FREESEAS INC.
Form 424B3
March 15, 2013

Filed Pursuant to Rule 424(b)(3)

Registration No. 333-186222

PROSPECTUS

FreeSeas Inc.

Up to 395,791 Shares of Common Stock

This prospectus relates to the resale of up to 395,791 shares of our common stock by Granite State Capital, LLC ("Granite"), the selling stockholder. We may from time to time issue up to 395,791 of shares of our common stock to the selling stockholder at 98% of the market price at the time of such issuance determined in accordance with the terms of our Investment Agreement dated as of January 24, 2013, with Granite. The selling stockholder may sell these shares from time to time in regular brokerage transactions, in transactions directly with market makers or in privately negotiated transactions.

For additional information on the methods of sale that may be used by the selling stockholder, see the section titled "Plan of Distribution" beginning on page 33. We will not receive any of the proceeds from the sale of these shares. We will, however, receive proceeds from the selling stockholder from the initial sale to such stockholder of these shares. We have and will continue to bear the costs relating to the registration of these shares.

Our common stock is currently quoted on the NASDAQ Capital Market under the symbol "FREE." On March 1, 2013, the closing price of our common stock was $0.97 per share. You are urged to obtain current market quotations for the common stock.

We may amend or supplement this prospectus from time to time by filing amendments or supplements as required. You should read the entire prospectus and any amendments or supplements carefully before you make your investment decision.

Investing in our common stock involves a high degree of risk. Before making any investment in our common stock, you should read and carefully consider the risks described in this prospectus under “Risk Factors” beginning on page 7 **of this prospectus.**

With the exception of Granite, which has informed us it is an “underwriter” within the meaning of the Securities Act of 1933, as amended, or Securities Act, to the best of our knowledge, no other underwriter or person has been engaged to facilitate the sale of shares of our stock in this offering. The Securities and Exchange Commission may take the view that, under certain circumstances, any broker-dealers or agents that participate with the selling stockholder in the distribution of the shares may be deemed to be “underwriters” within the meaning of the Securities Act. Commissions, discounts or concessions received by any such broker-dealer or agent may be deemed to be underwriting commissions under the Securities Act.

You should rely only on the information contained in this prospectus or any prospectus supplement or amendment thereto. We have not authorized anyone to provide you with different information.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this registration statement. Any representation to the contrary is a criminal offense.

The date of this prospectus is March 15, 2013.

TABLE OF CONTENTS

If it is against the law in any state to make an offer to sell these shares, or to solicit an offer from someone to buy these shares, then this prospectus does not apply to any person in that state, and no offer or solicitation is made by this prospectus to any such person.

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer and sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

We obtained statistical data, market data and other industry data and forecasts used throughout this prospectus from publicly available information. While we believe that the statistical data, industry data, forecasts and market research are reliable, we have not independently verified the data, and we do not make any representation as to the accuracy of the information.

i

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements. These forward-looking statements include information about possible or assumed future results of our operations and our performance. Our forward-looking statements include, but are not limited to, statements regarding us or our management's expectations, hopes, beliefs, intentions or strategies regarding the future and other statements other than statements of historical fact. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words "anticipates," "forecasts," "believe," "continue," "could," "estimate," "expect," "intends," "may," "might," "plan," "possible," "potential," "predicts," "project," "should," "would" and s expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements in this prospectus may include, for example, statements about:

- our future operating or financial results;
- our financial condition and liquidity, including our ability to comply with our loan covenants, to repay our indebtedness and to continue as a going concern;
- potential liability from future litigation and incidents involving our vessels, including seizures by pirates, and our expected recoveries of claims under our insurance policies;
- our ability to comply with the continued listing standards on the exchange or trading market on which our common stock is listed for trading;
- our ability to find employment for our vessels;
- drybulk shipping industry trends, including charter rates and factors affecting vessel supply and demand;
- business strategy, areas of possible expansion, and expected capital spending or operating expenses and general and administrative expenses;
- the useful lives and value of our vessels;
- our ability to receive in full or partially our accounts receivable and insurance claims;
- greater than anticipated levels of drybulk vessel new building orders or lower than anticipated rates of drybulk vessel scrapping;
- changes in the cost of other modes of bulk commodity transportation;
- availability of crew, number of off-hire days, dry-docking requirements and insurance costs;
- changes in condition of our vessels or applicable maintenance or regulatory standards (which may affect, among other things, our anticipated dry-docking costs);
- competition in the seaborne transportation industry;

- global and regional economic and political conditions;
- fluctuations in currencies and interest rates;
- our ability to leverage to our advantage the relationships and reputation Free Bulkers S.A., our Manager, has in the drybulk shipping industry;
- the overall health and condition of the U.S. and global financial markets;
- changes in seaborne and other transportation patterns;
- changes in governmental rules and regulations or actions taken by regulatory authorities;
- our ability to pay dividends in the future;
- acts of terrorism and other hostilities; and

· other factors discussed in the section titled “Risk Factors” in this prospectus.

The forward-looking statements contained in this prospectus are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described under the heading “Risk Factors.” Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws and/or if and when management knows or has a reasonable basis on which to conclude that previously disclosed projections are no longer reasonably attainable.

ENFORCEABILITY OF CIVIL LIABILITIES

FreeSeas Inc. is a Marshall Islands company and our executive offices are located outside of the United States in Athens, Greece. Some of our directors, officers and experts named in this prospectus reside outside the United States. In addition, a substantial portion of our assets and the assets of our directors, officers and experts are located outside of the United States. As a result, you may have difficulty serving legal process within the United States upon us or any of these persons. You may also have difficulty enforcing, both in and outside the United States, judgments you may obtain in U.S. courts against us or these persons in any action, including actions based upon the civil liability provisions of U.S. federal or state securities laws. Furthermore, there is substantial doubt that the courts of the Republic of the Marshall Islands or Greece would enter judgments in original actions brought in those courts predicated on U.S. federal or state securities laws.

ABOUT THIS PROSPECTUS

References in this prospectus to “FreeSeas,” “we,” “us,” “our” or “company” refer to FreeSeas Inc. and our subsidiaries, but, if the context otherwise requires, may refer only to FreeSeas Inc.

We use the term “deadweight tons,” or “dwt,” in describing the capacity of our drybulk carriers. 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. Drybulk carriers are generally categorized as Handysize, Handymax, Panamax and Capesize. The carrying capacity of a Handysize drybulk carrier typically ranges from 10,000 to 39,999 dwt and that of a Handymax drybulk carrier typically ranges from 40,000 to 59,999 dwt. By comparison, the carrying capacity of a Panamax drybulk carrier typically ranges from 60,000 to 79,999 dwt and the carrying capacity of a Capesize drybulk carrier typically is 80,000 dwt and above.

Unless otherwise indicated:

- All references to “$” and “dollars” in this prospectus are to U.S. dollars;
- Financial information presented in this prospectus is derived from financial statements for the six months ended June 30, 2012 and the fiscal year ended December 31, 2011. Please see "Incorporation of Certain Information by Reference." These financial statements were prepared in accordance with the U.S. generally accepted accounting principles; and
- potential liability from future litigation and incidents involving our vessels, including seizures by pirates, and our expected recoveries of claims under our insurance policies;
- All references to dollar amounts in this prospectus are expressed in thousands of U.S. dollars, except for dollar amounts relating to the Investment Agreements with Granite State Capital, LLC and Dutchess Opportunity Fund, II, LP and the Standby Equity Distribution Agreement with YA Global Master SPV Ltd.

All share-related and per share information in this prospectus have been adjusted to give effect to the one share for five share reverse stock split that was effective on October 1, 2010 and the one share for ten share reverse stock split that was effective on February 14, 2013.

COMPANY INFORMATION

This summary highlights certain information appearing elsewhere in this prospectus. For a more complete understanding of this offering, you should read the entire prospectus carefully, including the risk factors and the financial statements.

Our Company

We are an international drybulk shipping company incorporated under the laws of the Republic of the Marshall Islands with principal executive offices in Athens, Greece. Our fleet currently consists of six Handysize vessels and one Handymax vessel that carry a variety of drybulk commodities, including iron ore, grain and coal, which are referred to as “major bulks,” as well as bauxite, phosphate, fertilizers, steel products, cement, sugar and rice, or “minor bulks.” As of March 1, 2013, the aggregate dwt of our operational fleet is approximately 197,200 dwt and the average age of our fleet is 15.4 years.

Our investment and operational focus is in the Handysize sector, which is generally defined as less than 40,000 dwt of carrying capacity. Handysize vessels are, we believe, more versatile in the types of cargoes that they can carry and trade routes they can follow, and offer less volatile returns than larger vessel classes. We believe this segment also offers better demand and supply demographics than other drybulk asset classes.

We have contracted the management of our fleet to Free Bulkers S.A., referred to as our Manager, an entity controlled by Ion G. Varouxakis, our Chairman, President and Chief Executive Officer, and one of our principal shareholders. Our Manager provides technical management of our fleet, commercial management of our fleet, financial reporting and accounting services and office space. While the Manager is responsible for finding and arranging charters for our vessels, the final decision to charter our vessels remains with us.

Our Fleet

All of our vessels are currently being chartered in the spot market. The following table details the vessels in our fleet as of March 1, 2013:

Vessel Name	Type	Built	Dwt	Employment
M/V Free Jupiter	Handymax	2002	47,777	About 45 day time charter trip at $9,350 per day through March 2013

M/V Free Knight	Handysize	1998	24,111	About 70-80 day time charter trip at $4,500 per day through March 2013
M/V Free Maverick	Handysize	1998	23,994	Idle pending resolution in connection with dispute with creditors
M/V Free Impala	Handysize	1997	24,111	Laid-up
M/V Free Neptune	Handysize	1996	30,838	About 65 day time charter trip at $6,500 per day through March 2013
M/V Free Hero	Handysize	1995	24,318	About 40 day time charter trip at $5,650 per day through March 2013
M/V Free Goddess	Handysize	1995	22,051	Being surveyed pending commencement of repairs after pirate seizure

On October 11, 2012, we announced that all 21 crew members of the M/V *Free Goddess* are reported safe and well after the vessel's release by her hijackers. The M/V *Free Goddess* had been hijacked by Somali pirates on February 7, 2012 while transiting the Indian Ocean eastbound. The vessel was on a time charter trip at the time she was hijacked. Under the charterparty agreement, the BIMCO Piracy clause was applied, which provided among other things, for the charterers to have the vessel covered with kidnap and ransom insurance and loss of hire insurance. The vessel was also covered by the war risk underwriters, who confirmed cover. We commenced arbitration proceedings with the charterer due to the charterer not fulfilling its obligations under the charterparty agreement. The proceedings were concluded and the award was in our favor. Thereafter, we reached a settlement with the charterer pursuant to which the charterer agreed to pay nearly 90% of the outstanding charter hire due after provisions already reflected in the financial statements.

1

Granite Investment Agreement

On January 24, 2013, we entered into an Investment Agreement with Granite, pursuant to which, for a 36-month period, we have the right to sell up to 395,791 shares of our common stock, which equaled approximately 13% of our 3,030,131 shares outstanding as of March 1, 2013. As of the date of this prospectus, we have not sold any shares of our common stock to Granite under the Investment Agreement.

The Investment Agreement entitles us to sell and obligates Granite to purchase, from time to time over a period of 36 months (the “Open Period”), 395,791 shares of our common stock, subject to conditions we must satisfy as set forth in the Investment Agreement. For each share of common stock purchased under the Investment Agreement, Granite will pay 98% of the lowest daily volume weighted average price during the pricing period, which is the five consecutive trading days commencing on the day we deliver a put notice to Granite. Each such put may be for an amount not to exceed the greater of $500,000 or 200% of the average daily trading volume of our common stock for the three consecutive trading days prior to the put notice date, multiplied by the average of the three daily closing prices immediately preceding the put notice date. In no event, however, shall the number of shares of common stock issuable to Granite pursuant to a put cause the aggregate number of shares of common stock beneficially owned by Granite and its affiliates to exceed 9.99% of the outstanding common stock at the time.

If we were to sell all 395,791 shares included in this prospectus at a purchase price determined as described in the preceding paragraph, based on a put notice date of March 1, 2013, we would receive an aggregate of approximately $360,724 in proceeds from the sale of those shares. Any individual put is limited as described above; therefore, the actual aggregate proceeds that we will receive from the sale of our shares under the Investment Agreement will depend on the trading prices and volume of our shares during the applicable pricing period. Although we currently intend to sell all of the shares that Granite has agreed to purchase under the Investment Agreement, there can be no assurances that we will be able to sell all the shares pursuant to the Investment Agreement or that the aggregate proceeds we actually receive will be sufficient for our working capital needs. We are likely to have to seek additional sources of working capital.

Our right to deliver a put notice and the obligations of Granite with respect to a put is subject to our satisfaction of a number of conditions, including, but not limited to:

- That our common stock is trading on a “principal market” as defined in the Investment Agreement;
- our common stock shall not have been suspended from trading for a period of two consecutive trading days during the Open Period, as defined in the Investment Agreement, and we shall not have been notified of any pending or threatened proceedings or other action to suspend the trading of the common stock;
- That the issuance of shares of common stock with respect to the applicable put notice will not violate any applicable shareholder approval requirements of the principal market; and

- That a registration statement for the resale of the shares sold to Granite is effective.

The closing of a sale of shares pursuant to a put notice shall occur within three trading days of the put settlement date, which is the first trading day following the pricing period. The Investment Agreement provides for a penalty for late delivery of shares equal to $100 per day multiplied by the number of days late, with the total penalty amount cumulative for all days late. We may terminate the Investment Agreement upon written notice to Granite. Any and all shares, or penalties, if any, due under the Investment Agreement shall be immediately due and payable upon termination of the Investment Agreement. A copy of the Investment Agreement is incorporated by reference as an exhibit to the registration statement that this prospectus is a part of.

The issuance of our common stock under the Investment Agreement will continue to dilute the voting and economic rights of the existing holders of our common stock, because these shares will represent a smaller percentage of our total shares that will be outstanding after any issuances of common stock to Granite. If we deliver put notices under the Investment Agreement when our share price is decreasing, we will need to issue more shares to raise the amount than if we were to issue shares when our stock price is higher. Such issuances will have a dilutive effect and may further decrease our stock price. Please see “Risk Factors – Risks Relating to this Offering and Our Common Stock” elsewhere in this prospectus for a further discussion of the impact of the Investment Agreement on our stockholders and the market price of our common stock.

Recent Developments

- On May 11, 2012, we entered into a Standby Equity Distribution Agreement, or SEDA, with YA Global Master SPV Ltd., or YA Global, a fund managed by Yorkville Advisors, LLC, pursuant to which, for a 24-month period, we have the right to sell up to $3.2 million of shares of the Company’s common stock. The SEDA entitles us to sell and obligates YA Global to purchase, from time to time over a period of 24 months, shares of our common stock for cash consideration up to an aggregate of $3.2 million, subject to conditions we must satisfy as set forth in the SEDA. For each share of common stock purchased under the SEDA, YA Global will pay 96% of the lowest daily volume weighted average price during the pricing period, which is the five consecutive trading days after we deliver an advance notice to YA Global. Each such advance may be for an amount not to exceed the greater of $200,000 or 100% of the average daily trading volume of our common stock for the 10 consecutive trading days prior to the notice date. We registered the resale by YA Global of up to 183,973 shares of our common stock. As of the date of this prospectus, we sold all the shares of our common stock under the SEDA for aggregate proceeds of $432,000. Pursuant to the terms of the SEDA, we cannot deliver any further advance notices until such time as we file and have declared effective a new registration statement covering the resale of additional shares of our common stock by YA Global.

2

- On May 31, 2012, FreeSeas entered a Sixth Supplemental Agreement with Credit Suisse AG, or Credit Suisse, which amends and restates the Facility Agreement dated December 24, 2007, as amended, between FreeSeas and Credit Suisse. The Sixth Supplemental Agreement, among other things, modifies the Facility Agreement to:

  - Defer further principal repayments until March 31, 2014;
  - Reduce the interest rate on the facility to LIBOR plus 1% until March 31, 2014 from a current interest margin of 3.25%;
  - Release restricted cash of $1,125;
  - Waive compliance through March 31, 2014 with the requirement to maintain a minimum ratio of aggregate fair market value of the financed vessels to loan balance, after which date the required minimum ratio will be 115% beginning April 1, 2014, 120% beginning October 1, 2014, and 135% beginning April 1, 2015;
  - Establish certain financial covenants, including an interest coverage ratio, which must be complied with starting January 1, 2013, a consolidated leverage ratio, which must be complied with starting January 1, 2014, and a minimum liquidity ratio, which must be complied with starting July 1, 2014; and
  - Require the amount of any “Excess Cash,” as determined in accordance with the Facility Agreement at each fiscal quarter end beginning June 30, 2012, to be applied to pay the amendment and restructuring fee described below and prepay the outstanding loan balance, depending on FreeSeas’ compliance at the time with the vessel market value to loan ratio and the outstanding balance of the loan.

  As of the date of this prospectus, the outstanding balance under the Facility Agreement totaled $36,450. An amendment and restructuring fee equal to 5% of the current outstanding indebtedness, $1,823, will be due and payable on the earlier of March 31, 2014, the date of a voluntary prepayment, or the date the loan facility becomes due or is repaid in full. FreeSeas is also no longer required to sell additional vessels, as it had been under the terms of the Facility Agreement as previously in effect.

- On July 11, August 22, November 28, December 19, 2012 and January 24, 2013 the Company received notices from FBB – First Business Bank S.A. (“FBB”), according to which failure to (i) pay the $4,188 repayment installment due in December 2012, (ii) pay accrued interest and (iii) failure to pay default interest constitute an event of default. The Company is in discussions to permanently amend the amortization schedule and reach an agreement on the unpaid principal and interest.

- On August 10, 2012, pursuant to the approval of our Board of Directors at its April 2012 meeting, we issued 166,070 shares of our common stock our Manager in payment of the $926 in unpaid fees due to the Manager for the first quarter of 2012 and 15,972 shares of our common stock to our four non-executive directors in payment of $31 each in unpaid Board fees for the last three quarters of 2011.

- On August 21, 2012, pursuant to the terms of a Note Purchase Agreement dated May 11, 2012 between us and YA Global, we raised an aggregate of $250 from the sale of a promissory note pursuant to the Note Purchase Agreement. The note was expected to be repaid in 10 equal weekly installments and matures 90 days from the date of funding. Thereafter, we requested an extension of the repayment schedule which was granted. As of the date of this prospectus, the outstanding balance under the Note Purchase Agreement totaled $60.

· On September 7, 2012, we and certain of our subsidiaries entered into an amended and restated facility agreement with Deutsche Bank Nederland N.V. As amended and restated, the facility agreement:

- o Defers and reduces the balloon payment of $16,009 due on Facility B from November 2012 to December 2015;
- o Provides for monthly repayments of $20 for each of Facility A and Facility B commencing September 30, 2012 through April 30, 2013 and a monthly repayment of $11.5 for each of Facility A and Facility B on May 31, 2013;
- o Suspends principal repayments from June 1, 2013 through June 30, 2014 on each of Facility A and Facility B;
- o Provides for quarterly repayments of $337 for Facility A commencing June 30, 2014, which quarterly repayments have been reduced from $750;

3

o Provides for quarterly repayments of $337 for Facility B commencing June 30, 2014;

o Bears interest at the rate of LIBOR plus 1% through March 31, 2014 and LIBOR plus 3.25% from April 1, 2014 through maturity, which were reduced from LIBOR plus 2.25% for Facility A and LIBOR plus 4.25% for Facility B;

o Establishes certain financial covenants, including an interest coverage ratio that must be complied with starting January 1, 2013, a consolidated leverage ratio that must be complied with starting January 1, 2014, and a minimum liquidity ratio that must be complied with starting July 1, 2014;

o Removes permanently the loan to value ratio;

o Requires the amount of any "Excess Cash," as determined in accordance with the amended and restated facility agreement at each fiscal quarter end beginning June 30, 2012, to be applied to pay the amendment and restructuring fee described below and prepay the outstanding loan balance; and

o Removes the success fee originally due under the previous agreement and provides for an amendment and restructuring fee of $1,480 payable on the earlier of March 31, 2014, the date of a voluntary prepayment, or the date the loan facility becomes due or is repaid in full.

In October, November and December 2012, we did not pay the monthly repayments of $20 for each of Facility A and Facility B with Deutsche Bank Nederland N.V., totaling $120 along with accrued interest due. We are evaluating our options and are in discussion with Deutsche Bank Nederland N.V. to reach a mutually beneficial agreement.

· On September 11, 2012, our Audit Committee approved the retention of Sherb & Co., LLP, or Sherb, as our independent registered public accounting firm for the fiscal year ending December 31, 2012, and dismissed Ernst & Young (Hellas) Certified Auditors Accountants S.A. ("E&Y").

· On October 3, 2012, our Board of Directors approved the issuance of an additional 219,650 shares of our common stock to our Manager in payment of the $807 in unpaid fees due to the Manager for the third quarter of 2012 and 6,536 shares of our common stock to each of our non-executive directors in payment of $30 each in unpaid Board fees for the first, second and third quarters of 2012.

· On October 11, 2012, the M/V *Free Goddess*, which had been hijacked by Somali pirates in February 2012, was released.

· On October 11, 2012, we entered into an Investment Agreement, or Dutchess Agreement, with Dutchess Opportunity Fund, II, LP, or Dutchess, a fund managed by Dutchess Capital Management, II, LLC, pursuant to which, for a 36-month period, we have the right to sell up to 235,297 shares of our common stock. The Dutchess Agreement entitles us to sell and obligates Dutchess to purchase, from time to time over a period of 36 months, up to 235,297 shares of our common stock, subject to conditions we must satisfy as set forth in the Dutchess Agreement. For each share of common stock purchased under the Dutchess Agreement, Dutchess will pay 98% of the lowest daily volume weighted average price during the pricing period, which is the five consecutive trading days commencing on the day we deliver a put notice to Dutchess. Each such put may be for an amount not to exceed the greater of $200,000 or 200% of the average daily trading volume of our common stock for the three consecutive trading days prior to the put notice date, multiplied by the average of the three daily closing prices immediately preceding the put notice date, subject to a 9.99% blocker provision. We registered the resale by Dutchess of up to 235,297 shares of our common stock. As of the date of this prospectus, we had sold all the shares of our common stock under the Dutchess Agreement for aggregate proceeds of $197.

On June 21, 2012, NASDAQ notified the Company that it currently is not in compliance with NASDAQ’s minimum bid price rule, which requires the bid price of the Company’s common stock to be at least $1.00 per share. The Company was granted an initial six month period, or until December 18, 2012, to regain compliance with the minimum bid price rule, unless it was able to obtain an extension of the deadline to regain compliance. On June 25, 2012, NASDAQ notified the Company that it currently is not in compliance with NASDAQ’s minimum market value of publicly held shares rule, which requires the market value of publicly held shares (“MVPHS”) of the Company’s common stock to be at least $5,000,000. The Company was granted an initial six month period, or until December 24, 2012, to regain compliance with the minimum bid price rule, unless it was able to obtain an extension of the deadline to regain compliance.

In December 2012, the Company applied to NASDAQ to transfer the listing of the Company's common stock from The NASDAQ Global Market to The NASDAQ Capital Market. To transfer to the Capital Market, the Company was required to meet all of the continued listing requirements of the Capital Market, except for the minimum bid price. One of the continued listing requirements of the Capital Market is to have a MVPHS of $1,000,000. Such a transfer would have granted the Company an additional six month period to regain compliance with the minimum bid price.

On December 19, 2012, the Company received notification from NASDAQ that on December 18, 2012, it failed to meet all continued listing criteria for the Capital Market, as its MVPHS was $897,000. As a result, the notice indicated that our common stock would be delisted from NASDAQ. The Company appealed that decision, which resulted in a stay on the delisting of the Company's common stock and an appeals hearing was scheduled for February 21, 2013.

On February 13, 2013, the Company received notification from NASDAQ that effective February 19, 2013, the

Company's common stock would be transferred from the NASDAQ Global Market to the NASDAQ Capital Market. In addition, the Company had been granted an extension to regain compliance with the $1.00 minimum per share bid price required for continued listing on The NASDAQ Capital Market.

The notification dated February 13, 2013 indicated that because the Company meets the MVPHS criteria for continued listing on The NASDAQ Capital Market and all other applicable requirements for initial listing on the Capital Market (except for the bid price requirement), that the Company’s application to transfer its common stock from The NASDAQ Global Market to The NASDAQ Capital Market was granted.

In accordance with Marketplace Rule 5810(c)(3)(A), the Company has until June 17, 2013, which is 180 calendar days from the date the initial compliance period ended, to regain compliance with the minimum bid price rule. To regain compliance, the closing bid price of the Company’s common stock must be at or above $1.00 per share for a minimum of 10 consecutive business days. NASDAQ may, in its discretion, require the

Company to maintain a bid price of at least $1.00 per share for a period in excess of 10 consecutive business days, but generally no more than 20 consecutive business days, before determining that the Company has demonstrated an ability to maintain long-term compliance. If the Company does not regain compliance by June 17, 2013, NASDAQ will provide written notification to the Company that the Company's common stock may be delisted. At that time, the Company may then appeal the delisting determination to a Hearings Panel. There can be no assurances that the Company will be able to regain compliance with the NASDAQ minimum bid price rule and thereby maintain the listing of its common stock.

On February 14, 2013, the Company received notification from NASDAQ that the appeals hearing, scheduled for February 21, 2013, was cancelled, as a result of the foregoing.

- On December 24, 2012, the 1,200 shares of common stock that were reserved for issuance upon the exercise of outstanding options were not exercised and expired.

- Effective January 1, 2013, Sherb combined its practice with RBSM LLP (“RBSM”), and going forward, RBSM will be the Company’s new independent registered public accounting firm. The Company has been informed that when RBSM issues its audit report for the Company's fiscal year ended December 31, 2012, such audit report will cover the years ended December 31, 2012 and 2011. Until such time, Sherb will remain our independent registered public accounting firm for purposes of issuing consents, including the consent filed as part of the registration statement that this prospectus is a part of.

- On January 15, 2013, we issued 137,500 shares of our common stock (the "Settlement Shares") to Hanover Holdings I, LLC ("Hanover") in connection with a stipulation of settlement (the

"Settlement Agreement") of an outstanding litigation claim. The Settlement Agreement provides that the Settlement Shares will be subject to adjustment on the 36th trading day following the date on which the Settlement Shares were initially issued to reflect the intention of the parties that the total number of shares of Common Stock to be issued to Hanover pursuant to the Settlement Agreement be based upon a specified discount to the trading volume weighted average price (the "VWAP") of the Common Stock for a specified period of time. Specifically, the total number of shares of Common Stock to be issued to Hanover pursuant to the Settlement Agreement shall be equal to the quotient obtained by dividing (i) $305,485.59 by (ii) 70% of the VWAP of the Common Stock over the 35-trading day period following the date of issuance of the Settlement Shares (the "True-Up Period"), rounded up to the nearest whole share (the "VWAP Shares"). The Settlement Agreement further provides that if, at any time and from time to time during the True-Up Period, Hanover reasonably believes that the total number of Settlement Shares previously issued to Hanover shall be less than the total number of VWAP Shares to be issued to Hanover or its designee in connection with the Settlement

Agreement, Hanover may, in its sole discretion, deliver one or more written notices to the Company, at any time and from time to time during the True-Up Period, requesting that a specified number of additional shares of Common Stock promptly be issued and delivered to Hanover or its designee (subject to the limitations described below), and the Company will upon such request reserve and issue the number of additional shares of Common Stock requested to be so issued and delivered in the notice (all of which additional shares shall be considered “Settlement Shares” for purposes of the Settlement Agreement).

On January 18, 2013, we delivered an additional 40,000 shares to Hanover and on January 29, 2013, we delivered an additional 8,285 shares to Hanover. At the end of the True-Up Period, (i) if the number of VWAP Shares exceeds the number of Settlement Shares issued, then the Company will issue to Hanover or its designee additional shares of Common Stock equal to the difference between the number of VWAP Shares and the number of Settlement Shares, and (ii) if the number of VWAP Shares is less than the number of Settlement Shares, then Hanover or its designee will return to the Company for cancellation that number of shares of

Common Stock equal to the difference between the number of VWAP Shares and the number of Settlement Shares.

On January 31, 2013, an amendment to the Settlement Agreement reduced the True-Up Period from 35 trading days following the date the Initial Settlement Shares were issued to four trading days following the date the Initial Settlement Shares were issued. As a result, the True-Up Period expired on January 22, 2013. Accordingly, the total number of shares of Common Stock issuable to Hanover pursuant to the Settlement Agreement, as amended, was 185,785, which number is equal to the quotient obtained by dividing (i) $305,485.59 by (ii) 70% of the VWAP of the Common Stock over the four-trading day period following the date of issuance of the Initial Settlement Shares, rounded up to the nearest whole share. All of such 185,785 shares of Common Stock had been issued to Hanover prior to the amendment of the Settlement Agreement. Accordingly, no further shares of Common Stock are issuable to Hanover pursuant to the Settlement Agreement, as amended, and Hanover is not required to return any shares of Common Stock to the Company for cancellation pursuant thereto.

The Settlement Agreement provided that in no event shall the number of shares of Common Stock issued to Hanover or its designee in connection with the Settlement Agreement, when aggregated with all other shares of Common Stock then beneficially owned by Hanover and its affiliates (as calculated pursuant to Section 13(d) of the Exchange, and the rules and regulations thereunder, result in the beneficial ownership by Hanover and its affiliates (as calculated pursuant to Section 13(d) of the Exchange

Act and the rules and regulations thereunder) at any time of more than 9.99% of the Common Stock.

- On February 13, 2013, we issued 185,000 shares of our common stock (the “Second Settlement Shares”) to Hanover in connection with a second stipulation of settlement (the “Second Settlement Agreement”) of an outstanding litigation claim. The Second Settlement Agreement provides that the Second Settlement Shares will be subject to adjustment on the 36th trading day following the date on which the Second Settlement Shares were initially issued to reflect the intention of the parties that the total number of shares of Common Stock to be issued to Hanover pursuant to the Second Settlement Agreement be based upon a specified discount to the trading volume weighted average price (the “VWAP”) of the Common Stock for a specified period of time. Specifically, the total number of shares of Common Stock to be issued to Hanover pursuant to the Second Settlement Agreement shall be equal to the quotient obtained by dividing (i) $740,651.57 by (ii) 75% of the VWAP of the Common

Stock over the 35-trading day period following the date of issuance of the Second Settlement Shares (the “Second True-Up Period”), rounded up to the nearest whole share (the “Second VWAP Shares”). The Second Settlement Agreement further provides that if, at any time and from time to time during the Second True-Up Period, Hanover reasonably believes that the total number of Second Settlement Shares previously issued to Hanover shall be less than the total number of Second VWAP Shares to be issued to Hanover or its designee in connection with the Second Settlement Agreement, Hanover may, in its sole discretion, deliver one or more written notices to the Company, at any time and from time to time during the Second True-Up Period, requesting that a specified number of additional shares of Common Stock promptly be issued and delivered to Hanover or its designee (subject to the limitations described below), and the Company will upon such request reserve and issue the number of additional shares of Common Stock requested to be so issued and delivered in the notice (all of which additional shares shall be considered “Second Settlement Shares” for purposes of the Second Settlement Agreement).

On February 19, 2013, the Company issued and delivered to Hanover 90,000 additional Second Settlement Shares, on February 25, 2013, the Company issued and delivered to Hanover another 90,000 additional Second Settlement Shares, on February 26, 2013 the Company issued and delivered to Hanover another 90,000 additional Second Settlement Shares, on February 27, 2013, the

Company issued and delivered to Hanover another 100,000 additional Second Settlement Shares, on February 28, 2013, the Company issued and delivered to Hanover another 100,000 additional Second Settlement Shares and on March 4, 2013, the Company issued and delivered to Hanover another 100,000 additional Second Settlement Shares.

The Second True-Up Period ended on March 5, 2013. Based on the adjustment formula described above, Hanover was entitled to receive an aggregate of

786,755 Second VWAP Shares. Accordingly, since Hanover had received an aggregate of only 755,000 Second Settlement Shares, on March 6, 2013, the Company issued and delivered to Hanover 31,755 additional shares of common stock pursuant to the terms of the Second Settlement Agreement. No additional shares of common stock are issuable to Hanover pursuant to the Settlement Agreement.

The Second Settlement Agreement provided that in no event shall the number of shares of Common

Stock issued to Hanover or its designee in connection with the Second Settlement Agreement, when aggregated with all other shares of Common Stock then beneficially owned by Hanover and its affiliates (as calculated pursuant to Section 13(d) of the Exchange, and the rules and regulations thereunder, result in the beneficial ownership by Hanover and its affiliates (as calculated pursuant to Section 13(d) of the Exchange Act and the rules and regulations thereunder) at any time of more than 9.99% of the Common Stock.

- Effective February 14, 2013, the Company effected a reverse stock split, every 10 shares of common stock were reduced into one share of common stock. As a result of the reverse stock split, the number of outstanding common shares was reduced from 18,759,778 to 1,875,978, subject to adjustment for fractional shares. The reverse stock split did not affect any shareholder's ownership percentage of FreeSeas' common shares, except to the limited extent that the reverse stock split would result in any shareholder owning a fractional share. Fractional shares of common stock were rounded up to the nearest whole share.

6

- On February 28, 2013, pursuant to the approval of the Company's Board of Directors at its January 18, 2013 meeting, the Company issued 641,639 shares of its common stock to the Manager in payment of $809 in unpaid fees due to the Manager for November and December 2012 and January 2013 and 41,909 shares of its common stock to its non-executive directors in payment of $48 in unpaid Board fees for the fourth quarter of 2012.

- In January and February 2013, the Company did not pay the monthly repayments of $20 for each of Facility A and Facility B with Deutsche Bank Nederland

N.V., totaling $80 along with accrued interest due. The Company is evaluating its options and is in discussion with Deutsche Bank Nederland N.V. to reach a mutually beneficial agreement.

- On February 15, 2013, the Company entered into a termination agreement of the Standby Equity Distribution Agreement, or SEDA with YA Global. As a result, the outstanding fees of $10 owed to YA Global under the SEDA were written off.

- In February and March 2013, the Company did not pay the interest due of $124 and the interest rate swap due of $52, respectively, with the Credit Suisse facility.

The Company is in discussions with the bank to arrange a settlement of these.

Our Corporate History

We were incorporated on April 23, 2004 under the name “Adventure Holdings S.A.” pursuant to the laws of the Republic of the Marshall Islands to serve as the parent holding company of our ship-owning entities. On April 27, 2005, we changed our name to “FreeSeas Inc.”

We became a public reporting company on December 15, 2005, when we completed a merger with Trinity Partners Acquisition Company Inc., or Trinity, a blank check company formed to serve as a vehicle to complete a business combination with an operating business, in which we were the surviving corporation. At the time of the merger we owned three drybulk carriers. We currently own seven vessels, each of which is owned through a separate wholly owned subsidiary.

In January 2007, Ion G. Varouxakis purchased all of the common stock owned by our two other co-founding shareholders. He simultaneously sold a portion of the common stock owned by him to FS Holdings Limited, an entity controlled by the Restis family, and to certain other investors. Immediately following these transactions, our Board of Directors appointed Ion G. Varouxakis Chairman of the Board and President, our two other co-founding shareholders and one other director resigned from the Board of Directors, and two new directors were appointed to fill the vacancies.

On September 30, 2010, our shareholders approved a one-for-five reverse split of our outstanding common stock effective October 1, 2010. On December 11, 2012, the shareholders of the Company authorized the Board to effect a reverse split of the Company’s issued and outstanding common stock at a ratio of not more than 1 for 12, at any time prior to the date of the Company’s 2013 annual meeting of shareholders, at the discretion of the Company’s Board of Directors.

On January 22, 2013, the Company’s Board of Directors authorized a reverse stock split at a ratio of 1 for 10, which was effective at 8:00 am on February 14, 2013, New York time (1:00 am on February 15, 2013 Marshall Islands time). As a result of the reverse stock split, every ten shares of the Company’s pre-reverse split common stock were combined and reclassified into one share of the Company’s common stock. No fractional shares of common stock were issued as a result of the reverse stock split. Stockholders who otherwise were entitled to a fractional share received the next higher number of whole shares.

As of March 1, 2013, we had outstanding 3,030,131 shares of our common stock.

Our common stock currently trades on the NASDAQ Capital Market under the trading symbol “FREE.”

Our Executive Offices

Our principal executive offices are located at 10, Eleftheriou Venizelou Street (Panepistimiou Ave.), 10671, Athens, Greece and our telephone number is 011-30-210-452-8770.

RISK FACTORS

An investment in our common stock involves a high degree of risk. In addition to those risks described in our Annual Report on Form 20-F, as amended, for the fiscal year ended December 31, 2011 filed with the SEC, you should consider carefully the risks described below, together with the other information contained in this prospectus before making a decision to invest in our common stock.

Risk Factors Relating to FreeSeas

At June 30, 2012, FreeSeas' current liabilities exceeded its current assets, which could impair its ability to successfully operate its business and could have material adverse effects on its revenues, cash flows and profitability and its ability to comply with its debt covenants and pay its debt service and other obligations.

At June 30, 2012, FreeSeas' current liabilities exceeded its current assets by $64,305. As a result of the historically low charter rates for drybulk vessels which have been affecting FreeSeas for over one year, and the resulting material adverse impact on FreeSeas' results from operations, FreeSeas has undertaken negotiations with each of its lenders to restructure FreeSeas' debt repayments. On May 31, 2012, FreeSeas and Credit Suisse entered into a Sixth Supplemental Agreement to its Facility Agreement with Credit Suisse, which provided for, among other things, a deferral of principal payments until March 31, 2014. On September 7, 2012, FreeSeas entered into an amended and restated facility with Deutsche Bank Nederland, which provides for, among other things, a reduction in and deferral of the balloon payment due on facility B from November 2012 to December 2015, a reduction in the amount of principal repayment and amendments to the financial covenants.

In February, March, April, November and December 2012 and January 2013, FreeSeas received notifications from FBB that FreeSeas is in default under its loan agreements as a result of the breach of certain covenants and the failure to pay principal and interest due under the loan agreements. FreeSeas is seeking and will continue to seek similar restructured loan terms from FBB. Also the Company did not pay the monthly repayments of $20 for each of Facility A and Facility B with Deutsche Bank Nederland along with accrued interest due. If FreeSeas is not able to reach agreement with FBB as to restructured loan terms, or if FreeSeas is unable to comply with its restructured loan terms, this could lead to the acceleration of the outstanding debt under its debt agreements. FreeSeas' failure to satisfy its covenants under its debt agreements, and any consequent acceleration and cross acceleration of its outstanding indebtedness would have a material adverse effect on FreeSeas' business operations, financial condition and liquidity.

All of the above raises doubt regarding FreeSeas' ability to continue as a going concern. The Company is currently exploring several alternatives aiming to manage its working capital requirements and other commitments if current market charter hire rates remain at current low levels, including completion of the negotiations for the restructuring of its loan with FBB, offerings of common stock through a equity line financings, disposition of certain vessels in its current fleet and additional reductions in operating and other costs.

Generally accepted accounting principles require that long-term debt be classified as a current liability when a covenant violation gives the lender the right to call the debt at the balance sheet date, absent a waiver. As a result of the cross default provisions in FreeSeas' loan agreements, actual breaches existing under its credit facilities with Deutsche Bank Nederland and FBB could result in defaults under all of FreeSeas' affected debt and the acceleration of such debt by its lender. Accordingly, as of June 30, 2012, FreeSeas was required to reclassify its long term debt and derivative financial instrument liability (interest rate swaps) as current liabilities on its consolidated balance sheet since FreeSeas had not received waivers in respect of the breaches discussed above at such time.

We received a report from our independent registered public accounting firm with an explanatory paragraph for the year ended December 31, 2011 with respect to our ability to continue as a going concern. The existence of such a report may adversely affect our stock price and our ability to raise capital. There is no assurance that we will not receive a similar report for our year ended December 31, 2012.

In their report dated October 11, 2012, our independent registered public accounting firm expressed substantial doubt about our ability to continue as a going concern as we have incurred recurring operating losses, have a working capital deficiency, have failed to meet scheduled payment obligations under our loan facilities and have not complied with certain covenants included in its loan agreements with banks. Our ability to continue as a going concern is subject to our ability to obtain necessary funding from outside sources, including obtaining additional funding from the sale of our securities, obtaining loans from various financial institutions or lenders where possible and restructuring outstanding debt obligations that are currently in default. Our continued net operating losses increase the difficulty in meeting such goals and there can be no assurances that such methods will prove successful.

We have been in breach of certain loan covenants contained in our loan agreements. Although we have entered into amendments to two of our loan facilities, if we are not successful in obtaining a waiver and amendment from our other lender 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, which raises substantial doubt about our ability to continue as a going concern.

Our loan agreements require that we comply with certain financial and other covenants. As a result of the drop in our drybulk asset values we were not in compliance with covenants relating to vessel values as of June 30, 2012. In addition, we were in breach of interest cover ratios, leverage and minimum liquidity 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, increase our interest payments and/or pay down our indebtedness to a level where we are in compliance with our loan covenants. Furthermore, our lenders may accelerate our indebtedness and foreclose their liens on our vessels, in which case our vessels may be auctioned or otherwise transferred which would impair our ability to continue to conduct our business. As a result of these breaches, our total indebtedness is presented within current liabilities in the June 30, 2012 consolidated balance sheet.

8

Pursuant to letter agreements dated September 6, 2011 and September 19, 2011 with Credit Suisse, which resolved a default by us under the Credit Suisse facility agreement, FreeSeas agreed to execute a sale contract in respect of either of the M/V *Free Jupiter* or the M/V *Free Lady* no later than October 10, 2011. On November 8, 2011, FreeSeas sold the M/V *Free Lady* for a sale price of $21.9 million. Pursuant to the Fifth Supplemental Agreement dated November 7, 2011 with Credit Suisse, FreeSeas agreed to enter into a period time charter of at least 12 months for all its mortgaged vessels no later than December 31, 2011, which charter would cover the vessel's debt service plus $1.0 million. If the foregoing time charter was not entered into by the required date, FreeSeas agreed that it would sell either the M/V *Free Jupiter* or both the M/V *Free Goddess* and the M/V *Free Hero* by January 31, 2012. FreeSeas did not conclude any time charter agreement or any agreement for the sale of the above-mentioned vessels. On May 31, 2012, FreeSeas and Credit Suisse entered into a Sixth Supplemental Agreement to its Facility Agreement with Credit Suisse, which provided for, among other things, a deferral of principal payments until March 31, 2014. On September 7, 2012, FreeSeas entered into an amended and restated facility with Deutsche Bank, which provide for, among other things, a reduction in and deferral of the balloon payment due on facility B form November 2012 to December 2015, a reduction in the amount of principal repayment and amendments to the financial covenants.

In February, March, April, November and December 2012 and January 2013, FreeSeas received notifications from FBB that it is in default under its loan agreements as a result of the breach of certain covenants and the failure to pay principal and interest due under the loan agreements. FreeSeas is seeking and will continue to seek similar restructured loan terms from FBB. Also the Company did not pay the monthly repayments of $20 for each of Facility A and Facility B with Deutsche Bank Nederland along with accrued interest due. If FreeSeas is not able to reach agreement with FBB as to restructured loan terms, or if FreeSeas is unable to comply with its restructured loan terms, this could lead to the acceleration of the outstanding debt under its debt agreements. FreeSeas' failure to satisfy its covenants under its debt agreements, and any consequent acceleration and cross acceleration of its outstanding indebtedness would have a material adverse effect on FreeSeas' business operations, financial condition and liquidity.

Our loan agreements contain covenants that may limit our liquidity and corporate activities.

If the drybulk market remains depressed or further declines, we may require further waivers and/or covenant amendments to our loan agreements relating to our compliance with certain covenants for certain periods of time. The waivers and/or covenant amendments may impose additional operating and financial restrictions on us and modify the terms of our existing loan agreements. Any such waivers or amendments, if needed, could contain such additional restrictions and might not be granted at all.

Our loan agreements require that we maintain certain financial and other covenants. The low drybulk charter rates and drybulk vessel values have previously affected, and may in the future affect, our ability to comply with these covenants. A violation of these covenants constitutes an event of default under our credit facilities and would provide our lenders with various remedies, including the right to require us to post additional collateral, enhance our equity and liquidity, withhold payment of dividends, 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, or reclassify our indebtedness as current liabilities. Our lenders could also accelerate our indebtedness and foreclose their liens on our vessels. The exercise of any of these remedies could materially adversely impair our ability to continue to conduct our business. Moreover, our lenders may require the payment of additional fees, require prepayment of a portion of our indebtedness to them, accelerate the amortization schedule for our indebtedness and increase the interest rates they charge us on our outstanding indebtedness.

As a result of our loan covenants, our lenders have imposed operating and financial restrictions on us. These restrictions may limit our ability to:

· incur additional indebtedness;

· create liens on our assets;

· sell capital stock of our subsidiaries;

· make investments;

· engage in mergers or acquisitions;

· pay dividends;

· make capital expenditures;

9

- change the management of our vessels or terminate or materially amend our management agreements; and
- sell our vessels.

The amended and restated credit agreement dated September 7, 2012 with Deutsche Bank does not allow us to pay dividends without their prior written approval, such approval not to be unreasonably withheld. If we need covenant waivers, our lenders may impose additional restrictions and may require the payment of additional fees, require prepayment of a portion of our indebtedness to them, accelerate the amortization schedule for our indebtedness, and increase the interest rates they charge us on our outstanding indebtedness. We may be required to use a significant portion of the net proceeds from any future capital raising to repay a portion of our outstanding indebtedness. We agreed with Credit Suisse and Deutsche Bank to raise no less than $25.0 million by March 31, 2014, one third of which amount will be used to repay our existing debt. This provision does not apply to the proceeds from sales of our common stock under the Investment Agreement. These potential restrictions and requirements may limit our ability to pay dividends to you, finance our future operations, make acquisitions or pursue business opportunities.

Once the payment reductions and holidays agreed to by two of our three lenders expire, we will again be obligated to make significant payments to service our debt.

As a result of amendments to our loan facilities agreed to this year with Credit Suisse AG, or Credit Suisse, and Deutsche Bank, we have substantially reduced our current debt repayment obligations. These amendments provide for deferred principal repayments until June 30, 2014, for the Credit Suisse facility, and reduced payments until May 31, 2013 and then a deferral of further payments until June 30, 2014 for Deutsche Bank. Following these deferral periods, however, our payment obligations increase significantly and we will have balloon payments due in December 2015 under the Credit Suisse facility and the Deutsche Bank facilities. These required payments will limit funds otherwise available for working capital, capital expenditures and other purposes. Our inability to service our debt could lead to acceleration of our debt and foreclosures of our fleet. We may not be able to generate cash flow in amounts that are sufficient for these purposes.

Economic conditions and regulatory pressures impacting banks in Greece may cause disruptions to one of our lenders, which may cause an increase in the cost of our borrowings from that lender.

One of our lenders is FBB, located in Greece. As a result of the recent financial crisis in Greece, Greek banks have been under significant pressure from the applicable banking regulators to increase capital, increase earnings or merge with other banks. There can be no assurances that our banking relationship with FBB would continue if FBB were to merge with another bank or that FBB might not attempt to invoke provisions in our loan agreement that permits it to pass along increases in its cost of regulations. In either event, our financial condition and results of operations could be materially adversely affected.

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 a vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lien holder, such as our lenders, may enforce its lien by arresting a vessel through foreclosure proceedings. The arresting or attachment of one or more of our vessels could interrupt our cash flow and require us to pay large sums of funds to have the arrest lifted.

In addition, in some jurisdictions, such as South Africa, under the "sister ship" theory of liability, a claimant may arrest both 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 or managed by the same manager. Claimants could try to assert "sister ship" liability against one of our vessels for claims relating to another of our vessels or a vessel managed by our Manager.

When our charters in the spot market end, we may not be able to replace them promptly, and any replacement charters could be at lower charter rates, which may materially, adversely affect our earnings and results of operations.

We will generally attempt to recharter our vessels at favorable rates with reputable charterers. All of our vessels currently operate in the spot market. If the drybulk shipping market is in a period of depression when our vessels' charters expire, it is likely that we may be forced to re-charter them at reduced rates, if such charters are available at all. In the event charter rates fall below our costs to operate a vessel or for any other strategic or operational matter, we may determine not to recharter a vessel until such time as the charter rates increase or such strategic or operational matter ceases to exist. We cannot assure you that we will be able to obtain new charters at comparable or higher rates or with comparable charterers, that we will be able to obtain new charters at all or that we may decide not to charter a vessel at all. The charterers under our charters have no obligation to renew or extend the charters. We will generally attempt to recharter our vessels at favorable rates with reputable charterers as our charters expire. Failure to obtain replacement charters at rates comparable to our existing charters and our decision not to charter vessels will reduce or eliminate our revenue and will adversely affect our ability to service our debt. Further, we may have to incur lay-up expenses or reposition our vessels without cargo or compensation to deliver them to future charterers or to move vessels to areas where we believe that future employment may be more likely or advantageous. Repositioning our vessels would increase our vessel operating costs. If any of the foregoing events were to occur, our revenues, net income and earnings may be materially adversely affected.

The market values of our vessels have declined and may further decrease, and we may incur losses when we sell vessels or we may be required to write down their carrying value, which may adversely affect our earnings and our ability to implement our fleet renewal program.

The market values of our vessels will fluctuate depending on general economic and market conditions affecting the shipping industry and prevailing charter hire rates, competition from other shipping companies and other modes of transportation, the types, sizes and ages of our vessels, applicable governmental regulations and the cost of newbuildings.

If a determination is made that a vessel’s future useful life is limited or its future earnings capacity is reduced, it could result in an impairment of its carrying amount on our financial statements that would result in a charge against our earnings and the reduction of our shareholders’ equity. If for any reason we sell our vessels at a time when prices have fallen, the sale price may be less than the vessels’ carrying amount on our financial statements, and we would incur a loss and a reduction in earnings. During the six months ended June 30, 2012, we incurred an impairment loss of $12,480 due to expected sales of certain vessels.

We have incurred secured debt under loan agreements for all of our vessels. The market value of our vessels is based, in part, on charter rates and the stability of charter rates over a period of time. As a result of global economic conditions, volatility in charter rates, generally declining charter rates, and other factors, we have recently experienced a decrease in the market value of our vessels. Due to the decline of the market value of our fleet, we were not in compliance with certain covenants of our existing loan agreements that relate to maintenance of asset values and, as a result, we may not be able to refinance our debt or obtain additional financing. There can be no assurances that charter rates will stabilize or increase, that the market value of our vessels will stabilize or increase or that we will regain compliance with the financial covenants in our loan agreements or that our lenders will agree to waivers or forbearances.

On November 8, 2011, we sold the M/V *Free Lady* for a sale price of $21.9 million. If we fail to sell our other vessels currently held for sale (the M/V *Free Hero*, the M/V *Free Jupiter* , the M/V *Free Impala* , and the M/V *Free Neptune*), or fail to sell them at prices acceptable to us, it could have a material adverse effect on our competitiveness and business operations.

Risks Related to this Offering and Our Common Stock

There are substantial risks associated with the Investment Agreement with Granite, which could contribute to the decline of our stock price and have a dilutive impact on our existing stockholders.

The sale of shares of our common stock pursuant to the Investment Agreement will have a dilutive impact on our stockholders. Granite may resell some, if not all, of the shares we sell to it under the Investment Agreement and such sales could cause the market price of our common stock to decline significantly. To the extent of any such decline, any subsequent put would require us to issue a greater number of shares of common stock to Granite in exchange for each dollar of the advance. Under these circumstances, our existing stockholders would experience greater dilution. Although Granite is precluded from short sales, the sale of our common stock under the Investment Agreement could encourage short sales by third parties, which could contribute to the further decline of our stock price.

The actual amount of proceeds we will receive from sales of our shares to Granite under the Investment Agreement will depend on the trading prices and volume of our shares during the applicable pricing periods and, therefore, is difficult to predict. We may not receive sufficient proceeds under the Investment Agreement and we are likely to have to seek additional sources of working capital.

If we were to sell all 395,791 shares included in this prospectus at a purchase price determined as described in the preceding paragraph, based on a put notice date of March 1, 2013, we would receive an aggregate of approximately $360,724 in proceeds from the sale of those shares. Any individual put is limited as described above; therefore, the actual aggregate proceeds that we will receive from the sale of our shares under the Investment Agreement will depend on the trading prices and volume of our shares during the applicable pricing period. Although we currently intend to sell all of the shares that Granite has agreed to purchase under the Investment Agreement, there can be no assurances that we will be able to sell all the shares pursuant to the Investment Agreement or that the aggregate proceeds we actually receive will be sufficient for our working capital needs. We are likely to have to seek additional sources of working capital.

Our executive officers, directors and principal stockholders own a large percentage of our voting common stock and could limit our stockholders' influence on corporate decisions or could delay or prevent a change in corporate control.

As of March 1, 2013, our directors, executive officers and certain holders of more than 5% of our outstanding common stock, together with their affiliates and related persons, beneficially own, in the aggregate, approximately 38% of our outstanding common stock. As a result, these stockholders, if acting together, have the ability to determine the outcome of all matters submitted to our stockholders for approval, including the election and removal of directors and any merger, consolidation or sale of all or substantially all of our assets and other extraordinary transactions. The interests of this group of stockholders may not always coincide with our corporate interests or the interest of other stockholders, and they may act in a manner with which you may not agree or that may not be in the best interests of other stockholders. This concentration of ownership may have the effect of:

- delaying, deferring or preventing a change in control of our company;
- entrenching our management and/or board;
- impeding a merger, consolidation, takeover or other business combination involving our company; or
- discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of our company.

If we are unable to achieve compliance with NASDAQ's listing requirements, our common stock could be delisted from the NASDAQ Market, which would negatively impact our liquidity, our stockholders' ability to sell shares and our ability to raise capital.

On June 21, 2012, NASDAQ notified the Company that it currently is not in compliance with NASDAQ's minimum bid price rule, which requires the bid price of the Company's common stock to be at least $1.00 per share. The Company was granted an initial six month period, or until December 18, 2012, to regain compliance with the minimum bid price rule, unless it was able to obtain an extension of the deadline to regain compliance. On June 25, 2012, NASDAQ notified the Company that it currently is not in compliance with NASDAQ's minimum market value of publicly held shares rule, which requires the market value of publicly held shares ("MVPHS") of the Company's common stock to be at least $5,000,000. The Company was granted an initial six month period, or until December 24, 2012, to regain compliance with the minimum bid price rule, unless it was able to obtain an extension of the deadline to regain compliance.

In December 2012, the Company applied to NASDAQ to transfer the listing of the Company's common stock from The NASDAQ Global Market to The NASDAQ Capital Market. To transfer to the Capital Market, the Company was required to meet all of the continued listing requirements of the Capital Market, except for the minimum bid price. One of the continued listing requirements of the Capital Market is to have a MVPHS of $1,000,000. Such a transfer would have granted the Company an additional six month period to regain compliance with the minimum bid price.

On December 19, 2012, the Company received notification from NASDAQ that on December 18, 2012, it failed to meet all continued listing criteria for the Capital Market, as its MVPHS was $897,000. As a result, the notice indicated that our common stock would be delisted from NASDAQ. The Company appealed that decision, which resulted in a stay on the delisting of the Company's common stock and an appeals hearing was scheduled for February 21, 2013.

On February 13, 2013, the Company received notification from NASDAQ that effective February 19, 2013, the Company's common stock would be transferred from the NASDAQ Global Market to the NASDAQ Capital Market. In addition, the Company had been granted an extension to regain compliance with the $1.00 minimum per share bid price required for continued listing on The NASDAQ Capital Market.

The notification dated February 13, 2013 indicated that because the Company meets the MVPHS criteria for continued listing on The NASDAQ Capital Market and all other applicable requirements for initial listing on the Capital Market (except for the bid price requirement), that the Company's application to transfer its common stock from The NASDAQ Global Market to The NASDAQ Capital Market was granted.

In accordance with Marketplace Rule 5810(c)(3)(A), the Company has until June 17, 2013, which is 180 calendar days from the date the initial compliance period ended, to regain compliance with the minimum bid price rule. To regain compliance, the closing bid price of the Company's common stock must be at or above $1.00 per share for a minimum of 10 consecutive business days. NASDAQ may, in its discretion, require the Company to maintain a bid price of at least $1.00 per share for a period in excess of 10 consecutive business days, but generally no more than 20 consecutive business days, before determining that the Company has demonstrated an ability to maintain long-term compliance. If the Company does not regain compliance by June 17, 2013, NASDAQ will provide written notification to the Company that the Company's common stock may be delisted. At that time, the Company may then appeal the delisting determination to a Hearings Panel. There can be no assurances that the Company will be able to regain compliance with the NASDAQ minimum bid price rule and thereby maintain the listing of its common stock.

The delisting of our common stock would significantly affect the ability of investors to trade our securities and would significantly negatively affect the value and liquidity of our common stock. In addition, the delisting of our common stock could materially adversely affect our ability to raise capital on terms acceptable to us or at all. Delisting from the NASDAQ could also have other negative results, including the potential loss of confidence by suppliers and employees, the loss of institutional investor interest and fewer business development opportunities.

The sale of shares of our common stock to Granite under the Investment Agreement, and any subsequent resales by Granite, may cause our stock price to decline, making it more difficult for us to regain compliance with the NASDAQ Minimum Bid Price Rule.

The Investment Agreement with Granite permits us to sell up to 395,791 shares of our common stock to Granite from time to time at a price per share equal to 98% of the lowest daily volume weighted average price during the applicable pricing period. The sales of additional shares at a discount to the then-current trading price of our common stock, and any subsequent resales by Granite, could cause the trading price to decline. This could make it more difficult for us to regain compliance with NASDAQ's Minimum Bid Price Rule, which requires the minimum bid price of our common stock to be at least $1.00. If we do not regain compliance with this rule, our shares will be delisted from the NASDAQ Capital Market. If so delisted, and if we are not able to list our common stock for trading on another market, we will not be able to sell additional shares under the Investment Agreement.

The market price of our common stock has been and may in the future be subject to significant fluctuations.

The market price of our common stock has been and may in the future be subject to significant fluctuations as a result of many factors, some of which are beyond our control. Among the factors that have in the past and could in the future affect our stock price are:

- quarterly variations in our results of operations;
- our lenders' willingness to extend our loan covenant waivers, if necessary;
- changes in market valuations of similar companies and stock market price and volume fluctuations generally;
- changes in earnings estimates or publication of research reports by analysts;
- speculation in the press or investment community about our business or the shipping industry generally;
- strategic actions by us or our competitors such as acquisitions or restructurings;
- the thin trading market for our common stock, which makes it somewhat illiquid;
- the current ineligibility of our common stock to be the subject of margin loans because of its low current market price;
- regulatory developments;
- additions or departures of key personnel;
- general market conditions; and
- domestic and international economic, market and currency factors unrelated to our performance.

The stock markets in general, and the markets for drybulk shipping and shipping stocks in particular, have experienced extreme volatility that has sometimes been unrelated to the operating performance of individual companies. These broad market fluctuations may adversely affect the trading price of our common stock.

As long as our stock price remains below $5.00 per share, our shareholders will face restrictions in using our shares as collateral for margin accounts.

The closing price of our common stock on the NASDAQ Capital Market on March 1, 2013 was $0.[ ] per share. If the market price of our shares of common stock remains below $5.00 per share, under Federal Reserve regulations and account maintenance rules of many brokerages, our shareholders will face restrictions in using such shares as collateral for borrowing in margin accounts. These restrictions on the use of our common stock as collateral may lead to sales of such shares creating downward pressure on and increased volatility in, the market price of our shares of common stock. In addition, many institutional investors will not invest in stocks whose prices are below $5.00 per share.

If our common stock is delisted from The NASDAQ Stock Market, we would be subject to the risks relating to penny stocks.

If our common stock were to be delisted from trading on The NASDAQ Stock Market and the trading price of the common stock were below $5.00 per share on the date the common stock were delisted, trading in our common stock would also be subject to the requirements of certain rules promulgated under the Securities Exchange Act of 1934, as amended. These rules require additional disclosure by broker-dealers in connection with any trades involving a stock defined as a "penny stock" and impose various sales practice requirements on broker-dealers who sell penny stocks to persons other than established customers and accredited investors, generally institutions. These additional requirements may discourage broker-dealers from effecting transactions in securities that are classified as penny stocks, which could severely limit the market price and liquidity of such securities and the ability of purchasers to sell such securities in the secondary market. A penny stock is defined generally as any non-exchange listed equity security that has a market price of less than $5.00 per share, subject to certain exceptions.

As a foreign private issuer whose shares are listed on the NASDAQ Capital Market, we may follow certain home country corporate governance practices instead of certain NASDAQ requirements and are not required to obtain shareholder approval for the sale of shares under the Investment Agreement.

As a foreign private issuer whose shares are listed on the NASDAQ Capital Market, we are permitted to follow certain home country corporate governance practices instead of certain requirements of the NASDAQ Marketplace Rules. For example, we may follow home country practice with regard to, among other things, the composition of the board of directors, compensation of officers, director nomination process and quorum at shareholders' meetings. In addition, we may follow home country practice instead of the NASDAQ requirement to obtain shareholder approval for certain dilutive events, such as for the establishment or amendment of certain equity-based compensation plans, a stock issuance that will result in a change of control of the company, certain transactions other than a public offering involving issuances of a 20% or more interest in the company and certain acquisitions of the stock or assets of another company. In particular, we are not required to obtain shareholder approval for our sale of shares pursuant to the Investment Agreement, which may result in the issuance of shares totaling more than 20% of our outstanding shares. Accordingly, our shareholders may not be afforded the same protections as provided under NASDAQ's corporate governance rules.

Future sales or issuances of our stock could cause the market price of our common stock to decline.

Issuance of a substantial number of shares of our common stock in public or private offerings, including pursuant to the Investment Agreement, or in payment of obligations due, or the perception that these issuances could occur, may depress the market price for our common stock. These issuances could also impair our ability to raise additional capital through the sale of our equity securities in the future. We may issue additional shares of our common stock in the future and our shareholders may elect to sell large numbers of shares held by them from time to time. Also, we may need to raise additional capital to achieve our business plans.

Because the Republic of the Marshall Islands, where we are incorporated, does not have a well-developed body of corporate law, shareholders may have fewer rights and protections than under typical United States law, such as Delaware, and shareholders may have difficulty in protecting their interest with regard to actions taken by our Board of Directors.

Our corporate affairs are governed by 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 U.S. jurisdictions. Shareholder rights may differ as well. For example, under Marshall Islands law, a copy of the notice of any meeting of the shareholders must be given not less than 15 days before the meeting, whereas in Delaware such notice must be given not less than 10 days before the meeting. Therefore, if immediate shareholder action is required, a meeting may not be able to be convened as quickly as it can be convened under Delaware law. Also, under Marshall Islands law, any action required to be taken by a meeting of shareholders may only be taken without a meeting if consent is in writing and is signed by all of the shareholders entitled to vote, whereas under Delaware law action may be taken by consent if approved by the number of shareholders that would be required to approve such action at a meeting. Therefore, under Marshall Islands law, it may be more difficult for a company to take certain actions without a meeting even if a majority of the shareholders approve of such action. 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, 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 U.S. jurisdiction.

It may not be possible for investors to enforce U.S. judgments against us.

We, and all our subsidiaries, are or will be incorporated in jurisdictions outside the U.S. and substantially all of our assets and those of our subsidiaries and will be located outside the U.S. In addition, most of our directors and officers are or will be non-residents of the U.S., and all or a substantial portion of the assets of these non-residents are or will be 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 or the assets of our subsidiaries are located 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 would enforce, in original actions, liabilities against us or our subsidiaries based on those laws.

We can issue shares of preferred stock without shareholder approval, which could adversely affect the rights of common shareholders.

Our articles of incorporation permit us to establish the rights, privileges, preferences and restrictions, including voting rights, of future series of our preferred stock and to issue such stock without approval from our stockholders. The rights of holders of our common stock may suffer as a result of the rights granted to holders of preferred stock that we may issue in the future. In addition, we could issue preferred stock to prevent a change in control of our company, depriving common shareholders of an opportunity to sell their stock at a price in excess of the prevailing market price.

Our stockholder rights plan may discourage a takeover.

In January 2009, our Board of Directors authorized shares of Series A Participating Preferred Stock in connection with its adoption of a stockholder rights plan, under which we issued rights to purchase Series A Preferred Stock to holders of our common stock. Upon certain triggering events, each Right entitles the registered holder to purchase from us one one-thousandth of a share of Preferred Stock at an exercise price of $90.00, subject to adjustment. Our stockholder rights plan may generally discourage a merger or tender offer involving our securities that is not approved by our Board of Directors by increasing the cost of effecting any such transaction and, accordingly, could have an adverse impact on stockholders who might want to vote in favor of such merger or participate in such tender offer. Our stockholder rights plan expires in January 2019.

Provisions in our organizational documents, our management agreement and under Marshall Islands corporate law could make it difficult for our shareholders to replace or remove our current Board of Directors or have the effect of discouraging, delaying or preventing a merger or acquisition, which could adversely affect the market price of our common stock.

Several provisions of our amended and restated articles of incorporation and by-laws, and certain provisions of the Marshall Islands corporate law, 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, these 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 a two-thirds majority of the outstanding shares of our common shares, voting as a single class, entitled to vote for the directors;
- limiting the persons who may call special meetings of shareholders;
- establishing advance notice requirements for election to our Board of Directors or proposing matters that can be acted on by shareholders at shareholder meetings; and
- limiting our ability to enter into business combination transactions with certain shareholders.

Pursuant to the terms of our management agreement, our Manager is entitled to a termination fee if such agreement is terminated upon a "change of control," which term includes, but is not limited to, the election of a director not recommended by the then-current Board of Directors, any person or entity or group of affiliated persons or entities that becomes a beneficial owner of 15% or more of our voting securities, a merger of FreeSeas where less than a majority of the shares of the resulting entity are held by the FreeSeas shareholders or the sale of all or substantially all of FreeSeas' assets. The termination fee as of June 30, 2012 would have been approximately $89 million. In addition, we have implemented a shareholder rights plan pursuant to which the holders of our common stock receive one right to purchase one one-thousandth of a share of our Series A Participating Preferred Stock at an exercise price of $90.00 per share, subject to adjustment. The rights become exercisable upon the occurrence of certain change in control events. These provisions and our shareholder rights plan could substantially impede the ability of public shareholders to benefit from a change in control and, as a result, may adversely affect the market price of our common shares and your ability to realize any potential change of control premium.

15

PRICE RANGE OF OUR PUBLICLY TRADED SECURITIES

Our common stock began trading on the NASDAQ Capital Market on February 26, 2013 under the trading symbol “FREE.” Prior to that time, our common stock traded on the NASDAQ Global Market between November 8, 2007 and February 25, 2013 under the trading symbol “FREE.” Prior to that time, our common stock was traded on the NASDAQ Capital Market under the symbol “FREE.”

The closing high and low sales prices of our common stock as reported by the NASDAQ Stock Market, for the years, quarters and months indicated, are as follows (adjusted to give effect of our one share for five share reverse stock split that was effective on October 1, 2010 and our one share for ten share reverse split that was effective on February 14, 2013):

	Common Stock	
For the Years Ended:	**High**	**Low**
December 31, 2008	$398.50	45.00
December 31, 2009	174.50	58.50
December 31, 2010	79.50	36.10
December 31, 2011	38.90	4.00
December 31, 2012	18.50	0.70

	Common Stock	
For the Quarters Ended:	**High**	**Low**
March 31, 2011		