

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
(State or other jurisdiction of
incorporation or organization)

4412
(Primary Standard Industrial
Classification Code Number)

N/A
(I.R.S. Employer
Identification No.)

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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 to the 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.

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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,

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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:

	Dwt	Year Built	Charter Type	Expiry	Daily Base Rate
Eight Tanker Vessels					
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:

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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	<p>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.</p> <p>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.</p> <p>Please read "Use of Proceeds."</p>
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.

U.S. Dollars in thousands, except per share data	Year Ended December 31,				
	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

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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.

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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.

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 Ikonou 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.

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 Ikonomidou 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		
April 2011	\$0.77	\$0.60
March 2011	\$0.94	\$0.70
February 2011	\$1.08	\$0.92
January 2011	\$1.16	\$0.95

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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:
 - o the scheduled loan repayment of \$12.5 million on our existing credit facilities;
 - o the drawdown of \$2 million from a bridge loan from Laurasia Trading Ltd. and
- on a further adjusted basis to give effect to:
 - o 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;
 - o 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.

U.S. Dollars in thousands, except per share data	Year Ended December 31,				
	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	-	-	-	-

Year Ended December 31,

U.S. Dollars in thousands, except fleet data and average daily results

BALANCE SHEET DATA

	2006	2007	2008	2009	2010
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

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;

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- 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;

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- 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.

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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		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 %	(99)	-42.1 %		
Other, net	(127)	(170)	(54)	(43)	33.9 %	116	-68.2 %		
Total other expenses, net	(36,084)	(15,985)	(19,751)	20,099	-55.7 %	(3,766)	23.6 %		
Net income (loss)	25,639	(50,196)	2,513	(75,835)	-295.8 %	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

Revenues by Segment	Year Ended December 31,			YE09 v YE08		change		YE10 v YE09	
	2008	2009	2010						
	(\$ 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

Voyage Expenses by Segment	Year Ended December 31,			change		YE10 v YE09	
	2008	2009	2010	YE09 v YE08			
	(\$ 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.

2. Charter hire expenses

Charter Hire Expense by Segment	Year Ended December 31,			YE09 v YE08	change		YE10 v YE09	
	2008	2009	2010		%	\$		
	(\$ 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

Lease Termination Expense by Segment	Year Ended December 31,			YE09 v YE08	change		YE10 v YE09	
	2008	2009	2010		%	\$		
	(\$ 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.

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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,			YE09 v YE08	change		YE10 v YE09
	2008	2009	2010				
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
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	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

Dry-docking Costs by Segment	Year Ended December 31,			change			
	2008	2009	2010	YE09 v YE08		YE10 v YE09	
	(\$ 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