TOP SHIPS INC.
Form F-1/A
May 13, 2014
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As filed with the U.S. Securities and Exchange Commission on May 13, 2014.

Registration No. 333-194690

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 2

TO

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

1 Vas. Sofias and Meg. Alexandrou Str, **15124 Maroussi, Greece** **011 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. **Robert E. Lustrin, Esq.** **Seward & Kissel LLP** **One Battery Park Plaza** **New York, New York 10004** **(212) 574-1223 (telephone number)** **(212) 480-8421 (facsimile number)**	**Brad L. Shiffman, Esq.** **Blank Rome LLP** **405 Lexington Avenue** **The Chrysler Building** **New York, New York 10174** **(212) 885-5000 (telephone number)** **(212) 885-50001 (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**	**Amount of Registration Fee**
Common Shares, $0.01 par value per share	$34,500,863(1)(2)	$4,444
Preferred Stock Purchase Rights(3)		
Underwriters Warrants to Purchase Common Shares(4)(5)		
Common Shares Underlying Underwriters Warrants, $0.01 par value per share	$1,125,000(6)	$145
Total Registration Fee	35,625,000	$4,589*

* Previously Paid

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933.

(2) Includes common shares that may be sold pursuant to the underwriters over-allotment option.

(3) Preferred stock purchase rights are not currently separable from the common shares and are not currently exercisable. The value attributable to the preferred stock purchase rights, if any, will be reflected in the market price of the common shares.

(4) Pursuant to Rule 416 under the Securities Act, there are also being registered an indeterminable number of additional securities as may be issued to prevent dilution resulting from stock splits, stock dividends or similar transactions.

(5) In accordance with Rule 457(g) under the Securities Act, because the Registrant s common shares underlying the Underwriters Warrants are registered hereby, no separate registration fee is required with respect to the warrants registered hereby.

(6) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(g) under the Securities Act, based on an estimated maximum exercise price of 125% of the maximum offering price.

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.

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The information in this 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 prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS SUBJECT TO COMPLETION DATED MAY 13, 2014

5,525,000

Common Shares

We are offering 5,525,000 of our common shares in this offering. Each common share sold in this offering includes a preferred stock purchase right that trades with the common shares.

As of the date of this prospectus, our common shares trade on the Nasdaq Global Select Market under the symbol TOPS. The last reported sale price of our common shares on May 12, 2014 was $5.43 per share.

Investing in our common shares involves a high degree of risk. See Risk Factors beginning on page 12 of this prospectus for a discussion of information that should be considered in connection with an investment in our common shares.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved 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 the Company before expenses	$	$

(1) Does not include a non-accountable expense allowance equal to 1.0% of the gross proceeds of this offering payable to Aegis Capital Corp., the representative of the underwriters. See Underwriting for a description of

compensation payable to the underwriters.

We have granted a 45-day option to the representative to purchase up to 828,750 additional common shares solely to cover over-allotments, if any.

The underwriters expect to deliver the common shares to purchasers in the offering on or about , 2014.

Aegis Capital Corp

, 2014

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You should rely only on information contained in this prospectus. We have not, and the underwriters have not, authorized anyone to give any information or to make any representations other than those contained in this prospectus. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is not an offer to sell, and it is not soliciting an offer to buy, (1) any securities other than our common shares or (2) our common shares in any circumstances in which such an offer or solicitation is unlawful. The information contained in this prospectus may change after the date of this prospectus. Do not assume after the date of this prospectus that the information contained in this prospectus is still correct. Information contained on our website, www.topships.org, does not constitute part of this prospectus.

PROSPECTUS SUMMARY

This section summarizes some of the information that is contained in this prospectus. As an investor or prospective investor, you should review carefully the more detailed information that appears later in this prospectus and the information incorporated by reference in this prospectus, including the information set forth under the headings entitled Risk Factors and Management s Discussion and Analysis. Unless otherwise indicated, the information presented in this prospectus gives effect to a one-for-seven reverse stock split of our issued and outstanding common shares effective on April 21, 2014.

Unless the context otherwise requires, as used in this prospectus, the terms Company, we, us, and our refer to TOP SHIPS INC. and all of its subsidiaries, and TOP SHIPS INC. refers only to TOP SHIPS INC. and not to its subsidiaries. We use the term deadweight ton, or dwt, in describing the size of vessels. Dwt, expressed in metric tons each of which is equivalent to 1,000 kilograms, refers to the maximum weight of cargo and supplies that a vessel can carry. Our reporting currency is in the U.S. dollar and all references in this prospectus to $ or dollars are to U.S. dollars. Throughout this prospectus, the conversion from Euros to U.S. dollars is based on the U.S. dollar/Euro exchange rate of 1.379 as of December 31, 2013, unless otherwise specified.

Our Company

We are a provider of international seaborne transportation services, carrying petroleum products for the oil industry.

Our fleet is expected to initially consist of six medium-range, or MR, product/chemical tankers under construction, including two 39,000 dwt and four 50,000 dwt tankers, which are scheduled to be delivered from Hyundai Mipo Dockyard Co., Ltd. between the second quarter of 2014 and the third quarter of 2016. Until we take delivery of one or more of the vessels in our fleet, we do not anticipate earning a material amount of revenues from our operations. We have fixed five of the six vessels of our fleet on medium-term time charter contracts to commence upon delivery, and we expect that each of the vessels of our fleet will be employed on a medium- to long-term charter contract upon delivery.

We acquired five of our newbuilding vessels under construction on March 19, 2014, through share purchase agreements we entered into with affiliates of our President, Chief Executive Officer and Director, Evangelos J. Pistiolis, and unrelated third parties. We acquired the shipbuilding contracts for these vessels, Hull Nos. S407, S418, S419, S414 and S417, for an aggregate purchase price of $43.3 million, paid as follows: $2.5 million in cash and $40.8 million in newly-issued common shares, issued at $7.00 per share. Pursuant to the share purchase agreements with respect to Hull Nos. S407, S418, S419 and S417, until September 19, 2014, we will have the right to buy back up to 2,046,342 shares issued to the unaffiliated parties to the agreements at a price of $8.40 per share. Concurrently with the share purchase agreements, we entered into an agreement to terminate the MOA we had previously entered into on December 5, 2013 for the acquisition of Hull S418, and to apply the full amount of the deposit paid under the MOA, in the amount of $7.0 million, to reduce the purchase price under the share purchase agreement.

On February 6, 2014, we entered into a memorandum of agreement, or an MOA, with an affiliate of Mr. Pistiolis, to acquire Hull No. S406, the remaining vessel of our fleet of vessels under construction, scheduled for delivery in the second quarter of 2014.

We intend to continue to review the market in order to identify potential acquisition targets which will be accretive to our earnings per share. Our acquisition strategy focuses on the acquisition and operation of the latest

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generation MR product/chemical tankers with fuel-efficient specifications and sizes of greater than 38,000 dwt, consistent with our current fleet of newbuildings under construction. We believe that recent advances in shipbuilding design and technology should make these latest generation vessels more fuel-efficient than older vessels in the global fleet that compete with us for charters, providing us with a competitive advantage.

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

Our Fleet

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

	Contractual Delivery Dates	Capacity (Dwt)	Type	Charterer upon delivery	Duration (years fixed + options)*	Expected Gross Rate per day fixed period/ options**
Hull number S406	Q2 2014	50,000	MR	Eships Tankers Ltd	2+1	$ 16,000/ $ 17,250
Hull number S407	Q1 2015	50,000	MR	Eships Tankers Ltd	2+1	$ 16,000/ $ 17,250
Hull number S418	Q3 2015	39,000	MR	BP Shipping Limited	3+1+1	$ 15,200/ $ 16,000/ $ 16,750
Hull number S419	Q1 2016	39,000	MR	BP Shipping Limited	3+1+1	$ 15,200/ $ 16,000/ $ 16,750
Hull number S414	Q2 2016	50,000	MR	Eships Tankers Ltd	2+1	$ 16,000/ $ 17,250
Hull number S417	Q3 2016	50,000	MR	Dampskibsselskabet NORDEN A/S	5+1+1	$ 16,800/ $ 17,600/ $ 18,400

* Options may be exercised at the charterer s option

** Includes a 1.25% commission payable to our Fleet Manager and a 1.25% commission payable to third party brokers.

All of our vessels will be equipped with engines of modern design and with improvements in the hull, propellers and other parts of the vessel specifically designed to decrease fuel consumption and reduce emissions. Vessels with this combination of technologies, introduced in the last two years from certain shipyards, are commonly referred to as ECO vessels.

We intend to use the majority of the proceeds from this offering to finance part of our contractual commitments in relation to our fleet and to apply any amounts not used for this purpose for working capital and general corporate purposes. We have remaining contractual commitments for the acquisition of our fleet totaling approximately $158.1 million, including $22.1 million, $28.2 million, $28.2 million, $26.0 million and $26.2 million pursuant to our newbuilding agreements for Hull S407, Hull S418, Hull S419, Hull S414 and Hull S417, respectively, and $27.4 million pursuant to our MOA for Hull S406.

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We plan to finance the remaining contractual cash commitments for our fleet with the net proceeds of this offering, borrowings under new credit facilities, cash flows from operations and net proceeds from securities offered in the public and private debt capital markets.

Competitive Strengths

Experienced Management Team. Our founder, President and Chief Executive Officer, Evangelos J. Pistiolis, has assembled a management team of senior executive officers, some of whom have been with us for more than 10 years, with extensive experience in all aspects of the shipping industry. Our management team s experience encompasses the commercial, technical, management and financial areas of our business, and we believe their extensive experience will promote a focused marketing effort, tight quality and cost controls, effective operations and safety.

Modern, Fuel-Efficient Fleet. All of the newbuilding vessels of our fleet are being built with the latest-generation, fuel-efficient design and specification. Additionally, all our vessels have IMO II/III designation specifications which enable them to transport a wide variety of oil products, including certain chemical cargoes, which we believe will make our vessels attractive to a wide base of charterers. We believe that modern, fuel-efficient vessels like ours will command higher charter rates than conventional vessels.

Sister Ship Fleet. When we take delivery of all six of our newbuilding vessels, approximately 72% of our fleet in terms of dwt will be considered sister ships, which are vessels of the same type and specification. We expect that the uniform nature of our sister ships will provide us with cost efficiencies in maintaining, supplying and crewing them. We intend to continue to seek to acquire sister ships, which we believe will provide us with efficiencies in meeting our customers needs and enhance the revenue generating potential of our fleet by providing operational and scheduling flexibility.

Strong Relationships with Reputable Charterers. We have built strong relationships with many well-known charterers, which we believe is the result of our proven track record and our reputation for dependability. Through fixed period time charters and spot charters, we have provided services to many national, regional and international oil companies, charterers and oil traders, including Shell, BP, ExxonMobil, Petrobras, ConocoPhillips, Pemex, Hellenic Petroleum, Glencore, Vitol and Trafigura. We focus on the needs of our customers and intend to acquire tankers and upgrade our fleet based on their requirements and specifications, which we believe will enable us to obtain repeat business from our customers. As of the date of this prospectus, six of our vessels are party to multi-year time charters, three with EShips Tankers Ltd., two with BP Shipping Limited and one with Dampskibsselskabet NORDEN A/S, to commence on each vessel s delivery.

Business Strategy

Our business strategy is focused on expanding our fleet by identifying potential acquisition targets on terms which will be accretive to our earnings per share. Our acquisition strategy focuses on the acquisition and operation of the latest generation MR product/chemical tankers with fuel-efficient specifications and sizes of greater than 38,000 dwt, consistent with our current fleet of newbuildings under construction. Additionally, we may acquire vessels in other sectors which we believe offer attractive investment opportunities, including crude oil tankers. We believe that recent advances in shipbuilding design and technology should make these latest generation vessels more fuel-efficient than older vessels in the global fleet that compete with us for charters, providing us with a competitive advantage. Furthermore, we aim to further nurture and maintain our excellent relationships with participants in the international ocean transport industry, including leading charterers, national and independent oil companies, oil traders, brokers, suppliers, classification societies, insurers, shipyards and others.

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The key elements of our business strategy are:

Return-Driven Acquisitions. We intend to grow our fleet through timely and selective acquisitions of high quality vessels in a manner that will be accretive to our earnings per share. Our acquisition strategy focuses on the acquisition and operation of the latest generation MR product/chemical tankers with fuel-efficient specifications and sizes of greater than 38,000 dwt. We continuously monitor acquisition opportunities in various sectors of the shipping industry based on certain financial returns criteria. We seek to identify, analyze and strategically invest when attractive opportunities arise.

Focus on high specification ECO modern tonnage. All of the vessels in our fleet are being built with the latest generation fuel-efficient design and specification, and we intend to focus our acquisition strategy on modern fuel-efficient vessels.

Maintain stable cash flows. We seek to maintain stable cash flows by pursuing medium- to long-term charter contracts for our vessels and focusing on minimizing operating downtime. We believe that our focus on medium to long-term contracts improves the stability and predictability of our operating cash flows, which we believe will enable us to access equity and debt capital markets on attractive terms and, therefore, facilitate our growth strategy.

Capitalize on strategic relationships with high-quality customers. We plan to continue to foster strategic relationships with major international oil companies and high quality charterers for our tankers.

Industry Overview

The global shipping downturn is in its sixth year but according to Drewry Shipping Consultants Ltd, or Drewry, several sectors, including products, are showing signs of a recovery. Between 2008 and 2013, seaborne trade in products grew by a compound adjusted growth rate, or CAGR, of 4.3% and, according to Drewry, the outlook for continued growth is positive, given trends in oil demand in parts of the developing world and geographical changes in the location of global refinery capacity.

According to Drewry, supply growth in the product tanker sector (net of scrapping) is estimated to be 3.2% per annum over the next three years. The orderbook as a percentage of the global fleet for mid-size product tankers is currently at 17.3%, compared with a peak of nearly 54.3% in 2007. Although the global economy remains weak, demand for product tanker tonnage has been bolstered by several trends including refinery shut-downs and increasing complexity of trade and regulatory initiatives.

Newbuilding and secondhand prices for product tankers are close to historical lows. Extreme economic pressure and lack of financing have resulted in financial distress for many companies, forcing sales of vessels and restricting the number of companies able to engage in fleet growth.

Charterers concerns about environmental and safety standards have shifted their preference towards fuel-efficient modern tankers operated by reputable and financially sound shipping companies.

Recent Developments

On February 24, 2014, at a Special Meeting of Shareholders, our shareholders approved a proposal authorizing our Board of Directors to effect a reverse stock split of our issued and outstanding common shares by a ratio of not less than one-for-two and not more than one-for-twenty with the exact ratio to be set at a whole number within this range to be determined by the Board of Directors in its discretion.

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On March 7, 2014 we terminated the Letter Agreement with Central Mare Inc., or Central Mare, and on March 10, 2014 we entered into a new Letter Agreement with Central Shipping Monaco SAM, or CSM, which we refer to as our Fleet Manager, providing for newbuilding supervision services, technical and commercial vessel management services, and accounting, reporting and administrative services. CSM is a related party controlled by our President, Chief Executive Officer and Director, Evangelos J. Pistiolis. Please see the section entitled Certain Relationships and Related-Party Transactions for further information.

On April 2, 2014 our Board of Directors determined to effect a one-for-seven reverse stock split of our common stock. The reverse stock split was effected on April 21, 2014. As a result of the reverse stock split, the number of outstanding shares decreased to 8,309,997 shares and the par value of our common shares remained unchanged at $0.01 per share.

On April 7, 2014 we entered into a time charter party with Dampskibsselskabet NORDEN A/S (DS Norden A/S) for our newbuilding vessel Hull No. S417. The time charter is for a duration of five years with a gross daily hire rate of $16,800 per day. The charterers have the option to extend the time charter for another year at $17,600 per day and another year after that for $18,400 per day.

On April 9, 2014 we announced that Mr. Michael Docherty, a Class I director, has resigned. We have increased the size of our Board of Directors (the Board) from four members to five members, and have appointed Mr. Konstantinos Karelas and Mr. Alexandros Economou to the Board. Both Mr. Konstantinos Karelas and Mr. Alexandros Economou will serve as members of the Audit Committee, Nominating and Corporate Governance Committee, and Compensation Committee of the Board.

Corporate Structure

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.

As of the date of this prospectus, wholly owned subsidiaries of Top Ships Inc. incorporated in the Marshall Islands are party to the shipbuilding contracts for the construction of Hulls S407, S418, S419, S414 and S417, and to the MOA for Hull No. S406.

CSM will perform all vessel operational, technical and commercial functions for us, including the chartering of our fleet, as well as newbuilding supervision and accounting, reporting and administrative services.

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.

Risk Factors

We face a number of risks associated with our business and industry and must overcome a variety of challenges to utilize our strengths and implement our business strategy. These risks include, among others, inability to finance newbuilding and other capital projects; inability to successfully employ our vessels; changes in the international shipping market, including supply and demand, charter hire and utilization rates, and commodity prices; increased costs of compliance with regulations affecting the international shipping industry; a

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downturn in the global economy; hazards inherent in the international shipping industry and marine operations resulting in liability for personal injury or loss of life, damage to or destruction of property and equipment, pollution or environmental damage; and inability to comply with loan covenants.

This is not a comprehensive list of risks to which we are subject, and you should carefully consider all the information in this prospectus in connection with your ownership of our common shares. In particular, we urge you to carefully consider the risk factors set forth in the section of this prospectus entitled Risk Factors beginning on page 12.

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THE OFFERING

The following summary contains basic information about the offering of our common shares 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 shares, please refer to the section of this prospectus entitled Description of Capital Stock.

Common shares offered by us	5,525,000 common shares
Common shares to be outstanding immediately after this offering	13,835,004 common shares. If the underwriter s overallotment option is exercised in full, the total number of common shares outstanding immediately after this offering will be 14,663,754.
Over-allotment option	We have granted the underwriters an option for a period of 45 days to purchase from us up to 828,750 common shares, to cover any over-allotments.
Use of proceeds	We estimate that the net proceeds from this offering will be approximately $27.5 million (or approximately $31.7 million if the underwriters exercise their over-allotment option in full), based on an assumed public offering price of $5.43 per share, the closing price of our common shares on May 12, 2014, and after deducting assumed underwriting discounts and commissions, an expense and estimated offering expenses payable by us (other than certain expenses to be reimbursed by the underwriters).
	We intend to use the majority of the net proceeds from this offering to finance part of our contractual commitments in relation to our fleet and to apply any amounts not used for this purpose for working capital and general corporate purposes. We have remaining contractual commitments for the acquisition of our fleet totaling approximately $158.1 million, including $22.1 million, $28.2 million, $28.2 million, $26.0 million and $26.2 million pursuant to our newbuilding agreements for Hull S407, Hull S418, Hull S419, Hull S414 and Hull S417, respectively, and $27.4 million pursuant to our MOA for Hull S406. Following the completion of this offering, we intend to obtain debt financing for a majority of the $27.4 million payment due upon delivery of Hull No. S406, expected in the second quarter of 2014, and to fund the balance, or, in the event we are unable to obtain debt financing, the entire amount of this payment, with the proceeds from this offering.

	Please see Use of Proceeds.
	Accordingly, we cannot guarantee that we will be able to pay quarterly dividends. Please see Our Dividend Policy.
Preferred stock purchase rights	We have entered into a stockholders rights agreement dated August 19, 2005, as amended August 24, 2011 and March 19, 2014 (the Stockholders Rights Agreement), with Computershare Trust Company, N.A. as Rights Agent. Pursuant to this Stockholders Rights

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	Agreement, each of our common shares includes one right (a Right) that entitles the holder to purchase from us a unit consisting of one one-thousandth of a share of our preferred stock at an exercise price specified in the Stockholders Rights Agreement, subject to specified adjustments. Until a Right is exercised, the holder of a Right will have no rights to vote or receive dividends or any other stockholder rights. See Description of Capital Stock Stockholders Rights Agreement for further details.
Tax consequences	We are a Passive Foreign Investment Company, or PFIC. The U.S. federal income tax and Marshall Islands tax consequences of purchasing, owning and disposing of our common shares are described under the heading Taxation U.S. Federal Income Consequences U.S. Federal Income Taxation of U.S. Holders. Prospective investors are urged to consult their own tax advisors regarding the tax consequences of purchasing, owning and disposing of our common shares.
Listing	Our common shares are listed for trading on the Nasdaq Global Select Market under the symbol TOPS.
Risk Factors	Investing in our common shares involves substantial risk. You should carefully consider all the information in this prospectus prior to investing in our common shares. In particular, we urge you to consider carefully the factors set forth in the section of this prospectus entitled Risk Factors beginning on page 12.

Unless we indicate otherwise, all information in this prospectus:

- is based upon 8,310,004 common shares issued and outstanding as of May 13, 2014;
- excludes common shares underlying the warrants to be issued to the underwriters in connection with the offering;
- assumes no exercise by the underwriters of their option to purchase up to 828,750 common shares to cover over-allotments, if any.

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SUMMARY FINANCIAL DATA

The following table sets forth our selected historical consolidated financial data and other operating data for the years ended December 31, 2009, 2010, 2011, 2012 and 2013. The following selected historical consolidated financial data is derived from our consolidated financial statements and notes thereto, which have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP. The consolidated financial data for the three months ended March 31, 2013 and 2014, and as of March 31, 2013 and 2014, have been derived from our unaudited interim condensed consolidated financial statements. Operating results for the three months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2014.

We have not included any historical financial data relating to the results of operations from the period before the acquisition of the vessels, whether acquired directly or by way of acquisition of the related vessel owning companies. Historical information relating to financial performance is not material to our decision to acquire a specific vessel and is even less so in the case of a vessel under construction that has not yet had any operations. Our decision to acquire a vessel is based on an assessment of factors that we expect will prevail when we own and operate the vessel. Therefore, we do not believe that historical financial information of a vessel prior to its acquisition by us is relevant either to us or to our investors. Please see the section of this prospectus entitled Management s Discussion and Analysis of Financial Condition and Results of Operations Lack of Historical Operating Data for Vessels before their Acquisition.

Our audited consolidated financial statements of comprehensive income, shareholders equity and cash flows for the years ended December 31, 2011, 2012 and 2013 and the consolidated balance sheets at December 2012 and 2013, together with the notes thereto, are included elsewhere in this prospectus and should be read in their entirety.

Our unaudited interim condensed consolidated financial statements of comprehensive income and cash flows for the three months ended March 31, 2013 and 2014 and the consolidated balance sheets and shareholders equity as of March 31, 2014, together with the notes thereto, are included elsewhere in this prospectus and should be read in their entirety.

All references to our common shares and per-share data included in the selected historical consolidated financial data below have been retrospectively adjusted to reflect the one-for-seven reverse stock split effective on April 21, 2014.

	Three Months Ended March 31,			**Year Ended December 31,**			
U.S. Dollars in thousands, except per share data	**2013**	**2014**	**2009**	**2010**	**2011**	**2012**	**2013**
STATEMENT OF COMPREHENSIVE INCOME/ (LOSS)							
Revenues	$ 7,474	$ 449	$ 107,979	$ 90,875	$ 79,723	$ 31,428	$ 20,074
Other income					872		
Voyage expenses	196	6	3,372	2,468	7,743	1,023	663
Charter hire expense			10,827	480	2,380		
Amortization of deferred gain on sale and leaseback of vessels and write-off of seller s credit			(7,799)				
Lease termination expense			15,391		5,750		

Vessel operating expenses			23,739	12,853	10,368	814	745
Dry-docking costs			4,602	4,103	1,327		
Management fees-third parties			419	159	439		
Management fees-related parties	158	33		3,131	5,730	2,345	1,351
General and administrative expenses	431	344	23,416	18,142	15,364	7,078	3,258
(Gain)/Loss on sale of vessels				(5,101)	62,543		(14)
Vessel depreciation	2,021		31,585	32,376	25,327	11,458	6,429
Impairment on vessels			36,638		114,674	61,484	
Gain on disposal of subsidiaries							(1,591)

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U.S. Dollars in thousands, except per share data	Three Months Ended March 31, 2013	Three Months Ended March 31, 2014	Year Ended December 31, 2009	2010	2011	2012	2013
Operating (loss)/income	**$ 4,668**	**$ 66**	**$ (34,211)**	**$ 22,264**	**$ (171,050)**	**$ (52,774)**	**$ 9,233**
Interest and finance costs	(1,912)	(44)	(13,969)	(14,776)	(16,283)	(9,345)	(7,443)
Loss on derivative financial instruments	(69)		(2,081)	(5,057)	(1,793)	(447)	(171)
Interest income	29	37	235	136	95	175	131
Other (expense) / income, net	10	(5)	(170)	(54)	(81)	(1,593)	(342)
Net (loss) / income	**$ 2,726**	**$ 54**	**$ (50,196)**	**$ 2,513**	**$ (189,112)**	**$ (63,984)**	**$ 1,408**
Other Comprehensive income / (loss)			64	(51)			
Comprehensive (loss)/income	**$ 2,726**	**$ 54**	**$ (50,132)**	**$ 2,462**	**$ (189,112)**	**$ (63,984)**	**$ 1,408**
(Loss) / earnings per share, basic and diluted	$ 1.12	$ 0.02	$ (124.31)	$ 5.60	$ (209.97)	(26.36)	$ 0.58
Weighted average common shares outstanding, basic	2,431,113	3,232,168	403,294	439,325	900,668	2,427,083	2,437,361
Weighted average common shares outstanding, diluted	2,432,184	3,232,168	403,294	439,677	900,668	2,427,083	2,444,504

U.S. dollars in thousands, except fleet data and average daily results	Three Months Ended March 31, 2014	Year Ended December 31, 2009	2010	2011	2012	2013
BALANCE SHEET DATA						

Current assets	3,365						
			3,787	3,420	14,866	26,735	10,262
Total assets	39,380		675,149	622,091	296,373	211,415	27,868
Current liabilities, including current portion of long-term debt	7,959		427,953	366,609	219,690	193,630	8,605
Non-current liabilities	3,985					4,706	4,468
Total debt			399,087	337,377	193,749	172,619	
Common stock	83		5	5	24	24	25
Stockholders equity	27,436		247,196	255,482	76,684	13,079	14,795
	Three Months Ended March 31,						
	2013	**2014**					
FLEET DATA							
Total number of vessels at end of period	7		13.0	13.0	7.0	7.0	0.0
Average number of vessels(1)	7		13.7	13.1	11.7	7.0	5.1
Total calendar days for fleet(2)	630		5,008	4,781	4,281	2,562	1,852
Total available days for fleet(3)	630		4,813	4,686	4,218	2,546	1,852
Total operating days for fleet(4)	630		4,775	4,676	4,180	2,544	1,852
Total time charter days for fleet			2,841	2,076	1,109	124	
Total bareboat charter days for fleet	630		1,934	2,555	2,551	2,420	1,852
Total spot market days for fleet				45	520		
Fleet utilization(5)	100%	%	99.20%	99.80%	99.1%	99.92%	100.00%
AVERAGE DAILY RESULTS							
Time charter equivalent(6)	$ 11,552		$ 21,907	$ 18,907	$ 17,220	$ 11,951	$ 10,484
Vessel operating			$ 4,740	$ 2,688	$ 2,422	$ 318	$ 402

expenses(7)							
General and administrative expenses(8)	$ 684		$ 4,676	$ 3,795	$ 3,589	$ 2,763	$ 1,759

(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.

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(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 our management in making decisions regarding the deployment and use of our vessels and in evaluating their financial performance. The table below reflects the reconciliation of TCE revenues to revenues as reflected in the consolidated statements of operations and our calculation of TCE rates for the periods presented.

(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.

U.S. dollars in thousands, except for total operating days and average daily time charter equivalent	**Three Months Ended March 31,**		**Year Ended December 31,**				
	2013	**2014**	**2009**	**2010**	**2011**	**2012**	**2013**
Revenues	$ 7,474	$ 449	$ 107,979	$ 90,875	$ 79,723	$ 31,428	$ 20,074
Less:							
Voyage expenses	(196)	(6)	(3,372)	(2,468)	(7,743)	(1,023)	(663)

Time charter equivalent revenues	$ 7,278	$ 443	$ 104,607	$ 88,407	$ 71,980	$ 30,405	$ 19,411
Total operating days	630		4,775	4,676	4,180	2,544	1,852
Average Daily Time Charter Equivalent (TCE)	$ 11,552		$ 21,907	$ 18,907	$ 17,220	$ 11,951	$ 10,484

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RISK FACTORS

An investment in our common shares involves risks and uncertainties. You should carefully consider the risks described below, as well as the other information included in this prospectus before deciding to invest in our common shares.

RISKS RELATING TO OUR COMPANY

We will not generate any revenues until we take delivery of our newbuilding vessels under construction or identify and acquire other vessels.

We expect to take delivery of our vessels between the second quarter of 2014 and the third quarter of 2016. We do not currently have any operating vessels. Until we take delivery of our newbuilding vessels under construction or identify and acquire additional vessels, we will not generate any material revenues. However, we will continue to make payments related to our vessels under construction and incur costs related to any efforts to identify other vessels for acquisition, interest expense for any debt we incur, supervision costs and general administrative expenses, including those related to being a public company. As a result, we will incur losses and are unlikely to be able to pay dividends prior to operating our newbuilding vessels or any vessels we may acquire.

Newbuilding projects are subject to risks that could cause delays.

We have agreed to purchase one newbuilding vessel and have entered into shipbuilding contracts for five newbuilding vessels scheduled to be delivered from Hyundai Mipo Dockyard Co., Ltd. between the second quarter of 2014 and the third quarter of 2016. Newbuilding construction projects are subject to risks of delay inherent in any large construction project from numerous factors, including shortages of equipment, materials or skilled labor, unscheduled delays in the delivery of ordered materials and equipment or shipyard construction, failure of equipment to meet quality and/or performance standards, financial or operating difficulties experienced by equipment vendors or the shipyard, unanticipated actual or purported change orders, inability to obtain required permits or approvals, design or engineering changes and work stoppages and other labor disputes, adverse weather conditions, bankruptcy or other financial crisis of the shipyard, a backlog of orders at the shipyard, or any other events of force majeure. A yard s failure to complete the project on time may result in the delay of revenue from the vessel. Any such failure or delay could have a material adverse effect on our operating results as we will continue to incur other costs to operate our business.

If we are unable to obtain financing required to complete payments on our newbuildings, we may lose all or a portion of the payments previously made.

We have remaining contractual commitments for the acquisition of the six newbuilding vessels of our fleet totaling approximately $158.1 million as of March 31, 2014, of which $40.2 million is payable in 2014 (including $27.4 million with respect to Hull No. S406 payable on delivery of the vessel, expected in the second quarter of 2014), $51.4 million in 2015 and $66.4 million in 2016. We had, as of March 31, 2014, a cash balance of $4.1 million to fund these newbuilding vessels and other newbuilding or secondhand purchases. To fund the delivery installments for Hulls S407, S418, S419, S414, S417 and S406, and to acquire further vessels, we will be required to use cash or incur borrowings or raise capital through the sale of additional equity securities. Our ability to obtain bank financing or to access the capital markets for future offerings may be limited by our financial condition at the time of any such financing or offering as well as by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond our control. If we are not able to borrow additional funds, raise other capital or utilize available cash on hand, we may not be able to take delivery of our contracted newbuildings or acquire other newbuilding or secondhand vessels, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. If for any reason we fail to make a payment when due, which may result in a default under our construction contracts or we fail to issue shares or pay for the last installments of our MOA contract, or otherwise

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fail to take delivery of a vessel, we would be prevented from realizing potential revenues from this vessel, which could have a material adverse effect on our business, results of operations and financial condition. Additionally, we could also lose all or a portion of our payments to the seller for the MOA or to the shipyard for the contracts that were paid by us and we could be liable for penalties and damages under such contracts. Even if we are successful in obtaining necessary funds, incurring additional debt may significantly increase our interest expense and financial leverage, which could limit our financial flexibility and ability to pursue other business opportunities.

Due to market conditions, we may sell our newbuilding vessels at a loss or incur impairment charges.

We have agreed to purchase one newbuilding vessel and have entered into shipbuilding contracts for five newbuilding vessels scheduled to be delivered from Hyundai Mipo Dockyard Co., Ltd. between the second quarter of 2014 and the third quarter of 2016, and have no other vessels. Since the summer of 2008, vessel values in the tanker industry have been very volatile.

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 shipping industry;
- prevailing level of charter rates;
- competition from other shipping companies;
- types, sizes and ages of vessels;
- other modes of transportation;
- supply and demand for vessels;
- cost of newbuildings;
- price of steel;
- governmental or other regulations; and
- technological advances.

If we sell any vessel at a time when vessel prices have fallen, the sale price may be 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 will evaluate the asset for a potential impairment adjustment and may be required to write down the carrying amount of the vessel in 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. For example, in the period from 2009 to 2013, as a result of declining vessel values, we recorded significant impairment charges and losses on the sale of vessels in an aggregate amount of approximately $212.8 million.

We expect to be dependent on a limited number of customers for a large part of our revenues, and failure of such counterparties to meet their obligations could cause us to suffer losses or negatively impact our results of operations and cash flows.

In the future we may enter into various contracts, including pooling arrangements, charter agreements, shipbuilding contracts and credit facilities. Upon delivery of our six newbuildings under construction, unless we acquire additional vessels, we expect that the majority of our revenues will be derived from three charterers, BP Shipping Limited, Eships Tankers Ltd. and Dampskibsselskabet NORDEN A/S. Such agreements subject us to counterparty risks. The ability of each of our counterparties to perform its obligations under a contract with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the maritime industry, the overall financial condition of the counterparty,

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charter rates received for specific types of vessels, and various expenses. The combination of a reduction of cash flow resulting from declines in world trade, a reduction in borrowing bases under reserve-based credit facilities and the lack of availability of debt or equity financing may result in a significant reduction in the ability of charterers to make charter payments to us. In addition, in depressed market conditions, charterers and customers may no longer need a vessel that is then under charter or contract or may be able to obtain a comparable vessel at lower rates. As a result, charterers and customers may seek to renegotiate the terms of their existing charter agreements or avoid their obligations under those contracts. Should a counterparty fail to honor its obligations under agreements with us, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Servicing 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 intend to incur 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 March 31, 2014, we had no indebtedness. Our expected future level of indebtedness creates 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 future 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;
- limit our ability to make investments, capital expenditures and redeem capital stock, sell vessels, incur additional indebtedness or credit liens, or to change or terminate the management of our vessels; and
- adversely impact our ability to comply with the financial and other restrictive covenants in the our credit agreements, which could result in an event of default under such agreements.

Failure to make payments when due or to comply with covenants contained in any financing documents could result in the lender accelerating payment of all outstanding indebtedness and/or foreclosing on any assets we pledge as collateral. Furthermore, our future interest expense could increase if interest rates increase. 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.

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 future growth will primarily 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);

raise equity and obtain required financing for our existing and new operations;

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- locate and acquire suitable vessels;
- identify and consummate acquisitions or joint ventures;
- integrate any acquired vessel successfully with our existing operations;
- hire, train and retain qualified personnel and crew to manage and operate our growing business and fleet;
- enhance our customer base; and
- manage 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.

Our ability to obtain additional debt financing may be dependent on our ability to charter our newbuilding vessels upon delivery, the performance of our then-existing charters and the creditworthiness of our charterers.

Our inability to charter all of our newbuilding vessels when they are delivered to us, and 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 financing, or obtaining financing at a higher than anticipated cost, may materially affect our results of operation and our ability to implement our business strategy.

Financing agreements containing operating and financial restrictions may restrict our business and financing activities.

The operating and financial restrictions and covenants in any future financing agreements could adversely affect our ability to finance future operations or capital needs or to pursue and expand our business activities. For example, these financing arrangements may restrict our ability to:

- pay dividends;
- incur or guarantee indebtedness;
- change ownership or structure, including mergers, consolidations, liquidations and dissolutions;

- incur liens on our assets;
- sell, transfer, assign or convey assets;
- make certain investments; and
- enter into a new line of business.

Our ability to comply with covenants and restrictions contained in debt instruments may be affected by events beyond our control, including prevailing economic, financial and industry conditions. If market or other economic conditions deteriorate, we may fail to comply with these covenants. If we breach any of the restrictions, covenants, ratios or tests in the financing agreements, our obligations may become immediately due and payable, and the lenders commitment, if any, to make further loans may terminate. A default under any financing agreement could also result in foreclosure on any of our vessels and other assets securing related loans. The occurrence of any of these events could have a material adverse effect on our business, results of operations, cash flows and financial condition.

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

We will employ our newbuilding product/chemical tankers and any additional vessels we intend to acquire in a highly competitive market that is capital intensive and highly fragmented. The operation of tanker 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 shipping companies, some of whom have substantially greater resources than we do. Competition for the transportation of oil and refined petroleum products 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, hold all of our cash. Our bank accounts have been deposited from time to time with banks in Monaco, Germany, United Kingdom and Greece amongst others. Of the 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 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, securities litigation, 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.

We may be unable to attract and retain key management personnel and other employees in the international tanker shipping industry, 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, a related party controlled by the family of our Chief Executive Officer, and we have entered into agreements with Central Mare for the provision of the services of Evangelos Pistiolis, as our President, Chief Executive Officer, and Director, Alexandros Tsirikos as our Chief Financial Officer and Director, Vangelis Ikonomous as our Executive Vice President, Chairman and Director, and Demetris Souroullas as our Chief Technical Officer. The loss of the services of any of these individuals could adversely affect our operations, 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 crew is not timely hired or labor interruptions are not resolved in a timely and cost-effective manner, they could have a material adverse effect on our business, results of operations, cash flows, financial condition and available

cash.

Our Fleet Manager will be responsible for recruiting, mainly through a crewing agent, the senior officers and all other crew members for our newbuilding vessel and all other vessels we acquire. If crews for our vessels are not timely hired or labor interruptions are 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.

If we enter into a time charter or bareboat charter, charter rates under that charter will be fixed throughout the term of the charter. If the spot charter rates in the tanker 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 then 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 if any, 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 could decrease earnings and available cash.

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 any vessels we acquire 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 could decrease our earnings and available cash. We will not be able to recoup any of these increased costs for our vessels employed on time charters.

The aging of our fleet may result in increased operating and other 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. As our fleet ages, operating and other costs will increase. In the case of time charters, operating costs are borne by the vessel owner. 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 fleet ages, 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 vesselreplacement, our revenue will decline at the end of a vessel s useful life,which would adversely affect our business, results of operations and financialcondition.

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. Moreover, it is possible that vessels will need to be replaced prior to the expiration of their estimated useful lives.

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 expand our fleet through the acquisition of previously owned vessels. While we intend to 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 will 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.

Governmental 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 the vessels may engage. As our vessels age, market conditions may not justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives.

We may not have adequate insurance to compensate us if we lose any vessels that we acquire.

We intend to carry insurance for all vessels we acquire 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 the vessels we acquire. 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.

We may be subject to increased premium payments, or calls, if we obtain some of our insurance throughprotection 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 manager 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.

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

We expect that our vessels will call in ports where smugglers attempt to hide drugs and other contraband on vessels, with or without the knowledge of crew members. To the extent our vessels are found with contraband, whether inside or attached to the hull of our vessel and whether with or without the knowledge of any of our crew, we may face governmental or other regulatory claims which could have an adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

Maritime claimants could arrest vessels we acquire, 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 vessels we acquire 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 vessels we acquire during a period of war or emergency, resulting in loss of earnings.

A government could requisition vessels we acquire for title or hire. Requisition for title occurs when a government takes control of a vessel and becomes the owner. 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 any vessels we acquire 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. Although we have qualified for this statutory exemption in previous taxable years and have taken this position for U.S. federal income tax return reporting purposes, there are factual circumstances beyond our control that could cause us to lose the benefit of the exemption and thereby become subject to U.S. federal income tax on our U.S. source shipping income. For example, we would fail to qualify for exemption under Section 883 of the Code for a particular tax year if shareholders, each of whom owned, actually or under applicable constructive ownership rules, a 5% or greater interest in the vote and value of our common shares, owned in the aggregate 50% or more of the vote and value of such stock, and qualified shareholders as defined by the Treasury regulation under Section 883 of the Code did not own, directly or under applicable constructive ownership rules, sufficient shares in our closely-held block of common shares to preclude the shares in that closely-held block that are not so owned from representing 50% or more of the value of our common shares for more than half of the number of days during the taxable year. Establishing such ownership by qualified shareholders will depend upon the status of certain of our direct or indirect shareholders as residents of qualifying jurisdictions and whether those shareholders own their shares through bearer share arrangements. In addition, such shareholders will also be required to comply with ownership certification procedures attesting that they are residents of qualifying jurisdictions, and each intermediary or other person in the chain of ownership between us and such shareholders must undertake similar compliance procedures. Due to the factual nature of the issues involved, we may not qualify for exemption under Section 883 of the Code for any future taxable year.

We may 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

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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 should 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 2013 taxable year, we believe that at least 50% of the average value of our assets consisted of vessels which are bareboat chartered and at least 75% of our gross income was derived from vessels on bareboat charter. Therefore, we expect to be treated as a PFIC for our 2013 taxable year. Whether we will be treated as a PFIC for any future taxable year depends on the nature and extent of our operations. In this regard, we intend to take the position that our vessels operating on voyage or time charters should be treated as assets held for the production of active income and that such income should be treated as services income, rather than rental income. Accordingly, such income should not constitute passive income, and the assets that we own and operate in connection with the production of such income, in particular, the vessels, should not constitute passive assets for purposes of determining whether we are a PFIC. There is substantial legal authority supporting this position consisting of case law and Internal Revenue Service, or IRS, pronouncements concerning the characterization of income derived from time charters as services income for other tax purposes. However, there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. Accordingly, no assurance can be given that the IRS or a court of law will accept this position, and there is a risk that the IRS or a court of law could determine that we are a PFIC for any 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 Tax Consequences 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. Absent making certain elections, if we are a PFIC for any taxable year during which a U.S. shareholder owns our common stock, such U.S. shareholder will generally continue to be subject to the PFIC regime described below regardless of whether we are treated as a PFIC in any subsequent taxable year. If we are treated as a PFIC for any taxable year, a U.S. Holder will be required to file Form 8621 with the IRS under Section 1298(f) of the Code. See Taxation U.S. Federal Income Tax Consequences 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 if we are treated as a PFIC for any taxable year. In addition, as a result of being treated as a PFIC for the 2013 taxable year, any dividends paid by us during 2013 and 2014 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.

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Fluctuations in exchange rates could affect our results of operations because we generate a portion of our expenses in currencies other than U.S. dollars.

We will generate all of our revenues in U.S. dollars but incur certain expenses in currencies other than U.S. dollars, mainly Euros. During 2013, approximately 7.3% of our expenses were in Euros and approximately 0.2% 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.

Because the Public Company Accounting Oversight Board is not currently permitted to inspect our independent accounting firm, you may not benefit from such inspections.

Auditors of U.S. public companies are required by law to undergo periodic Public Company Accounting Oversight Board, or PCAOB, inspections that assess their compliance with U.S. law and professional standards in connection with performance of audits of financial statements filed with the SEC. Certain European Union countries, including Greece, do not currently permit the PCAOB to conduct inspections of accounting firms established and operating in such European Union countries, even if they are part of major international firms. The PCAOB conducted inspections in Greece in 2008 and evaluated our auditor s performance of audits of SEC registrants and our auditor s quality controls. The PCAOB issued its report which can be found on the PCAOB website. Currently, however, the PCAOB is unable to conduct inspections in Greece until a cooperation agreement between the PCAOB and the Greek Accounting & Auditing Standards Oversight Board is reached. Accordingly, unlike for most U.S. public companies, should the PCAOB again wish to conduct an inspection it is currently prevented from evaluating our auditor s performance of audits and its quality control procedures, and, unlike shareholders of most U.S. public companies, our shareholders would be deprived of the possible benefits of such inspections.

RISKS RELATED TO OUR RELATIONSHIP WITH OUR FLEET MANAGER AND ITS AFFILIATES

Upon delivery of vessels we acquire, we will be dependent on our Fleet Manager to perform the day-to-daymanagement of our fleet.

Our executive management team consists of our President and Chief Executive Officer, Evangelos Pistiolis, our Chief Financial Officer, Alexandros Tsirikos, our Executive Vice President, Vangelis Ikonomou, and our Chief Technical Officer, Demetris Souroullas. Upon delivery of each newbuilding vessel and of any other vessel we acquire, we will subcontract the day-to-day management of such vessel, including crewing, maintenance and repair, to our Fleet Manager. Our Fleet Manager is a related party controlled by our Chief Executive Officer. We will be dependent on our Fleet Manager for the technical and commercial operation of our fleet and the loss of our Fleet Manager s services or its 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.

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Our Fleet Manager is a privately held company and there may be limited or nopublicly available information about it.

Our Fleet Manager is a privately held company. The a