance with such laws, regulations and standards, where applicable, may require installation of costly equipment or operational changes and may affect the resale value or useful lives of our vessels. We may also incur additional costs in order to comply with other existing and future regulatory obligations, including, but not limited to, costs relating to air emissions, the management of ballast waters, maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other financial assurance of our ability to address pollution incidents. These costs could have a material adverse effect on our business, results of operations, cash flows and financial condition. A failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of

our operations. Environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject us to liability without regard to whether we were negligent or at fault. Under OPA, for example, owners, operators and bareboat charterers are jointly and severally strictly liable for the discharge of oil within the 200-mile exclusive economic zone around the United States. Furthermore, the 2010 explosion of the Deepwater Horizon and the subsequent release of oil into the Gulf of Mexico, or other events, may result in further regulation of the shipping industry, and modifications to statutory liability schemes, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. An oil spill could result in significant liability, including fines, penalties and criminal liability and remediation costs for natural resource damages under other federal, state and local laws, as well as third-party damages. We are required to satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents. Although we have arranged insurance to cover certain environmental risks, there can be no assurance that such insurance will be sufficient to cover all such risks or that any claims will not have a material adverse effect on our business, results of operations, cash flows and financial condition and our ability to pay dividends, if any, in the future.

We are subject to international safety regulations and requirements imposed by classification societies and the failure to comply with these regulations may subject us to increased liability, may adversely affect our insurance coverage and may result in a denial of access to, or detention in, certain ports.

The operation of our vessels is affected by the requirements set forth in the IMO's International Management Code for the Safe Operation of Ships and Pollution Prevention, or ISM Code. The ISM Code requires shipowners, ship managers and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. The failure of a shipowner or bareboat charterer to comply with the ISM Code may subject it to increased liability, may invalidate existing insurance or decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports. As of the date of this prospectus, each of our vessels is ISM code-certified.

In addition, the hull and machinery of every commercial vessel must be classed by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and the Safety of Life at Sea Convention. If a vessel does not maintain its class and/or fails any annual survey, intermediate survey or special survey, the vessel will be unable to trade between ports and will be unemployable, which will negatively impact our revenues and results from operations.

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

Due to concern over the risk of climate change, a number of countries and the IMO have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emissions. These regulatory measures may include, among others, adoption of cap and trade regimes, carbon taxes, increased efficiency standards, and incentives or mandates for renewable energy. In addition, although the emissions of greenhouse gases from international shipping currently are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which required adopting countries to implement national programs to reduce emissions of certain gases, a new treaty may be adopted in the future that includes restrictions on shipping emissions. Compliance with changes in laws, regulations and obligations relating to climate change could increase our costs related to operating and maintaining our vessels and require us to install new emission controls, acquire allowances or pay taxes related to our greenhouse gas emissions, or administer and manage a greenhouse gas emissions program. Revenue generation and strategic growth opportunities may also be adversely affected.

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

Our vessels may suffer damage due to the inherent operational risks of the seaborne transportation industry and we may experience unexpected dry-docking costs, which may adversely affect our business and financial condition.

Our vessels and their cargoes will be at risk of being damaged or lost because of events such as marine disasters, bad weather, business interruptions caused by mechanical failures, grounding, fire, explosions and collisions, human error, war, terrorism, piracy and other circumstances or events. These hazards may result in death or injury to persons, loss of revenues or property, environmental damage, higher insurance rates, damage to our customer relationships, delay or

rerouting. If our vessels suffer damage, they may need to be repaired at a dry-docking facility. The costs of dry-dock repairs are unpredictable and may be substantial. We may have to pay dry-docking costs that our insurance does not cover in full. The loss of earnings while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, would decrease our earnings. In addition, space at dry-docking facilities is sometimes limited and not all dry-docking facilities are conveniently located. We may be unable to find space at a suitable dry-docking facility or our vessels may be forced to travel to a dry-docking facility that is not conveniently located to our vessels' positions. The loss of earnings while these vessels are forced to wait for space or to steam to more distant dry-docking facilities would decrease our earnings.

Because the market value of our vessels may fluctuate significantly, we may incur losses when we sell vessels or we may be required to write down their carrying value, which will adversely affect our earnings.

The fair market value of our vessels may increase and decrease depending on the following factors:

- general economic and market conditions affecting the international tanker and drybulk shipping industries;
- prevailing level of charter rates;
- competition from other shipping companies;
- types, sizes and ages of vessels;
- other modes of transportation;
- cost of newbuildings;
- price of steel;
- governmental or other regulations; and
- technological advances.

If we sell vessels at a time when vessel prices have fallen the sale may be at less than the vessel's carrying amount in our financial statements in which case we will realize a loss. Vessel prices can fluctuate significantly, and in the case where the market value falls below the carrying amount we evaluate the asset for a potential impairment and may be required to write down the carrying amount of the vessel on our financial statements and incur a loss and a reduction in earnings, if the estimate of undiscounted cash flows, excluding interest charges, expected to be generated by the use of the asset is less than its carrying amount. See "Management's Discussion and Analysis of Financial Condition and Results of Operation – Critical Accounting Policies – Impairment of vessels".

An over-supply of drybulk carrier and/or tanker capacity may lead to reductions in charter hire rates and profitability.

The market supply of drybulk carriers has been increasing, and the number of drybulk carriers on order is near historic highs. These newbuildings were delivered in significant numbers starting at the beginning of 2007 and continuing through 2010. As of December 31, 2010, newbuilding orders had been placed for an aggregate of approximately 54% of the existing global drybulk fleet, with deliveries expected during the next four years.

The market supply of tankers is affected by a number of factors such as demand for energy resources, oil and petroleum products, as well as strong overall economic growth in part of the world economy, including Asia. As of December 31, 2010, newbuilding orders have been placed for an aggregate of approximately 28% of the existing global tanker fleet with the bulk of deliveries expected during 2011 to 2014.

An over-supply of drybulk carrier and/or tanker capacity may result in a reduction of charter hire rates. If such a reduction occurs, we may only be able to re-charter our vessels at reduced or unprofitable rates or we may not be able to charter these vessels at all upon the expiration or termination of our vessels' current charters. The occurrence of these events could have a material adverse effect on our business, results of operations, cash flows, financial condition

and ability to pay dividends.

We are partially dependent on spot charters and any decrease in spot charter rates in the future may adversely affect our earnings.

As of the date of this report, one of our tanker vessels is operating in the spot market and another is operating in a pool, under a time charter agreement that also carries spot market exposure. We may in the future operate additional vessels in the spot market. Although spot chartering is common in the tanker industry, the spot charter market may fluctuate significantly based upon tanker and oil supply and demand. The successful operation of our vessels in the competitive spot charter market depends upon, among other things, obtaining profitable spot charters and minimizing, to the extent possible, time spent waiting for charters and time spent traveling unladen to pick up cargo. The spot market is very volatile, and, in the past, there have been periods when spot rates have declined below the operating cost of vessels. If future spot charter rates decline, then we may be unable to operate our vessels trading in the spot market profitably, meet our obligations, including payments on indebtedness, or to pay dividends in the future. Furthermore, as charter rates for spot charters are fixed for a single voyage which may last up to several weeks, during periods in which spot charter rates are rising, we will generally experience delays in realizing the benefits from such increases.

Operating results from our tankers are subject to seasonal fluctuations, which may adversely affect our operating results.

Eight of the vessels in our combined fleet are tankers. Two of our tankers currently have spot market exposure in markets that have historically exhibited seasonal variations in demand and, therefore, charter rates. This seasonality may result in quarter-to-quarter volatility in our operating results. The tanker sector is typically stronger in the fall and winter months in anticipation of increased consumption of oil and petroleum products in the northern hemisphere during the winter months. As a result, our revenues from our tankers may be weaker during the fiscal quarters ended June 30 and September 30, and, conversely, revenues may be stronger in fiscal quarters ended December 31 and March 31. This seasonality could materially affect our results of operations.

Our earnings may be adversely affected if we do not successfully employ our vessels.

Given current market conditions, we seek to deploy our vessels on time and bareboat charters in a manner that will help us achieve a steady flow of earnings. As of the date of this prospectus four of our drybulk vessels were contractually committed to time charters, and six of our tanker vessels and one of our drybulk vessels were contractually committed to bareboat charters. Although these period charters provide relatively steady streams of revenue as well as a portion of the revenues generated by the charterer's deployment of the vessels in the spot market or otherwise, our vessels committed to period charters may not be available for spot voyages during an upturn in the tanker or drybulk industry cycle, as the case may be, when spot voyages might be more profitable. If we cannot continue to employ our vessels on profitable time charters or trade them in the spot market profitably, our results of operations and operating cash flow may suffer if rates achieved are not sufficient to cover respective vessel operating and financial expenses.

If our vessels call on ports located in countries that are subject to restrictions imposed by the U.S. or other governments, that could adversely affect our reputation and the market for our common stock.

From time to time on charterers' instructions, our vessels may call on ports located in countries subject to sanctions and embargoes imposed by the United States government and countries identified by the U.S. government as state sponsors of terrorism. The U.S. sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time. In 2010, the U.S. enacted the Comprehensive Iran Sanctions

Accountability and Divestment Act ("CISADA"), which expanded the scope of the former Iran Sanctions Act. Among other things, CISADA expands the application of the prohibitions to non-U.S. companies, such as our company, and introduces limits on the ability of companies and persons to do business or trade with Iran when such activities relate to the investment, supply or export of refined petroleum or petroleum products. Although we believe that we are in compliance with all applicable sanctions and embargo laws and regulations, and intend to maintain such compliance, there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. Any such violation could result in fines or other penalties and could result in some investors deciding, or being required, to divest their interest, or not to invest, in our company. Additionally, some investors may decide to divest their interest, or not to invest, in our company simply because we do business with companies that do business in sanctioned countries, even if we have not violated any laws. Moreover, our charterers may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve us or our vessels, and those violations could in turn negatively affect our reputation. Investor perception of the value of our common stock may also be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and surrounding countries.

World events could adversely affect our results of operations and financial condition.

Terrorist attacks such as the attacks in the United States on September 11, 2001, the bombings in Spain on March 11, 2004 and in London on July 7, 2005 and the continuing response of the world community to these attacks, as well as the threat of future terrorist attacks in the United States or elsewhere, continue to cause uncertainty in the world financial markets and may affect our business, operating results and financial condition. The continuing conflict in Afghanistan may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further economic instability in the global financial markets. These uncertainties could also adversely affect our ability to obtain any additional financing or, if we are able to obtain additional financing, to do so on terms unfavorable to us. In the past, political conflicts have also resulted in attacks on vessels, mining of waterways and other efforts to disrupt international shipping, particularly in the Arabian Gulf region. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea. Any of these occurrences could have a material adverse impact on our business, financial condition and results of operations.

Terrorist attacks on vessels, such as the October 2002 attack on the M.V. Limburg, a very large crude carrier not related to us, may in the future also negatively affect our operations and financial condition and directly impact our vessels or our customers. Future terrorist attacks could result in increased volatility and turmoil of the financial markets in the United States and globally. Any of these occurrences, or the perception that our vessels are potential terrorist targets, could have a material adverse impact on our revenues and costs.

The recent earthquake and tsunami in Japan may have an adverse affect on our business, results of operations, financial condition and ability to pay dividends.

Japan is one of the world's leading importers of dry bulk commodities. The severe earthquake and tsunami that struck Japan on March 11, 2011 have had an adverse effect on Japan's manufacturing capabilities and economy generally. As of the date of this prospectus, the extent to which the earthquake, tsunami and pollution from emitted radiation from damaged nuclear reactors will affect the international economies and shipping industry is unclear. These disasters could decrease dry bulk imports to that country for an undeterminable period of time. This, in turn, could have an adverse effect on our business and results of operations.

Acts of piracy on oceangoing vessels have recently increased in frequency, which could adversely affect our business.

Acts of piracy have historically affected oceangoing vessels trading in regions of the world such as the South China Sea and the Gulf of Aden off the coast of Somalia. Throughout 2008, 2009 and 2010, the frequency of piracy incidents against commercial shipping vessels increased significantly, particularly in the Gulf of Aden. Since the beginning of 2009, numerous tanker and drybulk vessels have fallen victim to piracy attacks off the coast of Somalia, including incidents deep into the Indian ocean. For example, on January 15, 2010, the M/V Samho Jewelry, a tanker vessel not affiliated with us, was seized by pirates while transporting chemicals 800 miles off the Somali coast.

If these piracy attacks result in regions in which our vessels are deployed being characterized by insurers as "war risk" zones, as the Gulf of Aden has been since May 2008, or Joint War Committee "war and strikes" listed areas, premiums payable for such insurance coverage could increase significantly and such insurance coverage may be more difficult to obtain. Crew costs, including those due to employing onboard security guards, could increase in such circumstances.

In addition, while we believe a time charterer remains liable for charter payments when a vessel is seized by pirates, the charterer may dispute this and withhold charter hire until the vessel is released. A charterer may also claim that a vessel seized by pirates was not "on-hire" for a certain number of days and it is therefore entitled to cancel the charter

party, a claim that we would dispute. In addition, we as owners are liable for such costs under any voyage charter. Although we are insured against piracy risks under our war risk insurance policy, we may experience financial losses as a result of vessel damage from pirates, increased insurance deductibles or a rise in the cost of private security service remunerations, all of which could have a material adverse impact on our business, financial condition, results of operations and cash flows.

Changes in the economic and political environment in China and policies adopted by the government to regulate its economy may have a material adverse effect on our business, financial condition and results of operations.

The Chinese economy differs from the economies of most countries belonging to the Organization for Economic Cooperation and Development, or OECD, in respects such as structure, government involvement, level of development, growth rate, capital reinvestment, allocation of resources, rate of inflation and balance of payments position. Prior to 1978, the Chinese economy was a planned economy. Since 1978, increasing emphasis has been placed on the utilization of market forces in the development of the Chinese economy. Annual and five-year plans, or State Plans, are adopted by the Chinese government in connection with the development of the economy. Although state-owned enterprises still account for a substantial portion of the Chinese industrial output, in general, the Chinese government is reducing the level of direct control that it exercises over the economy through State Plans and other measures. There is an increasing level of freedom and autonomy in areas such as allocation of resources, production, pricing and management and a gradual shift in emphasis to a "market economy" and enterprise reform. Limited price reforms were undertaken, with the result that prices for certain commodities are principally determined by market forces. Many of the reforms are unprecedented or experimental and may be subject to revision, change or abolition based upon the outcome of such experiments. If the Chinese government does not continue to pursue a policy of economic reform the level of imports to and exports from China could be adversely affected which could adversely affect our business, operating results and financial condition.

An economic slowdown in the Asia Pacific region could have a material adverse effect on our business, financial condition and results of operations.

We anticipate a significant number of the port calls made mainly by our drybulk vessels will continue to involve the loading or discharging of drybulk commodities in ports in the Asia Pacific region. As a result, negative changes in economic conditions in any Asia Pacific country, particularly in China, may have a material adverse effect on our business, financial position and results of operations, as well as our future prospects.

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

International shipping is subject to various security and customs inspection and related procedures in countries of origin and destination. Inspection procedures can result in the seizure of, delay in the loading, offloading or delivery of, the contents of our vessels or the levying of customs duties, fines or other penalties against us. It is possible that changes to inspection procedures could impose additional financial and legal obligations on us. Furthermore, changes to inspection procedures could also impose additional costs and obligations on our customers and may, in certain cases, render the shipment of certain types of cargo uneconomical or impractical. Any such changes or developments may have a material adverse effect on our business, financial condition, and results of operations.

Rising fuel prices may adversely affect our business.

Fuel is a significant, if not the largest, operating expense for many of our shipping operations when our vessels are not under period charter. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by OPEC and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. Further, fuel may become much more expensive in the future, which may reduce the profitability and competitiveness of our business versus other forms of transportation, such as truck or rail. Currently, ten of our twelve vessels are under period employment whereby the fuel cost is borne by the charterer, except for periods when the vessel is off-hire.

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Risks Related to Our Company

Our inability to comply with loan covenants under our loan agreements raises substantial doubt about our ability to continue as a going concern.

As discussed below, we are in breach of certain loan covenants contained in our loan agreements. As a result of these loan covenant breaches, our lenders may choose to accelerate our indebtedness. We believe that as long as we are able to meet our obligations as they fall due, our lenders will not accelerate our indebtedness.

Our ability to continue as a going concern is dependent on management's ability to successfully generate revenue to meet our obligations as they become due and have the continued support of our lenders. Our independent registered public accounting firm has issued its opinion, similar to its opinion included in our 2008 and 2009 annual report, with an explanatory paragraph emphasizing that we have prepared our financial statements under the going concern assumption despite our covenant breaches and working capital deficit. Our financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of our inability to continue as a going concern. However, there is a material uncertainty related to events or conditions which raises significant doubt on our ability to continue as a going concern and, therefore, we may be unable to realize our assets and discharge our liabilities in the normal course of business.

We are in breach of certain loan covenants contained in our loan agreements. If we are not successful in obtaining waivers and amendments with respect to covenants breached, our lenders may declare an event of default and accelerate our outstanding indebtedness under the relevant agreement, which would impair our ability to continue to conduct our business.

Our loan agreements require that we comply with certain financial and other covenants. As a result of the drop in our drybulk and tanker asset values we were not in compliance with covenants relating to vessel values such as asset cover ratio, adjusted net worth and net asset value covenants as of December 31, 2010. In addition, we were in breach of EBITDA and overall cash position (minimum liquidity covenants) covenants with certain banks not previously waived. A violation of these covenants constitutes an event of default under our credit facilities, which would, unless waived by our lenders, provide our lenders with the right to require us to post additional collateral, enhance our equity and liquidity, increase our interest payments, pay down our indebtedness to a level where we are in compliance with our loan covenants, sell vessels in our fleet, reclassify our indebtedness as current liabilities and accelerate our indebtedness and foreclose their liens on our vessels, which impairs our ability to continue to conduct our business. As a result of these breaches, our total indebtedness of $343.7 million, which after excluding unamortized financing fees of $4.0 million amounts to $339.7 million, and financial instruments of $12.9 million are presented within current liabilities in the accompanying December 31, 2010 consolidated balance sheet. The amounts of long term debt and financial instruments that have been reclassified and presented together with current liabilities amount to $304.5 million and $8.8 million, respectively.

As of the date of this prospectus:

- we have received a waiver from Alpha Bank up to February 28, 2012;
- we have received a waiver from Emporiki bank up to June 30, 2011;
- on August 17, 2010, we signed a term sheet with DVB, loan documentation of which is currently in progress, and reset covenants in such a way so that as of December 31, 2010 we were not in breach of covenants with DVB; and
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during April 2011, we entered into a preliminary agreement with RBS according to which, and subject to execution of definitive documents, we will amend the minimum security and financial covenants in such a way so that had these levels been in effect as of December 31, 2010, we would not have been in breach of the security value maintenance, EBITDA and minimum liquid funds covenants.

See "Management's Discussion And Analysis Of Financial Condition And Results Of Operations" for more details on the progress of discussions with banks.

Breach of our loan covenants, without applicable waiver, entitles our lenders to accelerate our debt. If our indebtedness is accelerated, it would be very difficult in the current financing environment for us to refinance our debt or obtain additional financing and we could lose our vessels if our lenders foreclose their liens.

Servicing current and future debt will limit funds available for other purposes and impair our ability to react to changes in our business.

To finance our fleet expansion program, we incurred secured indebtedness. We must dedicate a portion of our cash flow from operations to pay the principal and interest on our indebtedness. These payments limit funds otherwise available for working capital, capital expenditures and other purposes. As of December 31, 2010, we had total indebtedness of $343.7 million, which after excluding unamortized financing fees of $4.0 million amounts to $339.7 million, and a ratio of indebtedness to total capital of approximately 57%. Our substantial level of indebtedness increases the possibility that we may be unable to generate cash sufficient to pay, when due, the principal of, interest on or other amounts due in respect of, our indebtedness. Our substantial debt could also have other significant consequences. For example, it could:

- increase our vulnerability to general economic downturns and adverse competitive and industry conditions;
- require us to dedicate a substantial portion, if not all, of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to competitors that have less debt or better access to capital;
- limit our ability to raise additional financing on satisfactory terms or at all; and
- adversely impact our ability to comply with the financial and other restrictive covenants in the indenture governing the notes and the credit agreements governing the debts of our subsidiaries, which could result in an event of default under such agreements.

Furthermore, our interest expense could increase if interest rates increase because most of our debt and all the debt under the credit facilities of our subsidiaries is variable rate debt. If we do not have sufficient earnings, we may be required to refinance all or part of our existing debt, sell assets, borrow more money or sell more securities, none of which we can guarantee we will be able to do.

Our loan agreements contain restrictive covenants that may limit our liquidity and corporate activities, and our lenders may impose additional operating and financial restrictions on us in connection with waivers or amendments to our loan agreements.

Our loan agreements impose operating and financial restrictions on us and our lenders may impose additional restrictions on us in connection with waivers or amendments to our loan agreements. These restrictions may limit our ability to:

- incur additional indebtedness;
- create liens on our assets;

- sell capital stock of our subsidiaries;
- engage in mergers or acquisitions;
- pay dividends;
- make capital expenditures or other investments;

- charter our vessels;
- change the management of our vessels or terminate or materially amend the management agreement relating to each vessel; and
- sell our vessels.

Therefore, we may need to seek permission from our lenders in order to engage in some corporate actions. This may prevent us from taking actions that are in our best interest.

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

We intend to continue to grow our fleet in the future. Our growth will depend on:

- our ability to generate excess cash flow so that we can invest without jeopardizing our ability to cover current and foreseeable working capital needs (including debt service);
- our ability to raise equity and obtain required financing;
- locating and acquiring suitable vessels;
- identifying and consummating acquisitions or joint ventures;
- integrating any acquired business successfully with our existing operations;
- enhancing our customer base; and
- managing expansion.

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

The derivative contracts we have entered into to hedge our exposure to fluctuations in interest rates could result in higher-than-market interest rates and charges against our income.

As of December 31, 2010, we have twelve interest rate swaps for purposes of managing our exposure to fluctuations in interest rates applicable to indebtedness under our credit facilities. During the year ended December 31, 2010, the change in fair value of our interest rate swaps was an unrealized gain of $0.9 million. Our hedging strategies, however, may not always be effective and we may incur substantial losses if interest rates move materially differently from our expectations.

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

Historically, a significant amount of our operations have been funded with debt financing, and we expect this to continue in the future. The actual or perceived credit quality of our charterers, and any defaults by them, may materially affect our ability to obtain the additional capital resources that we will require to purchase additional

vessels or may significantly increase our costs of obtaining such capital. Our inability to obtain additional financing at all or at a higher than anticipated costs may materially affect our results of operation and our ability to implement our business strategy.

In the highly competitive international tanker and drybulk shipping markets, we may not be able to compete for charters with new entrants or established companies with greater resources.

We employ our vessels in a highly competitive market that is capital intensive and highly fragmented. The operation of tanker and drybulk vessels and the transportation of cargoes shipped in these vessels, as well as the shipping industry in general, is extremely competitive. Competition arises primarily from other vessel owners, including major oil companies as well as independent tanker and drybulk shipping companies, some of whom have substantially greater resources than we do. Competition for the transportation of oil and refined petroleum products and drybulk cargoes can be intense and depends on price, location, size, age, condition and the acceptability of the vessel and its operators to the charterers. Due in part to the highly fragmented market, competitors with greater resources could enter and operate larger fleets through consolidations or acquisitions that may be able to offer better prices and fleets than us.

A limited number of financial institutions hold our cash including financial institutions located in Greece.

A limited number of financial institutions, including institutions located in Greece, will hold all of our cash. Our bank accounts have been deposited from time to time with banks in Germany, United Kingdom and Greece amongst others. Of these financial institutions located in Greece, some are subsidiaries of international banks and others are Greek financial institutions. These balances are not covered by insurance in the event of default by these financial institutions. The occurrence of such a default could have a material adverse effect on our business, financial condition, results of operations and cash flows, and we may lose part or all of our cash that we deposit with such banks.

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

We have historically derived a significant part of our revenue from a small number of charterers. In 2009, approximately 54% of our revenue was derived from three charterers. These three charterers, ST Shipping and Transport Pte Ltd, , Hanjin Shipping Co Ltd, or Hanjin, and Cosco Quingdao, or Cosco, provided 22%, 18% and 14% of our revenues in 2009, respectively. In 2010, approximately 53% of our revenue was derived from three charterers. These three charterers, Hanjin Shipping Co Ltd, Daelim H&L Co. Ltd and Cosco Quingdao, respectively provided 19%, 18% and 16% of our revenues in 2010. If one or more of these customers is unable to perform under one or more charters with us and we are not able to find a replacement charter, or if a customer exercises certain rights to terminate the charter, we could suffer a loss of revenues that could materially adversely affect our business, financial condition and results of operations.

We could lose a customer or the benefits of a charter if, among other things:

- the customer fails to make charter payments because of its financial inability, disagreements with us or otherwise;
- the customer terminates the charter because we fail to deliver the vessel within a fixed period of time, the vessel is lost or damaged beyond repair, there are serious deficiencies in the vessel or prolonged periods of off-hire, or if we are otherwise in default under the charter; or
- the customer terminates the charter because the vessel has been subject to seizure for more than a specified number of days.

If we lose a key customer, we may be unable to obtain charters on comparable terms or may become subject to the volatile spot market, which is highly competitive and subject to significant price fluctuations. The charters on which

we deploy six of our vessels as of the date of this report, provide for charter rates that are significantly above current market rates, particularly spot market rates that most directly reflect the current levels of the drybulk and product tanker charter markets. If it were necessary to secure substitute employment for any of these vessels due to the loss of a customer under current market conditions, such employment would be at a significantly lower charter rate, resulting in a significant reduction in revenues. The loss of any of our customers, or charters, or a decline in payments under our charters, could have a material adverse effect on our business, results of operations and financial condition.

We may be unable to attract and retain key management personnel and other employees in the international tanker and drybulk shipping industries, which may negatively impact the effectiveness of our management and our results of operations.

Our success depends to a significant extent upon the abilities and efforts of our management team. All of our executive officers are employees of Central Mare Inc., or Central Mare which we refer to as our Fleet Manager, a related party controlled by the family of the Company's Chief Executive Officer, or CEO, and we have entered into agreements with our Fleet Manager for the provision of our President, CEO, and Director, Evangelos Pistiolis, our Chief Financial Officer and Director, Alexandros Tsirikos, our Executive Vice President, Chairman and Director, Vangelis Ikonomou and our Chief Technical Officer Demetris Souroullas. The loss of any of these individuals could adversely affect our business prospects and financial condition. Difficulty in hiring and retaining personnel could adversely affect our results of operations. We do not maintain "key man" life insurance on any of our officers.

If labor interruptions are not resolved in a timely manner, they could have a material adverse effect on our business, results of operations, cash flows, financial condition and available cash.

Our Fleet Manager employs 26 people, all of whom are shore-based. In addition, our Fleet Manager is responsible for recruiting, mainly through a crewing agent, the senior officers and all other crew members for our vessels. If not resolved in a timely and cost-effective manner, industrial action or other labor unrest could prevent or hinder our operations from being carried out as we expect and could have a material adverse effect on our business, results of operations, cash flows, financial condition and available cash.

If we expand our business, we will need to improve our operations and financial systems and staff; if we cannot improve these systems or recruit suitable employees, our performance may be adversely affected.

Our current operating and financial systems may not be adequate if we implement a plan to expand the size of our fleet, and our attempts to improve those systems may be ineffective. If we are unable to operate our financial and operations systems effectively or to recruit suitable employees as we expand our fleet, our performance may be adversely affected.

A drop in spot charter rates may provide an incentive for some charterers to default on their charters, which could affect our cash flow and financial condition.

During August 2009, we announced that the bareboat charterer of the M/V Papillon (ex VOC Gallant) had notified us of its intention to pay a reduced charterhire rate of $18,000 per day for the month of August rather than $24,000 per day on a bareboat basis as is set forth in the charterparty. The dispute was resolved and the charterer has paid the full amount of charterhire as required under the charter agreements.

On January 11, 2010, we announced that we had received from the bareboat charterer of the M/T Ionian Wave, currently named UACC Sila, and the M/T Tyrrhenian Wave a reduced charter hire rate of $10,000 per day rather than the $14,300 per day on a bareboat basis that is set forth in the charter agreement. Furthermore on January 26, 2011, we announced that we had received from the same charterer another decrease in the charter hire rate that currently stands at $9,092 per day. We have been examining this unilateral reduction and intend to take all necessary steps to recover the amounts owed since the said charterer is considered to be in breach of the charter. We may not be able to recover these amounts, which would result in lower-than-expected cash flows. During April 2011, we announced that we had repossessed the Ionian Wave and entered into a bareboat charter with a new charterer.

When we enter into a time or bareboat charter, charter rates under that charter are fixed for the term of the charter. If the spot charter rates in the tanker or drybulk shipping industry, as applicable, become significantly lower than the time charter equivalent rates that some of our charterers are obligated to pay us under our existing charters, the charterers may have incentive to default under that charter or attempt to renegotiate the charter. If our charterers fail to pay their obligations, we would have to attempt to re-charter our vessels at lower charter rates, and as a result we could sustain significant losses which could have a material adverse effect on our cash flow and financial condition, which would affect our ability to meet our loan repayment obligations in which case our lenders could choose to accelerate our indebtedness and foreclose their liens, and we could be required to sell vessels in our fleet and our ability to continue to conduct our business would be impaired.

An increase in operating costs would decrease earnings and available cash.

Our vessel operating costs include the costs of crew, fuel (for spot chartered vessels), provisions, deck and engine stores, insurance and maintenance and repairs, which depend on a variety of factors, many of which are beyond our control. Some of these costs, primarily relating to insurance and enhanced security measures , have been increasing. If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydocking repairs are unpredictable and can be substantial. Increases in any of these expenses would decrease earnings and available cash.

The aging of our fleet may result in increased operating costs in the future, which could adversely affect our earnings.

In general, the cost of maintaining a vessel in good operating condition increases with the age of the vessel. Our current operating fleet has an average age of approximately seven years, including our chartered-in vessel M/T Delos which is 20 years old. As our fleet ages, we will incur increased costs. Older vessels are typically less fuel efficient and more costly to maintain than more recently constructed vessels due to improvements in engine technology. Cargo insurance rates also increase with the age of a vessel, making older vessels less desirable to charterers. Governmental regulations, including environmental regulations, safety or other equipment standards related to the age of vessels may require expenditures for alterations, or the addition of new equipment, to our vessels and may restrict the type of activities in which our vessels may engage. As our vessels age, market conditions might not justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives.

Unless we set aside reserves or are able to borrow funds for vessel replacement, our revenue will decline at the end of a vessel's useful life, which would adversely affect our business, results of operations and financial condition.

Unless we maintain reserves or are able to borrow or raise funds for vessel replacement, we will be unable to replace the vessels in our fleet upon the expiration of their remaining useful lives, which we estimate to be 25 years from the date of initial delivery from the shipyard. Our cash flows and income are dependent on the revenues earned by the chartering of our vessels to customers. If we are unable to replace the vessels in our fleet upon the expiration of their useful lives, our business, results of operations and financial condition will be materially and adversely affected.

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

We may grow through the acquisition of previously owned vessels. While we rigorously inspect previously owned, or secondhand vessels prior to purchase, this does not normally provide us with the same knowledge about their condition and cost of any required (or anticipated) repairs that we would have had if these vessels had been built for and operated exclusively by us. Accordingly, we may not discover defects or other problems with such vessels prior to purchase. Any such hidden defects or problems, when detected, may be expensive to repair, and if not detected, may result in accidents or other incidents for which we may become liable to third parties. Also, when purchasing previously owned vessels, we do not receive the benefit of warranties from the builders if the vessels we buy are older than one year. In general, the costs to maintain a vessel in good operating condition increase with the age and type of the vessel. In the case of chartered-in vessels we run the same risks.

We may not have adequate insurance to compensate us if we lose our vessels.

We procure insurance for our fleet against those types of risks commonly insured against by vessel owners and operators. These insurances include hull and machinery insurance, protection and indemnity insurance, which includes environmental damage and pollution insurance coverage and war risk insurance. Reasonable insurance rates can best be obtained when the size and the age/trading profile of the fleet is attractive. As a result, rates become less competitive as a fleet downsizes .

In the future, we may not be able to obtain adequate insurance coverage at reasonable rates for our fleet. The insurers may not pay particular claims. Our insurance policies contain deductibles for which we will be responsible as well as, limitations and exclusions which may nevertheless increase our costs or lower our revenue.

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We may be subject to calls because we obtain some of our insurance through protection and indemnity associations.

We may be subject to increased premium payments, or calls, in amounts based on our claim records and the claim records of our fleet managers as well as the claim records of other members of the protection and indemnity associations through which we receive insurance coverage for tort liability, including pollution-related liability. In addition, our protection and indemnity associations may not have enough resources to cover claims made against them. Our payment of these calls could result in significant expense to us, which could have a material adverse effect on our business, results of operations and financial condition.

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

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against that vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lienholder may enforce its lien by "arresting" or "attaching" a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could result in a significant loss of earnings for the related off-hired period. In addition, in jurisdictions where the "sister ship" theory of liability applies, a claimant may arrest the vessel which is subject to the claimant's maritime lien and any "associated" vessel, which is any vessel owned or controlled by the same owner. In countries with "sister ship" liability laws, claims might be asserted against us or any of our vessels for liabilities of other vessels that we own.

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

A government of a vessel's registry could requisition for title or seize our vessels. Requisition for title occurs when a government takes control of a vessel and becomes the owner. A government could also requisition our vessels for hire. Requisition for hire occurs when a government takes control of a vessel and effectively becomes the charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency. Government requisition of one or more of our vessels could negatively impact our revenues should we not receive adequate compensation.

We may have to pay tax on U.S. source income, which would reduce our earnings.

Under the U.S. Internal Revenue Code of 1986, or the Code, 50% of the gross shipping income of a vessel owning or chartering corporation, such as ourselves and our subsidiaries, that is attributable to transportation that begins or ends, but that does not begin and end, in the U.S. is characterized as U.S. source shipping income and such income is subject to a 4% U.S. federal income tax without allowance for deduction, unless that corporation qualifies for exemption from tax under Section 883 of the Code. We expect that we and each of our subsidiaries will qualify for this statutory tax exemption and we have taken this position for U.S. federal income tax return reporting purposes. However, there are factual circumstances beyond our control that could cause us to lose the benefit of this tax exemption and thereby become subject to U.S. federal income tax on our U.S. source income. Therefore, we can give no assurances on our tax-exempt status or that of any of our subsidiaries. If we or our subsidiaries are not entitled to this exemption under Section 883 of the Code for any taxable year, we or our subsidiaries would be subject for those years to a 4% U.S. federal income tax on our U.S. source shipping income. The imposition of this tax could have a negative effect on our business.

We are likely to be treated as a "passive foreign investment company," which could have adverse U.S. federal income tax consequences to U.S. shareholders.

A foreign corporation will be treated as a "passive foreign investment company," or PFIC, for U.S. federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of certain types of "passive income" or (2) at least 50% of the average value of the corporation's assets produce or are held for the production of those types of "passive income." For purposes of these tests, "passive income" includes dividends, interest, gains from

the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business. Income derived from the performance of services does not constitute "passive income" for this purpose. U.S. shareholders of a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

In general, income derived from the bareboat charter of a vessel should be treated as "passive income" for purposes of determining whether a foreign corporation is a PFIC, and such vessel should be treated as an asset which produces or is held for the production of "passive income." On the other hand, income derived from the time charter of a vessel should not be treated as "passive income" for such purpose, but rather will be treated as services income; likewise, a time chartered vessel should generally not be treated as an asset which produces or is held for the production of "passive income."

For our 2010 taxable year, we believe that at least 50% of the average value of our assets consisted of vessels which are bareboat chartered. Therefore, we expect to be treated as a PFIC for our 2010 taxable year. We intend to take necessary steps in order to avoid being classified as a PFIC for 2011 and future taxable years, such as expanding our fleet through the purchase of non-passive income producing assets. However, there can be no assurance that such remedial measures will be effective to avoid PFIC status for 2011 or any future taxable year.

Our U.S. shareholders may face adverse U.S. federal income tax consequences and certain information reporting obligations as a result of us being treated as a PFIC. Under the PFIC rules, unless those shareholders make an election available under the Code (which election could itself have adverse consequences for such shareholders, as discussed below under "Taxation—U.S. Federal Income Taxation—U.S. Federal Income Taxation of U.S. Holders"), such shareholders would be liable to pay U.S. federal income tax at the then prevailing income tax rates on ordinary income plus interest upon excess distributions and upon any gain from the disposition of their common shares, as if the excess distribution or gain had been recognized ratably over the shareholder's holding period of the common shares. See "Taxation—U.S. Federal Income Taxation—U.S. Federal Income Taxation of U.S. Holders" for a more comprehensive discussion of the U.S. federal income tax consequences to U.S. shareholders as a result of our status as a PFIC. In addition, as a result of being treated as a PFIC for the 2010 taxable year, any dividends paid by us during 2010 and 2011 will not be eligible to be treated as "qualified dividend income," which would otherwise be eligible for preferential tax rates in the hands of non-corporate U.S. shareholders.

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

We generate all of our revenues in U.S. Dollars but incur certain expenses in currencies other than U.S. Dollars, mainly Euros. During 2010, approximately 18% of our expenses were in Euros and approximately 2% were in currencies other than the U.S. Dollar or Euro. This difference could lead to fluctuations in net income due to changes in the value of the U.S. Dollar relative to the other currencies, in particular, the Euro. Should the Euro appreciate relative to the U.S. Dollar in future periods, our expenses will increase in U.S. Dollar terms, thereby decreasing our net income. We have not hedged these risks and therefore our operating results could suffer as a result.

Risks Related to Our Common Shares

Our share price may continue to be highly volatile, which could lead to a loss of all or part of a shareholder's investment.

The market price of our common shares has fluctuated widely since our common shares began trading in July of 2004 on the Nasdaq National Market, now the Nasdaq Global Select Market. Over the last few years, the stock market has experienced price and volume fluctuations. This volatility has sometimes been unrelated to the operating performance of particular companies. During 2010, the closing price of our common shares experienced a high of $1.28 on April 14, 2010 and a low of $0.64 on September 29, 2010. On August 12, 2010 we received notification from the Nasdaq Global Select Market that we were not in compliance with its minimum bid price requirements. We subsequently regained compliance. On March 28, 2011 we received a notification from Nasdaq stating that our common stock was again in violation of its minimum bid price requirements. The applicable grace period to regain compliance is 180

calendar days expiring September 26, 2011. Such notification may require us to carry out the reverse stock split authorized by our shareholders or take other measures to increase our stock price. Although we expect our Board of Directors to effect a reverse stock split within the range authorized by our shareholders prior to the effectiveness of the registration statement of which this prospectus is a part, we cannot guarantee that any measure will allow us to regain compliance with Nasdaq's listing requirements. In addition, because the market price of our common shares has dropped below $5.00 per share, brokers generally prohibit shareholders from using such shares as collateral for borrowing in margin accounts. This inability to continue to use our common shares as collateral may lead to sales of such shares creating downward pressure on and increased volatility in the market price of our common shares. Furthermore, if the volatility in the market continues or worsens, it could have a further adverse affect on the market price of our common shares, regardless of our operating performance.

The market price of our common shares may fluctuate due to a variety of factors, including:

- fluctuations in interest rates;
- fluctuations in the availability or the price of oil;
- fluctuations in foreign currency exchange rates;
- announcements by us or our competitors;
- changes in our relationships with customers or suppliers;
- actual or anticipated fluctuations in our quarterly and annual results and those of other public companies in our industry;
- changes in United States or foreign tax laws;
- actual or anticipated fluctuations in our operating results from period to period;
- shortfalls in our operating results from levels forecast by securities analysts;
- market conditions in the shipping industry and the general state of the securities markets;
- mergers and strategic alliances in the shipping industry;
- changes in government regulation;
- a general or industry-specific decline in the demand for, and price of, shares of our common stock resulting from capital market conditions independent of our operating performance;
- the loss of any of our key management personnel; and
- our failure to successfully implement our business plan.

If we are de-listed from Nasdaq, there may not be a continuing public market for you to resell our common shares.

Our common shares began trading in July of 2004 on the Nasdaq National Market, and our common shares currently trade on the Nasdaq Global Select Market; however, an active and liquid public market for our common shares may not continue and you may not be able to sell your common shares in the future at the price that you paid for them or at all. If the price of our common shares remains below $1.00 for a period of 30 consecutive business days and we are unable to comply with the minimum bid price requirements of the Nasdaq Global Select Market, including any applicable cure period, we may be involuntarily delisted from the Nasdaq Global Select Market. As noted above, on August 12, 2010 we received notification from the Nasdaq Global Select Market that our common stock price was in violation of its minimum bid price requirements. In response, we obtained shareholder authorization at our annual general meeting held on September 30, 2010 to conduct a reverse stock split at a ratio of not less than one-for-two and not more than one-for-ten, if necessary to regain compliance. On January 10, 2011 an increase in the price per share of our common stock resulted in our complying with the Nasdaq Global Select Market listing requirements. We therefore did not carry out the authorized reverse stock split. On March 28, 2011 we received a notification from Nasdaq stating

that our common stock was again in violation of its minimum bid price requirements. The applicable grace period to regain compliance is 180 calendar days expiring September 26, 2011. Such notification may require us to carry out the authorized reverse stock split or take other measures to increase our stock price, but we cannot guarantee that any measure will allow us to regain compliance with Nasdaq's listing requirements.

Certain existing stockholders, who hold approximately 32.64% of our common stock, may have the power to exert control over us, which may limit your ability to influence our actions.

As of May 6, 2011, based solely on public filings with the SEC, Sovereign Holdings Inc., or Sovereign Holdings, a company that is wholly owned by our President, CEO and Director, Evangelos J. Pistiolis, and Kingdom Holdings Inc., or Kingdom Holdings, a company owned primarily by adult relatives of Mr. Pistiolis, own, directly or indirectly, approximately 14.31% of the outstanding shares of our common stock. In addition, Sphinx Investment Corp., Maryport Navigation Corp. and Mr. George Economou through Sphinx Investment Corp. and Maryport Navigation Corp. beneficially own 12.09% of the outstanding shares of our common stock. QVT Financial LP, QVT Financial GP LLC and QVT Associates GP LLC own 6.24% of the outstanding shares of our common stock. Sphinx Investment Corp., Maryport Navigation Corp., QVT Financial LP, QVT Financial GP LLC and QVT Associates GP LLC are entities owned and controlled by unaffiliated third parties. Together, these existing shareholders own 32.64% of our common stock. While to our knowledge these shareholders have no agreement, arrangement or understanding relating to the voting of their shares of common stock, due to the number of shares of our common stock they own, they have the power to exert considerable influence over our actions. The interests of these stockholders may be different from your interests.

Shareholders may experience significant dilution as a result of future equity offerings or issuance if shares are sold at prices significantly below the price at which shareholders invested.

Our existing shareholders may experience significant dilution if we issue shares in the future at prices significantly below the price at which previous shareholders invested.

Future issuances or sales, or the potential for future issuances or sales, of our common shares, or the conversion of convertible debt into our common shares, may cause the trading price of our securities to decline and could impair our ability to raise capital through subsequent equity offerings.

We have issued a significant number of our common shares and convertible debt that may be converted into common shares and we anticipate that we will continue to do so in the future. The additional shares issued and to be issued in the future upon the conversion of debt could cause the market price of our common shares to decline, and could have an adverse effect on our earnings per share if and when we become profitable. In addition, future sales of our common shares or other securities in the public markets, or the perception that these sales may occur, could cause the market price of our common shares to decline, and could materially impair our ability to raise capital through the sale of additional securities.

Lack of volume in our stock may affect investors' ability to sell their shares.

Our common shares have been experiencing low daily trading volumes in the market. Specifically, our three-month average trading volume as of May 5, 2011 is 43,042 shares traded per day. As a result, an investor may be unable to sell all of such investor's shares in the desired time period, or may only be able to sell such shares at a significant discount to the previous closing price.

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

Our corporate affairs are governed by our Amended and Restated Articles of Incorporation and By-laws and by the Marshall Islands Business Corporations Act, or BCA. The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. However, there have been few judicial cases in the

Republic of the Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors under the law of the Republic of the Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in certain United States jurisdictions. Shareholder rights may differ as well. While the BCA does specifically incorporate the non-statutory law, or judicial case law, of the State of Delaware and other states with substantially similar legislative provisions, our public shareholders may have more difficulty in protecting their interests in the face of actions by the management, directors or controlling shareholders than would shareholders of a corporation incorporated in a United States jurisdiction.

It may not be possible for investors to serve process on or enforce U.S. judgments against us.

We and all of our subsidiaries are incorporated in jurisdictions outside the U.S. and substantially all of our assets and those of our subsidiaries are located outside the U.S. In addition, most of our directors and officers are non-residents of the U.S., and all or a substantial portion of the assets of these non-residents are located outside the U.S. As a result, it may be difficult or impossible for U.S. investors to serve process within the U.S. upon us, our subsidiaries or our directors and officers or to enforce a judgment against us for civil liabilities in U.S. courts. In addition, you should not assume that courts in the countries in which we or our subsidiaries are incorporated or where our assets or the assets of our subsidiaries are located (1) would enforce judgments of U.S. courts obtained in actions against us or our subsidiaries based upon the civil liability provisions of applicable U.S. federal and state securities laws or (2) would enforce, in original actions, liabilities against us or our subsidiaries based on those laws.

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

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

Anti-takeover provisions in our organizational documents could have the effect of discouraging, delaying or preventing a merger, amalgamation or acquisition, which could reduce the market price of our common shares.

Several provisions of our Amended and Restated Articles of Incorporation and our Amended and Restated Bylaws could make it difficult for our shareholders to change the composition of our Board of Directors in any one year, preventing them from changing the composition of management. In addition, the same provisions may discourage, delay or prevent a merger or acquisition that shareholders may consider favorable.

These provisions include:

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

In addition, we have entered into a Stockholders Rights Agreement that will make it more difficult for a third party to acquire us without the support of our Board of Directors and principal shareholders. These anti-takeover provisions could substantially impede the ability of public shareholders to benefit from a change in control and, as a result, may reduce the market price of our common stock and your ability to realize any potential change of control premium.

Risks Related to Our Relationship with Our Fleet Manager and Its Affiliates

We are dependent on our Fleet Manager to perform the day-to-day management of our fleet.

Our executive management team, consisting of our President and CEO Evangelos Pistiolis, our Chief Financial Officer, Alexandros Tsirikos, our Executive Vice President, Vangelis Ikonomou and our Chief Technical Officer, Demetris Souroullas are furnished to us, via separate agreements, by our Fleet Manager. In addition, we subcontract the day-to-day vessel management of our fleet, including crewing, maintenance and repair to our Fleet Manager. Our Fleet Manager is a related party controlled by the family of the Company's CEO, we are dependent on our Fleet Manager for the technical and commercial operation of our fleet and the loss of our Fleet Manager's services or failure to perform obligations to us could materially and adversely affect the results of our operations. If our Fleet Manager suffers material damage to its reputation or relationships it may harm our ability to:

- continue to operate our vessels and service our customers;
- renew existing charters upon their expiration;
- obtain new charters;
- obtain financing on commercially acceptable terms;
- obtain insurance on commercially acceptable terms;
- maintain satisfactory relationships with our customers and suppliers; and
- successfully execute our growth strategy.

Our Fleet Manager is a privately held company and there may be limited or no publicly available information about it.

Our Fleet Manager is a privately held company. The ability of our Fleet Manager to continue providing services for our benefit will depend in part on its own financial strength. Circumstances beyond our control could impair our Fleet Manager's financial strength, and there may be limited publicly available information about its financial strength. As a result, an investor in our common shares might have little advance warning of problems affecting our Fleet Manager, even though these problems could have a material adverse effect on us.

Our Fleet Manager may have conflicts of interest between us and its other clients.

We have subcontracted the day-to-day technical and commercial management of our fleet, including crewing, maintenance, supply provisioning and repair to our Fleet Manager. Our contracts with our Fleet Manager have an initial term of five years. Our Fleet Manager will provide similar services for vessels owned by other shipping companies, and it may provide similar services to companies with which our Fleet Manager is affiliated. These responsibilities and relationships could create conflicts of interest between our Fleet Manager's performance of its obligations to us, on the one hand, and our Fleet Manager's performance of its obligations to its other clients, on the other hand. These conflicts may arise in connection with the crewing, supply provisioning and operations of the vessels in our fleet versus vessels owned by other clients of our Fleet Manager. In particular, our Fleet Manager may give preferential treatment to vessels owned by other clients whose arrangements provide for greater economic benefit to our Fleet Manager. These conflicts of interest may have an adverse effect on our results of operations.

Risks Relating to the Offering

If we cannot complete the purchase of the vessels we intend to purchase with the proceeds of this offering, we may use the proceeds of this offering for general corporate purposes with which you may not agree.

We may purchase additional vessels with the proceeds of this offering. If the sellers of some or all of such vessels fail to deliver the vessels to us as agreed, or if we cancel a purchase agreement because a seller has not met its obligations to us, our management will have the discretion to apply the proceeds of this offering that we would have used to purchase those vessels to acquire other vessels or for general corporate purposes with which you may not agree. We will not escrow the proceeds from this offering and we will not return the proceeds to you if we do not take delivery of one or more vessels. It may take a substantial period of time before we can locate and purchase other suitable vessels. We cannot assure you that we will be able to charter these vessels at rates that yield returns comparable to the vessels in our existing fleet.

The price of our common shares after this offering may be volatile.

The price of our common shares may fluctuate due to factors such as:

- actual or anticipated fluctuations in quarterly and annual results;
- mergers and strategic alliances in the shipping industry;
- market conditions in the industry;
- changes in government regulation;
- fluctuations in our quarterly revenues and earnings and those of our publicly held competitors;
- the failure of securities analysts to publish research about us after this offering, or shortfalls in our operating results from levels forecast by securities analysts;
- announcements concerning us or our competitors; and
- the general state of the securities market.

The seaborne transportation industry has been highly unpredictable and volatile. The market for common shares in this industry may be equally volatile. Consequently, you may not be able to sell the common shares at prices equal to or greater than those paid by you in this offering.

Future sales of our stock may depress our share price.

The market price of our common stock could decline as a result of sales of substantial amounts of stock in the public market or the perception that these sales could occur. In addition, these factors could make it more difficult for us to raise funds through future equity offerings.

You may experience dilution in the future.

Future offerings of our common shares may result in a dilution of your investment, depending on the price at which those shares will be offered.

We may issue additional common shares or other equity securities without your approval, which would dilute your ownership interests and may depress the market price of our common shares.

We may issue additional common shares or other equity securities of equal or senior rank in the future in connection with, among other things, future vessel acquisitions, repayment of outstanding indebtedness or our equity incentive plan, without shareholder approval, in a number of circumstances. Our issuance of additional common shares or other equity securities of equal or senior rank would have the following effects:

- our existing shareholders' proportionate ownership interest in us will decrease;
- the amount of cash available for dividends payable on our common shares may decrease;
- the relative voting strength of each previously outstanding common share may be diminished; and

- the market price of our common shares may decline.

Our management has broad discretion over the use of proceeds from this offering.

Our management has significant flexibility in applying the proceeds that we receive from this offering. Although we have indicated our intent to use the proceeds from this offering to (1) reduce our corporate debt outstanding (2) pursue additional vessel acquisitions according to our business strategy on market terms and (3) apply any amounts not used for the above purposes for working capital and general corporate purposes, our management retains significant discretion with respect to the use of proceeds. The proceeds of this offering may be used in a manner which does not generate a favorable return for us.

We cannot assure you that we will pay dividends which could reduce the return on your investment in us.

The Company does not currently pay dividends to holders of its common stock. Our ability to pay dividends in the future will depend on, among other things, our earnings and cash flow, cash reserves, our ability to obtain financing on terms acceptable to us, our ability to satisfy the covenants contained in our financing arrangements and our compliance with relevant provisions of Marshall Islands law.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

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

TOP SHIPS INC. desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. This prospectus and any other written or oral statements made by us or on our behalf may include forward-looking statements, which reflect our current views with respect to future events and financial performance. When used in this prospectus, the words "anticipate," "believe," "expect," "intend," "estimate," "forecast," "project," "plan," "potential," "may," "should" and similar expressions identify forward-looking statements.

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

In addition to these assumptions and matters discussed elsewhere herein and in the documents incorporated by reference herein, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of world economies and currencies, general market conditions, including fluctuations in charterhire rates and vessel values, changes in demand in the shipping market, including the effect of changes in OPEC's petroleum production levels and worldwide oil consumption and storage, changes in regulatory requirements affecting vessel operations including requirements for double hull tankers, changes in TOP SHIPS INC.'s operating expenses, including bunker prices, dry-docking and insurance costs, changes in governmental rules and regulations or actions taken by regulatory authorities, changes in the price of our capital investments, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents, political events, piracy or acts by terrorists, and other important factors described from time to time in the reports filed by us with the Commission.

PER SHARE MARKET PRICE INFORMATION

The trading market for our common stock is the NASDAQ Global Select Market, on which the shares are listed under the symbol "TOPS". The following table sets forth the high and low market prices for our common stock since our initial public offering of common stock at $33.00 per share on July 23, 2004, as reported by the NASDAQ Global Select Market. The prices set forth below have not been adjusted to reflect a reverse stock split that we expect our Board to effect prior to the effectiveness of the Registration Statement of which this prospectus is a part. The high and low market prices for our common stock for the periods indicated were as follows:

	HIGH	LOW
For the Fiscal Year Ended December 31, 2010	$1.30	$0.62
For the Fiscal Year Ended December 31, 2009	$3.88	$0.67
For the Fiscal Year Ended December 31, 2008	$10.70	$1.25
For the Fiscal Year Ended December 31, 2007	$8.40	$3.03
For the Fiscal Year Ended December 31, 2006	$18.32	$4.61
For the Quarter Ended		
March 31, 2011	$1.16	$0.70
December 31, 2010	$1.15	$0.65
September 30, 2010	$1.01	$0.62
June 30, 2010	$1.30	$0.90
March 31, 2010	$1.30	$0.98
December 30, 2009	$1.30	$0.94
September 30, 2009	$2.16	$1.12
June 30, 2009	$3.88	$0.95

For the Month	HIGH	LOW
April 2011	$0.77	$0.60
March 2011	$0.94	$0.70
February 2011	$1.08	$0.92
January 2011	$1.16	$0.95

December 2010	$1.15	$0.80
November 2010	$0.95	$0.68
October 2010	$0.74	$0.65

USE OF PROCEEDS

We estimate that the net proceeds from this offering will be approximately $ million or approximately $ million if the underwriters exercise their over-allotment option, after the payment of discounts and commissions to the underwriters. These estimates are based on the public offering price of $ per share.

We expect to use the net proceeds of this offering to (1) reduce our corporate debt outstanding; (2) pursue additional vessel acquisitions according to our business strategy on market terms and (3) apply any amounts not used for the above purposes for working capital and general corporate purposes.

OUR DIVIDEND POLICY

We do not currently pay dividends to holders of our common stock.

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

CAPITALIZATION

The following table sets forth our consolidated capitalization at December 31, 2010:

- on an actual basis;
- on an adjusted basis to give effect to:
  - the scheduled loan repayment of $12.5 million on our existing credit facilities;
  - the drawdown of $2 million from a bridge loan from Laurasia Trading Ltd. and
- on a further adjusted basis to give effect to:
  - the sale of common shares in this offering at an assumed public offering price of $ per share and to reflect the application of the net proceeds after deducting the estimated underwriting discounts and offering expenses;
  - the prepayment of $ million of debt with the net proceeds of this offering.

(Expressed in thousands of U.S. Dollars)	As at December 31, 2010	As at December 31, 2010 (as adjusted) (1)	As at December 31, 2010 (as further adjusted)
Debt:			
Current portion of long term debt	$ 337,377	$ 326,884	
Total debt	337,377	326,884	
Shareholders' equity:			
Preferred stock, $0.01 par value; 20,000,000 shares authorized; none issued	-	-	
Common stock, $0.01 par value; 1,000,000,000 shares authorized; 34,200,673 shares issued and outstanding at December 31, 2010 and same as adjusted; shares issued and outstanding as further adjusted	322	322	
Additional paid-in capital	282,118	282,118	(2)
Accumulated other comprehensive income	37	37	
Accumulated deficit	(26,995)	(26,995)	
Total equity	255,482	255,482	
Total capitalization	$ 592,859	$ 582,366	

1 There have been no significant changes since , 2011, as so adjusted.
2 Does not include the amortization of restricted stock of $0.6 million resulting from our equity incentive plan as the shares have already been issued.

All share and per share information above concerning our common stock does not reflect a reverse stock split, within the range of 1:2 to 1:10 shares, that we expect our Board to effect prior to the effectiveness of the registration

statement of which this prospectus is a part.

DILUTION

Dilution or accretion is the amount by which the offering price paid by the purchasers of our common shares in this offering will differ from the net tangible book value per common share after the offering. The net tangible book value is equal to the amount of our total tangible assets (total assets less intangible assets) less total liabilities. The historical net tangible book value as of December 31, 2010 was $255.5 million in total and $7.47 per share for the number of shares for the existing shareholders at the offering.

The as adjusted net tangible book value as of would have been approximately $ million, or $ per common share if the issuance and sale by us of common shares at $ per share in this offering, after deducting underwriting discounts and estimated offering expenses. This represents an immediate decrease in net tangible book value of $ per share to the existing shareholders and an immediate accretion in net tangible book value of $ per share to new investors.

The following table illustrates the pro forma per share accretion and decrease in net tangible book value as of :

Public offering price per share of common stock	$
Net tangible book value per share before this offering	$7.47
Decrease in net tangible book value attributable to new investors in this offering	$
As adjusted net tangible book value per share after giving effect to this offering	$
Accretion per share to new investors	$

The following table summarizes, as of on an as adjusted basis for this public offering, the differences between the number of common shares acquired from us, the total amount paid and the average price per share paid by the existing shareholders and the number of common shares acquired from us, the total amount paid and average price per share paid by you as a new investor in this offering, based upon the public offering price of $ per share.

	As Adjusted Shares Outstanding		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing shareholders		%	$	%	$
New investors *		%	$	%	$
Total *	100	%	$ 100	%	$

* Before deducting underwriting discounts and commissions and estimated expenses of $ million.

SELECTED FINANCIAL AND OTHER DATA

The following table sets forth our selected historical consolidated financial data and other operating data for the years ended December 31, 2006, 2007, 2008, 2009 and 2010. The following information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes included herein. The following selected historical consolidated financial data are derived from our consolidated financial statements and notes thereto which have been prepared in accordance with GAAP and have been audited for the years ended December 31, 2006, 2007, 2008, 2009 and 2010 by Deloitte, our independent registered public accounting firm.

	Year Ended December 31,				
U.S. Dollars in thousands, except per share data	2006	2007	2008	2009	2010
STATEMENT OF OPERATIONS DATA					
Revenues	310,043	252,259	257,380	107,979	90,875
Voyage expenses	55,351	59,414	38,656	3,372	2,468
Charter hire expense	96,302	94,118	53,684	10,827	480
Amortization of deferred gain on sale and leaseback of vessels and write-off of seller's credit	(8,110)	(15,610)	(18,707)	(7,799)	-
Lease termination expense				15,391	-
Vessel operating expenses	66,082	67,914	67,114	23,739	12,853
Dry-docking costs	39,333	25,094	10,036	4,602	4,103
Management fees-third parties	2,755	1,828	1,159	419	159
Management fees-related parties	-	-	-	-	3,131
General and administrative expenses	20,516	23,172	30,229	23,416	18,142
Gain on sale of vessels	(12,667)	(1,961)	(19,178)	-	(5,101)
Vessel Depreciation	35,266	27,408	32,664	31,585	32,376
Impairment on vessels	-	-	-	36,638	-
Total operating expenses	294,828	281,377	195,657	142,190	68,611
Operating income (loss)	15,215	(29,118)	61,723	(34,211)	22,264
Interest and finance costs	(27,030)	(19,518)	(25,764)	(13,969)	(14,776)
Loss on financial instruments	(2,145)	(3,704)	(12,024)	(2,081)	(5,057)
Interest income	3,022	3,248	1,831	235	136
Other (expense) income, net	(67)	16	(127)	(170)	(54)
Net (loss) income	(11,005)	(49,076)	25,639	(50,196)	2,513
(Loss) earnings per share, basic and diluted	$ (1.16)	$ (4.09)	$ 0.97	$ (1.78)	$ 0.08
	10,183,424	11,986,857	25,445,031	28,230,585	30,752,779

Weighted average common shares outstanding, basic					
Weighted average common shares outstanding, diluted	10,183,424	11,986,857	25,445,031	28,230,585	30,777,413
Dividends declared per share	$ 23.13	-	-	-	-

U.S. Dollars in thousands, except fleet data and average daily results	Year Ended December 31, 2006	2007	2008	2009	2010
BALANCE SHEET DATA					
Current assets	72,799	102,161	57,088	3,787	3,420
Total assets	490,885	776,917	698,375	675,149	622,091
Current liabilities, including current portion of long-term debt	45,416	153,290	386,934	427,953	366,609
Total long-term debt, including current portion	218,052	438,884	342,479	399,087	337,377
Common Stock	108	205	283	311	322
Stockholders' equity	161,198	211,408	292,051	247,196	255,482
FLEET DATA					
Total number of vessels at end of period	24.0	23.0	12.0	13.0	13.0
Average number of vessels(1)	26.7	22.4	18.8	13.7	13.1
Total calendar days for fleet(2)	9,747	8,176	6,875	5,008	4,781
Total available days for fleet(3)	8,837	7,562	6,610	4,813	4,686
Total operating days for fleet(4)	8,634	7,032	6,099	4,775	4,676
Total time charter days for fleet	6,223	4,720	4,729	2,841	2,076
Total bareboat charter days for fleet	-	-	335	1,934	2,555
Total spot market days for fleet	2,411	2,312	1,035	-	45
Fleet utilization(5)	97.70 %	93.00 %	92.30 %	99.20 %	99.80 %
AVERAGE DAILY RESULTS					
Time charter equivalent(6)	$29,499	$27,424	$35,862	$21,907	$18,907
Vessel operating expenses(7)	$6,780	$8,307	$9,762	$4,740	$2,688
General and administrative expenses(8)	$2,105	$2,834	$4,397	$4,676	$3,795

(1) Average number of vessels is the number of vessels that constituted our fleet (including leased vessels) for the relevant period, as measured by the sum of the number of days each vessel was a part of our fleet during the period divided by the number of calendar days in that period.

(2) Calendar days are the total days the vessels were in our possession for the relevant period. Calendar days are an indicator of the size of our fleet over the relevant period and affect both the amount of revenues and expenses that we record during that period.

(3) Available days are the number of calendar days less the aggregate number of days that our vessels are off-hire due to scheduled repairs or scheduled guarantee inspections in the case of newbuildings, vessel upgrades or special or intermediate surveys and the aggregate amount of time that we spend positioning our vessels. Companies in the shipping industry generally use available days to measure the number of days in a period during which vessels should be capable of generating revenues. We determined to use available days as a performance metric, for the first time, in the second quarter and first half of 2009. We have adjusted the calculation method of utilization to include available days in order to be comparable with shipping companies that calculate utilization using operating days divided by available days.

(4) Operating days are the number of available days in a period less the aggregate number of days that our vessels are off-hire due to unforeseen circumstances. The shipping industry uses operating days to measure the aggregate

number of days in a period that our vessels actually generate revenue.

(5) Fleet utilization is calculated by dividing the number of operating days during a period by the number of available days during that period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the number of days that its vessels are off-hire for reasons other than scheduled repairs or scheduled guarantee inspections in the case of newbuildings, vessel upgrades, special or intermediate surveys and vessel positioning. We used a new calculation method for fleet utilization, for the first time, in the second quarter and first half of 2009. In all prior filings and reports, utilization was calculated by dividing operating days by calendar days. We have adjusted the calculation method in order to be comparable with most shipping companies, which calculate utilization using operating days divided by available days.

(6) Time charter equivalent rate, or TCE rate, is a measure of the average daily revenue performance of a vessel on a per voyage basis. Our method of calculating TCE rate is consistent with industry standards and is determined by dividing time charter equivalent revenues or TCE revenues by operating days for the relevant time period. TCE revenues are revenues minus voyage expenses. Voyage expenses primarily consist of port, canal and fuel costs that are unique to a particular voyage, which would otherwise be paid by the charterer under a time charter contract, as well as commissions. TCE revenues and TCE rate, which are non-GAAP measures, provide additional meaningful information in conjunction with shipping revenues, the most directly comparable GAAP measure, because it assists the Company's management in making decisions regarding the deployment and use of its vessels and in evaluating their financial performance. The reconciliation of TCE revenues to shipping revenues is depicted in the following tables.

(7) Daily vessel operating expenses, which include crew costs, provisions, deck and engine stores, lubricating oil, insurance, maintenance and repairs are calculated by dividing vessel operating expenses by fleet calendar days for the relevant time period.

(8) Daily general and administrative expenses are calculated by dividing general and administrative expenses by fleet calendar days for the relevant time period.

The following table reflects reconciliation of TCE revenues to revenues as reflected in the consolidated statements of operations and calculation of the TCE rate all amounts are expressed in thousands of U.S. Dollars, except for Average Daily Time Charter Equivalent amounts and Total Operating Days):

U.S. Dollars in thousands, except operating days figures and average daily results	2006	2007	2008	2009	2010
On a consolidated basis					
Revenues	310,043	252,259	257,380	107,979	90,875
Less:					
Voyage expenses	(55,351)	(59,414)	(38,656)	(3,372)	(2,468)
Time charter equivalent revenues	254,692	192,845	218,724	104,607	88,407
Total Operating days	8,634	7,032	6,099	4,775	4,676
Average Daily Time Charter Equivalent	$ 29,499	$ 27,424	$ 35,862	$ 21,907	$ 18,907

U.S. Dollars in thousands, except operating days figures and average daily results	2006	2007	2008	2009	2010
Tanker Fleet					
Revenues	310,043	248,944	163,995	47,353	39,394
Less:					
Voyage expenses	(55,351)	(59,253)	(34,215)	(1,118)	(1,277)
Time charter equivalent revenues	254,692	189,691	129,780	46,235	38,117
Total Operating days	8,634	6,991	4,357	2,989	2,927
Average Daily Time Charter Equivalent	$ 29,499	$ 27,134	$ 29,786	$ 15,468	$ 13,023

U.S. Dollars in thousands, except operating days figures and average daily results	2007	2008	2009	2010
Drybulk Fleet				
Revenues	1,902	71,590	56,715	51,481
Less:				
Voyage expenses	(161)	(4,441)	(2,254)	(1,191)
Time charter equivalent revenues	1,741	67,149	54,461	50,290
Total Operating days	41	1,742	1,786	1,749
Average Daily Time Charter Equivalent	$ 42,463	$ 38,547	$ 30,493	$ 28,754

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of our financial condition and results of operations for the three years ended December 31, 2008, 2009 and 2010. You should read this section together with the consolidated financial statements including the notes to those financial statements for the periods mentioned above.

Overview

We are an international provider of seaborne transportation services, carrying petroleum products and crude oil for the oil industry and drybulk commodities for the steel, electric utility, construction and agriculture-food industries.

On October 1, 2010, we entered into a bareboat agreement to charter in the M/T Delos for five years at an average daily rate of $5,219.

On November 5, 2010, we sold M/T Dauntless for an amount of $20.1 million.

In response to a Nasdaq notification received in August 2010 that our common stock was in violation of its minimum bid price requirements, we obtained shareholder authorization at our annual general meeting held on September 30, 2010 to conduct a reverse stock split at a ratio of not less than one-for-two and not more than one-for-ten, which authorization shall expire at the date of our 2011 annual general meeting of shareholders. During January 2011, we regained compliance with the Nasdaq requirement due to an increase in our common stock price. On March 28, 2011 we received a notification from Nasdaq stating that our common stock was again in violation of its minimum bid price requirements. The applicable grace period to regain compliance is 180 calendar days expiring September 26, 2011.

As of December 31, 2010, our fleet consisted of twelve owned vessels and one chartered-in vessel under a bareboat charter. This fleet includes eight Handymax tankers, one Supramax drybulk vessel, one Handymax drybulk vessel, and three Panamax drybulk vessels, with a total carrying capacity of 0.7 million dwt. As of December 31, 2009, our fleet consisted of thirteen owned vessels, comprised of the same vessel size classes and total carrying capacity as on December 31, 2010.

Segments

Since the acquisition of drybulk vessels in the fourth quarter of 2007, we have been analyzing and reporting our segment income for two segments: the tanker segment and the drybulk segment. Segment income consists of operating income per segment after deducting interest and finance costs for each segment.

Tanker segment: For the year ended December 31, 2009, revenues for this segment were $47.4 million and operating loss was $56.2 million. For the year ended December 31, 2010, revenues for this segment were $39.4 million and operating income was $10.3 million.

Drybulk segment: For the year ended December 31, 2009, revenues for this segment were $56.7 million and operating income was $18.2 million. For the year ended December 31, 2010, revenues for this segment were $51.5 million and operating income was $12.1 million.

Factors affecting our results of operations – all segments

We believe that the important measures for analyzing trends in the results of our operations for both tankers and drybulk vessels consist of the following:

• Calendar days. We define calendar days as the total number of days the vessels were in our possession for the relevant period. Calendar days are an indicator of the size of our fleet during the relevant period and affect both the amount of revenues and expenses that we record during that period.

• Available days. We define available days as the number of calendar days less the aggregate number of days that our vessels are off-hire due to scheduled repairs, or scheduled guarantee inspections in the case of newbuildings, vessel upgrades or special or intermediate surveys and the aggregate amount of time that we spend positioning our vessels. Companies in the shipping industry generally use available days to measure the number of days in a period during which vessels should be capable of generating revenues. We determined to use available days as a performance metric for the first time, in the second quarter and first half of 2009. We have adjusted the calculation method of utilization to include available days in order to be comparable with shipping companies that calculate utilization using operating days divided by available days.

• Operating days. We define operating days as the number of available days in a period less the aggregate number of days that our vessels are off-hire due to unforeseen circumstances. The shipping industry uses operating days to measure the aggregate number of days in a period that our vessels actually generate revenues.

• Fleet utilization. We calculate fleet utilization by dividing the number of operating days during a period by the number of available days during that period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the number of days that its vessels are off-hire for reasons other than scheduled repairs or scheduled guarantee inspections in the case of newbuildings, vessel upgrades, special or intermediate surveys and vessel positioning. We used a new calculation method for fleet utilization for the first time, in the second quarter and first half of 2009. In all prior filings and reports, utilization was calculated by dividing operating days by calendar days. We have adjusted the calculation method in order to be comparable with most shipping companies, which calculate utilization using operating days divided by available days.

• Spot Charter Rates. Spot charter rates are volatile and fluctuate on a seasonal and year-to-year basis. Fluctuations derive from imbalances in the availability of cargoes for shipment and the number of vessels available at any given time to transport these cargoes.

• Bareboat Charter Rates. Under a bareboat charter party, all operating costs, voyage costs and cargo-related costs are covered by the charterer, who takes both the operational and the shipping market risk.

• TCE Revenues / TCE Rates. We define TCE revenues as revenues minus voyage expenses. Voyage expenses primarily consist of port, canal and fuel costs that are unique to a particular voyage, which would otherwise be paid by a charterer under a time charter, as well as commissions. We believe that presenting revenues net of voyage expenses neutralizes the variability created by unique costs associated with particular voyages or the deployment of vessels on the spot market and facilitates comparisons between periods on a consistent basis. We calculate daily TCE rates by dividing TCE revenues by operating days for the relevant time period. TCE revenues include demurrage revenue, which represents fees charged to charterers associated with our spot market voyages when the charterer exceeds the agreed upon time required to load or discharge a cargo. We calculate daily direct vessel operating expenses and daily general and administrative expenses for the relevant period by dividing the total expenses by the aggregate number of calendar days that we owned each vessel for the period.

In accordance with GAAP measures, we report revenues in our income statements and include voyage expenses among our expenses. However, in the shipping industry the economic decisions are based on vessels' deployment upon anticipated TCE rates, and industry analysts typically measure shipping freight rates in terms of TCE rates. This is because under time-charter and bareboat contracts the customer usually pays the voyage expenses, while under voyage charters the ship-owner usually pays the voyage expenses, which typically are added to the hire rate at an approximate cost. Consistent with industry practice, management uses TCE as it provides a means of comparison between different types of vessel employment and, therefore, assists decision making process.

Voyage Revenues

Tanker segment

Our voyage revenues are driven primarily by the number of vessels in our fleet, the number of operating days during which our vessels generate revenues and the amount of daily charterhire that our vessels earn under charters, which, in turn, are affected by a number of factors, including our decisions relating to vessel acquisitions and disposals, the amount of time that we spend positioning our vessels, the amount of time that our vessels spend in dry-dock undergoing repairs, maintenance and upgrade work, the duration of the charter, the age, condition and specifications

of our vessels, levels of supply and demand in the global transportation market for oil products or bulk cargo and other factors affecting spot market charter rates such as vessel supply and demand imbalances.

Vessels operating on period charters, time charters or bareboat charters provide more predictable cash flows, but can yield lower profit margins than vessels operating in the short-term, or spot, charter market during periods characterized by favorable market conditions. Vessels operating in the spot charter market, either directly or through a pool arrangement, generate revenues that are less predictable, but may enable us to capture increased profit margins during periods of improvements in charter rates, although we are exposed to the risk of declining charter rates, which may have a materially adverse impact on our financial performance. If we employ vessels on period charters, future spot market rates may be higher or lower than the rates at which we have employed our vessels on period time charters.

Under a time charter, the charterer typically pays us a fixed daily charter hire rate and bears all voyage expenses, including the cost of bunkers (fuel oil) and port and canal charges. We remain responsible for paying the chartered vessel's operating expenses, including the cost of crewing, insuring, repairing and maintaining the vessel, the costs of spares and consumable stores, tonnage taxes and other miscellaneous expenses, and we also pay commissions to Central Mare, one or more unaffiliated ship brokers and to in-house brokers associated with the charterer for the arrangement of the relevant charter.

Under a bareboat charter, the vessel is chartered for a stipulated period of time which gives the charterer possession and control of the vessel, including the right to appoint the master and the crew. Under bareboat charters all voyage and operating costs are paid by the charterer. During 2009, we took delivery of six newbuilding product tankers all of which are on bareboat charters for a period between 7 and 10 years.

We have entered into a time charter contract and a pool agreement with the Dorado Tankers Pool Inc., or Dorado Pool, under which our vessel earns charterhire in accordance with a pool point formula as defined in the pool agreement. The pool agreement provides that charterhire will be paid 30 days in arrears. The amount of charterhire depends on the earnings that the pool has managed to achieve by chartering its vessels in the spot market. Preliminary charterhire will be based on the pool's then-current earnings and is not a guaranteed minimum rate. The preliminary charterhire may be adjusted either up or down as necessary by the pool committee depending on prevailing market conditions. The vessel's earnings will be adjusted quarterly according to its actual operating days in the pool.

As of the date of this report, two of our vessels are trading in the spot market. We may in the future operate additional vessels in the spot market until the vessels have been chartered under appropriate medium to long-term charters.

In 2008 and 2009, approximately 17% and 22%, respectively, of our total revenues from the tanker segment were derived from one charterer, ST Shipping and Transport Pte Ltd. In 2010, approximately 18% of our total revenues from the tanker segment were derived from one charterer, Daelim H&L Co. Ltd, or Daelim.

Drybulk segment

The factors affecting voyage revenues discussed above also apply to the drybulk segment, with the only differences being those that exist between oil and drybulk commodity market trends.

As of the date of this prospectus, four of our drybulk vessels were operating under time charters and one was operating under a bareboat charter.

Up to December 31, 2009, revenues related to drybulk vessels included amortization of the fair value of below-market acquired time charter liability. However, relevant revenues are considered unallocated for the purposes of analyzing and reporting our results of operations in two segments: tanker segment and drybulk segment. Where we have assumed an existing charter obligation or entered into a time charter with the existing charterer in connection with the purchase of a vessel at charter rates that are less than market charter rates, we record a liability, based on the

difference between the assumed charter rate and the market charter rate for an equivalent vessel. Specifically, when vessels are acquired under such conditions, upon delivery of the vessel we allocate the total cost of the acquisition between the vessel and the fair value of the below-market time charter based on the relative fair values of the vessel and the liability acquired. The fair value of the attached period charter is computed as the present value of the difference between the contractual amount to be received over the term of the period charter and management's estimates of the market period charter rate at the time of acquisition. The fair value of below market period charter is amortized over the remaining period of the period charter as an increase to revenues.

In November and December 2007 and February 2008, we acquired the drybulk vessels M/V Bertram, M/V Amalfi and M/V Papillon (ex Voc Gallant), respectively, with attached time charter contracts. As a result, the purchase price of the vessels was allocated between vessel cost and the fair value of the time charter contracts, totaling in aggregate $43.3 million. Following the sale of the M/V Bertram, on April 16, 2008, the then unamortized fair value of its below market time charter of $16.1 million was written-off to the loss from the sale of the vessel. For the years ended December 31, 2008 and 2009, the amortization of the fair value of the time charter contracts totaled $21.8 million and $3.9 million, respectively. The fair value of the time charter contracts was fully amortized up to the second quarter of 2009.

In 2009, approximately 32% of our total revenues from the drybulk segment were derived from two charterers. These two charterers, Hanjin and Cosco, provided 18% and 14%, respectively, of our total revenues in 2009. In 2010, approximately 35% of our total revenues from the drybulk segment were derived from two charterers. These two charterers, Hanjin and Cosco, provided 19% and 16%, respectively, of our total revenues in 2010.

Voyage Expenses

Tanker segment

Voyage expenses primarily consist of port charges, including canal dues, bunkers (fuel costs) and commissions. All these expenses, except commissions, are paid by the charterer under a time charter or bareboat charter contract. The amount of voyage expenses are primarily driven by the routes that the vessels travel, the amount of ports called on, the canals crossed and the price of bunker fuels paid. This category was less significant in 2009 when compared to 2008 since all our tanker vessels were either on time charters or bareboat charters in 2009, as compared to 2008 when up to 11 of our vessels operated in the spot market. In the last quarter of 2010, voyage expenses increased slightly due to the fact that one of our tankers entered the spot market and another operated under a pool arrangement. This category can become significant in 2011, if these two tankers operate in the spot market.

Drybulk segment

Our drybulk vessels are operating under time charter or bareboat charter contracts and hence voyage expenses primarily consist of commissions on the time charters.

Charter Hire Expenses

Tanker segment

Through July 3, 2009 charter hire expenses consisted of lease payments for vessels sold and leased-back during 2005 and 2006 for periods between five to seven years, which leases were terminated during 2009. In October 2010, we entered into a bareboat charter-in agreement for M/T Delos that entails lease payments up to September 2015. For further information please see "Business – History and Development of the Company".

Drybulk segment

There were no charter hire expenses applicable to the drybulk segment.

Vessel Operating Expenses

Tanker and Drybulk segment

Vessel operating expenses include crew wages and related costs, the cost of insurance, expenses relating to repairs and maintenance, the costs of spares and consumable stores, tonnage taxes and other miscellaneous expenses for vessels that we own or lease under our operating leases. Our vessel operating expenses, which generally represent fixed costs, have historically increased as a result of the increase in the size of our fleet. We analyze vessel operating expenses on a U.S. Dollar / per day basis. Additionally, vessel operating expenses can fluctuate due to factors beyond our control, such as unplanned repairs and maintenance attributable to damages or regulatory compliance and factors which may affect the shipping industry in general, such as developments relating to insurance premiums, or developments relating to the availability of crew.

Dry-docking Costs

Tanker and Drybulk segment

Dry-docking costs relate to regularly scheduled intermediate survey or special survey dry-docking necessary to preserve the quality of our vessels as well as to comply with international shipping standards and environmental laws and regulations. Dry-docking costs can vary according to the age of the vessel, the location where the dry-dock takes place, shipyard availability, local availability of manpower and material, the billing currency of the yard, the number of days the vessel is off-hire and the diversion necessary in order to get from the last port of employment to the yard and back to a position for the next employment. Please see "Note 2 – Significant Accounting Policies" in the accompanying financial statements. In the case of tankers, dry-docking costs may also be affected by new rules and regulations. For further information please see "Business – Environmental and Other Regulations".

Management Fees – Third Parties

Tanker and Drybulk segment

These costs relate to management fees to non-related parties.

Management Fees – Related Parties

Tanker and Drybulk segment

Except as noted below, since July 1, 2010, Central Mare, a related party controlled by the family of our CEO, has been performing all of our operational, technical and commercial functions relating to the chartering and operation of our vessels, pursuant to a letter agreement concluded between Central Mare and Top Ships as well as management agreements concluded between Central Mare and our vessel-owning subsidiaries. We have contracted the technical management and crewing of M/T Delos to TMS Tankers but these responsibilities will be transferred to Central Mare during the second quarter of 2011. For further information please see " Business – Management of the Fleet".

General and Administrative Expenses

Tanker and Drybulk segment

Our general and administrative expenses include executive compensation paid to Central Mare, a related party controlled by the family of our CEO, for the provision of our executive officers, office rent, legal and auditing costs, regulatory compliance costs, other miscellaneous office expenses, non-cash stock compensation, and corporate overhead. Central Mare provides the services of the individuals who serve in the position of CEO, Chief Financial Officer, Executive Vice President and Chief Technical Officer. For further information please see "Note 5 – Transactions with Related Parties" in the accompanying financial statements.

General and administrative expenses are Euro denominated except for some legal fees and are therefore affected by the conversion rate of the U.S. Dollar versus the Euro. General and administrative expenses are allocated to different segments based on calendar days of vessels operated.

Interest and Finance Costs

Tanker and Drybulk segment

We have historically incurred interest expense and financing costs in connection with vessel-specific debt. Interest expense is directly related with the repayment schedule of our loans, the prevailing LIBOR and the relevant margin.

Since the fourth quarter of 2008, however, lenders have required provisions that entitle the lenders, in their discretion, to replace published LIBOR as the base for the interest calculation with their cost-of-funds rate which in all cases is higher than LIBOR. Additionally, as part of our discussions with banks with regard to loan covenant breaches, we have agreed to increase the relevant interest margin on certain of our loans. For further information please see " – Liquidity and Capital Resources".

Inflation

Inflation has not had a material effect on our expenses. In the event that significant global inflationary pressures appear, these pressures would increase our operating, voyage, administrative and financing costs.

In evaluating our financial condition, we focus on the above measures to assess our historical operating performance and we use future estimates of the same measures to assess our future financial performance. In assessing the future performance of our fleet, the greatest uncertainty relates to future charter rates at the expiration of a vessel's present period employment, whether under a time charter or a bareboat charter. Decisions about future purchases and sales of vessels are based on the availability of excess internal funds, the availability of financing and the financial and operational evaluation of such actions and depend on the overall state of the drybulk and tanker markets, the availability of relevant purchase candidates, and our general assessment of the prospects for the segments that we operate in.

Lack of Historical Operating Data for Vessels Before Their Acquisition

Although vessels are generally acquired free of charter, we have acquired (and may in the future acquire) some vessels with time charters. Where a vessel has been under a voyage charter, the vessel is usually delivered to the buyer free of charter. It is rare in the shipping industry for the last charterer of the vessel in the hands of the seller to continue as the first charterer of the vessel in the hands of the buyer. In most cases, when a vessel is under time charter and the buyer wishes to assume that charter, the vessel cannot be acquired without the charterer's consent and the buyer entering into a separate direct agreement (a "novation agreement") with the charterer to assume the charter. The purchase of a vessel itself does not transfer the charter because it is a separate agreement between the vessel owner and the charterer.

Where we identify any intangible assets or liabilities associated with the acquisition of a vessel, we allocate the purchase price to identified tangible and intangible assets or liabilities based on their relative fair values. Fair value is determined by reference to market data and the discounted amount of expected future cash flows. Where we have assumed an existing charter obligation or entered into a time charter with the existing charterer in connection with the purchase of a vessel at charter rates that are less than market charter rates, we record a liability, based on the difference between the assumed charter rate and the market charter rate for an equivalent vessel. Conversely, where we assume an existing charter obligation or enter into a time charter with the existing charterer in connection with the purchase of a vessel at charter rates that are above market charter rates, we record an asset, based on the difference between the market charter rate for an equivalent vessel and the contracted charter rate. This determination is made at the time the vessel is delivered to us, and such assets and liabilities are amortized as a reduction or increase to revenue over the remaining period of the charter.

In November and December 2007 and February 2008, we acquired the drybulk vessels M/V Bertram, M/V Amalfi and M/V Papillon (ex Voc Gallant), respectively, with attached time charter contracts. As a result, the purchase price of the vessels was allocated between vessel cost and the fair value of the time charter contracts, totaling in aggregate $43.3 million. The fair value of the time charter contracts was fully amortized up to the second quarter of 2009.

During 2010, we did not acquire any vessels with existing period charter arrangements.

When we purchase a vessel and assume or renegotiate a related time charter, we must take the following steps before the vessel will be ready to commence operations:

- obtain the charterer's consent to us as the new owner;

- obtain the charterer's consent to a new technical manager;
- in some cases, obtain the charterer's consent to a new flag for the vessel;
- arrange for a new crew for the vessel, and where the vessel is on charter, in some cases, the crew must be approved by the charterer;

- replace all hired equipment on board, such as gas cylinders and communication equipment;
- negotiate and enter into new insurance contracts for the vessel through our own insurance brokers; and
- register the vessel under a flag state and perform the related inspections in order to obtain new trading certificates from the flag state.

The following discussion is intended to help you understand how acquisitions of vessels affect our business and results of operations. Our business is comprised of the following main elements:

- employment and operation of our tanker and drybulk vessels; and
- management of the financial, general and administrative elements involved in the conduct of our business and ownership of our tanker and drybulk vessels.

The employment and operation of our vessels require the following main components:

- vessel maintenance and repair;
- crew selection and training;
- vessel spares and stores supply;
- contingency response planning;
- onboard safety procedures auditing;
- accounting;
- vessel insurance arrangement;
- vessel chartering;
- vessel security training and security response plans (ISPS);
- obtain ISM certification and audit for each vessel within the six months of taking over a vessel;
- vessel hire management;
- vessel surveying; and
- vessel performance monitoring.

The management of financial, general and administrative elements involved in the conduct of our business and ownership of our vessels requires the following main components:

- management of our financial resources, including banking relationships, i.e., administration of bank loans and bank accounts;

- management of our accounting system and records and financial reporting;
- administration of the legal and regulatory requirements affecting our business and assets; and
- management of the relationships with our service providers and customers.

The principal factors that affect our profitability, cash flows and shareholders' return on investment include:

- Charter rates and periods of charter hire for our tanker and drybulk vessels;
- Utilization of our tanker and drybulk vessels (earnings efficiency);

- levels of our tanker and drybulk vessels' operating expenses and dry-docking costs;
- depreciation and amortization expenses;
- financing costs; and
- fluctuations in foreign exchange rates.

Results of operations for the fiscal years ended December 31, 2008, 2009 and 2010

The following table depicts changes in the results of operations for 2010 compared to 2009 and 2009 compared to 2008.

	Year Ended December 31,			Change			
	2008	2009	2010	YE09 v YE08		YE10 v YE09	
	($ in thousands)			$	%	$	%
Voyage Revenues	257,380	107,979	90,875	(149,401)	-58.0 %	(17,104)	-15.8 %
Voyage expenses	38,656	3,372	2,468	(35,284)	-91.3 %	(904)	-26.8 %
Charter hire expense	53,684	10,827	480	(42,857)	-79.8 %	(10,347)	-95.6 %
Amortization of deferred gain on sale and leaseback of vessels and write-off of seller's credit	(18,707)	(7,799)	-	10,908	-58.3 %	7,799	-100.0 %
Lease termination Expense	-	15,391	-	15,391	-	(15,391)	-100.0 %
Vessel operating expenses	67,114	23,739	12,853	(43,375)	-64.6 %	(10,886)	-45.9 %
Dry-docking costs	10,036	4,602	4,103	(5,434)	-54.1 %	(499)	-10.8 %
Depreciation	32,664	31,585	32,376	(1,079)	-3.3 %	791	2.5 %
Management fees-third parties	1,159	419	159	(740)	-63.8 %	(260)	-62.1 %
Management fees-related parties	-	-	3,131	-	-	3,131	-
General and administrative expenses	30,229	23,416	18,142	(6,813)	-22.5 %	(5,274)	-22.5 %
Gain on sale of vessels	(19,178)	-	(5,101)	19,178	-100.0 %	(5,101)	-
Impairment on vessels	-	36,638	-	36,638	-	(36,638)	-100.0 %
Expenses	195,657	142,190	68,611	(53,467)	-27.3 %	(73,579)	-51.7 %
Operating income (loss)	61,723	(34,211)	22,264	(95,934)	-155.4 %	56,475	-165.1 %
Interest and finance costs	(25,764)	(13,969)	(14,776)	11,795	-45.8 %	(807)	5.8 %
	(12,024)	(2,081)	(5,057)	9,943	-82.7 %	(2,976)	143.0 %

Loss on financial instruments										
Interest income	1,831		235		136		(1,596	)	-87.2	%
Other, net	(127	)	(170	)	(54	)	(43	)	33.9	%
Total other expenses, net	(36,084	)	(15,985	)	(19,751	)	20,099		-55.7	%
Net income (loss)	25,639		(50,196	)	2,513		(75,835	)	-295.8	%

Loss on financial instruments										
Interest income	235		136		(1,596	)	(99	)	-42.1	%
Other, net	(170	)	(54	)	(43	)	116		-68.2	%
Total other expenses, net	(15,985	)	(19,751	)	20,099		(3,766	)	23.6	%
Net income (loss)	(50,196	)	2,513		(75,835	)	52,709		-105.0	%

The table below presents the key measures of each of our segments for the each of the years 2008, 2009 and 2010 (also see "Note 4 – Segment Reporting" in the accompanying financial statements). Please see "Selected Financial Data" for a reconciliation of Average Daily TCE to revenues.

	12-months Ended December 31,			change			
	2008	2009	2010	YE09 v YE08		YE10 v YE09	
		($ in thousands)		%		%	
TANKER FLEET**							
Total number of vessels at end of period	7.0	8.0	8.0	14.3	%	0.0	%
Average number of vessels	13.9	8.7	8.1	-37.4	%	-7.1	%
Total operating days for fleet under spot charters	1,035	-	45	-100.0	%	-	
Total operating days for fleet under time charters	3,322	1,420	692	-57.3	%	-51.3	%
Total operating days for fleet under bareboat charters	-	1,569	2,190	-		39.6	%
Average TCE ($/day)	29,786	15,468	13,023	-48.1	%	-15.8	%
DRYBULK FLEET							
Total number of vessels at end of period	5.0	5.0	5.0	0.0	%	0.0	%
Average number of vessels	4.9	5.0	5.0	2.5	%	0.0	%
Total operating days for fleet under time charters	1,407	1,421	1,384	1.0	%	-2.6	%
Total operating days for fleet under bareboat charters	335	365	365	9.0	%	0.0	%
Average TCE ($/day) *	38,547	30,493	28,754	-20.9	%	-5.7	%
TOTAL FLEET							
Total number of vessels at end of period	12.0	13.0	13.0	8.3	%	0.0	%
Average number of vessels	18.8	13.7	13.1	-27.0	%	-4.6	%
Total operating days for fleet under spot charters	1,035	-	45	-100.0	%	-	
Total operating days for fleet under time charters	4,729	2,841	2,076	-39.9	%	-26.9	%
Total operating days for fleet under bareboat charters	335	1,934	2,555	477.3	%	32.1	%
Average TCE ($/day)*	35,862	21,907	18,907	-38.9	%	-13.7	%

* Amortization of Time Charter Fair Value is not included in the calculation of the Average TCE ($/day) of the drybulk fleet, but it is included in the total fleet consistent with our segment presentation.
** Includes owned and leased back vessels for 2008 and a bareboat chartered-in vessel for 2010.

Year On Year Comparison Of Operating Results

Revenues

	Year Ended December 31,			change					
	2008	2009	2010	YE09 v YE08			YE10 v YE09		
Revenues by Segment	($ in thousands)			$		%	$		%
Tanker Fleet	163,995	47,353	39,394	(116,642)	-71.1	%	(7,959)	-16.8	%
Drybulk Fleet	71,590	56,715	51,481	(14,875)	-20.8	%	(5,234)	-9.2	%
Unallocated	21,795	3,911	-	(17,884)	-82.1	%	(3,911)	-100.0	%
Consolidated Revenues	257,380	107,979	90,875	(149,401)	-58.0	%	(17,104)	-15.8	%

Tanker segment

2010 vs. 2009

During 2010, tanker revenues decreased by $8 million, or 16.8%, compared to 2009. This decrease is mainly a result of our lease unwinding strategy, which was concluded in 2009 with the termination of five leases resulting in a decrease in 2010 revenue by $12.1 million. In addition, 2010 revenue was lower by $3.0 million as a result of the decrease in the bareboat charter rate of the M/T's Ionian Wave and Tyrrhenian Wave. These decreases in revenue were partially offset by the full employment of our newbuilding vessels, which generated $8.2 million more revenue in 2010 than in 2009.

2009 vs. 2008

During 2009, tanker revenues decreased by $116.6 million, or 71.1%, compared to 2008. This decrease was mainly due to the decrease in the average number of tanker vessels that we operated, from 13.9 in 2008 to 8.7 in 2009, as a result of our lease unwinding strategy, which resulted in the termination of six leases, the sale of seven owned vessels during 2008 and the termination of five leases during 2009. The decrease in the revenues relating to the vessels sold and leases terminated in 2008 amounted to $117.7 million. The decrease in the revenues relating to the leases terminated in 2009 amounted to $21.0 million. These decreases in revenue were partially offset by an increase in revenues in 2009, which amounted to $22.4 million related to the newbuilding vessels delivered during 2009.

Drybulk segment

2010 vs. 2009

During 2010, drybulk vessel revenues decreased by $5.2 million, or 9.2%, compared to 2009 mainly as a result of the expiration of the charter for the vessel M/V Astrale, which had been earning $72,000 per day, and which was subsequently rechartered at a much lower rate. M/V Astrale's revenues decreased by $4.3 million, from $10.2 million in 2009, to $5.9 million in 2010. An additional decrease in drybulk vessel revenues of $1.6 million is related to the vessel M/V Cyclades, which underwent a special survey in 2010 that led to increased off-hire days.

2009 vs. 2008

During 2009, drybulk vessel revenues decreased by $14.9 million, or 20.8%, compared to 2008. This was mainly due to the lower charter rates achieved for the vessels M/V Amalfi and M/V Astrale in 2009 and the fact that the vessel

M/V Bertram was sold in 2008, and therefore did not contribute to 2009 results.

Unallocated revenues

This amount refers to the amortization of the fair value of the time charter contracts of the drybulk vessels M/V Bertram, M/V Amalfi and M/V Papillon (ex Voc Gallant). This amount is included in the total revenues but is excluded from segment revenue to be consistent with the way management evaluates segment performance and allocates resources. The amount was fully amortized by the end of 2009.

Expenses

1. Voyage expenses

	Year Ended December 31,			change				
	2008	2009	2010	YE09 v YE08			YE10 v YE09	
Voyage Expenses by Segment	($ in thousands)				%			%
Tanker Fleet	34,215	1,118	1,277	(33,097)	-96.7	%	159	14.2 %
Drybulk Fleet	4,441	2,254	1,191	(2,187)	-49.2	%	(1,063)	-47.2 %
Consolidated Voyage Expenses	38,656	3,372	2,468	(35,284)	-91.3	%	(904)	-26.8 %

Voyage expenses primarily consist of port charges, including bunkers (fuel costs), canal dues and commissions.

Tanker segment

2010 vs. 2009

During 2010, voyage expenses increased by $0.2 million, or 14.2%, compared to 2009 mainly due to the fact that in the fourth quarter of 2010, the M/T Ioannis P operated in the spot market, which resulted in an increase in voyage expenses of $0.5 million. In addition, commissions on new building vessels amounted to $0.3 million. These increases were partially offset, mainly by the decrease in voyage expenses as a result of the termination of the last five leases, which amounted to $0.3 million and the decrease in voyage expenses of the M/T Dauntless in an amount of $0.3 million, related to the higher commissions of its previous charter and dry-dock related expenses.

2009 vs. 2008

During 2009, voyage expenses decreased by $33.1 million, or 96.7%, compared to 2008 mainly due to the decrease of the average number of our tanker vessels by 37.4% and the fact that during the year none of our vessels operated in the spot market. The decrease was a result of our lease unwinding strategy which resulted in the termination of six leases and the sale of seven owned vessels during 2008 and the termination of five leases during 2009. Voyage expenses incurred during 2009 relate entirely to charter commissions.

Drybulk segment

2010 vs. 2009

During 2010, voyage expenses decreased by $1.1 million, or 47.2%, compared to 2009 mainly due to address commissions.

2009 vs. 2008

During 2009, voyage expenses decreased by $2.2 million, or 49.2%, compared to 2008 mainly due to a decrease in commissions on the time charters in the amount of $1.7 million, which mainly resulted from the decrease in revenues under time charters for their respective vessels.

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2. Charter hire expenses

	Year Ended December 31,			change			
	2008	2009	2010	YE09 v YE08		YE10 v YE09	
Charter Hire Expense by Segment	($ in thousands)			$	%	$	%
Tanker Fleet	53,684	10,827	480	(42,857)	-79.8%	(10,347)	-95.6%
Drybulk Fleet	-	-	-	-	-	-	-
Consolidated Charter Hire Expense	53,684	10,827	480	(42,857)	-79.8%	(10,347)	-95.6%

Tanker segment

2010 vs. 2009

During 2010, charter hire expense decreased by $10.3 million, or 95.6%, compared to 2009. This is due to the termination of the last five remaining leases during 2009 that led to expenses amounting to $10.8 million in 2009 and an offsetting increase of $0.5 million due to the bareboat charter-in of the M/T Delos in the fourth quarter of 2010.

2009 vs. 2008

During 2009, charter hire expense decreased by $42.9 million, or 79.8%, compared to 2008. A decrease of $30.5 million was due to the termination of the six leases during 2008 and a decrease of $12.4 million was due to the termination of the remaining five leases during the first half of 2009.

Drybulk segment

There were no charter hire expenses applicable to the drybulk segment.

3. Lease Termination Expense

	Year Ended December 31,			change			
	2008	2009	2010	YE09 v YE08		YE10 v YE09	
Lease Termination Expense by Segment	($ in thousands)			$	%	$	%
Tanker Fleet		15,391	-	15,391	-	(15,391)	-100.0%
Drybulk Fleet				-	-	-	-
Consolidated Lease Termination Expense	-	15,391	-	15,391	-	(15,391)	-

Tanker segment

2010 vs. 2009

In 2010 we did not have any lease termination expenses.

2009 vs. 2008

On June 24, 2009, we terminated the bareboat charters, initially entered into as part of the sale and leaseback deal in 2006, and redelivered the vessels M/T Faithful, the M/T Doubtless, the M/T Spotless and the M/T Vanguard to their owners after paying $11.8 million in termination fees and expenses. In addition to the termination fee and expenses, we also paid bareboat hire up to July 15, 2009 in the amount of $1.1 million. Furthermore, on July 3, 2009 we redelivered the M/T Relentless to its owners and paid a termination fee of $2.5 million as part of a termination agreement entered into on April 3, 2009 to terminate the bareboat charter initially entered into as part of the sale and leaseback deal in 2005.

Drybulk segment

There were no lease termination expenses applicable to the drybulk segment.

4. Amortization of deferred gain on sale and leaseback of vessels and write-off of seller's credit

	Year Ended December 31,			change			
	2008	2009	2010	YE09 v YE08		YE10 v YE09	
Amortization of Deferred Gain on Sale and Leaseback of Vessels and Write-off of Seller's Credit by Segment	($ in thousands)				%		%
Tanker Fleet	(18,707)	(7,799)	-	10,908	-58.3 %	7,799	-100.0 %
Drybulk Fleet	-	-		-	-	-	-
Consolidated Amortization of Deferred Gain on Sale and Leaseback of Vessels and Write-off of Seller's Credit	(18,707)	(7,799)	-	10,908	-58.3 %	7,799	-100.0 %

Tanker segment

2010 vs. 2009

Deferred gain on sale and leaseback of vessels was fully amortized in 2009.

2009 vs. 2008

During 2009, amortization of deferred gain decreased by $10.9 million, or 58.3%, compared to 2008. During 2009, amortization of deferred gain on sale and leaseback of vessels included $14.1 million in accelerated recognition of unamortized gain offset by the write off of $7.9 million of seller's credit, due to the termination of the remaining five leases. The 2009 amount also includes the annual deferred gain amortization of $1.6 million. During 2008, amortization of deferred gain on sale and leaseback of vessels included $4.4 million of annual amortization and $27.2 million of accelerated amortization representing unamortized gain resulting from the unwinding of six leases in 2008, offset by the $14.3 million of vessel sale related expenses.

Drybulk segment

Amortization of deferred gain on sale and leaseback of vessels and write-off of seller's credit is not applicable to the drybulk segment.

5. Vessel Operating Expenses

	Year Ended December 31,			change			

	2008	2009	2010	YE09 v YE08		YE10 v YE09	
Vessel Operating Expenses by Segment		($ in thousands)			%		%
Tanker Fleet	56,272	15,032	6,090	(41,240)	-73.3 %	(8,942)	-59.5 %
Drybulk Fleet	10,842	8,707	6,763	(2,135)	-19.7 %	(1,944)	-22.3 %
Consolidated Vessel Operating Expenses	67,114	23,739	12,853	(43,375)	-64.6 %	(10,886)	-45.9 %

Vessel operating expenses include:

- crew wages and related costs,
- insurance,

- repairs and maintenance,
- spares and consumable stores,
- tonnage taxes and value added tax, or VAT.

Tanker segment

2010 vs. 2009

During 2010, vessel operating expenses decreased by $8.9 million, or 59.5%, compared to 2009 due to our lease unwinding strategy which was concluded in 2009 with the termination of five leases, which resulted in a decrease in 2010 operating expenses of $8.7 million.

On a daily basis, average vessel operating expenses decreased in 2010 by $2,662 per day, or 56.4%, from 2009. This decrease can be partly attributed to the termination of five leases, during 2009, which lead to an overall decrease in operating expenses during 2010. In addition, the six newbuilding vessels added to our fleet during 2009 were chartered under bareboat charters and therefore had no effect on our operating expenses despite the fact that they increased the number of our vessel operating days in both 2009 and 2010, but more so during 2010. Crew costs decreased by $1,233 per day, or 54.1%, repairs and maintenance decreased by $652 per day, or 73%, and spares and consumable stores decreased by $490 per day, or 48.6%, compared to 2009. Finally, during 2010 the daily insurance cost decreased by $284 per day, or 49% compared to 2009.

2009 vs. 2008

During 2009, average vessel operating expenses decreased by $41.2 million, or 73.3%, compared to 2008 mainly as a result of a 37.4% reduction in the average number of tanker vessels that we operated, from 13.9 tanker vessels in 2008 to 8.7 tanker vessels in 2009.

On a daily basis, vessel operating expenses decreased in 2009 by $6,322 per day, or 57.2%, from 2008. The decrease was partly a result of lower crew wages and related costs during 2009 representing $2,091 per day, or 47.9%, compared to 2008. Crew wages decreased due to a change in the mix of our crew during the second half of 2009. More specifically, all of our Greek crew was replaced with other nationalities during the second half of 2009. During 2009, repairs and maintenance decreased by $2,414 per day, or 73.0%, from 2008, mainly as a result of a decrease in unplanned repairs due to damages of $1,116 per day and decreased costs related to other repairs and maintenance of $728 per day, mainly resulting from the decrease in the average age and capacity of vessels. Also, during 2009, spares and consumable stores decreased by $1,225 per day, or 54.8% compared to 2008 as a result of decreased repairs and maintenance. Finally, during 2009 the daily insurance cost decreased by $638 per day, or 52.4%, compared to 2008 as a result of a decrease in the average number of vessels that we operated in 2009 relative to 2008, which offset the increased insurance premiums imposed.

Drybulk segment

2010 vs. 2009

During 2010, vessel operating expenses decreased by $1.9 million, or 22.3%, compared to 2009.

On a daily basis, vessel operating expenses decreased in 2010 by $1,065 per day, or 22.3%, from 2009. The decrease was partly a result of lower crew wages and related costs which decreased in 2010 by $358 per day, or 15.6%, from 2009 due to a renegotiation of our contacts with our manning agent. During 2010, repairs and maintenance decreased by $533 per day, or 65.9%, from 2009, mainly as a result of extraordinary repairs and maintenance for M/V Pepito in 2009 that we claimed from insurance in 2010, thus decreasing the related expense. Also, during 2010, spares and consumable stores decreased by $217 per day, or 20.4% compared to 2009, mainly due to the spares used for the extraordinary repairs and maintenance for M/V Pepito in 2009 and due to the special surveys of two Panamax and one Handymax drybulk vessels in 2010 that reduced the need for tactical maintenance of the three vessels during the year. Finally, during 2010 the daily insurance cost increased by $20 per day, or 3%, from 2009.

2009 vs. 2008

During 2009, vessel operating expenses decreased by $2.1 million, or 19.7%, compared to 2008.

On a daily basis, vessel operating expenses decreased in 2009 by $1,320 per day, or 21.7%, from 2008. The decrease was partly a result of lower crew wages and related costs which decreased in 2009 by $186 per day, or 7.5%, from 2008. During 2009, repairs and maintenance decreased by $841 per day, or 50.9%, from 2008, mainly as a result of the sale of M/V Bertram during the second half of 2008. Also, during 2009, spares and consumable stores decreased by $406 per day, or 27.6% compared to 2008, mainly due to the sale of M/V Bertram and the fact that 2008 was the first year of operation of the drybulk vessels, which was characterized by an increased need for spares and consumable stores. Finally, during 2009 the daily insurance cost increased by $77 per day, or 13.6%, from 2008 as a result of increased insurance premiums imposed.

6. Dry-docking costs

	Year Ended December 31,			change			
	2008	2009	2010	YE09 v YE08		YE10 v YE09	
Dry-docking Costs by Segment	($ in thousands)				%		%
Tanker Fleet	9,450	4,543	10	(4,907)	-51.9 %	(4,533)	-99.8 %
Drybulk Fleet	586	59	4,093	(527)	-89.9 %	4,034	6837.3 %
Consolidated Dry-docking Costs	10,036	4,602	4,103	(5,434)	-54.1 %	(499)	-10.8 %

Tanker segment

During 2010, no tanker vessels underwent any dry-docking.

During 2009, dry-docking costs decreased 51.9% to $4.5 million. Dry-docking costs in 2009 mainly related to the special surveys of two Handymax tankers that were completed in 2009.

During 2008, dry-docking costs amounted to $9.4 million. Dry-docking costs in 2008 mainly related to the special surveys of two Suezmax tankers and two Handymax tankers and the intermediate survey of one Suezmax tanker that was completed in 2008.

Drybulk segment

During 2010, dry-docking costs amounted to $4.1 million that related to the completion of the special surveys of two Panamax and one Handymax drybulk vessels.

During 2009, no drybulk vessels underwent any dry-docking.

During 2008, we completed the intermediate survey of one Panamax drybulk vessel.

7. Vessel Depreciation

	Year Ended December 31,			change			
	2008	2009	2010	YE09 v YE08		YE10 v YE09	
	($ in thousands)				%		%

Vessel Depreciation by Segment									
Tanker Fleet	13,867	12,580	13,371	(1,287)	-9.3	%	791	6.3	%
Drybulk Fleet	18,797	19,005	19,005	208	1.1	%	-	0.0	%
Consolidated Vessel Depreciation	32,664	31,585	32,376	(1,079)	-3.3	%	791	2.5	%

Tanker segment

2010 vs. 2009

During 2010, vessel depreciation increased by $0.8 million, or 6.3%, compared to 2009. This is due to the full employment of all our newbuilding vessels in 2010 that increased our depreciation expenses by $3.3 million, and an offsetting decrease of $2.3 million related to the recognition of an impairment charge for M/T's Dauntless and Ioannis P in 2009 that decreased the depreciable value of the vessels by a total of $36.6 million and another minor offsetting decrease of $0.2 million related to the sale of M/T Dauntless in the fourth quarter of 2010.

2009 vs. 2008

During 2009, vessel depreciation decreased by $1.3 million, or 9.3%, compared to 2008. This is due to a decrease of $9.5 million related to the seven owned Suezmax tankers that were sold during 2008, and an offsetting increase of $8.2 million related to the newbuilding vessels delivered during 2009.

Drybulk segment

2010 vs. 2009

Due to the fact that our drybulk fleet remained the same between the two years, there was no increase or decrease in the depreciation expense.

2009 vs. 2008

During 2009, vessel depreciation increased by $0.2 million or 1.1% compared to 2008. This is due to the increase of $1.7 million related to M/V Papillon (ex. Voc Gallant), M/V Astrale and M/V Pepito that were operating for the full year in 2009, which is offset by the decrease of $1.5 million, related to the sale of the M/V Bertram during 2008.

8. Management fees-third parties

	Year Ended December 31,			change			
	2008	2009	2010	YE09 v YE08		YE10 v YE09	
Management fees-third parties by Segment	($ in thousands)				%		%
Tanker Fleet	1,080	338	119	(742)	-68.7 %	(219)	-64.8 %
Drybulk Fleet	79	81	40	2	2.5 %	(41)	-50.6 %
Consolidated Management fees-third parties	1,159	419	159	(740)	-63.8 %	(260)	-62.1 %

Tanker segment

2010 vs. 2009

During 2010, sub-managers fees decreased by $0.2 million, or 64.8%, compared to 2009 due to the fact that from July 1, 2010 onwards our fleet was being managed by Central Mare. After July 1, 2010 we have not incurred any third party management fees. See "Management fees for related parties" section that follows.

2009 vs. 2008

During 2009, sub-managers fees decreased by $0.7 million, or 68.7%, compared to 2008 mainly due to the decrease in the average number of vessels of our fleet and the shift in technical management from third parties to Top Tanker Management. Specifically, as of December 31, 2009 the number of vessels under third party technical management was one compared to two as of December 31, 2008. Additionally, as of December 31, 2009 the number of vessels under third party crew management was two compared to nine as of December 31, 2008.

Drybulk segment

2010 vs. 2009

During 2010, sub-managers fees decreased by $0.04 million or 50.6%, compared to 2009 mainly due to the fact that from July 1, 2010 onwards our fleet was being managed by Central Mare and thus our third party management fees were effectively eliminated.

2009 vs. 2008

There was no significant change in the management fees in the drybulk segment during this period.

9. Management fees for related parties

Management fees for related parties include the management fees that the company pays to Central Mare and TMS Tankers. Please see "Note 5 – Transactions with Related Parties" in the accompanying financial statements. The below analysis combines tanker and drybulk vessel segments.

	Year Ended December 31,			change			
	2008	2009	2010	YE09 v YE08		YE10 v YE09	
Management fees-related parties by Segment		($ in thousands)			%		%
Tanker Fleet	-	-	1,804	-	-	1,804	-
Drybulk Fleet	-	-	1,327	-	-	1,327	-
Consolidated Management fees-related parties	-	-	3,131	-	-	3,131	-

2010 vs. 2009

Except as set forth below, since July, 1 2010, our vessels have been managed by Central Mare, a related party controlled by the family of our CEO. Pursuant to a letter agreement concluded between Central Mare and Top Ships as well as management agreements concluded between Central Mare and our vessel-owning subsidiaries, Central Mare has been providing technical and commercial management for our vessels and has also been acting as our charter, sales and purchase broker. On October 1, 2010, we entered into a management agreement with TMS Tankers, a party related to one of our major shareholders, for the technical management and crewing of M/T Delos. Commercial management of the vessel was contracted to Central Mare as of that date. The management agreement with TMS Tankers is expected to be terminated during the second quarter of 2011 and all management functions performed by TMS Tankers will be transferred to another manager. In 2010 all fees payable to Central Mare under these management agreements amounted to $2.9 million and to TMS Tankers to $0.1 million. Please see "Related Party Transactions - Central Mare Letter Agreement Management Agreements and Other Agreements" for further details.

2009 vs. 2008

Not applicable.

10. General and Administrative Expenses

General and administrative expenses include executive compensation paid to Central Mare, a related party controlled by the family of our CEO, for the provision of our executive officers, office rent, legal and auditing costs, regulatory compliance costs, other miscellaneous office expenses, non-cash stock compensation, and corporate overhead. Central Mare provides the services of the individuals who serve in the position of CEO, Chief Financial Officer, Executive Vice President and Chief Technical Officer. For further information, please see "Note 5 – Transactions with Related Parties" in the accompanying financial statements.

The below analysis, combines tanker and drybulk vessel segments.

	Year Ended December 31,			change				
	2008	2009	2010	YE09 v YE08		YE10 v YE09		
General and Administrative Expenses by Segment	($ in thousands)				%			%
Tanker Fleet	22,474	14,914	11,055	(7,560)	-33.6 %	(3,859)	-25.9 %	
Drybulk Fleet	7,856	8,437	6,921	581	7.4 %	(1,516)	-18.0 %	
Unallocated	(101)	65	166	166	-164.4 %	101	155.4 %	
Consolidated General and Administrative Expenses	30,229	23,416	18,142	(6,813)	-22.5 %	(5,274)	-22.5 %	

2010 vs. 2009

During 2010, our general and administrative expenses decreased by $5.3 million, or 22.5%, compared to 2009. This decrease is mainly due to a reduction in manager and employee related expenses by $2.3 million as a result of the contracting of operational, technical and commercial functions to Central Mare from July 1, 2010 that led to a more cost effective operating structure and reduced overhead expenses. Also, during 2010, stock based compensation expense decreased by $1.4 million, mainly due to the difference in grant date fair value of awards granted to the senior management and directors. Additionally, bonuses decreased by $0.8 million, legal & consulting fees decreased by $0.6 million, audit expenses decreased by $0.4 million, travelling expenses decreased by $0.2 million and Nasdaq related fees & expenses decreased by $0.1 million.

2009 vs. 2008

During 2009, our general and administrative expenses decreased by $6.8 million, or 22.5%, compared to 2008. This decrease was attributed primarily to a decrease in salaries and related costs of $3.6 million during 2009 due to a decrease in the average number of employees from 92 in 2008 to 59 in 2009. Also, during 2009, stock based compensation expense decreased by $1.6 million from $5.1 million in 2008 to $3.5 million in 2009, mainly related to the difference in grant date fair value of awards granted to the senior management and directors, offset by the accelerated vesting due to board member resignations in 2009 (See "Management – Compensation of Directors and Senior Management"). Finally, during 2009, our audit expenses decreased by $1.5 million from 2008.

11. Gain on sale of vessels

	Year Ended December 31,			change			
	2008	2009	2010	YE09 v YE08		YE10 v YE09	
Gain on Sale of Vessels by Segment	($ in thousands)				%		%
Tanker Fleet	(21,347)	-	(5,101)	21,347	-100.0 %	(5,101)	-
Drybulk Fleet	2,169	-	-	(2,169)	-100.0 %	-	-
Consolidated Gain on Sale of Vessels	(19,178)	-	(5,101)	19,178	-100.0 %	(5,101)	-

Tanker segment

During 2010 we recognized a gain of $5.1 million from the sale of M/T Dauntless.

During 2009, we did not sell any tanker vessels.

During 2008 we recognized a total gain of $19.4 million from the sale of M/T Edgeless, M/T Ellen P, M/T Limitless and M/T Endless, a gain of $1.8 million from the sale of M/T Stormless, and a gain of $0.6 million from the sale of M/T Noiseless.

Drybulk segment

During 2010, we did not sell any drybulk vessels.

During 2009, we did not sell any drybulk vessels.

During 2008 we recognized a loss of $2.2 million from the sale of M/V Bertram in April 2008.

12. Interest and Finance Costs

	Year Ended December 31,			change			
	2008	2009	2010	YE09 v YE08		YE10 v YE09	
Interest and Finance Costs by Segment	($ in thousands)				%		%
Tanker Fleet	(11,888)	(7,692)	(10,448)	4,196	-35.3 %	(2,756)	35.8 %
Drybulk Fleet	(13,876)	(5,519)	(4,175)	8,357	-60.2 %	1,344	-24.4 %
Unallocated		(758)	(153)	(758)	-	605	-79.8 %
Consolidated Interest and Finance Costs	(25,764)	(13,969)	(14,776)	11,795	-45.8 %	(807)	5.8 %

Tanker segment

2010 vs. 2009

During 2010, interest and finance costs increased by $2.8 million, or 35.8% compared to 2009. The increase is mainly due to an increase of $1.2 million in loan interest expenses relating to the financing of the newbuilding vessels that were delivered in the first half of 2009 and an amount of $1.5 million which constitutes the amortization of the debt discount relating to convertible loans. The debt discount represents the portion of debt that is convertible into equity where the conversion price per share is less than the market value of the common stock at the commitment date. For further information, please see "Note 12 – Debt – Other Loans" in the accompanying financial statements.

2009 vs. 2008

During 2009, interest and finance costs decreased by $4.2 million, or 35.3% compared to 2008. The decrease is mainly due to the loan prepayment of $97.7 million associated with the sale of tanker vessels M/T Edgeless, M/T Ellen P and M/T Stormless in 2008, which resulted in a decrease of $3.8 million in loan interest expenses and the loan prepayment of $100.1 million associated with the sale of tanker vessels M/T Noiseless, M/T Limitless, M/T Endless and M/T Stainless in 2008, which resulted in a decrease of $3.1 million in loan interest expenses. These decreases were partially offset by an increase of $4.5 million in loan interest expenses relating to the financing of newbuilding vessels.

Also, during 2009, there was a decrease in amortization of finance fees in a net amount of $1.2 million. This decrease relates to a decrease in finance fees associated with vessels sold during 2008 and a decrease related to the loan associated with vessels M/T Dauntless and M/T Ioannis P. During 2008, relevant amortization for this loan was accelerated due to restructuring. Finally, these decreases were offset by an increase during 2009 related to finance fees of newbuilding vessels.

Drybulk segment

2010 vs. 2009

During 2010, interest and finance costs decreased by $1.3 million, or 24.4% compared to 2009. The decrease is mainly due to the reduction in the outstanding balance of the loans for all our drybulk vessels and a decrease in the LIBOR rates, which resulted to a decrease in interest expenses of $0.9 million. Furthermore, in 2010, the amortization of finance fees decreased by $0.3 million in 2010, mainly due to the restructuring of vessel's M/V Astrale loan in 2009, which led to accelerated amortization of the vessel's fees in the same year.

2009 vs. 2008

During 2009, interest and finance costs decreased by $8.4 million, or 60.2% compared to 2008. The decrease is mainly due to (i) decrease in LIBOR rates, associated with the loans of M/T Astrale, M/T Pepito, M/T Cyclades, M/T Papillon (ex Voc Gallant) and M/T Amalfi, which reduced interest and finance costs by $4.6 million, (ii) lower average interest rate as of December 31, 2009 of 3.30% compared to 4.54% as of December 31, 2008, and (iii) a decrease in interest and finance costs of $0.7 million relating to the vessel Bertram which was sold during 2008. In addition, an amount of $1.2 million was charged as interest in 2008 related to the drybulk vessel M/V Astrale's capital lease entered into in February 2008 for two months before the vessel was acquired. Finally, there was a decrease in amortization of finance fees of vessel M/V Amalfi of an amount of $2.0 million. This decrease is mainly related to a decrease in finance fees which were higher in 2008 due to write-off, as a result of amendments of loan terms.

Unallocated

During 2010, interest and finance costs decreased by $0.6 million or 79.8% compared to 2009. This decrease is mainly due to the foreign currency gain from a bridge loan denominated in Euros, which amounted to $0.2 million and the decrease in amortization of financing fees for the same bridge loan, which amounted to $0.4 million.

Other Income or Expenses Not Allocated to Segments

Our management does not review the gain / (loss) on financial instruments and interest income by segment.

13. Segment Income

	Year Ended December 31,			change			
	2008	2009	2010	YE09 v YE08		YE10 v YE09	
Segment Income (loss)	($ in thousands)				%		%
Tanker Fleet	1,119	(63,921)	(159)	(65,040)	-5812.3 %	63,762	-99.8 %
Drybulk Fleet	12,944	12,653	7,966	(291)	-2.2 %	(4,687)	-37.0 %
Unallocated	21,896	3,088	(319)	(18,808)	-85.9 %	(3,407)	-110.3 %
Consolidated Segment income (loss)	35,959	(48,180)	7,488	(84,139)	-234.0 %	55,668	-115.5 %

Tanker segment

2010 vs. 2009

During 2010, segment loss decreased by $63.8 million, or 99.8%, compared to 2009.

2009 vs. 2008

During 2009, segment income decreased by $65 million, or 5,812.3%, compared to 2008.

Drybulk segment

2010 vs. 2009

During 2010, segment income decreased by $4.7 million, or 37.%, compared to 2009.

2009 vs. 2008

During 2009, segment income decreased by $0.3 million, or 2.2% compared to 2008.

Unallocated

2010 vs. 2009

During 2010, segment income decreased by $3.4 million, or 110.3%, compared to 2009.

2009 vs. 2008

During 2009, segment income decreased by $18.8 million or 85.9% compared to 2008.

14. Gain / (loss) on financial instruments

	Year Ended December 31,			change			
	2008	2009	2010	YE09 v YE08		YE10 v YE09	
Gain / (loss) on Financial Instruments	($ in thousands)			$	%	$	%
Fair value change on financial instruments	(10,650)	2,635	865	13,285	-124.7 %	(1,770)	-67.2 %
Swap Interest	(1,374)	(4,716)	(5,922)	(3,342)	243.2 %	(1,206)	25.6 %
Total Gain / (loss) on Financial Instruments	(12,024)	(2,081)	(5,057)	9,943	-82.7 %	(2,976)	143.0 %

2010 vs. 2009

During 2010, fair value change in financial instruments decreased by $1.8 million, or 67.2% compared to 2009 due to the deterioration of expectations for future LIBOR rates that prevailed in the first nine months of the year, which had an adverse effect on the valuation of our swaps. This was partially offset by the decrease of the time to maturity of our swap contracts and an improvement in the expectations of future LIBOR rates that occurred in the fourth quarter of 2010, which had a positive effect on our swap valuations. Please see "– Quantitative and Qualitative Disclosures About Market Risk" for further information.

During 2010, swap interest increased by $1.2 million, or 25.6% compared to 2009, mainly due to the decrease in LIBOR rates.

2009 vs. 2008

During 2009, fair value change in financial instruments decreased by $13.3 million, or 124.7% compared to 2008. During 2009, the fair value of our swaps increased by $19.0 million due to more favorable valuations of our swap contracts as a result of an expectation of higher LIBOR rates in the future, as evidenced by forward rates. This positive change was partially offset by the decrease relating to the gain of $5.6 million as a result of the termination of a derivative product in the fourth quarter of 2008. Please see "– Quantitative and Qualitative Disclosures About Market Risk" for further information.

During 2009, swap interest increased by $3.3 million, or 243.2%, compared to 2008, mainly due to decreased LIBOR rates.

15. Interest Income

	Year Ended December 31,			change			
	2008	2009	2010	YE09 v YE08		YE10 v YE09	
Interest Income	1,831	235	136	(1,596)	-87.2 %	(99)	-42.1 %
Consolidated Interest Income	1,831	235	136	(1,596)	-87.2 %	(99)	-42.1 %

2010 vs. 2009

During 2010, interest income decreased by 42.1% to $0.1 million from $0.2 million during 2009. This decrease is mainly due to the decrease in the amounts kept under time deposits and relevant interest rates.

2009 vs. 2008

During 2009, interest income decreased by 87.2% to $0.2 million from $1.8 million during 2008. This decrease is mainly due to the decrease in the amounts kept under time deposits and relevant interest rates.

Liquidity and Capital Resources

Since our formation, our principal source of funds has been equity provided by our shareholders through equity offerings or at the market sales, operating cash flow and long-term borrowing. Our principal use of funds has been capital expenditures to establish and grow our fleet, maintain the quality of our vessels, comply with international shipping standards and environmental laws and regulations, fund working capital requirements and make principal repayments on outstanding loan facilities.

In December 2007 and April 2008, we raised a total of $120.0 million of equity capital to fund our diversification into the drybulk sector and our newbuilding program. Additionally, in 2008 we sold seven Suezmax tankers and one Panamax drybulk vessel for an aggregate sale price of $380.5 million.

Also in 2008, we refinanced our six newbuilding product tankers , which we bareboat chartered to three major charterers at fixed rates for periods of seven to ten years. With respect to these vessels, these bareboat charters reduce our long-term market risk and eliminate our operational risk for that period.

Our business is capital intensive and its future success will depend on our ability to maintain a high-quality fleet through the acquisition of newer vessels and the selective sale of older vessels. Our practice has been to acquire tankers and drybulk vessels using a combination of funds received from equity investors and bank debt secured by mortgages on our vessels. Future acquisitions are subject to management's expectation of future market conditions, our ability to acquire vessels on favorable terms and our liquidity and capital resources.

As of December 31, 2010, we had total indebtedness under senior secured and unsecured credit facilities with our lenders of $343.7 million, which after excluding unamortized financing fees of $4.0 million and unamortized debt discount of $2.3 million, amounts to $337.4 million, maturing from 2011 through 2019.

As of December 31, 2010, our cash balances amounted to $17.6 million, all of which is classified as restricted cash. Of this amount, $15.1 million is inaccessible to the Company as a result of being pledged, blocked or held as cash collateral. The remaining $2.5 million is restricted solely as a result of our overall cash position not meeting the targets set by the loan covenants and we are permitted to use these funds for working capital purposes.

Breach of Loan Covenants

As of December 31, 2010, we were in breach of loan covenants relating to earnings before interest, taxes, depreciation and amortization (EBITDA), overall cash position (minimum liquidity covenants), adjusted net worth and asset cover with certain banks. As a result of these covenant breaches and due to cross default provisions contained in all our bank facilities, we were in breach of all loan facilities and have classified all our debt and financial instruments as current, as discussed in Note 12 to our consolidated financial statements included in this prospectus. See also below under "Working Capital Requirements and Sources of Capital".

A violation of covenants constitutes an event of default under our credit facilities, which would, unless waived by our lenders, provide our lenders with the right to require us to post additional collateral, enhance our equity and liquidity, increase our interest payments, pay down our indebtedness to a level where we are in compliance with our loan covenants, sell vessels in our fleet and accelerate our indebtedness, which would impair our ability to continue to conduct our business. We expect that the lenders will not demand payment of the loans before their maturity, provided that we pay loan installments and accumulated or accrued interest as they fall due.

For details of credit facilities as of December 31, 2010 and discussion regarding waivers see " – Contractual Obligations – (1) Debt Facilities".

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Working Capital Requirements and Sources of Capital

As of December 31, 2010, we had a working capital deficit (current assets less current liabilities) of $363.2 million assuming acceleration of our debt and financial instruments by our lenders. This working capital deficit consisted of the following (figures in millions):

Total current assets	$3.4
Current portion of debt	$32.8
Current portion of debt (previously categorized as long term)	$304.6
Other current liabilities	$16.3
Current portion of financial instruments	$4.1
Current portion of financial instruments (previously categorized as long term)	$8.8
Total current liabilities (assuming acceleration of our debt and financial instruments by our lenders)	$366.6
Working capital deficit	$363.2
Add other capital requirements for the coming 12 months:	
Operating lease payments	$3.0
Payments under management agreements	$6.5
Less:	
Restricted cash	($17.6)
Cash shortfall (Working capital deficit plus other capital requirements assuming acceleration of our debt and financial instruments by our lenders less restricted cash to be used against debt repayment)	$355.1

We do not believe that our lenders will demand payment of the loans before their respective maturity dates as a result of our covenant breaches. Under this assumption, our material capital requirements in the coming 12 months are expected to be as follows (figures in millions):

Scheduled debt repayments (as of December 31, 2010)	$35.2
Interest payments (debt and swaps)	$14.5
Lease payments	$3.0

Payments under management agreements	$6.5
Total material capital requirements:	$59.2

Our operating cash flow for 2011 is expected to decrease compared to 2010 mainly due to the redelivery of the M/V Cyclades during the second quarter of 2011. The M/V Cyclades was earning a daily rate of $54,250 until April 4, 2011, when it was delivered to its present charterers, and since then has been earning a daily rate of $20,000. Based on our cash flow projections for 2011, cash provided by operating activities is expected to amount to $29.0 million and is not sufficient to cover scheduled debt repayments as of December 31, 2010.

Our cash flow could improve if actual charter rates during the year prove to be higher than the expected rates that we have used in our projections, thereby improving the revenues of the vessels that have spot market exposure, but this is a parameter outside of management's control. Cash flow could also improve by deferring part of our debt repayments into future years or by releasing funds held under pledges. If we are unable to partly defer our loan repayments and / or release funds held under pledges, we will examine the option of raising capital through equity and debt offerings or asset sales as a last resort. Given the high quality of assets and charters that we have in our portfolio, the sale of a tanker vessel provides us with a realistic last resort alternative to provide us with necessary liquidity.

As of the date of this report, discussions with certain lenders are already in progress and in certain cases our cash flow has already improved. See Section "(1) Debt facilities" below under "Tabular Disclosure of Contractual Obligations" for a discussion of our progress with each lender.

Cash Flow Information

Unrestricted cash and cash equivalents were $0.0 as of December 31, 2010 and December 31, 2009. All of our cash is restricted due to minimum liquidity covenant requirements.

NET CASH PROVIDED BY OPERATING ACTIVITIES-increased by $29 million or 441.39% for 2010 to $35.6 million compared to $6.6 million for 2009. This increase is primarily due to the absence in 2010 of lease termination expenses that amounted to $15.4 million in 2009. Furthermore the difference is also attributable to a more efficient operation of our fleet, since the reduction of revenue by $17.1 million, or 15.8%, in 2010 as compared to 2009 was accompanied by a higher decrease in related expenses, mainly charter hire expenses that decreased by $10.3 million, or 95.6%, vessel operating expenses that decreased by $10.9 million, or 45.9% and voyage expenses that decreased by $0.9 million, or 26.8%. Finally the outsourcing of all of the commercial and technical management of the Company's vessels to Central Mare led to an overall saving in the general and administrative expenses that when aggregated with the management fees to related parties decreased by $2.4 million, or 10.1%.

In 2009, net cash provided by operating activities decreased by 44.49% to $6.6 million compared to $11.8 million in 2008. This decrease was attributed to the overall decrease in operating income by $95.9 million, or 155.4%, which resulted in a $34.2 million operating loss in 2009, compared to an operating income of $61.7 million in 2008. The operating loss in 2009 includes net expenses of $12.2 million, relating to the termination of leases and the impairment charge of $36.6 million. The remainder of the decrease is mainly a result of the decrease in revenues relating to the decrease in the average number of tanker vessels that we operated, from 13.9 in 2008 to 8.7 in 2009, the lower rates achieved for vessels M/V Amalfi and M/V Astrale in 2009 and the fact that vessel M/V Bertram was sold in 2008, and, therefore, did not contribute to 2009 results, partly offset by a related decrease in expenses.

NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES– net cash provided by investing activities during 2010 was $25.7 million, consisting primarily of $19.4 million collected from the sale of M/T Dauntless, $4.6 million from a decrease in restricted cash and $1.3 million that we collected from the settlement of insurance claims in our favor.

Net cash used in investing activities for 2009 was $104.4 million, primarily due to $136.7 million relating to advances for our six newbuilding product tankers (representing payment of the third installment for one vessel, the fourth installment for four vessels and the delivery installment for six vessels in an aggregate amount of $133.3 million and capitalized interest and expenses of $3.4 million). Net cash provided by investing activities was $30.3 million primarily relating to a decrease in restricted cash of $20 million due to the termination of sale and leaseback transactions and a decrease of $4.8 million relating to the change in the minimum liquidity of our revolving credit facility with Royal Bank of Scotland, or RBS. For 2008, we had net cash provided by investing activities of $58.6 million, primarily due to net proceeds from the sale of vessels totaling $338.1 million. Specifically, during 2008 we sold seven Suezmax tankers and one Panamax drybulk vessel. Also, during 2008, we invested $118.1 million upon delivery of two of our drybulk vessels (representing payment of the remaining purchase price of $115.6 million and capitalized expenses of $2.5 million) and $114.3 million as advances for vessels under construction for our six newbuilding product tankers (representing payment of the second installment for all vessels, the third installment for five vessels and the fourth installment for two vessels in an aggregate amount of $109.2 million and capitalized interest and expenses of $5.1 million).

NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES-

Net cash used in financing activities for 2010 was $61.5 million, consisting primarily of $40.7 million of scheduled debt repayments, $24.0 million of debt prepayments relating to the sale of M/T Dauntless (for $19.5 million) as well as the restructuring of the DVB bridge loan facility and an offsetting cash inflow of $4 million from new bridge loans (Laurasia Trading and Santa Lucia Holdings).

Net cash provided by financing activities in 2009 was $51.6 million, consisting of $111.7 million of new bank loans relating to installments of our six newbuildings and the issuance of 2,230,000 shares of common stock under the SEDA with YA Global, with total net proceeds, after commissions, in the amount of $2.6 million. These inflows were offset by total loan repayments of $54.3 million. In 2008, the net cash used in financing activities was $50.2 million, consisting of total loan repayments of $368.6 million relating to sold vessels offset by the draw down of $271.2 million of new bank loans relating to the purchase of drybulk vessels and installments of newbuildings and the private placement of 7.3 million unregistered shares of common stock for aggregate proceeds of approximately $51.0 million.

CONTRACTUAL OBLIGATIONS

The following table sets forth our contractual obligations and their maturity dates as of December 31, 2010, in millions of $:

		Payments due by period			
Contractual Obligations:	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
(1) (i) Long term debt A	$343.7	$343.7			
(ii) Interest B	$14.5	$14.5			
(2) Operating leases C	$4.8	$0.6	$1.3	$1.3	$1.6
(3) Lease Payments under M/T Delos D	$8.5	$2.4	$3.9	$2.2	$0.0
(4) Vessel Management Fees to Central Mare Inc E	$22.9	$4.7	$10.2	$8.0	$0.0
(5) Other Management Fees to Central Mare Inc F	$8.4	$1.8	$3.7	$2.9	$0.0
Total	$402.8	$367.7	$19.1	$14.4	$1.6

A. Relates to the outstanding balance as of December 31, 2010, consisting of 1(a) ($26.9 million), 1(b) (i) ($42.4 million), 1(b) (ii) ($94.3 million), 1(c) (i) ($26.5 million), 1(c) (ii) ($57.5 million), 1(d) (i) ($23.0 million), 1(d) (ii) ($34.8 million), 1(e) ($34.3 million), 1(f) ($0.0 million) 1(g) ($2.0 million) and 1(h) ($2.0 million), discussed below.

B. Interest payments are calculated using the Company's average going interest rate of 4.23% as of December 31, 2010, which takes into account additional interest expense from interest rate swaps, applied on the amortized debt as presented in the table above.

C. Relates to the minimum rentals payable for the office space.

D. Relates to remaining lease payments for M/T Delos.

E. Relates to our obligation for fees per vessel per day or per annum for thirteen of our vessels under our management contracts with Central Mare. These fees cover the provision of technical and commercial management, insurance services, information-system related services and services in connection with compliance to the Section 404 of the Sarbanes-Oxley Act of 2002. We have assumed no changes in the number of vessels, an annual increase of 3% as provided by the relative agreements and no changes in the U.S. Dollar to Euro exchange rate (assumed at 1.33 USD/Euro). Each agreement has an initial term of five years after which it will continue to be in effect until terminated by either party subject to twelve months advance notice. For further information, please see "Related Party Transactions – Central Mare Letter Agreement, Management Agreements, and Other Agreements."

F. Relates to our obligation for fees of Euro 1.3 million (approximately $1.8 million based on the U.S. Dollar/Euro exchange rate as of December 31, 2010) per year under our Letter Agreement with Central Mare for the cost of providing accounting and reporting services to our company. This fee is adjusted upwards 3% per annum. The agreement has an initial term of five years after which it will continue

to be in effect until terminated by either party subject to twelve months advance notice. For further information, please see "Related Party Transactions – Central Mare Letter Agreement, Management Agreements, and Other Agreements."

(1) Debt Facilities:

(a) RBS Revolving Credit Facility:

As of December 31, 2010, the outstanding amount under the RBS revolving credit facility was $26.9 million payable in 11 consecutive quarterly installments as follows: (i) two installments of $0.58 million, starting in February, 2011; (ii) nine installments of $0.94 million; and (iii) a balloon payment of $17.28 million payable together with the last installment in August 2013.

Additional terms and conditions of the RBS credit facility are as follows:

During 2007, the interest rate on the RBS credit facility was 85 basis points over LIBOR. From March 26, 2008, the interest rate was adjusted to 125 basis points over LIBOR. On July 30, 2009, the Company amended the loan with RBS and adjusted the margin to 2.5%. The RBS credit facility is collateralized by a first preferred mortgage on the M/T Ioannis P as of December 31, 2010.

The RBS credit facility contains, among other things, various financial covenants, including (i) security value maintenance whereby the market value of the mortgaged vessel and the market value of any additional security is required to be greater than or equal to 130% of the outstanding loan and the fair value of outstanding swaps, (ii) adjusted net worth required to be greater than or equal to $250.0 million and greater than 35% of total assets, (iii) EBITDA required to be greater than 120% of fixed charges (excluding one off lease termination fees paid in June and July 2009 for the termination of the remaining 5 leased vessels), (iv) minimum liquid funds of $15.0 million overall and the higher of $5.0 million or $0.4 million per vessel unencumbered (i.e. not blocked specifically as security for obligations) and (v) a minimum balance of $0.1 million to be maintained in the operating account.

Furthermore, the facility includes a cash sweep mechanism whereby 75% of any surplus cash on each repayment date, earned by M/T Ioannis P will be applied in the inverse order of maturity to the amount outstanding under the loan agreement. Surplus cash is defined as net earnings less: (i) aggregate operating expenses and general and administrative expenses capped at $10,500 per day, (ii) scheduled capital repayments and (iii) loan interest and swap interest payments.

The RBS credit facility also contains general covenants that require us to maintain adequate insurance coverage and obtain the bank's consent before we incur new indebtedness that is secured by the vessels mortgaged thereunder. In addition, the RBS credit facility prohibits us, without the lender's consent, from appointing a CEO other than Mr. Evangelos Pistiolis and requires that the vessel mortgaged thereunder be managed by a company acceptable to the lender. We are permitted to pay dividends under the RBS credit facility so long as we are not in default of a loan covenant. Finally, the RBS credit facility contains a cross-default provision with other facilities.

Covenant Breaches and Waivers

As of December 31, 2010, we were not in compliance with the security value maintenance covenant, the EBITDA covenant and the minimum liquid funds covenant.

During April 2011, we entered into a preliminary agreement with RBS according to which, and subject to execution of definitive documents, we will amend the current repayment schedule so that our 2011 capital repayments are reduced by $2.0 million and our 2012 capital repayments are reduced by $2.8 million. Reduced amounts from existing capital repayment schedule will be transferred to the final balloon payment of the facility in August 2013.

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Upon execution of final documentation we will also amend the minimum security and financial covenants to lower levels than the ones currently in place. Had these levels been in effect as of December 31, 2010, we would not have been in breach of security value maintenance, the EBITDA and the minimum liquid funds covenants.

In addition, we will offer a pledge in Top Ships shares to RBS at a minimum value of $5 million. This pledge will only serve as security and will be cancelled once the facility has been repaid.

We are currently in discussions with the bank regarding these breaches and we are currently finalizing a restructuring of the repayment schedule of our facility. This restructuring, when concluded, is expected to reduce quarterly installments to $0.25 million and the shortfall from the current repayment schedule to be transferred to the balloon payment in August 2013.

As of December 31, 2010, we had two interest rate swaps with RBS. For a full description of our interest rate swap agreements, see "-Quantitative and Qualitative Disclosures about Market Risk".

(b) HSH Credit Facilities:

(i) Loan of an initial amount of $95.0 million: On November 8, 2007, we entered into a $95.0 million secured term loan facility with HSH Nordbank AG, or HSH, to partially finance the acquisition of the M/V Bertram, M/V Amalfi and M/V Papillon (ex Voc Gallant). As of December 31, 2010, $42.4 million remained outstanding under the facility.

M/V Bertram: On November 9, 2007, we drew down $28.1 million on our $95.0 million secured term loan with HSH to purchase the M/V Bertram. In December 2007, we used $1.5 million from the net proceeds of our December 5, 2007 equity offering to pay down outstanding debt under the loan. Following the sale of the vessel in April 2008, the $26.5 million then outstanding under the loan was fully repaid.

M/V Amalfi: On December 27, 2007, we drew down $28.7 million on our $95.0 million secured term loan with HSH to purchase the M/V Amalfi. In December 2007, we used $1.6 million from the net proceeds of our December 5, 2007 equity offering to pay down our outstanding debt under the loan. As of December 31, 2010, our outstanding debt under the loan totaled $20.5 million, payable in 16 consecutive quarterly installments of approximately $0.54 million, starting in March 2011, and a balloon payment of $11.9 million payable together with the last installment in December 2014.

M/V Papillon (ex Voc Gallant): On February 1, 2008, we drew down $33.2 million on our $95.0 million secured term loan with HSH to purchase the M/V Papillon. As of December 31, 2010, our outstanding debt under the loan totaled $21.9 million, payable in 17 consecutive quarterly installments of approximately $0.50 million, starting in February 2011 and a balloon payment of $13.4 million payable together with the last installment in February 2015.

The credit facility bears interest at LIBOR plus a margin. Until March 27, 2008 the margin was 100 basis points over LIBOR. From March 28, 2008 until March 24, 2009 the margin was adjusted to 135 basis points over LIBOR as a result of the waiver received for our breach of the EBITDA covenant during 2008. According to the amendment of the loan agreement dated May, 11, 2009, from March 24, 2009 until March 31, 2010, the margin was set at 250 basis points over LIBOR. As of the date of this prospectus, due to covenant breaches, the margin has not been reset to the initial loan agreement levels and it continues to be 250 basis points over LIBOR.

The facility contains, among other things, various financial covenants, including (i) at any time after March 31, 2010, an asset maintenance restriction whereby the fair market value of the mortgaged vessels and of any additional security is required to be greater than or equal to a required percentage of the outstanding loan and the fair value of outstanding swaps. As per the initial loan agreement the minimum required percentage had been set at 130% for the first four

years up to November 2011 and 135% from then on until maturity, (ii) market value adjusted net worth required to be greater than or equal to $125.0 million up to March 31, 2010 and $250.0 million, thereafter and greater than or equal to 15% of total assets up to March 31, 2010, and 35% of total assets, thereafter, (iii) beginning on March 31, 2010 and at all times thereafter, EBITDA required to be greater than 120% of fixed charges, and (iv) minimum liquid funds of $25.0 million until March 31, 2010 inclusive of all pledged deposits and cash held with all banks and afterwards minimum liquid funds of $25.0 million or $0.5 million per group vessel that are free of any security interest.

Furthermore, the facility provides for a cash pledge that originally amounted to $6.5 million and was intended to be applied against future installments as follows; 50% pro rata against the eight installments starting from February 2010, and 50% pro rata against all remaining installments of the facility including the balloon payment. As of the date of this prospectus, this cash pledge amounts to $2.9 million.

(ii) Loan of an initial amount of $121.3 million: On October 1, 2008, we entered into a $121.3 million secured term loan facility with HSH to partially finance the construction costs of the newbuilding product tankers M/T Miss Marilena, M/T Tyrrhenian Wave and M/T Britto. As of December 31, 2010, we had a secured term loan outstanding of $94.3 million.

M/T Miss Marilena : From October 2008 to February 2009, we drew down a total of $40.1 million on our $121.3 million secured term loan facility with HSH to purchase the M/T Marilena. As of December 31, 2010, the outstanding debt under the loan totaled $35.9 million, payable in 33 consecutive quarterly installments, as follows: (i) one installment of $0.60 million, starting in February 2011; (ii) 12 installments of $0.70 million, (iii) 20 installments of $0.75 million; and (iv) a balloon payment of $11.9 million payable together with the last installment in February 2019.

M/T Tyrrhenian Wave : From October 2008 until March 2009, we drew down a total of $29.3 million on our $121.3 million secured term loan facility with HSH to purchase the M/T Tyrrheanian Wave. As of December 31, 2010, our outstanding debt under the loan totaled $26.3 million, payable in 33 consecutive quarterly installments, as follows: (i) one installment of $0.43 million, starting in March, 2011; (ii) 12 installments of $0.51 million, (iii) 20 installments of 0.54 million; and (iv) a balloon payment of $8.9 million payable together with the last installment in March 2019.

M/T Britto : From October 2008 until May 2009, we drew down a total of $35.2 million on our $121.3 million secured term loan facility with HSH to purchase the M/T Britto. As of December 31, 2010, our outstanding debt under the loan totaled $32.1 million, payable in 34 consecutive quarterly installments, as follows: (i) two installments of $0.52 million, starting in February 2011; (ii) 12 installments of $0.61 million; (iii) 20 installments of $0.65 million; and (iv) a balloon payment of $10.7 million payable together with the last installment in May 2019.

The credit facility bears interest at LIBOR plus a margin. According to the original loan agreement the margin was set at 175 basis points over LIBOR until August 30, 2010 and was to be set at an amount agreed upon by us and HSH thereafter. Pursuant to an amendment to the loan agreement dated May, 11, 2009, the margin was adjusted to 200 basis points over LIBOR where it has remained through the date of this prospectus. As of the date of this report we are still in discussions in relation to this matter.

The credit facility contains a provision whereby the bank may chose to use an alternative base interest rate in case it believes that the LIBOR is not representative of its funding cost. HSH has accordingly been using the cost of funds determined by KLIEM (Carl Kliem GmgH), a broker, instead of LIBOR. The facility also contains various financial covenants, including (i) an asset maintenance restriction whereby the fair market value of the mortgaged vessels and of any additional security is required to be greater than or equal to 120% prior to October 1, 2012 and 125% thereafter of our outstanding loan plus the cost of terminating any interest rate swaps into which we may enter; (ii) an adjusted net worth restriction whereby we are required to maintain an adjusted net worth that is greater than or equal to $125.0 million until March 31, 2010, $250.0 million thereafter and is at least equal to 15% of our total assets until March 31 2010, and 35% of our total assets thereafter; (iii) an EBITDA restriction that on or after March 31 2010 requires our EBITDA to be greater than 120% of our fixed charges; and (iv) a minimum liquid funds restriction whereby we are required to maintain cash in hand or short-term investments that equal, at a minimum, the greater of $25.0 million and $0.5 million per vessel directly or indirectly owned by or bareboat chartered or leased back to us.

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The HSH credit facilities require that the mortgaged vessels be managed by a company that is acceptable to HSH. In addition, both facilities prohibit the borrowers, which are our subsidiaries, from (i) declaring or paying any dividends or making any distributions to us in excess of 70% of their net annual income and (ii) paying dividends or making other distribution of their stock (other than distributions under our stock incentive plan) to us when the ratio of our EBITDA to fixed charges is less than 120% or the fair market value of the mortgaged vessels is less than 140% of the outstanding loan and the cost of terminating any interest rate swap agreement into which such borrowing subsidiaries of ours may enter. The facilities also do not permit any distribution of capital or assets and permit investments relating to any share buy-back or similar actions only up to an amount of $5.0 million. In the case of the sale of vessels financed by HSH, 100% of the sale proceeds following the debt repayment are to be applied towards full covenant compliance; in the case of the sale of vessels not financed by HSH, following the debt repayment, HSH is to be allocated an amount of the remaining sale proceeds equal to the proportion of total HSH outstanding loans over our total indebtedness; and in the case of a successful equity offering, HSH is to be allocated an amount (on the basis of 50% of the offering proceeds) equal to the proportion of total HSH outstanding loans over our consolidated indebtedness. Our cash deposits, in addition to the pledged amounts, are required to be at least equal to $3.75 million (i.e. $0.75 million per vessel). Finally, the facilities contain a cross-default provision and are cross collateralized.

Covenant Breaches and Waivers

As of December 31, 2010, we were not in compliance with the asset maintenance, EBITDA, adjusted net worth or minimum liquid funds covenants. Both of our HSH facilities provide that a default rate of 2% on top of the initially agreed upon margin may apply for as long as there is an event of default such as a covenant breach. On April 1, 2011, the Company received a notice from HSH informing it of its intention to charge the default rate of 2% on top of margin, in respect of covenant breaches, from that date onwards. As of the date of this prospectus the Company is in discussion with HSH to resolve the covenant breaches and avoid being charged the default rate.

As of December 31, 2010, we had seven interest rate swaps with HSH. For a full description of our interest rate swap agreements, see "-Quantitative and Qualitative Disclosures about Market Risk".

(c) DVB Credit Facilities:

(i) M/V Astrale: In April 2008, we drew down the entire $48.0 million available pursuant to our loan agreement dated April 24, 2008 with DVB Bank America N.V., or DVB, to partially finance the acquisition cost of the drybulk vessel M/V Astrale. On December 1, 2010, we amended the loan agreement, which among other changes, cross-collateralized it with the product tankers' facility. Certain conditions precedent of this amended loan agreement relating to the assignment of security and the signing of certain undertakings between us, DVB and charterers are still pending as of the date of this report. As of December 31, 2010, our outstanding debt under the loan totaled $26.5 million, payable in 20 consecutive quarterly installments of $0.7 million, starting in January 2011, and a balloon payment of $12.5 million, payable together with the last installment in October 2015.

The facility bears interest at LIBOR plus a margin. The margin has been agreed at 175 basis points per annum for the period commencing on the date of the drawdown and ending on, but not including, the first anniversary of the date on which DVB disbursed the funds to us pursuant to this agreement, and 150 basis points per annum thereafter. The credit facility contains a provision whereby the bank may choose to use an alternative base interest rate if it believes that the LIBOR is not representative of its funding cost. DVB has accordingly been using the cost of funds determined by KLIEM (Carl Kliem GmgH), a broker, instead of LIBOR.

The facility contains various financial covenants, including (i) a ship minimum value restriction whereby the fair market value of the mortgaged vessels under the drybulk and the product tanker financing and of any additional security is required to be greater than or equal to 105% until March 31, 2011, 110% until March 31, 2012 and 120%

thereafter of the outstanding loan (excluding Top Up Loan) and the fair value of the outstanding swaps; (ii) a net asset value restriction whereby our net asset value is required to be greater than $225.0 million, calculated on an annual basis, which was amended to $0 up to December 31 , 2010; (iii) book equity required to be greater than $180.0 million; (iv) minimum cash balances of $2.5 million unencumbered up to December 31, 2010 and thereafter $25.0 million or $0.5 million per vessel ($0.25 million per vessel as cash in hand may be included); and (v) interest cover ratio of no less than 1.5 times (defined as EBITDAR divided by interest expense plus Lease Obligations), which was amended to 1.0 times up to December 31, 2010.

Furthermore, the facility includes a cash sweep mechanism for the period commencing after April 2010 until the maturity of the loan agreement, whereby 60% of any excess cash earned by the M/V Astrale will be applied in the inverse order of maturity to the amount outstanding under the loan agreement. Excess cash is defined as net earnings less: (i) aggregate operating expenses and general and administrative expenses capped at $10,000 per day as adjusted for an annual increase of 3%, (ii) scheduled installment repayments and (iii) interest costs. The cash sweep mechanism will cease to apply in the event the ratio of the vessel's charter free fair market value over the outstanding loan is equal or greater than 140% for a period of more than 3 consecutive months.

(ii) Loan of an initial amount of $80.0 million: On October 6, 2008, we entered into a loan agreement with DVB for $80.0 million to partially finance the construction cost of the newbuilding product tankers M/T Ionian Wave, currently named UACC Sila, and M/T Hongbo, both of which were delivered in 2009. We amended that agreement on July 31, 2009 and again on December 1, 2010. As amended, the loan agreement reassigned the distribution of the outstanding loan facility between the two vessels that were financed, cross-collateralized this facility with the Astrale facility and amended the Top Up Loan. Certain conditions precedent of this amended loan agreement relating to the assignment of security and the signing of certain undertakings between bank, owners and charterers are still pending as of the date of this report. As of December 31, 2010, we had a secured term loan outstanding of $57.5 million.

M/T Ionian Wave (currently named UACC Sila): From October 2008 until March 2009, we drew down a total of $33.8 million on our $80.0 million DVB loan agreement to purchase the M/T Ionian. As of December 31, 2010, our outstanding debt on this sum totaled $23.2 million, payable in 34 equal consecutive quarterly installments of $0.4 million, starting in March 2011, and a balloon payment of $9.6 million payable together with the last installment in June 2019.

M/T Hongbo: From October 2008 until July 2009, we drew down a total of $27.0 million on our $80 million DVB loan agreement to purchase the M/T Hongbo. As of December 31, 2010, our outstanding debt on this sum totaled $29.0 million, payable in 34 equal consecutive quarterly installments of $0.5 million, starting in March 2011, and a balloon payment of $11.0 million payable together with the last installment in June 2019.

Amended Top Up Loan: We initially drew down $12.5 million on the Top Up Loan on July 31, 2009, in order to finance the delivery installment of the M/T Hongbo. That amount was due to be repaid on July 30, 2010. On December 1, 2010, we amended our $80.0 million loan agreement with DVB and agreed to repay part of the Top Up Loan and reschedule part of it so that it becomes an amortizing loan, or the Amended Top Up Loan. The Amended Top Up Loan of $5.3 million is repayable in 18 quarterly consecutive installments as follows: 4 installments of $0.1 million and 14 installments of $0.35 starting from March 2011.

The portion of the credit facility relating to the Amended Top Up Loan and the M/T Ionian Wave, currently named UACC Sila, bear interest at LIBOR plus a margin of 225 basis points per annum. The portion of the credit facility relating to the M/T Hongbo bears interest at LIBOR plus a margin of 155 basis points per annum. The credit facility contains a provision whereby the bank may chose to use an alternative base interest rate in case it believes that the LIBOR is not representative of its funding cost. DVB has accordingly been using the cost of funds determined by KLIEM (Carl Kliem GmgH), a broker, instead of LIBOR.

The facility contains, among other things, various financial covenants including (i) a minimum required security cover restriction whereby the fair market value of the mortgaged vessels and of any additional security is required to be greater than or equal to 115% for the first five years, up to August 2014 and 125% thereafter of the outstanding loan (excluding the amount relating to the Amended Top Up Loan) and the fair value of the outstanding swaps; (ii) a net asset value restriction whereby our net asset value is required to be greater than $225.0 million, calculated on an annual basis, which was amended to $0 up to December 31 , 2010; (iii) book equity required to be greater than $180.0 million; (iv) minimum cash balances of $2.5 million unencumbered up to December 31, 2010 and thereafter $25.0 million or $0.5 million per vessel ($0.25 million per vessel as cash in hand may be included); and (v) interest cover ratio of no less than 1.5 times (defined as EBITDAR divided by interest expense plus Lease Obligations), which was amended to 1.0 times up to December 31, 2010.

In addition, both of our DVB credit facilities prohibit the borrowers, which are our subsidiaries, from declaring or paying any dividends or returning any capital to their equity holder without DVB's consent, and require that the mortgaged vessels be managed by a company acceptable to DVB. Finally, we are not allowed to appoint any CEO other than Mr. Evangelos Pistiolis without the prior written consent of DVB.

Also, from January 1, 2012 onwards, 45% of excess cash flow from product tankers, i.e. after debt and interest payment, to be applied as a prepayment to the M/V Astrale facility as long as the ship minimum value of the M/V Astrale alone is below 125%.

Once the conditions precedent to the effectiveness of the amended loan agreement have been met, the share pledge of 12,512,400 common shares of Top Ships that had been issued to Hongbo Shipping Company Limited, our wholly owned subsidiary, will be cancelled.

Covenants

As of December 31, 2010, we were in breach with the cross default provision of both DVB facilities as a result of covenant breaches in other credit facilities.

As of December 31, 2010, we had one interest rate swap with DVB. We have also agreed to enter into an interest rate swap agreement with DVB for a minimum period of 3 years within a period of six months after the delivery advance drawdown date of M/T Hongbo (up to January 2010). As of the date of this prospectus we have not yet entered into such an agreement. For a full description of our interest rate swap agreements, see "-Quantitative and Qualitative Disclosures about Market Risk".

(d) ALPHA BANK Credit Facilities:

(i) M/V Cyclades: On December 17, 2007, we entered into a $48.0 million loan agreement with Alpha Bank A.E., or Alpha, and drew down the entire amount available thereunder on the same date to partially finance the acquisition cost of the drybulk vessel M/V Cyclades. As of December 31, 2010, the outstanding debt on this loan totaled $23.0 million, payable in 20 consecutive quarterly installments of $0.75 million starting in March 2011 and a balloon payment of $8.0 million payable together with the last installment in December 2015.

The credit facility bears interest at LIBOR plus a margin of 130 basis points per annum. Under the terms of the original agreement, the margin was set at 130 basis points. The supplemental agreement to the loan dated April 3, 2009, set the margin at 250 basis points over LIBOR. The third supplemental agreement to the loan dated November 25, 2009 set the margin at 300 basis points over LIBOR from September 17, 2009 until March 31, 2010 and 225 basis points over LIBOR thereafter. As of the date of this prospectus, due to covenant breaches, the margin continues being 300 basis points over LIBOR.

The facility contains, among other things, various financial covenants including: i) asset maintenance restriction whereby the fair market value of the mortgaged vessel and of any additional security is required to be greater than or equal to 130% of the outstanding loan; ii) a market value adjusted net worth requirement whereby our adjusted net worth is required to be greater than or equal to $250.0 million; iii) a book equity requirement whereby our total assets less our consolidated debt is required to be greater than $100.0 million; and iv) a minimum cash balances requirement of $25.0 million.

(ii) M/T Lichtenstein: On August 18, 2008, we entered into a $39.0 million loan agreement with Alpha and drew down the entire amount available thereunder from August 2008 through February 2009 to partially finance the construction cost of newbuilding M/T Lichtenstein. As of December 31, 2010, the outstanding amount was $34.8 million, payable in 33 equal consecutive quarterly installments of $0.6 million, starting in February 2011 and a balloon payment of $15.0 million payable together with the last installment in February 2019.

The credit facility bears interest at LIBOR plus a margin of 165 basis points per annum. Under the first supplemental agreement of the loan dated April 3, 2009, the margin was set at 225 basis points over LIBOR and under the third supplemental agreement of the loan dated November 25, 2009, on October 26, 2009, the margin was set at 300 basis points over LIBOR until March 31, 2010 and 225 basis points over LIBOR thereafter. As of the date of this prospectus, due to covenant breaches, the margin continues being 300 basis points over LIBOR.

The facility contains, among other things, various financial covenants including: including (i) an asset maintenance requirement whereby the fair market value of the mortgaged vessel and of any additional security is required to be greater than or equal to 130% of the outstanding loan; (ii) a market value adjusted net worth requirement whereby our adjusted net worth is required to be greater than or equal to $250.0 million; (iii) a book equity requirement whereby

our total assets less our consolidated debt is required to be greater than $100.0 million; and (iv) minimum cash balances of $25.0 million.

In addition, our Alpha credit facilities provide for a cash pledge of $4.0 million to be maintained with Alpha Bank, which will be applied towards the drybulk financing in case of renegotiation or cancellation of the existing time charter agreement of M/V Cyclades. On December 31, 2009, $2.0 million of the pledged cash would have been be released subject to the above and no other event of default. The remaining $2.0 million would have been released on March 30, 2010 given that: a) no renegotiation or cancellation of the existing time charter agreement has been effected until then, and b) no event of default has occurred in the respective loan facility. On February 28, 2011, we agreed with the bank to release $1 million and to apply $3 million as a prepayment of M/T Lichtenstein.

Finally, the two facilities are cross collateralized. The credit facilities contain a cross-default provision.

Covenant Breaches and Waivers

As of December 31, 2010, we were not in compliance with the asset maintenance requirement of the product tanker facility nor the adjusted net worth and the minimum cash balance covenants. On April 5, 2011, we received waivers for the above mentioned covenant breaches for the period up to February 28, 2012, while the margin remained at 300 basis points.

(e) EMPORIKI Credit Facility: On March 5, 2008, we entered into a $50.0 million loan agreement with Emporiki Bank of Greece S.A., or Emporiki, to partially finance the acquisition cost of the drybulk vessel M/T Pepito. As of December 31, 2010, the outstanding amount was $34.3 million, payable in 9 consecutive semi-annual installments of $2.38 million starting in March 2011 and a balloon payment of $12.9 million payable together with the last installment in March 2015.

The credit facility bears interest at LIBOR plus a margin of 110 basis points per annum. Under the first supplemental agreement of the loan dated signed in August 5, 2009, from March 31, 2009 until March 31, 2010, the margin was set at 250 basis points over LIBOR. Under the second supplemental agreement of the loan signed in July 2010, the margin of 250 basis will remain in place until June 30, 2011. Thereafter, the margin will be reduced to 175 basis points per annum until maturity of the loan, subject to no covenant breaches.

The facility contains, among other things, various financial covenants including: (i) the aggregate market value of the mortgaged vessel and of any additional security is required to be equal to at least 125% of the outstanding principal amount under the loan and the swap; (ii) the leverage ratio (defined as our total liabilities divided by our total assets adjusted to fair market value of vessels) will not exceed 75%; (iii) the interest cover ratio (as defined in the this credit facility agreement) will stand at the minimum level of 2.5:1; (iv) minimum corporate liquidity not to be less than next 6 months of senior debt principal payments; and (v) minimum average monthly balances of the earnings account of $1 million.

In addition, the credit facility prohibits us, without the lender's consent, from appointing a CEO other than Mr. Evangelos Pistiolis and requires that the mortgaged vessel be managed by a company acceptable to Emporiki. In addition, it prohibits the borrower, which is our subsidiary, without the lender's consent, from declaring or paying any dividends or making any distributions to its shareholders. The credit facility contains a cross-default provision.

Covenant Breaches and Waivers

As of December 31, 2010, we were not in compliance with the asset maintenance, the minimum leverage ratio and the minimum corporate liquidity covenants, for all of which we have received waivers until June 30, 2011.

As of December 31, 2010, we had one interest rate swap with Emporiki Bank. For a full description of our interest rate swap agreements, see "-Quantitative and Qualitative Disclosures about Market Risk".

(f) CAPE MANUEL Credit Facility: On July 27, 2009, we entered into an unsecured bridge loan financing facility with an unrelated party. The purpose of this loan was to provide working capital financing for an amount of Euro 2.0 million, or $2.9 million (based on the U.S. Dollar/Euro exchange rate as of December 31, 2009) that was drawn down in two tranches: one on July 29, 2009 for an amount of Euro 1.0 million or $1.4 million (based on the U.S. Dollar/Euro exchange rate as of December 31, 2009) and one on September 24, 2009 for an amount of Euro 1.0 million or $1.4 million (based on the U.S. Dollar/Euro exchange rate as of December 31, 2009).

On April 15, 2010, we repaid the first advance along with all accrued interest and finance costs by then and on October 29, 2010 we repaid the second advance along with all accrued interest and finance costs by then. As of December 31, 2010, there was no outstanding balance in connection with this loan.

(g) LAURASIA TRADING LTD Credit Facility: On August 6, 2010, we entered into an unsecured bridge loan financing facility with an unrelated party for $2.0 million. The purpose of this loan was to refinance part of the DVB Top Up Loan which was due to be repaid on July 30, 2010. As of December 31, 2010, the outstanding amount was $2.0 million. The loan bears an interest of 6.0% per annum.

We have undertaken to repay the loan by August 17, 2011 in cash or shares or in combination as demanded by the lender. Interest and fees in connection with the facility will be paid in cash by the same date. In case repayment or part repayment is made in shares, the number of shares will be calculated as the dollar amount of the liability as of the repayment date divided by $0.40, meaning that a full repayment by means of shares will result in a transfer of 5 million shares to Laurasia Trading Ltd. However the number of shares cannot exceed 15% of our total number of outstanding shares due to anti-takeover provisions in our Stockholders Rights Agreement, unless the board specifically agrees to allow a shareholder to exceed such limit.

Since our stock price was above the debt conversion price of $0.40 on August 6, 2010, the conversion feature contains a beneficial share settlement option and in accordance with the Financial Accounting Standards Board's, or FASB's, Codifications topic 470-20 "Debt with Conversion and Other Options" we have calculated the beneficial conversion feature to be $2 million at the time of issuance, by multiplying the number of shares into which the debt is convertible by the difference between the conversion price and the market price of our stock at the time of issuance. We recorded this amount as debt discount, to be amortized over the duration of the loan, with a corresponding credit to additional paid in capital. The total interest expense related to the facility in our Consolidated Statement of Operations for the year ended December 31, 2010 was $0.83 million of which $0.79 million is non-cash amortization of the debt discount and $0.04 million is the contractual interest at an interest rate of 6% per year. As of December 31, 2010, the unamortized debt discount was $ 1.21 million.

On February 15, 2011, we entered into an amendment of the initial facility which provides for a new repayment date, specifically, February 15, 2012, with no other change to the terms of the debt or the conversion feature.

On that same date we also entered into a new unsecured bridge loan facility for $2 million. We have undertaken to repay the loan by February 15, 2012 in cash or shares or in combination as demanded by the lender. Interest and fees in connection with the facility will be payable in cash at the same date. In case repayment or part repayment is made in shares, the number of shares will be calculated as the dollar amount of the liability as of the repayment date divided by $0.40. The total shareholding of Laurasia, resulting from both facilities, cannot exceed 15% of our total number of outstanding shares due to anti-takeover provisions in our Stockholders Rights Agreement unless the board specifically agrees to allow a shareholder to exceed such limit. The loan bears an interest of 8.0% per annum.

(h) SANTA LUCIA HOLDINGS LTD Credit Facility: On August 16, 2010, we entered into an unsecured bridge loan financing facility with an unrelated party for $2.0 million. The purpose of this loan was to refinance part of the DVB Top Up Loan which was due to be repaid on July 30, 2010. As of December 31, 2010, the outstanding amount was $2.0 million. The loan bears an interest of 6.0% per annum.

We have undertaken to repay the loan by August 18, 2011 in cash or shares or in combination as demanded by the lender. Interest and fees in connection with the facility will be paid in cash by the same date. In case repayment or part repayment is made in shares, the number of shares will be calculated as the dollar amount of the liability as of the repayment date divided by $0.40, meaning that a full repayment by means of shares will result in a transfer of 5 million shares to Santa Lucia Holdings Ltd.

Since our stock price was above the debt conversion price of $0.40 on August 16, 2010, the conversion feature contains a beneficial share settlement option and in accordance with FASB's Codifications topic 470-20 "Debt with Conversion and Other Options" we have calculated the beneficial conversion feature to be $1.8 million at the time of issuance, by multiplying the number of shares into which the debt is convertible by the difference between the conversion price and the market price of our stock at the time of issuance. We recorded this amount as debt discount, to be amortized over the duration of the loan, with a corresponding credit to additional paid in capital. The total interest expense related to the facility in our Consolidated Statement of Operations for the year ended December 31,

2010 was $0.72 million of which $0.68 million is non-cash amortization of the debt discount and $0.04 million is the contractual interest at an interest rate of 6% per year. As of December 31, 2010 the unamortized debt discount was $ 1.12 million.

We are currently in discussion with Santa Lucia Holdings in order to extend the repayment date of the loan.

(2) Operating Leases:

On October 1, 2010, we entered into a bareboat charter agreement to lease in vessel M/T Delos until September 30, 2015 at an average daily rate of $5,219. The bareboat charter agreement was accounted for as an operating lease. Charterers have certain options by the end of the normal charter period (five years) to purchase the vessel.

In January 2006, we entered into an agreement with an unrelated party to lease office space in Athens, Greece, with an unrelated party. The office is located at 1, Vassilisis Sofias & Megalou Alexandrou Street, 151 24 Maroussi, Athens, Greece. The agreement is for duration of 12 years beginning May 2006 with a lessee's option for an extension of 10 years. From September 1, 2010, the monthly rental was renegotiated to $0.06 million (based on the U.S. Dollar/Euro exchange rate as of December 31, 2010) from $0.02 million (based on the U.S. Dollar/Euro exchange rate as of December 31, 2010), with all other terms remaining unchanged. In September 2010, the agreement was amended and the new monthly rent was renegotiated. It was also agreed to revert occupancy in certain areas of the leased office space by the end of April 2011. All other terms of the lease remained unchanged. As a result of this agreement we have made a revision in the useful life of certain assets that would have been amortized over the life of the lease. The revision in useful life of these assets resulted in an accelerated depreciation of $0.56 million included in general and administrative expenses.

In addition, our subsidiary TOP TANKERS (U.K.) LIMITED, a representative office in London, entered into a lease agreement with an unrelated third party for office space in London, which is valid from September 2010 and shall continue until either party shall give to the other one calendar month written notice. The annual lease is $0.02 million (based on the U.S. Dollar/GBP exchange rate as of December 31, 2010) payable quarterly in advance. From September 1, 2010, the annual rental was renegotiated to $0.02 million (based on the U.S. Dollar/GBP exchange rate as of December 31, 2010) from $0.03 million, the previous rate which TOP TANKERS (U.K.) LIMITED had paid pursuant to its prior lease entered into in June 2007.

In November 2009, we entered into an agreement to lease space in London, from an unrelated party. The agreement is valid up to and including November 14, 2011. The current monthly rent is $0.04 million (based on the U.S. Dollar/GBP exchange rate as of December 31, 2010).

Other Contractual Obligations:

Since July 1, 2010, Central Mare, a related party controlled by the family of our CEO, has been performing all of our operational, technical and commercial functions relating to the chartering and operation of our vessels, pursuant to a letter agreement concluded between Central Mare and Top Ships and management agreements concluded between Central Mare and our vessel-owning subsidiaries.

On October 1, 2010, we entered into a management agreement with TMS Tankers, a party related to one of our major shareholders, for the technical management and crewing of M/T Delos. Commercial Management of the vessel was contracted to Central Mare, as of that date. The management agreement with TMS Tankers is expected to be terminated during the second quarter of 2011 and all management functions performed by TMS Tankers will be transferred to another manager.

On September 1, 2010, we entered into separate agreements with Central Mare, a related party controlled by the family of the Company's CEO, pursuant to which Central Mare furnishes our executive officers to us. These agreements were entered into in exchange for terminating prior employment agreements.

On March 1, 2011, we entered into an agreement with Central Mare, a related party controlled by the family of the Company's CEO, pursuant to which Central Mare furnishes certain employees to us including Corporate Development

Officer and Internal Auditor as well as certain administrative employees.

Other major capital expenditures include funding our maintenance program of regularly scheduled intermediate survey or special survey dry-docking necessary to preserve the quality of our vessels as well as to comply with international shipping standards and environmental laws and regulations. Although we have some flexibility regarding the timing of this maintenance, the costs are relatively predictable. Management anticipates that the vessels that are younger than 15 years are required to undergo in-water intermediate surveys 2.5 years after a special survey dry-docking and that such vessels are to be dry-docked every five years. Vessels 15 years or older are required to undergo dry-dock intermediate survey every 2.5 years and not use in-water surveys for this purpose.

Our Fleet – Illustrative Comparison of Possible Excess of Carrying Value Over Estimated Charter-Free Market Value of Certain Vessels

In " – Critical Accounting Policies – Impairment of vessels," we discuss our policy for impairing the carrying values of our vessels. During the past few years, the market values of vessels have experienced particular volatility, with substantial declines in many vessel classes. As a result, the charter-free market value, or basic market value, of certain of our vessels may have declined below those vessels' carrying value, even though we would not impair those vessels' carrying value under our accounting impairment policy, due to our belief that future undiscounted cash flows expected to be earned by such vessels over their operating lives would exceed such vessels' carrying amounts.

The table set forth below indicates (i) the carrying value of each of our vessels as of December 31, 2010, (ii) which of our vessels we believe has a basic charter-free market value below its carrying value, and (iii) the aggregate difference between carrying value and basic charter-free market value represented by such vessels. This aggregate difference represents the approximate amount by which we believe we would have to reduce our net income if we sold all of such vessels in the current environment, on industry standard terms, in cash transactions, and to a willing buyer where we are not under any compulsion to sell, and where the buyer is not under any compulsion to buy. For purposes of this calculation, we have assumed that the vessels would be sold at a price that reflects our estimate of their current basic charter-free market values. However, we are not holding our vessels for sale. Our estimates of basic charter-free market value assume that our vessels are all in good and seaworthy condition without need for repair and if inspected would be certified in class without notations of any kind. Our estimates are based on information available from various industry sources, including:

- reports by industry analysts and data providers that focus on our industry and related dynamics affecting vessel values;
- news and industry reports of similar vessel sales;
- news and industry reports of sales of vessels that are not similar to our vessels where we have made certain adjustments in an attempt to derive information that can be used as part of our estimates;
- approximate market values for our vessels or similar vessels that we have received from shipbrokers, whether solicited or unsolicited, or that shipbrokers have generally disseminated;
- offers that we may have received from potential purchasers of our vessels; and
- vessel sale prices and values of which we are aware through both formal and informal communications with shipowners, shipbrokers, industry analysts and various other shipping industry participants and observers.

As we obtain information from various industry and other sources, our estimates of basic charter-free market value are inherently uncertain. In addition, vessel values are highly volatile; as such, our estimates may not be indicative of the current or future basic charter-free market value of our vessels or prices that we could achieve if we were to sell them.

	Dwt	Year Built	Carrying Value
Tanker Vessels			
Miss Marilena	50,000	2009	$45.6 million*
Lichtenstein	50,000	2009	$45.5 million*
UACC Sila (ex Ionian Wave)	50,000	2009	$46.0 million*
Tyrrhenian Wave	50,000	2009	$46.0 million*
Britto	50,000	2009	$46.5 million*
Hongbo	50,000	2009	$46.9 million*
Ioannis P	46,346	2003	$21.8 million
Total Tanker dwt	346,346		
Drybulk Vessels			
Papillon	51,200	2002	$57.9 million**
Pepito	75,928	2001	$64.7 million**
Astrale	75,933	2000	$64.2 million**
Cyclades	75,681	2000	$62.0 million**
Amalfi	45,526	2000	$48.6 million**
Total Drybulk dwt	324,268		
TOTAL DWT	670,614		

*Indicates tanker vessels for which we believe, as of December 31, 2010, the basic charter-free market value is lower than the vessel's carrying value. We believe that the aggregate carrying value of these vessels exceeds their aggregate basic charter-free market value by approximately $66.5 million.

**Indicates drybulk carriers for which we believe, as of December 31, 2010, the basic charter-free market value is lower than the vessel's carrying value. We believe that the aggregate carrying value of these vessels exceeds their aggregate basic charter-free market value by approximately $159.7 million.

We note that six of our tanker vessels and two of our drybulk vessels are currently employed under long-term, above-market time charters, see Business Overview – Our Fleet. We believe that if the vessels were sold with those charters attached, we would receive a premium for those vessels over their basic market value.

We refer you to the risk factor entitled "The international tanker and drybulk shipping industries have experienced drastic downturns after experiencing historically high charter rates and vessel values in early 2008, and a continued downturn in these markets may have an adverse effect on our earnings, impair the carrying value of our vessels and affect compliance with our loan covenants" and the discussion herein under the heading "Risks Related to Our Industries".

Critical Accounting Policies:

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

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

Vessel depreciation. We record the value of our vessels at their cost (which includes the contract price, pre-delivery costs incurred during the construction of newbuildings, capitalized interest and any material expenses incurred upon acquisition such as initial repairs, improvements and delivery expenses to prepare the vessel for its initial voyage) less accumulated depreciation. We depreciate our vessels on a straight-line basis over their estimated useful lives, estimated to be 25 years from the date of initial delivery from the shipyard. Depreciation is based on cost of the vessel less its residual value which is estimated to be $160 per light-weight ton. A decrease in the useful life of the vessel or in the residual value would have the effect of increasing the annual depreciation charge.

A decrease in the useful life of the vessel may occur as a result of poor vessel maintenance performed, harsh ocean going and weather conditions that the vessel is subject to, or poor quality of the shipbuilding yard. When regulations place limitations over the ability of a vessel to trade on a worldwide basis, the vessel's useful life is adjusted at the date such regulations become effective. Weak freight markets may result in owners scrapping more vessels and scrapping them earlier due to unattractive returns. An increase in the useful life of the vessel may result from superior vessel maintenance performed, favorable oceangoing and weather conditions the vessel is subjected to, superior quality of the shipbuilding yard, or high freight rates which result in owners scrapping the vessels later due to attractive cash flows.

Impairment of vessels: We evaluate the carrying amounts and periods over which long-lived assets are depreciated on a quarterly basis to determine if events have occurred which would require modification to their carrying values or useful lives. In evaluating useful lives and carrying values of long-lived assets, we review certain indicators of potential impairment, such as undiscounted projected operating cash flows, vessel sales and purchases, business plans and overall market conditions. We determine undiscounted projected net operating cash flows for each vessel and compare it to the vessel's carrying value. If the carrying value of the related vessel exceeds its undiscounted future net cash flows, the carrying value is reduced to its fair value. We estimate fair market value primarily through the use of third party valuations performed on an individual vessel basis.

The carrying values of our vessels may not represent their fair market value at any point in time since the market prices of second-hand vessels tend to fluctuate with changes in charter rates and the cost of newbuildings. During the past few years, the market values of vessels have experienced particular volatility, with substantial declines in many vessel classes. As a result, the charter-free market value, or basic market value, of certain of our vessels may have declined below those vessels' carrying value, even though we would not impair those vessels' carrying value under our accounting impairment policy, due to our belief that future undiscounted cash flows expected to be earned by such vessels over their operating lives would exceed such vessels' carrying amounts.

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

We performed the undiscounted cash flow test as of December 31, 2008 on our entire fleet and determined that the carrying amounts of our vessels held for use were recoverable despite the significant drop in values of drybulk vessels.

During 2009, the drybulk market stabilized and the charter market improved resulting in a partial recovery of asset values. In contrast, the product tanker sector, to which we are primarily exposed, experienced a significant drop in charter rates and, as a result, a quarter on quarter drop in asset values. Therefore, during 2009, we began exploring the re-chartering of our two oldest tanker vessels, M/T Dauntless and M/T Ioannis P, due to their upcoming charter expirations. Based on discussions with charterers we had indications that such vessels would need to be re-chartered at significantly lower rates upon expiration of their existing charters. As a result, during 2009, we performed the undiscounted cash flow test as of December 31, 2009 on our entire fleet and determined that the carrying amounts of these two vessels were not recoverable by their undiscounted cash flows. This indicated impairment and we consequently recorded an impairment charge of $36.6 million for the year ended December 31, 2009.

In order to perform the undiscounted cash flow test, we make assumptions about future charter rates, commissions, vessel operating expenses, dry-dock costs, fleet utilization, scrap rates used to calculate estimated proceeds at the end of vessels' useful lives and the estimated remaining useful lives of the vessels. These assumptions are based on

historical trends as well as future expectations. The projected net operating cash flows are determined by considering the charter revenues from existing time charters for the fixed fleet days and an estimated daily time charter equivalent for the unfixed days (based on a combination of three year time charter rates for the next three years and the most recent eight year average of the one-year time charter rates for each vessels' category) over the remaining useful life of each vessel, which we estimate to be 25 years from the date of initial delivery from the shipyard. Expected outflows for scheduled vessels' maintenance and vessel operating expenses are based on historical data, and adjusted annually assuming an average annual inflation derived from the most recent twenty year average consumer price index. Effective fleet utilization, average commissions, dry-dock costs and scrap values are also based on historical data.

During 2009 we recorded an impairment charge of $36.6 million for the year ended December 31, 2009. The fair value of the impaired vessels was determined based on a market approach, which consisted of quotations from well respected brokers regarding vessels with similar characteristics as compared to our vessels. This market approach is deemed more objective than the income approach mainly due to the multitude of transactions of comparable assets in the active and liquid shipping market at the time the impairment test was performed.

During 2010, fears of vessel oversupply and market disruptions led to high charter rate volatility in both tanker and drybulk segments and to a further decrease in vessel values. These are conditions that the Company considered to be indicators of potential impairment. The Company performed the undiscounted cash flow test as of December 31, 2010 and determined that the carrying amounts of its vessels held for use were recoverable.

Derivatives:

We designate our derivatives based upon the criteria established by the FASB in its accounting guidance for derivatives and hedging activities. The accounting guidance for derivatives requires that an entity recognizes all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The accounting for the changes in the fair value of the derivative depends on the intended use of the derivative and the resulting designation. For a derivative that does not qualify as a cash flow hedge, the change in fair value is recognized at the end of each accounting period on the income statement. For a derivative that qualifies as a cash flow hedge, the change in fair value is recognized at the end of each reporting period in accumulated other comprehensive income / (loss) (effective portion) until the hedged item is recognized in income. The ineffective portion of a derivative's change in fair value is immediately recognized in the income statement.

If there is an increase in the 3-month LIBOR or if the 10 year U.S. Dollar swap rate exceeds 3.85%, there will be a positive effect on the fair value of our interest rate swap agreements. In contrast, a decrease in the 3-month LIBOR or an increase of over 0.05% in the difference between the 10 year U.S. Dollar swap rate and the 2 year U.S. Dollar swap rate will have a negative effect on the fair value of our interest rate swap agreements.

We have not applied hedge accounting to our interest rate swaps. Additionally, we have not adjusted the fair value of our derivative liabilities for non-performance risk as we expect to be able to perform under the contractual terms of our derivative agreements, such as making cash payments at periodic net settlement dates or upon termination. Please refer to "– Liquidity and Capital Resources – Working capital requirements and sources of capital" for further information.

Provision for doubtful accounts. Revenue is based on contracted voyage and time charter parties and, although our business is with customers who we believe to be of the highest standard, there is always the possibility of a dispute, mainly over terms, calculation and payment of demurrages. In such circumstances, we assess the recoverability of amounts outstanding and we estimate a provision if there is a possibility of non-recoverability, combined with the application of a historical recoverability ratio, for purposes of determining the appropriate provision for doubtful accounts. Although we believe our provisions are based on fair judgment at the time of their creation, it is possible that an amount under dispute is not recovered and that the estimated provision for doubtful recoverability will prove inadequate.

Convertible Debt. In accordance with FASB's Codifications topic 470-20 "Debt with Conversion and Other Options" the Company evaluates debt securities (or Debt) for beneficial conversion features. A beneficial conversion feature is present when the conversion price per share is less than the market value of the common stock at the commitment date. The intrinsic value of the feature is then measured as the difference between the conversion price and the market value, or the Spread, multiplied by the number of shares into which the Debt is convertible and is recorded as debt

discount with an offsetting amount increasing additional paid-in-capital. The debt discount is accreted to interest expense over the term of the Debt with any unamortized discount recognized as interest expense upon conversion of the Debt. If a debt security contains terms that change upon the occurrence of a future event the incremental intrinsic value is measured as the additional number of issuable shares multiplied by the commitment date market value and is recognized as additional debt discount with an offsetting amount increasing additional paid-in-capital upon the future event occurrence. The total intrinsic value of the feature is limited to the proceeds allocated to the Debt instrument.

New accounting pronouncements: There are no significant effects from new accounting pronouncements. See "Note 2 – Significant Accounting Policies –Recent Accounting Pronouncements" in the accompanying financial statements.

OFF-BALANCE-SHEET ARRANGEMENTS

As of December 31, 2010, we have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity or capital resources.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Our risk management policy

Our primary market risks relate to adverse movements in freight rates in the product tanker market and in the Handymax and Panamax sectors of the drybulk market. In 2008, we began to implement our strategy of entering into long term period charters (either time or bareboat). As of the date of this prospectus, we have eight vessels on long term period charters with duration of more than one year. Three of our drybulk vessels are on period charters with a duration of less than one year. Two of our tankers have spot market exposure. We believe that by slightly deviating from our long term charter policy we will participate in an upside of the product tanker market. We do not use freight forward agreements to hedge our exposure to freight rates.

Our policy is to continuously monitor our exposure to other business risks, including the impact of changes in interest rates, currency rates, and bunker prices on earnings and cash flows. We assess these risks and, when appropriate, enter into derivative contracts with credit-worthy counter parties to minimize our exposure to the risks. With regard to bunker prices, as our employment policy for our vessels has been and is expected to continue to be with a high percentage of our fleet on period employment, we are not directly exposed with respect to those vessels to increases in bunker fuel prices, as these are the responsibility of the charterer under period charter arrangements.

Interest rate risk

We are subject to market risks relating to changes in interest rates because we have floating rate debt outstanding under our loan agreements on which we pay interest based on LIBOR, or cost of funds for certain banks, plus a margin. In order to manage our exposure to changes in interest rates due to this floating rate indebtedness, we enter into interest rate swap agreements. Set forth below is a table of our interest rate swap arrangements as of December 31, 2009 and 2010 (in thousands of U.S. Dollars).

Counterparty	SWAP Number (Nr)	Notional Amount December 31, 2010	Period	Effective Date	Interest Rate Payable	Fair Value - Liability December 31, 2009	Fair Value - Liability December 31, 2010
HSH NORDBANK	1	$8,654	2 years	December 12, 2008	4.80%	($444)	($53)
HSH NORDBANK	2	$8,654	2 years	December 12, 2008	4.80%	($444)	($53)
	3	$8,654			4.80%	($444)	($53)

HSH NORDBANK			2 years	December 12, 2008			
RBS	4	$10,000	7 years	September 30, 2006	4.23%	($907)	($828)
RBS	5	$10,000	7 years	September 30, 2006	4.11%	($869)	($799)
EGNATIA	6	$10,000	7 years	July 3, 2006	4.76%	($1,090)	($1,072)
HSH NORDBANK	7	$6,153	5 years	March 27, 2008	4.60%	($620)	($415)
HSH NORDBANK	8	$10,332	5 years	March 27, 2008	4.60%	($320)	($725)
EMPORIKI	9	$20,000	7 years	May 15, 2008	10.85%	($5,975)	($4,950)
HSH NORDBANK	10	$11,599	7 years	July 15, 2008	5.55%	($1,316)	($1,966)
HSH NORDBANK	11	$14,356	4 years	June 28, 2010	4.73%	($921)	($1,528)
DVB	12	$30,586	3 years	March, 19, 2009	2.095%	($453)	($496)
						($13,803)	($12,938)

SWAPS Nr 1,2,3,11,12 - Under these SWAP agreements, we pay a fixed rate and we receive variable three month LIBOR. SWAPS Nr 1, 2 and 3 expired in January 2011.

SWAPS Nr 4,5 - Under these SWAP agreements, for the first year (2006-2007) we paid RBS a fixed rate of 4.23% and 4.11% respectively. From the second year onwards we pay a fixed rate of 4.23% and 4.11% respectively plus a coupon equal to three times the difference between 0.08% and the difference of the 10 year U.S. Dollar swap rate and the two year U.S. Dollar swap rate for the payment period (quarter) in question, plus the coupon of the previous payment period (quarter). The coupon of the previous payment period is essentially the same formula calculated for the previous payment period (quarter). The coupon payments are capped at 10.25%. We receive from RBS variable three month LIBOR.

SWAP Nr 6 - Under this SWAP agreement, we paid Egnatia a fixed rate of 4.70% for the first payment period (quarter) in 2006. From the second quarter onwards we pay a fixed rate of 4.70% plus a coupon equal to three times the difference between 0.05% and the difference of the 10 year U.S. Dollar swap rate and the two year U.S. Dollar swap rate for the payment period (quarter) in question, plus the coupon of the previous payment period (quarter). The coupon of the previous payment period is essentially the same formula calculated for the previous payment period (quarter). The coupon payment is capped at 8.80%. We receive from Egnatia variable three month LIBOR.

SWAPS Nr 7, 8 – Under these SWAP agreements, we pay a fixed rate of the three-month U.S. Dollar LIBOR multiplied with the factor 0.95 per annum if the three month U.S. Dollar LIBOR is between 1.50% and 4.84%. In case the U.S. Dollar LIBOR is lower than 1.50% or higher 4.84%, we will pay a fixed rate of 4.60% per annum for that period. We receive from HSH Nordbank variable three month LIBOR.

SWAP Nr 9 – Under this SWAP agreement, we received an upfront amount of $1.5 million. During the first year, we received a fixed rate of 5.25% and paid a fixed rate of 5.50%. From the second year, we receive quarterly a fixed rate of 5.25% and we pay a rate of 5.10%, if either of two conditions are met: i) the difference between the 10 year Euro swap rate and the 2 year Euro swap rate is greater or equal than -0.15% and ii) the six month USD LIBOR is between 1.00% and 6.00%. Otherwise, we pay 10.85% less 5.75% multiplied by a cushion consisting of the number of days that either of the above two conditions are not met, divided by the total number of days of the period multiplied by the previous quarter's cushion. The first cushion, as of the end of the first year, was set to 1. During the third and fourth quarter of 2009, the six month USD LIBOR has been consistently below 1% and the cushion has become zero. As a result we will be paying 10.85% until the instrument's maturity date.

SWAP Nr 10 - Under this SWAP agreement, we receive the three month LIBOR and pay 5.55%, less 2.5% multiplied by the quotient of the number of days the three month LIBOR and the 10 year swap rate falls within certain fixed ranges.

As of December 31, 2010, our total bank indebtedness was $343.7 million, which after excluding unamortized financing fees of $4.0 million amounts to $339.7 million, of which $148.9 million was covered by the interest rate swap agreements described above. As set forth in the above table, as of December 31, 2010, we paid fixed rates ranging from 2.095% to 10.85% and received floating rates on the SWAPs that are based on three month LIBOR as well as a fixed rate of 5.25% from Swap Nr 10. As of December 31, 2010 and March 31, 2011, our interest rate swap agreements are, on an average basis, above the prevailing three month LIBOR rates over which our loans are priced due to the steep reduction in prevailing interest rates during 2009 that continued into 2010. Accordingly, the effect of these interest rate swap agreements in 2010 and the first three months of 2011 has been to increase our loss on financial instruments.

Based on the amount of our outstanding indebtedness as of December 31, 2010 that is not covered by interest swap arrangements as of December 31, 2010, a hypothetical one percentage point increase in the three month U.S. Dollar LIBOR would increase our interest rate expense for 2011, on an annualized basis, by approximately $2.26 million. We have not and do not intend to enter into interest rate swaps for speculative purposes.

Foreign exchange rate fluctuation

We generate all of our revenues in U.S. Dollars but incur certain expenses in currencies other than U.S. Dollars, mainly Euro. During 2010, approximately 18% of our expenses were in Euro and approximately 2% were in other currencies than the U.S. Dollar or Euro. For accounting purposes, expenses incurred in other currencies are converted into U.S. Dollars at the exchange rate prevailing on the date of each transaction. We have not hedged currency exchange risks associated with our expenses and our operating results could be adversely affected as a result. We constantly monitor the U.S. Dollar exchange rate and we try to achieve the most favorable exchange rates from the financial institutions we work with.

Based on our total expenses for the year ended December 31, 2010, and using as an exchange rate the 2010 average exchange rate of $1.3269 / 1 Euro, a 5% decrease in the exchange rate to $1.2606 / 1 Euro, would result in an expense saving of approximately $0.83 million.

THE INTERNATIONAL TANKER AND DRYBULK SHIPPING INDUSTRIES

All the information and data presented in this section, including the analysis of the various sectors of the oil tanker and dry bulk shipping industries has been provided by Drewry. Drewry has advised that the statistical and graphical information contained herein is drawn from its database and other sources. In connection therewith, Drewry has advised that: (a) certain information in Drewry's database is derived from estimates or subjective judgments; (b) the information in the databases of other maritime data collection agencies may differ from the information in Drewry's database; (c) while Drewry has taken reasonable care in the compilation of the statistical and graphical information and believes it to be accurate and correct, data compilation is subject to limited audit and validation procedures.

Introduction

Seaborne cargo is broadly categorized as either liquid or dry cargo. Liquid cargo includes crude oil, refined petroleum products, vegetable oils, gases and chemicals. Dry cargo includes drybulk cargo, container cargo, non-container cargo and other cargo.

The following table presents the breakdown of global seaborne trade by type of cargo in 2000 and 2010.

World Seaborne Trade: 2000 and 2010

	Trade – Million Tons		CAGR(1) %	% Total Trade	
	2000	2010	2000-10	2000	2010
Liquid Cargo					
Crude Oil	2,079	2,276	0.91	32.1	25.9
Refined Petroleum Products	602	875	3.81	9.3	10.0
Liquid Chemicals	128	214	5.28	2.0	2.4
Liquefied Gases	168	261	4.54	2.6	3.0
Total Liquid Cargo	2,977	3,627	1.99	46.0	41.3
Total Dry Cargo	3,491	5,155	3.98	54.0	58.7
Dry Bulk					
Coal	539	915	5.43	8.3	10.4
Iron Ore	489	1,004	7.46	7.6	11.4
Grain	221	242	0.9	3.4	2.8
Total Major Bulks	1,249	2,161	5.63	19.3	24.6
Minor Bulks	901	1.018	1.23	13.9	11.6
Other					
Container Cargo	620	1,366	8.21	9.6	15.6
General Cargo	720	610	-16.4	11.1	6.9
Total Seaborne Trade	6,468	8,782	3.11	100.0	100.0

(1) Compound annual growth rate.

Source: Drewry Maritime Research

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Ocean going vessels represent the most efficient and often the only means of transporting large volumes of basic commodities and finished products over long distances. In general, the supply of and demand for seaborne transportation capacity are the primary drivers of charter rates and values for all vessels. Larger vessels exhibit higher charter rate and vessel value volatility compared with smaller vessels, due to the larger volume of cargo shipped on board, their reliance on a few key commodities, and long-haul routes among a small number of ports. Vessel values primarily reflect prevailing and expected future charter rates, and are also influenced by factors such as the age of the vessel, the shipyard of its construction and its specifications. During extended periods of high charter rates, vessel values tend to appreciate, while during periods where rates have declined, such as the period we are in currently, vessel values tend to decline. Historically, the relationship between incremental supply and demand has varied among different sectors, meaning that at any one time different sectors of the seaborne transportation industry may be at differing stages of their respective supply and demand cycle, as the drivers of demand in each sector are different and are not always subject to the same factors.

OIL TANKER SHIPPING

Oil Tanker Demand

Demand for crude oil and refined petroleum products is affected by a number of factors including general economic conditions (including increases and decreases in industrial production), oil prices, environmental concerns, weather conditions, and competition from alternative energy sources.

As the following figures indicate the world economy grew at a fairly consistent rate in the period 2000 to 2008, but growth came to an abrupt halt in 2009 as the world went into a global depression. The downturn was short-lived and the most recent data suggest that the world economy returned to positive growth in 2010, with China and India being the main engines of growth.

World GDP Growth: 2000 to 2010
(Percent change from previous period)

Source: Drewry Maritime Research

World Oil Consumption: 1990 - 2010
(Million Barrels Per Day)

(1) Provisional

Source: Drewry Research

World oil consumption has generally experienced sustained growth since 2000, albeit it declined in 2009 due to the downturn in the global economy. The provisional data for 2010 however suggests that world oil demand rebounded strongly.

World oil consumption in 2010 is provisionally estimated at 86.9 million barrels per day. Since 2000 it has grown at a compound annual growth rate (CAGR) of approximately 1.2%.

World Oil Consumption by Region: 2000 - 2010
(Million Barrels Per Day)

(1) Organisation for Economic Co-operation & Development; (2) Former Soviet Union

Source: Drewry Research – derived from industry sources

Regionally, oil consumption is either static or declining in most of the developed world, but is increasing in most of the developing world as the following chart indicates. In recent years, Asia, in particular China has been the main generator of additional demand for oil, with this demand largely supplied from traditional sources such as the Middle East. %. In the period 2000 to 2010 Chinese oil consumption grew by a CAGR of 6.7% to reach 9.2 million barrels per day in 2010.

Oil consumption on a per capita basis is still low in countries such as China and India when compared with the United States and Western Europe.

Regional Oil Consumption Growth Rates: 2000 - 2010
(CAGR - Percent)

Source: Drewry Research

Oil Consumption Per Capita: 2009
(Tons per Capita)

Source: Drewry Research

Seasonal trends also affect world oil consumption and consequently oil tanker demand. While trends in consumption do vary with season, peaks in tanker demand quite often precede seasonal consumption peaks, as refiners and suppliers anticipate consumer demand. Seasonal peaks in oil demand can broadly be classified into two main categories: increased demand prior to Northern Hemisphere winters as heating oil consumption increases and increased demand for gasoline prior to the summer driving season in the United States.

Global trends in crude oil production by main region in the period 2000 to 2010 are shown in the table below. Production trends have naturally followed the underlying pattern in oil consumption, allowing for the fact that changes in the level of oil inventories also play a part in determining production levels.

World Oil Production: 2000 to 2010
(Million Barrels Per Day)

Source: Drewry Research

Production and exports from the Middle East (largely OPEC) have historically had a significant impact on the demand for tanker capacity, and, consequently, on tanker charter hire rates, due to the relatively long distances between this supply source and typical destination ports. Oil exports from short-haul regions, such as Latin America and the North Sea, are significantly closer to ports used by the primary consumers of such exports, which results in shorter average voyage length as compared to oil exports from the Middle East. Therefore, production in short-haul regions historically has had less of an impact on the demand for larger vessels while increasing the demand for vessels in the Handy, Panamax and Aframax market segments.

Oil Refinery Capacity

Oil refineries also vary greatly in the quantity, variety and specification of products that they produce, and it is common for tankers to take products into and out of the same refinery. This global multi-directional trade pattern enables owners and operators of product tankers to engage in charters of triangulation, and thereby maximize the revenue. The distribution of refinery throughput by region in the period 2000 to 2009 is shown in the following chart.

Oil Refinery Throughput by Region: 2000-2009
(Million Barrels Per Day)

Source: Drewry Maritime Research

Changes in refinery throughput are to a certain extent driven by changes in the location of capacity and capacity increases are taking place mostly in the developing world, especially in Asia. In turn this is leading to changes in voyage patterns and longer voyages.

As the chart above indicates, in response to growing domestic demand, Chinese refinery throughput has grown at the fastest rate of any global region in the last decade, with the Middle East and other emerging economies following behind. By contrast, refinery throughput in North America has actually declined in the last decade.

Oil Refinery Throughput by Region: Growth Rates 2000-2009
(CAGR – Percent)

Source: Drewry Research

Oil Refinery Capacity by Region: Growth Rates 2000-2009
(CAGR – Percent)

Source: Drewry Research

The shift in global refinery capacity from the developed to the developing world is likely to continue as refinery development plans are heavily focused on areas such as Asia and the Middle East, with relatively little capacity additions planned for North America and Europe.

As the chart above indicates, in response to growing domestic demand, Chinese refinery throughput has grown at the fastest rate of any global region in the last decade, with the Middle East and other developing regions following behind. By contrast, refinery throughput in North America has actually declined in the last decade. The shift in global refinery capacity from the developed to the developing world is likely to continue as refinery development plans are heavily focused on areas such as Asia and the Middle East, with relatively little capacity additions planned for regions such as North America and Europe.

World Oil Trades

World oil trades are naturally the result of geographical imbalances between areas of oil consumption and production, although it is important to recognize that in sectors such refined petroleum products arbitrage can have an impact on trade flows.

The chart below illustrates changes in global seaborne movements of crude oil and refined petroleum products between 2000 and 2010.

Seaborne Oil Trade Development: 2000 to 2010
(Million Tons)

Source: Drewry Research

The volume of crude oil moved by sea each year also reflects the underlying changes in world oil consumption and production. Seaborne trade in crude oil in 2010 is provisionally estimated at 2.3 billion tons, while refined petroleum products movements are provisionally estimated at 875 million tons.

Demand for oil tankers is primarily determined by the volume of crude oil and refined petroleum products transported and the distances over which they are transported. Tanker demand is generally expressed in ton miles and is measured as the product of the volume of oil carried (measured in metric tons) multiplied by the distance over which it is carried (measured in miles).

The transportation of crude oil is typically unidirectional, in that most oil is transported from a few areas of production to many regions of consumption, where it is refined into petroleum products. Conversely, the transportation of refined petroleum products and associated cargoes is multi-directional, in that there are several areas of both production and consumption.

Oil Tanker Demand: 2000-2010
(Million Tons/Billion Ton Miles)

Source: Drewry Maritime Research

The growth in the volume of oil moved by sea since 2000 had been quite modest, but the absolute volume of trade hides the fact that changes in the pattern or trade have had quite a positive impact on tanker demand when expressed in terms of ton miles. In the period 2000 to 2010 ton mile demand in the tanker sector grew at a CAGR of 32%, whereas the overall increase in trade over the same period was 1.6%. As a result of changes in the pattern of trade the average haul length of crude oil trades has risen from a recent market low of 3,700 miles (loaded voyage only) in 2005 to 4,000 miles in 2010, equivalent to an increase of 8%.

Crude Oil – Average Voyage Lengths
(Nautical Miles)

Source: Drewry Maritime Research

Refined Petroleum Products – Average Voyage Lengths
(Nautical Miles)

Source: Drewry Maritime Research

The main crude oil and product tanker trades are shown in the maps below.

Major Seaborne Oil Trades

Principal Load/Discharge Zones

S. America – N. America	N. Europe – Europe – N. America	FSU – Europe	W. Africa – Europe – N. America – Far East	N. Africa – Europe – N. America	Middle East – Far East – Europe – N. America – Africa	S.E Asia – Far East – Australia

Source: Drewry Maritime Research

Major Seaborne Refined Products Trades

Principal Load/Discharge Zones

Source: Drewry Maritime Research

Oil Tanker Supply

The world oil tanker fleet is generally divided into five major types of vessel classifications, based on vessel carrying capacity. Additionally, the tanker fleet is divided between crude tankers that carry crude oil or residual fuel oil ("dirty" products), and product tankers that carry refined petroleum products ("clean" products) such as gasoline, jet fuel, kerosene, naphtha and gas oil.

The main fleet categories are Very Large Crude Carrier (VLCC), Suezmax, Aframax, Panamax and Handy oil tankers.

Category	Size Range - Dwt
Handy	10-49,999
Panamax	50-79,999
Aframax	80-119,999
Suezmax	120-199,999
VLCC	200,000 +

In order to benefit from economies of scale, tanker charterers transporting crude oil will typically charter the largest possible vessel, taking into consideration port and canal size restrictions and optimal cargo lot sizes. The main tanker vessel types are:

- VLCCs, with an oil cargo carrying capacity in excess of 200,000 dwt. VLCCs carry the largest percentage of crude oil, typically on long-haul voyages, although port constraints limit their trading routes. For example, only a few U.S. ports, such as the Louisiana Offshore Oil Port, are capable of handling a fully laden VLCC. VLCCs generally trade on long-haul routes from the Middle East to Asia, Europe and the U.S. Gulf or the Caribbean. Vessels in excess of 320,000 dwt are sometimes known as Ultra Large Crude Carriers, or ULCCs.

- Suezmax tankers, with an oil cargo carrying capacity of approximately 120,000 to 200,000 dwt. Suezmax tankers are engaged in a range of crude oil trades, most usually from West Africa to the United States, the Gulf of Mexico and to the Caribbean; from the Middle East to Europe, within the North Sea, the Mediterranean and within Asia.

- Aframax tankers, with an oil cargo carrying capacity of approximately 80,000 to 120,000 dwt. Aframax tankers are employed in shorter regional trades, mainly in North West Europe, the Caribbean, the Mediterranean and Asia.

- Panamax tankers, with an oil carrying capacity of 50,000 to 80,000 dwt. Panamax tankers represent a more specialized trading sphere by generally taking advantage of port restrictions on larger vessels in North and South America and, therefore, generally trade in these markets.

- Handy tankers, comprising both Handysize tankers and Handymax tankers, with an oil cargo carrying capacity of less than 50,000 dwt but more than 10,000 dwt. Handy tankers trade on a variety of regional trade routes carrying refined petroleum products and crude oil on trade routes not suitable for larger vessels. While larger size vessels, generally Aframax and above, typically carry only crude oil, a number of such tankers have the capability to carry refined petroleum products and some chemicals. As such, some of these vessels will also be included within the chemical fleet. However, handy tankers carry the majority of refined petroleum products, with more than 90% of vessels in this size range transporting clean products.

Types of Product Tanker

While product tankers can carry dirty products, they generally do not switch between clean and dirty cargoes, as a vessel's tank must be cleaned prior to loading a different cargo type. Product tankers do not form a distinct vessel classification, but are identified on the basis of various factors, including technical and trading histories.

There is no industry standard definition of ship types in the product sector, but Drewry divides the fleet into four major types of vessel based on vessel size, which are as follows:

- LR2 (long range 2 tankers, with a product cargo carrying capacity in excess of 80,000 dwt. LR2 tankers typically operate on long-haul voyages, although port constraints limit their trading routes. LR2s generally trade on long-haul routes from the Middle East to Asia, Europe and the Gulf of Mexico or the Caribbean.

- LR1 (long range 1 tankers), with an oil cargo carrying capacity of approximately 50,000 to 79,999 dwt. LR1 tankers are engaged in a range of product trades, generally from Europe to the United States, the Gulf of Mexico, or back. They also trade within the Mediterranean, or within Asia as well as between the Middle East and Asia.

- MR2 (medium range 2 tankers), with an oil cargo carrying capacity of approximately 30,000 to 49,999 dwt. MR2 tankers are employed in shorter regional trades, mainly in North West Europe, the Caribbean, the Mediterranean and Asia. A typical cargo size would be between 45-50,000 tons.

- Handysize/MR1 (medium range 1 tankers), with an oil-carrying capacity of 10,000 to 29,999 dwt. MR1 tankers trade on a variety of regional trade routes carrying refined petroleum products on trade routes not suitable for larger vessels.

The principal trading routes where these vessels are deployed is shown in the tables below.

Oil Tankers – Typical Deployment by Size Category

			Refined Petroleum Products/Crude Oil				
Area	Trade Route	Haul	Handy	Panamax	Aframax	Suezmax	VLCC
Inter-Regional	MEG(1) Far East	Long				X	X
	MEG North America						X
	MEG Europe(4)						X
	WA(2) North America				X	X	X
	WA – Far East						X
	MEG Europe	Medium				X	
	WA Europe				X	X	
	NS(3) North America				X		
	MEG Pacific Rim				X	X	
Intra-Regional	North Sea	Short	X	X	X	X	
	Caribbean						
	Mediterranean						
Local	Indo-Pacific Various		X				

(1) MEG stands for Middle East Gulf; (2) WA stands for West Africa; (3) NS stands for North Sea;
(4) Long haul via Cape of Good Hope for VLCCs, medium haul since Suezmaxes may transit the Suez Canal fully laden

Source: Drewry Maritime Research

A number of tankers also have the capability to carry chemicals as well as refined petroleum products. These ships are sometimes referred to as product/chemical tankers and they move between the carriage of chemicals or refined petroleum products depending on market conditions and employment opportunities. The following analysis however focuses on straight product tankers and the ships with product/chemical capability are covered in the section dealing with chemical tankers which follows.

Oil Tanker Fleet – March 31, 2011

Size Category	Deadweight Tons	Number of Vessels	% of Fleet (Number)	Total Capacity (Million Dwt)	% of Fleet (Dwt)
VLCC	>200,000	548	18.0	166.1	43.6
Suezmax	120,000-199,000	418	13.7	64.2	16.9
Aframax	80,000-119,000	874	28.7	92.6	24.3
Panamax	50,000-79,999	443	14.6	30.8	8.1
Handymax/size	10,000-49,999	758	24.9	27.3	7.2
Total		3,041	100.0%	381.0	100.0%

Source: Drewry Maritime Research

Between the end of 2000 and March 2011 the overall size of the tanker fleet grew by close to 50% with increases in fleet size taking place across all sectors, with the exception of the small ship category.

Oil Tanker Fleet Development: 2000 to March 2011
(Million Dwt)

Source: Drewry Maritime Research

Oil Tanker Deletions

As the tanker fleet ages, a number of vessels are scrapped as they become uneconomical to operate. Vessel owners often conclude that it is more economical to scrap a vessel that has exhausted its useful life than to upgrade the vessel to maintain it "in-class." A vessel is deemed to be "in-class" if the surveyors of a classification society determine that the vessel conforms to the standards and rules of that classification society. Customers, insurance companies and other industry participants use the survey and classification regime to obtain reasonable assurance of a vessel's seaworthiness, and vessels must be certified as in-class in order to continue to trade and be admitted to ports worldwide. In many cases, particularly when tankers reach approximately 25 years of age, the costs of conducting the special survey and performing associated repairs, such as the replacement of steel plate, in order to maintain a vessel in-class may not be economically efficient. In recent years, most oil tankers that have been scrapped were between 25 and 30 years of age.

Scrapping activity declined in the middle of the decade to relatively low levels when freight rates were very strong, but picked up in 2009 when the freight market was weak. This trend continued in 2010 with demolition levels reaching just over 12.0 million dwt for the year. Historically, scrap prices have averaged around $150 per ton, although in March 2011 they were in excess of $500 per ton at Indian breaking locations.

Oil Tanker Scrapping: 2000-2010
('000 Dwt)

Source: Drewry Maritime Research

Besides age, the removal of ships from the trading fleet can be influenced by legislation. According to the revised MARPOL (the IMO International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto (MARPOL 73/78)) Regulation 13G, single-hull tankers should be phased out or converted to a double-hull by the dates established by the revised regulation.

Despite the legislative changes there still exists the potential to use single-hull, double-side or double-bottom tankers beyond 2010, as there is flexibility allowed by the IMO for flag and state exemptions. As per the exemptions mentioned under MARPOL Regulation 13H for the prevention of oil pollution from oil tankers, when carrying heavy grade oil (HGOs) such as heavy crude oils and fuel oils of density higher than 900 kg/m3 at 15°C), the IMO has the discretion to allow continued operation of single-hull, double-side or double-bottom tankers beyond the set phase-out dates (April 5, 2005 for single-hull tankers of 5,000 dwt and above; and the anniversary date in 2008 for single-hull tankers of 600 dwt and above but less than 5,000 dwt), depending upon size, age, operational area, structural conditions of the ship and results of the IMO's Condition Assessment Scheme (CAS),provided that the operation does not go beyond the date on which the ship reaches 25 years after the date of its delivery.

In addition, according to the revised MARPOL Convention, Regulation 13G, single-hull tankers should be phased out or converted to double-hull tankers by the dates established by the revised regulation. However, the regulation allows the flag state of a given vessel to permit continued operation of Category 2 (an oil tanker of 20,000 dwt and above carrying crude oil, fuel oil, heavy diesel oil or lubricating oil as cargo, and of 30,000 dwt and above carrying oil other than the above) or Category 3 tankers (an oil tanker of 5,000 dwt and above but less than that specified for a Category 2 type oil tanker) beyond their phase-out dates, in accordance with the schedule, subject to satisfactory results from the Condition Assessment Scheme. Nonetheless, the continued operation of single-hull tankers must not go beyond the anniversary of the date of delivery of the ship in 2015 or the date on which the ship reaches 25 years of age after the date of its delivery, whichever is earlier.

Tanker Fleet Age Profile

The average age of the ships in each major class are shown below, while the average age for the tanker fleet as a whole is 11.0 years.

The graph below illustrates the age profile of the world's oil tanker fleet as of March 31, 2011.

World Oil Tanker Fleet: Age Profile, March 31, 2011

Source: Drewry Maritime Research

Oil Tanker Orderbook

As of March 31, 2011 the tanker orderbook amounted to 656 tankers of 104.4 million dwt, equivalent to 27.4% of the current fleet.

Oil Tanker Orderbook March 31, 2011

Source: Drewry Maritime Research

Deliveries and Slippage

Delays in deliveries are often referred to as slippage. Historically, slippage rates of delays in deliveries have tended to be less than 10%, which means that 10% of the ships due to be delivered in any year are in fact delivered in subsequent years. However, in 2008, 2009 and 2010 slippage rates rose due to a number of factors namely;

- In the most recent new ordering spree, which peaked in early 2008, shipowners were often quoted unrealistic delivery times by some of the less experienced and newly emerging shipyards. Delays in deliveries from these shipyards have been varied, but the evidence available suggests that slippage rates have been considerable, with some shipyards only delivering two-thirds of what they were due to deliver in 2009/2010.

- Financing is not in place for all of the tankers on order and in the current climate some owners will find it difficult to secure adequate funding.

- Orders have been placed at "greenfield" shipyards, some of which are also finding it difficult to secure funding for yard development. A greenfield yard is a shipyard with no prior experience in building vessels for international account.

- The current economic and financial crisis and the steep decline in shipping markets since 2009 may lead to further orderbook cancellations.

Hence not all of the ships that are scheduled to be delivered in 2011 are likely to be delivered on time. Based on the orderbook as of 31 March, 2011 scheduled deliveries are supposed to be as follows:

The Oil Tanker Orderbook – Delivery Schedule

Source: Drewry Maritime Research

The Oil Tanker Freight Market

Types of Charter

Oil tankers are employed in the market through a number of different chartering options. The general terms typically found in these types of contracts are described below.

- A bareboat charter involves the use of a vessel usually over longer periods of time ranging up to several years. In this case, all voyage related costs, including vessel fuel, or bunker, and port dues as well as all vessel operating expenses, such as day-to-day operations, maintenance, crewing and insurance, transfer to the charterer's account. The owner of the vessel receives monthly charter hire payments on a per day basis and is responsible only for the payment of capital costs related to the vessel.

- A time charter involves the use of the vessel, either for a number of months or years or for a trip between specific delivery and redelivery positions, known as a trip charter. The charterer pays all voyage related costs. The owner of the vessel receives semi-monthly charter hire payments on a per day basis and is responsible for the payment of all vessel operating expenses and capital costs of the vessel.

- A single or spot voyage charter involves the carriage of a specific amount and type of cargo on a load-port to discharge-port basis, subject to various cargo handling terms. Most of these charters are of a single or spot voyage nature, as trading patterns do not encourage round voyage trading. The owner of the vessel receives one payment derived by multiplying the tons of cargo loaded on board by the agreed upon freight rate expressed on a per cargo ton basis. The owner is responsible for the payment of all expenses including voyage, operating and capital costs of the vessel.

- A contract of affreightment, or COA, relates to the carriage of multiple cargoes over the same route and enables the COA holder to nominate different ships to perform individual voyages. Essentially, it constitutes a number of voyage charters to carry a specified amount of cargo during the term of the COA, which usually spans a number of years. All of the ship's operating, voyage and capital costs are borne by the ship owner. The freight rate normally is agreed on a per cargo ton basis.

Freight Rates

Worldscale is the tanker industry's standard reference for calculating freight rates, and its aim is to make the business of fixing tankers quicker, easier and more flexible. Worldscale is used because it provides the flexibility required for the oil trade. Oil is a fairly homogenous commodity, it does not vary too much in quality and it is relatively easy to transport by a variety of methods. This, combined with the volatility of the world oil markets, means that an oil cargo may be bought and sold many times while at sea. The cargo owner therefore requires great flexibility in its choice of discharge options. If tanker fixtures were priced in the same way as dry cargo fixtures this would involve the shipowner calculating separate individual freights for a wide variety of discharge points. Worldscale provides a solution to this problem by providing a set of nominal rates designed to provide roughly the same daily income irrespective of discharge point.

TCE, or time charter equivalent, is the figure that describes the earnings potential of any voyage based on the quoted Worldscale rate. As described above, the Worldscale rate is set and can then be converted into dollars per cargo ton. A voyage calculation is then performed which takes all expenses (port costs, bunkers and commission) out from the gross revenue. This leaves a net profit which is divided by the total voyage days (at sea and in port) to give a daily TCE rate.

Tanker charter hire rates and vessel values for all tankers are influenced by the supply and demand for tanker capacity. However, the product segment generally appears less volatile than other crude market segments because these vessels mainly transport refined petroleum products that are not subject to the same degree of volatility as the crude oil market. Also, in general terms time charter rates are less volatile than spot rates, because they reflect the fact that the vessel is fixed for a longer period of time. In the spot market, rates will reflect the immediate underlying conditions in vessel supply and demand and are thus prone to more volatility. The recent trends in rates in the time charter equivalent of spot rates and time charter rates are shown in the tables below.

Oil Tanker One Year Time Charter Rates: 2000-2011
(US$/Day Period Averages)

Size Category	Handysize	Handymax	Aframax	Suezmax	VLCC
DWT	30,000	45,000	90-95,000	150,000	280,000
2000	12,454	13,958	18,854	27,042	35,250
2001	15,583	17,563	23,125	30,500	37,958
2002	11,417	13,288	16,896	17,750	23,458
2003	13,267	14,846	19,146	26,104	33,604
2004	15,629	19,029	29,500	37,875	53,900
2005	18,854	25,271	35,021	42,292	60,125
2006	21,417	26,792	35,233	42,667	55,992
2007	22,000	24,500	33,143	43,042	53,333
2008	21,438	23,092	34,708	46,917	74,662
2009	13,675	14,850	19,663	27,825	38,533
2010	11,000	12,388	18,571	25,967	36,083
March 2011	12,000	13,000	16,000	21,000	29,000

Source: Drewry Maritime Research

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Tanker charter hire rates and vessel values for all tankers are strongly influenced by the supply and demand for tanker capacity. Small changes in tanker utilization have historically led to relatively large fluctuations in tanker charter rates for VLCCs, more moderate price volatility in the Suezmax, Aframax and Panamax markets and less volatility in the Handy market compared to the tanker market as a whole.

From 2005 to 2007 time charter rates for all sizes of oil tankers rose quite steeply, reflecting the fact that buoyant demand for oil and increased sea-borne movements of oil generated additional demand for tanker capacity. This led to a much tighter balance between vessel demand and supply. However, as the world economy weakened in the second half of 2008 demand for oil also fell and had a negative impact on tanker demand and freight rates. Rates therefore declined in 2009, only to recover in the early part of 2010, before falling once again in the summer months and then remaining weak into 2011.

In general terms, time charter rates are less volatile than spot rates, because they reflect the fact that the vessel is fixed for a longer period of time. In the spot market, rates will reflect the immediate underlying conditions in vessel supply and demand and are thus prone to more volatility.

Vessel Values

Newbuilding Prices

Global shipbuilding is concentrated in Japan, South Korea and, more recently, China. This concentration is the result of economies of scale, construction techniques and the prohibitive costs of building in other parts of the world. These three countries collectively account for approximately 80% of the world's newbuilding capacity. Vessels are constructed at shipyards of varying size and technical sophistication. Although there are many exceptions to this rule, drybulk carriers are generally considered to be the least technically sophisticated. As such, shipyards tend to extract the smallest margin for their construction. Tankers, and to a larger extent container vessels and liquefied natural gas carriers, are respectively more profitable for shipyards with the requisite size and technical sophistication to build.

Currently, it takes approximately two to three years from the date of signing a newbuilding contract to the date a shipowner takes delivery of the vessel from a shipyard. The actual construction of a vessel takes place in 9 to 12 months and is highlighted by 5 stages, namely: contract signing, steel cutting, keel laying, launching and delivery. Each of these stages is usually associated with an installment to the shipyard. The difference between the time it takes for a vessel to be delivered and the time it is actually under construction is a result of the current shortage of newbuilding berths.

Newbuilding prices as a whole rose steadily between 2004 and mid 2008 owing to high levels of new ordering, shortage in newbuilding capacity during a period of high charter rates, and increased shipbuilders' costs as a result of increasing steel prices and the weakening U.S. Dollar. However, prices weakened in 2009 in the wake of the downturn in new ordering as illustrated by the following chart. The lack of new orders makes it difficult to gauge current price levels exactly, but the most recent evidence suggests that newbuilding prices weakened a little in 2010.

Oil Tanker Newbuilding Prices: 2000-2011(1)
(US$ Million)

(1) Through March, 2011

Source: Drewry Maritime Research

Secondhand Prices

Secondhand values primarily, albeit with a lag, reflect prevailing and expected charter rates. During extended periods of high charter rates vessel values tend to appreciate and vice versa. However vessel values are also influenced by other factors depending on a vessel's age. Prices for young vessels, those approximately up to five years old, are also influenced by newbuilding prices while prices for old vessels, near the end of their useful economic life, those approximately at or in excess of 25 years, are influenced by the value of scrap steel.

In addition values for younger vessels tend to fluctuate less on a percentage – not a nominal – basis than values for older vessels. This is attributed to the finite useful economic life of vessels which makes the price of younger vessels with a commensurably longer remaining economic life less susceptible to the level of prevailing and expected charter rates in the foreseeable future while prices of older vessels are influenced more since their remaining economic life is limited beyond the foreseeable future. Vessel values are determined on a daily basis in the sale and purchase, or S&P, market where vessels are sold and bought through specialized sale and purchase brokers who report these transactions to participants in the seaborne transportation industry on a regular basis. The sales and purchase market for vessels is therefore transparent and quite liquid with a large number of vessels changing hands on an annual basis.

The chart below illustrates the movements of prices (expressed in US$ million) for second hand (5 year old) oil tankers between 2000 and March 2011.

Oil Tanker Secondhand Prices – 5 Year Old Vessels: 2000-2011(1)
(US$ Million)

(1) Through March, 2011

Source: Drewry Maritime Research

With vessel earnings running at high levels and a dearth of available newbuilding berths, demand for oil tankers available for early delivery was at a premium and secondhand values for all tankers rose steadily from 2004 until the middle of 2008. In some instances, the market witnessed secondhand prices for five-year-old oil tankers reaching levels higher than those for comparably sized newbuildings. However, this situation was temporary and with the downturn in freight rates secondhand values for tankers fell throughout the whole of 2009, and in some cases in 2010 as well.

Regulations

Government regulation significantly affects the ownership and operation of vessels including international conventions, national, state and local laws and regulations in force in the countries in which vessels may operate or are registered.

A variety of governmental and private entities subject vessels to both scheduled and unscheduled inspections. These entities include the local port authorities (U.S. Coast Guard, harbor master or equivalent), classification societies, flag state administration (country of registry) and charterers, particularly terminal operators. Certain of these entities require vessel owners to obtain permits, licenses and certificates for the operation of their vessels. Failure to maintain necessary permits or approvals could require a vessel owner to incur substantial costs or temporarily suspend operation of one or more of its vessels.

National authorities and international conventions have historically regulated the seaborne transportation of crude oil and refined petroleum products. Legislation and regulations, such as OPA, United Nations-backed IMO protocols and classification society procedures, demand higher-quality vessel construction, maintenance, repair and operations. This development has accelerated in recent years in the wake of several high-profile accidents involving 1970s-built ships of single-hull construction – first the "Erika" in 1999 and then the "Prestige" in November 2002. For example, in 2003 the IMO amended regulations to accelerate the phase-out of certain pre-1982 built single-hull tankers to 2005, with all remaining single-hull tankers removed by 2015 at the latest. In addition to IMO regulations, OPA requires that all oil tankers entering U.S. waterways be exclusively double-hull by 2015. Successive regulations place increasingly stringent age limits and quality requirements on vessels accepted at various ports around the world, with a view to protecting the environment. Charterers, port authorities, terminal operators, insurers and shippers have sought to enforce such regulations through the periodic inspection and vetting of vessels. The following table summarizes the features of selected regulations pertaining to the operations of tankers.

International Tanker Regulations

Regulation	Introduced	Features
OPA	1990	Single-hull ships banned by 2010 in the U.S. Double-sided and double-bottom ships banned by 2015.
IMO MARPOL Regulations 13G & 13H	Latest amendment in 2003	Newbuildings must be double-hull. Phase out of pre-MARPOL tankers as of 2005. Remaining single-hull tankers phased out by 2010 or 2015, depending on port and flag states. Single-hull ships over 15 years subject to Conditional Assessment Scheme. Single-hull tankers banned from carrying heavy oil grades as of 2005, or as of 2008 for tankers between 600-5,000 dwt.
EU 417/2002	1999	25-year-old single-hull ships to cease trading as of 2007 unless they apply hydrostatic balance methods or segregated ballast tanks. Single-hull tankers fitted with segregated ballast tanks phased out by 2015.
EU 1723/2003	2003	Pre-MARPOL single-hull tankers banned after 2005. Remaining single-hull vessels banned as of 2010. Single-hull tankers banned from carrying heavy oil grades by 2003.
MARPOL Annex II, International Bulk Chemical Code (IBC)	2004	Beginning January 1, 2007, vegetable oils which were previously categorized as being unrestricted will now be required to be carried in IMO II chemical tankers or certain IMO III tankers that meet the environmental protection requirements of an IMO II tanker with regard to hull type (double hull) and cargo tank location.

Source: Drewry Maritime Research

The heightened level of environmental and quality concerns among insurance placing agents, regulators and charterers is leading to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the industry. Increasing environmental concerns have created a demand for vessels that conform to the stricter environmental standards. Vessel owners are required to maintain operating standards for all vessels that will emphasize operational safety, quality maintenance, continuous training of officers and crews and compliance with United States and international regulations.

In recent years, as regulators and charterers have increasingly focused on safety and protection of the environment, there has been a significant and continuing movement within the tanker industry towards higher quality vessels and vessel operations. Long seen as a commodity market with little degree of differentiation between vessels and owners, the industry began to change during the early 1990s. The Exxon Valdez incident in 1989 started the movement towards tighter industry regulations and an increasing emphasis on environmental protection through legislation and regulations. These included the OPA 90 protocols established by the IMO and procedures established by classification societies, demanding higher-quality tanker construction, maintenance, repair and operations. In addition, oil companies acting as charterers, other shippers and receivers of oil, and terminal operators have become increasingly selective in their acceptance of tankers, periodically inspecting and vetting vessels as well as their owners and operators.

Besides the MARPOL regulations, it is becoming increasingly clear that oil majors are reluctant to accept ships that are over 20 years of age. In addition, some countries have in fact talked of introducing age restrictions that would prevent old single hulled tankers from calling at their ports, but to date China/Hong Kong are the only major oil importers to introduce such legislation. However, the recent pollution problems in the U.S. Gulf will only heighten the awareness of governments around the world to the potential dangers of oil pollution from both drilling and production operations and transportation.

Overall, the increasing focus on safety and protection of the environment has led oil companies acting as charterers, terminal operators, shippers and receivers to become increasingly selective with respect to the vessels they charter, vetting both vessels and shipping companies on a periodic basis. Although these vetting procedures and increased regulations raise the operational cost and potential liabilities for tanker vessel owners and operators, they strengthen the relative competitive position of shipowners with high quality young tanker fleets and high quality operations.

DRY BULK SHIPPING

Introduction

Dry bulk cargo comprises approximately 36% of total seaborne trade. Dry bulk cargo is any form of cargo that is shipped in bulk and can be loaded and unloaded in its original, unadulterated and unpackaged state. Commonly seen dry bulk cargoes include steel, grains (soybean, wheat, etc.), cement, and lumber. Less directly visible, but often in large quantities, are iron ore and metallurgic coal (the two primary raw materials used in producing steel), thermal coal (used in power plants for electric generation), and fertilizers (used in farming). For statistical purposes, dry bulk cargoes are commonly categorized in to major or minor bulks. The major bulks category consists of iron ore, coal, and grains. The minor bulks category includes, but is not limited to, fabricated steel, steel scrap, fertilizers, lumber, cement, and minerals. These raw materials are typically poured or lifted into a ship's hold without the aid of additional pallets or other packaging materials.

Dry bulk carriers play an important role in connecting the resource extraction points, such as mines and farms, and end users, such as steel mills and food processors. Due to the increasingly global supply chain and changing demand patterns for different raw materials, dry bulk freighters provide the most cost effective means of completing the supply chain than other methods such as air, rail, or truck transportation. Shipping benefits relative to the other modes of transportation from larger economies of scale of vessels considering the massive capacity of bulk freighters, and their ability to serve destinations with limited existing infrastructure. Additionally, the majority of the supply centers are either at a great distance or separated by vast bodies of water from the main demand centers, thus waterborne transportation is effectively often the only means of movement.

World Seaborne Trade – 2010
(8.78 Billion Tons)

Dry Bulk Seaborne Trade – 2010
(3.18 Billion Tons)

Source: Drewry Maritime Research

Major Dry Bulk Seaborne Trades

Source: Drewry Maritime Research

Dry Bulk Shipping Demand

Dry bulk trade is influenced by the underlying demand for the dry bulk commodities which, in turn, is influenced by the level of worldwide economic activity. Generally, growth in gross domestic product, or GDP, and industrial production correlate with peaks in demand for marine dry bulk transportation services. The following chart demonstrates the change in world dry bulk trade between 2000 and 2010.

Dry Bulk Trade Development: 2000 to 2010
(Million Tons)

Source: Drewry Maritime Research

Historically, certain economies have acted as the primary drivers of dry bulk trade. In the 1990s, Japan was the driving force of increases in ton-miles, when buoyant Japanese industrial production stimulated demand for imported dry bulk commodities. More recently, China and, to a lesser extent, India have been the main drivers behind the recent increase in seaborne dry bulk trade, as high levels of economic growth have generated increased demand for imported raw materials. The following table illustrates China's and India's gross domestic product growth rates compared to those of the United States, Europe, Japan and the world during the periods indicated.

Real GDP Growth: 2000 to 2010

(% change previous period)

GDP	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010(1)
Global Economy	4.8	2.4	3.0	4.1	5.3	4.4	4.9	5.0	2.8	-0.9	4.9
USA	3.8	0.3	1.6	2.7	3.9	3.1	2.7	2.1	0.4	-2.6	2.9
Europe	3.4	1.7	1.1	1.1	2.1	1.8	3.1	2.7	0.5	-4.0	1.7
Japan	2.8	0.4	-0.3	1.8	2.7	1.9	2.0	2.4	-1.2	-6.3	4.4
China	8.0	7.5	8.3	10.0	10.1	10.4	11.6	13.0	9.6	9.1	10.2
India	5.1	4.4	4.7	7.4	7.0	9.1	9.9	9.3	7.5	6.7	8.6

(1) Provisional

Source: Drewry Maritime Research

The impact of the rapid expansion of Asian economies on dry bulk trade growth can be seen below. In the 1990s, the average CAGR in seaborne trade was 2.4%, but in the period 2000-2009, the average annual rate increased to 3.9%.

Dry Bulk Trade*—Growth Rates by Period
(CAGR—Percent)

Source: Drewry Maritime Research

The following is an overview of changes in seaborne trade in major and minor bulk cargoes in the period 2000 to 2010.

Dry Bulk Seaborne Trade: 2000 to 2010

(Million Tons)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Coal	539	587	590	619	650	675	769	833	830	784	915
Iron Ore	489	503	544	580	644	715	759	823	886	959	1,004
Grain	221	213	210	211	208	212	221	228	235	209	242
Minor Bulks	901	890	900	957	918	895	927	960	975	969	1,015
Total	2,150	2,193	2,244	2,367	2,420	2,497	2,676	2,844	2,929	2,921	3,179

Source: Drewry Maritime Research

Coal

Asia's rapid industrial development has contributed to strong demand for coal, which accounted for approximately 36% of the total growth of seaborne dry bulk trade between 2000 and 2010. Coal is divided into two main categories: thermal (or steam) and coking (or metallurgical). Thermal coal is used mainly for power generation, whereas coking coal is used to produce coke to feed blast furnaces in the production of steel. Chinese and Indian electricity consumption has grown at a rapid pace. China is the second largest consumer of electricity in the world, even though generally highly populated developing economies have low per capita electricity consumption.

Expansion in air conditioned office and factory space, along with industrial use, has increased demand for electricity, of which nearly half is generated from coal-fired plants, thus increasing demand for thermal coal. In addition, Japan's domestic nuclear power generating industry has suffered from safety problems in recent years, leading to increased demand for oil, gas and coal-fired power generation. Furthermore, the high cost of oil and gas has led to increasing development of coal-fired electricity plants around the world, especially in Asia. Future prospects are also heavily tied to the steel industry. Coking coal is of a higher quality than thermal coal (i.e., more carbon and fewer impurities) and its price is both higher and more volatile.

Increases in steam coal demand have been significant, as both developed and developing nations require increasing amounts of electric power. The main exporters of coal are Australia, South Africa, Russia, Indonesia, United States, Colombia and Canada. The main importers of coal are Europe, Japan, South Korea, Taiwan, India and China, as illustrated in the first chart below. China has recently become a net importer of coal, and Indian imports have doubled in less than five years. Coal is transported primarily by Capesize, Panamax and Supramax vessels.

Coal Imports: 2002 to 2011
(Thousand Tons)

Source: Drewry Maritime Research

Iron Ore

Iron ore is used as a raw material for the production of steel, along with limestone and coking (or metallurgical) coal. Steel is the most important construction and engineering material in the world. In 2010, approximately 1.0 billion tons of iron ore were exported worldwide, with the main importers being China, the European Union, Japan and South Korea. The main producers and exporters of iron ore are Australia and Brazil.

Iron Ore Imports: 2000 to 2011
(Thousand Tons)

Source: Drewry Maritime Research

Chinese imports of iron ore have grown significantly due to increased steel production in the last few years and have been a major driving force in the dry bulk sector. In 2008, Chinese iron ore imports increased by approximately 15.7% to 444.1 million tons and despite the downturn in the world economy and global trade they continued to grow in 2009and 2010. In 2010, total Chinese imports of iron ore amounted to 616.8 million tons in the wake of renewed growth in domestic steel production.

Chinese imports of iron ore have traditionally come primarily from Australia, Brazil and India. The shares of Indian and Brazilian imports into China have increased since 2000. Australia and Brazil together account for approximately two-thirds of global iron ore exports. Although both countries have seen strong demand from China, Australia continues to benefit the most from China's increased demand for iron ore. India is also becoming a major exporter of iron ore. Unlike Australia and Brazil, which tend to export primarily in the larger Capesize vessels, much of India's exports are shipped in smaller vessels.

Grains

Grains include wheat, coarse grains (corn, barley, oats, rye and sorghum) and oil seeds extracted from different crops such as soybeans and cotton seeds. In general, wheat is used for human consumption, while coarse grains are used as feed for livestock. Oil seeds are used to manufacture vegetable oil for human consumption or for industrial use, while their protein-rich residue is used as food for livestock.

Global grain production is dominated by the United States. Argentina is the second largest producer, followed by Canada and Australia. International trade in grains is dominated by four key exporting regions: North America, South America, Oceania and Europe (including the former Soviet Union). These regions collectively account for over 90% of global exports. In terms of imports, the Asia/Pacific region (excluding Japan) ranks first, followed by Latin America, Africa and the Middle East.

Historically, international grain trade volumes have fluctuated considerably as a result of regional weather conditions and the long history of grain price volatility and government interventionism. However, demand for wheat and coarse grains are fundamentally linked in the long-term to population growth and rising per capita income.

Minor Dry Bulks

The balance of dry bulk trade, minor dry bulks, can be subdivided into two types of cargo. The first type includes secondary dry bulks or free-flowing cargo, such as agricultural cargoes, bauxite and alumina, fertilizers and cement. The second type is neo-bulks, which include non-free flowing or part manufactured cargo that is principally forest products and steel products, including scrap.

Dry Bulk Carrier Demand

Globally, total seaborne trade in all dry bulk commodities increased from 2.15 billion tons in 2000 to 3.18 billion tons in 2010, representing a CAGR of 4.0%.

Another industry measure of vessel demand is ton-miles, which is calculated by multiplying the volume of cargo moved on each route by the distance of such voyage. Between 2000 and 2010, ton-mile demand in the dry bulk sector increased by 64% to 18.4 billion ton-miles, equivalent to a CAGR of 5.1%. Ton mile employment has grown faster than trade due to geographical shifts in the pattern and an increase in average voyage lengths. The following table illustrates this measure.

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Dry Bulk Vessel Demand(1): 2000 to 2010
(Billion Ton-Miles)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Coal	2,831	3,082	3,115	3,250	3,412	3,544	4,073	4,500	4,566	4,101	4,854
Iron Ore	2,690	2,766	2,990	3,193	3,525	3,899	4,098	4,936	5,438	6,231	6,731
Grain	1,161	1,118	1,103	1,108	1,089	1,113	1,161	1,196	1,243	1,109	1,310
Minor Bulks	4,469	4,411	4,481	4,714	5,036	4,924	5,097	5,327	5,411	5,296	5,529
Total	11,150	11,378	11,688	12,264	13,063	13,480	14,429	15,959	16,658	16,735	18,424

(1) Excludes coastal trade

Source: Drewry Maritime Research

The above figures however exclude demand arising on coastal and intra-regional trades. In this context, it is worth noting that there is over 1 billion tons of cargo of all kinds which is transported between Chinese ports by sea. The dry bulk proportion of this trade is in excess of 400 million tons and it therefore creates considerable employment for dry bulk carriers, especially smaller vessels such as Handysize bulk carriers.

Seasonality

Two of the three largest commodity drivers of the dry bulk industry, coal and grains, are affected by seasonal demand fluctuations. Thermal coal is linked to the energy markets and in general encounters upswings towards the end of the year in anticipation of the forthcoming winter period as power supply companies try to increase their stocks, or during hot summer periods when increased electricity demand is required for air conditioning and refrigeration purposes. Grain production is also seasonal and is driven by the harvest cycle of the northern and southern hemispheres. However, with four nations and the European Union representing the largest grain producers (the United States, Canada and the European Union in the northern hemisphere and Argentina and Australia in the southern hemisphere), harvests and crops reach seaborne markets throughout the year. Taken as a whole, seasonal factors mean that the market for dry bulk vessels is often stronger during the winter months.

Dry Bulk Carrier Supply

The world dry bulk fleet is generally divided into six major categories, based on a vessel's cargo carrying capacity. These categories consist of: Handysize, Handymax/Supramax, Panamax, Post Panamax, Capesize and Very Large Ore Carrier.

Dry Bulk Vessel Types and Sizes

Category	Size Range - Dwt
Handysize	10-39,999
Handymax/Supramax	40-59,999
Panamax	60-79,999
Post Panamax	80-109,999
Capesize	110-199,999
VLOC	200,000 +

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- Handysize. Handysize vessels have a carrying capacity of up to 39,999 dwt. These vessels are primarily involved in carrying minor bulk cargoes. Increasingly, vessels of this type operate on regional trading routes, and may serve as trans-shipment feeders for larger vessels. Handysize vessels are well suited for small ports with length and draft restrictions. Their cargo gear enables them to service ports lacking the infrastructure for cargo loading and unloading.

- Handymax/Supramax. Handymax vessels have a carrying capacity of between 40,000 and 59,999 dwt. These vessels operate on a large number of geographically dispersed global trade routes, carrying primarily iron ore, coal, grains and minor bulks. Within the Handymax category there is also a sub-sector known as Supramax. Supramax bulk vessels are vessels between 50,000 to 59,999 dwt, normally offering cargo loading and unloading flexibility with on-board cranes, while at the same time possessing the cargo carrying capability approaching conventional Panamax bulk vessels. Hence, the earnings potential of a Supramax dry bulk vessel, when compared to a conventional Handymax vessel of 45,000 dwt, is greater.

- Panamax. Panamax vessels have a carrying capacity of between 60,000 and 79,999 dwt. These vessels carry coal, grains, and, to a lesser extent, minor bulks, including steel products, forest products and fertilizers. Panamax vessels are able to pass through the Panama Canal, making them more versatile than larger vessels.

- Post Panamax. (sometimes known as Kamsarmax). Post Panamax vessels typically have a carrying capacity of between 80,000 and 109,999 dwt. These vessels tend to be shallower and have a larger beam than a standard Panamax vessel with a higher cubic capacity. They have been designed specifically for loading high cubic cargoes from draught restricted ports. This type of vessel cannot transit the Panama Canal. The term Kamsarmax stems from Port Kamsar in Guinea, where large quantities of bauxite are exported from a port with only 13.5 meter draught and a 229 meter length overall restriction, but no beam restriction.

- Capesize. Capesize vessels have carrying capacities of between 110,000 and 199,999 dwt. Only the largest ports around the world possess the infrastructure to accommodate vessels of this size. Capesize vessels are mainly used to transport iron ore or coal and, to a lesser extent, grains, primarily on long-haul routes.

- VLOC. Very large ore carriers are in excess of 200,000 dwt and are a comparatively new sector of the dry bulk vessel fleet. VLOCs are built to exploit economies of scale on long-haul iron ore routes.

Dry Bulk Vessels: Indicative Deployment by Size Category

Cargo Type	Handysize	Handymax	Supramax	Panamax	Post Panamax/ Kamsarmax	Capesize	VLOC
Iron Ore	X					X	X
Coal	X		X	X	X	X	X
Grains	X	X	X	X	X		
Alumina, Bauxite	X	X	X	X	X		
Steel Products	X	X	X	X	X		
Forest Products	X	X	X				
Fertilizers	X	X	X				
Minerals	X	X	X				
Minor Bulks-Other	X	X					

Source: Drewry Maritime Research

The supply of dry bulk shipping capacity, measured by the amount of suitable vessel tonnage available to carry cargo, is determined by the size of the existing worldwide dry bulk fleet, the number of new vessels on order, the scrapping of older vessels and the number of vessels out of active service (i.e., laid up or otherwise not available for hire). In addition to prevailing and anticipated freight rates, factors that affect the rate of newbuilding, scrapping and laying-up include newbuilding prices, secondhand vessel values in relation to scrap prices, costs of bunkers and other voyage expenses, costs associated with classification society surveys, normal maintenance and insurance coverage, the efficiency and age profile of the existing fleets in the market and government and industry regulation of marine transportation practices.

As of March 31, 2011, the world fleet of dry bulk vessels consisted of 8,248 vessels, totaling 546 million dwt in capacity. These figures are, however, based on pure dry bulk vessels and exclude a small number of combination vessels. The following table presents the world dry bulk vessel fleet by size as of March 31, 2011.

Dry Bulk Fleet: March 31, 2011

Size Category	Deadweight (Tons)	Number of Vessels	% of Total Fleet (No)	Total Capacity (Million Dwt)	% of Total Fleet (Dwt)
Handysize	10-39,999	3,020	36.6	82.2	15.1
Handymax	40-59,999	2,207	26.8	114.4	20.4
Panamax	60-79,999	1,432	17.3	102.5	18.8
Post Panamax	80-109,999	430	5.2	37.8	6.9
Capesize	110-199,999	965	11.7	162.6	29.8
VLOC	200,000+	202	2.4	49.0	9.0
Total		8,248	100.0	545.5	100.0

Source: Drewry Maritime Research

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The average age of dry bulk vessels in service as of March 31, 2011 was approximately 13.7 years, and 25% of the fleet is more than 20 years old. The following chart illustrates the age profile of the global dry bulk vessel fleet as of March, 31 2011, together with scheduled deliveries by year as per the orderbook at March 31, 2011.

Dry Bulk Vessel Fleet Age Profile: December 31, 2010
(Millions of Dwt & No. of Vessels)

Source: Drewry Maritime Research

The supply of dry bulk vessels depends on the delivery of new vessels and the removal of vessels from the global fleet, either through scrapping or loss.

As of March 31, 2011, the global dry bulk orderbook (excluding options) amounted to 270 million dwt, or 49.4% of the then-existing dry bulk fleet.

Dry Bulk Vessel Orderbook: March 31, 2011

Size	2011		2012		2013		2014		2015+		Total		% of
	No.	Dwt	No.	Dwt	No.	Dwt	No.	Dwt	No.	Dwt	No.	Dwt	fleet
10-40,000	456	14,326	265	8,829	62	2,127	9	303	0	0	792	25,585	31.1%
40-60,000	384	21,448	287	15,766	117	6,263	20	1,091	0	0	808	44,568	40.0%
60-80,000	116	8,446	121	8,761	68	4,865	4	299	0	0	309	22,370	21.8%
80-110,000	261	22,654	291	24,466	74	6,352	23	2,143	3	301	652	55,917	147.8%
110-200,000	236	39,575	147	24,305	41	6,893	0	0	0	0	424	70,773	43.5%
200,000+	57	16,517	84	21,839	35	8,606	13	3,520	0	0	189	50,482	103.0
Total	1,510	122,966	1,195	103,966	397	35,106	69	7,356	3	301	3,174	269,695	49.4%

Source: Drewry Maritime Research

Deliveries & Slippage

Delays in deliveries are often referred to as slippage. Historically, slippage rates have tended to be less than 10%, which means that 10% of the vessels due to be delivered in any year are in fact delivered in subsequent years. However, in 2007 and 2008 slippage rates rose, as the high level of new ordering that occurred across all market sectors since 2004 led to the commercial vessel orderbook reaching its highest point in history. This placed pressure on shipbuilding capacity, which in turn forced shipowners to place orders for new vessels in countries or shipyards which have little or no experience in building vessels for international customers.

In the dry bulk sector, the evidence suggests that the slippage rate was slightly less than 20% in 2008 and that it increased further in 2009 and 2010. At the start of 2009, approximately 70 million dwt was scheduled for delivery in the year, but by the year end only 43 million dwt had been completed. In 2010, the provisional data suggests that just over 70 million dwt was delivered, against expected deliveries of 110 million dwt. As previously explained, one reason for the delay in deliveries is the inexperience of some of the shipyards constructing dry bulk vessels. Indeed, almost 50% of the current dry bulk vessel orderbook is with Chinese shipyards.

Dry Bulk Vessel Orderbook—By Place of Build: March 31, 2011

Source: Drewry Maritime Research

If all the vessels currently on order are delivered on time and to schedule, there will be a large influx of newbuildings in 2011 in the dry bulk sector. However, it is clear that not all vessels currently on order will be delivered on time for a number of reasons, including the following:

- In the most recent new ordering spree, which peaked in early 2008, shipowners were quoted unrealistic delivery times by some of the less experienced and new emerging shipyards.
- The current economic and financial crisis and the steep depression in shipping markets generally may lead to further orderbook cancellations. A significant number of dry bulk vessel orders have been cancelled since the crisis began in the second half of 2008.
- Financing is not in place for all of the vessels on order and in the current climate some owners will find it difficult to secure adequate funding.
- Orders have been placed at "greenfield" shipyards, some of which are also finding it difficult to secure funding for yard development.
- Even before the crisis, the less experienced shipyards were experiencing delays in deliveries.

Taken as whole, slippage is a manifestation of the combined effects of (1) shipyards initially quoting unrealistic delivery times, (2) inexperience among new shipbuilders, and (3) financing problems associated with both shipowners securing finance and new shipyards obtaining development capital.

Vessel Scrapping

The level of scrapping activity is generally a function of the age profile of the fleet, as all vessels have finite lives, together with charter market conditions, and operating, repair and survey costs. While strong freight markets persisted, there was minimal scrapping activity, but as freight markets weakened, scrapping activity has increased. The following chart illustrates the scrapping rates of dry bulk vessels for the periods indicated. It can be seen there was a marked increase in scrapping activity in 2008, 2009 and 2010.

Dry Bulk Vessel Scrapping: 2000 to 2010
('000 Dwt)

Source: Drewry Maritime Research

The Freight Market

Dry bulk vessels are employed in the market through a number of different chartering options. The general terms typically found in these types of contracts are described below.

- Time Charter. A charter under which the vessel owner is paid charterhire on a per-day basis for a specified period of time. Typically, the shipowner receives semi-monthly charterhire payments on a U.S. dollar-per-day basis and is responsible for providing the crew and paying vessel operating expenses while the charterer is responsible for paying the voyage expenses and additional voyage insurance. Under time charters, including trip time charters, the charterer pays voyage expenses such as port, canal and fuel costs and bunkers.

- Trip Charter. A time charter for a trip to carry a specific cargo from a load port to a discharge port at a set daily rate.

- Voyage Charter. A voyage charter involves the carriage of a specific amount and type of cargo on a load port-to-discharge port basis, subject to various cargo handling terms. Most of these charters are of a single voyage nature, as trading patterns do not encourage round voyage trading. The owner of the vessel receives one payment derived by multiplying the tonnage of cargo loaded on board by the agreed upon freight rate expressed on a U.S. dollar-per-ton basis. The owner is responsible for the payment of all voyage and operating expenses, as well as the capital costs of the vessel.

- Spot Charter. A spot charter generally refers to a voyage charter or a trip charter, which generally last from 10 days to three months. Under both types of spot charters, the shipowner would pay for vessel operating expenses, which include crew costs, provisions, deck and engine stores, lubricating oil, insurance, maintenance and repairs and for commissions on gross revenues. The shipowner would also be responsible for each vessel's intermediate and special survey costs.

- Contract of Affreightment. A contract of affreightment, or CoA, relates to the carriage of multiple cargoes over the same route and enables the CoA holder to nominate different vessels to perform the individual voyages. Essentially, it constitutes a series of voyage charters to carry a specified amount of cargo during the term of the CoA, which usually spans a number of years. The entire vessel's operating expenses, voyage expenses and capital costs are borne by the shipowner. Freight normally is agreed on a U.S. dollar-per-ton basis.

- Bareboat Charter. A bareboat charter involves the use of a vessel usually over longer periods of time ranging over several years. In this case, all voyage related costs, mainly vessel fuel and port dues, as well as all vessel operating expenses, such as day-to-day operations, maintenance, crewing and insurance, are for the charterer's account. The owner of the vessel receives monthly charter hire payments on a U.S. dollar per day basis and is responsible only for the payment of capital costs related to the vessel. A bareboat charter is also known as a "demise charter" or a "time charter by demise."

Charter Rates

In the time charter market, rates vary depending on the length of the charter period and vessel specific factors such as age, speed, size and fuel consumption. In the voyage charter market, rates are influenced by cargo size, commodity, port dues and canal transit fees, as well as delivery and redelivery regions. In general, a larger cargo size is quoted at a lower rate per ton than a smaller cargo size. Routes with costly ports or canals generally command higher rates. Voyages loading from a port where vessels usually discharge cargo, or discharging from a port where vessels usually load cargo, are generally quoted at lower rates. This is because such voyages generally increase vessel efficiency by reducing the unloaded portion (or ballast leg) that is included in the calculation of the return charter to a loading area.

Within the dry bulk shipping industry, the freight rate indices issued by the Baltic Exchange in London are the references most likely to be monitored. These references are based on actual charter hire rates under charters entered into by market participants as well as daily assessments provided to the Baltic Exchange by a panel of major shipbrokers. The Baltic Exchange, an independent organization comprised of shipbrokers, shipping companies and other shipping players, provides daily independent shipping market information and has created freight rate indices reflecting the average freight rates (that incorporate actual business concluded as well as daily assessments provided to the exchange by a panel of independent shipbrokers) for the major bulk vessel trading routes. These indices include the Baltic Panamax Index, or BPI, the index with the longest history and, more recently, the Baltic Capesize Index, or BCI. The following chart details the movement of the BPI, BCI and Baltic Supramax Index.

Baltic Exchange Freight Indices: 2000 to 2010
(Index Points)

* The Baltic Supramax Index (BSI) is included from January 7, 2005, the date of its initial calculation.

Source: Baltic Exchange

Charter (or hire) rates paid for dry bulk vessels are generally a function of the underlying balance between vessel supply and demand. Over the past 25 years, dry bulk cargo charter rates have passed through cyclical phases and changes in vessel supply and demand have created a pattern of rate "peaks" and "troughs," which can been from the chart above. Generally, spot/voyage charter rates will be more volatile than time charter rates, as they reflect short term movements in demand and market sentiment.

In the time charter market, rates vary depending on the length of the charter period as well as vessel specific factors, such as age, speed and fuel consumption. Generally, short-term time charter rates are higher than long-term charter rates. The market benchmark tends to be a 12-month time charter rate, based on a modern vessel.

From early 2006 until the middle of 2008, rates for all sizes of dry bulk vessels increased significantly and in most cases reached record levels. However, the severe downturn in the global economy in the second half of 2008 and the collapse in demand for dry bulk vessels led rates to plummet to record lows. Since the early part of 2009 rates have been volatile, but they have gradually recovered from the market lows, with further improvements taking place in the first half of 2010, before leveling out in the second half of the 2010 and the early part of 2011. The following charts show one year time charter rates for Capesize, Panamax, Supramax and Handysize class vessels between 2000 and 2011.

One Year Time Charter Rates: 2000 to 2011
(U.S. Dollars per Day)

Source: Drewry Maritime Research

The following table illustrates a comparison of average one year time charter rates for Handysize, Supramax, Panamax, Capesize and VLOC dry bulk vessels between 2000 and 2011.

Dry Bulk Vessels—One Year Time Charter Rates (Period Averages)
(U.S. Dollars per Day)

	Handysize 28,000 dwt 10 years old	Supramax 55,000 dwt 5 years old	Panamax 75,000 dwt 5 years old	Capesize 170,000 dwt 5 years old	VLOC 200,000 dwt+ 5 years old
2000	7,371	9,433	11,063	18,021	n/a
2001	5,629	8,472	9,543	14,431	n/a
2002	4,829	7,442			