

Seanergy Maritime Holdings Corp.  
Form 20-F  
March 19, 2012

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR  
12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

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

For the fiscal year ended December 31, 2011

OR

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

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

OR

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

Date of event requiring this shell company report: Not applicable

Commission file number: 001-34848

SEANERGY MARITIME HOLDINGS CORP.

(Exact name of Registrant as specified in its charter)

(Translation of Registrant's name into English)

Republic of the Marshall Islands

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(Jurisdiction of incorporation or organization)

1-3 Patriarchou Grigoriou Street, 166 74 Glyfada, Athens, Greece  
(Address of principal executive offices)

Dale Ploughman, Chief Executive Officer and Chairman of the Board of Directors  
Seanergy Maritime Holdings Corp.

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Telephone: (011) +30 213 0181507, Fax: (011) +30 210 9638450

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Title of class	Name of exchange on which registered
Shares of common stock, par value \$0.0001 per share	NASDAQ Global Market

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: As of December 31, 2011, there were 7,317,662 shares of the registrant's common stock, \$0.0001 par value, outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.  Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months.  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See the definitions of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

International Financial Reporting  
Standards as issued by the  
International Accounting Standards  
Board

Other

U.S. GAAP

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains certain forward-looking statements. Our forward-looking statements include, but are not limited to, statements regarding our 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 "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "possible," "potential," "predict," "project," "should," "would" and similar 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 annual report may include, for example, statements about:

- our future operating or financial results;
- our financial condition and liquidity, including our ability to obtain additional financing in the future to fund capital expenditures, acquisitions and other general corporate activities;
- our ability to pay dividends in the future;
- dry bulk shipping industry trends, including charter rates and factors affecting vessel supply and demand;
- future, pending or recent acquisitions, business strategy, areas of possible expansion, and expected capital spending or operating expenses;
- the useful lives and changes in the value of our vessels and their impact on our compliance with loan covenants;
  - availability of crew, number of off-hire days, classification survey requirements and insurance costs;
  - global and regional economic and political conditions;
- our ability to leverage the relationships and reputation in the dry bulk shipping industry of Safbulk Pty Ltd., or Safbulk Pty, and Safbulk Maritime S.A., or Safbulk Maritime, collectively referred to throughout this annual report as Safbulk, SwissMarine Services S.A., or SwissMarine, and Enterprises Shipping and Trading, S.A., or EST;
  - changes in seaborne and other transportation patterns;
  - changes in governmental rules and regulations or actions taken by regulatory authorities;
  - potential liability from future litigation and incidents involving our vessels;
  - acts of terrorism and other hostilities; and
  - other factors discussed in "Item 3.D. Risk Factors."

The forward-looking statements contained in this annual report 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 "Item 3.D. 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.



## PART I

References in this annual report to "Seanergy," "we," "us," "our company" or "Company" refer to Seanergy Maritime Holdings Corp. and our subsidiaries, but, if the context otherwise requires, may refer only to Seanergy Maritime Holdings Corp. References in this annual report to "Seanergy Maritime" refer to our predecessor, Seanergy Maritime Corp. References in this annual report to "BET" refer to our wholly-owned subsidiary Bulk Energy Transport (Holdings) Limited. References in this annual report to "MCS" refer to our wholly-owned subsidiary Maritime Capital Shipping Limited.

## ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

## ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

## ITEM 3. KEY INFORMATION

## A. Selected Financial Data

The following table presents selected consolidated financial data of Seanergy as of and for the years ended December 31, 2011, 2010, 2009, 2008 and 2007. The information is only a summary and should be read in conjunction with the audited consolidated financial statements and related notes included elsewhere in this annual report and section "Item 5. Operating and Financial Review and Prospects." The selected consolidated financial data is a summary of, and is derived from, our audited consolidated financial statements and notes thereto, which have been prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. Balance sheet data as of December 31, 2009, 2008 and 2007 and income statement data for the years ended December 31, 2008 and 2007 is derived from our audited financial statements not included herein. The historical data included below and elsewhere in this annual report is not necessarily indicative of our future performance.

Our fleet operations commenced in August 2008, upon the consummation of our initial business combination. During the period from our inception to the date of our initial business combination, we were a development stage enterprise.

Amounts in the tables below are in thousands of U.S. dollars, except for share and per share data.

	Year Ended December 31,				
	2011	2010	2009	2008	2007
Statement of Income Data:					
Vessel revenue, net	104,060	95,856	87,897	34,453	-
Direct voyage expenses	(2,541 )	(2,399 )	(753 )	(151 )	-
Vessel operating expenses	(34,727 )	(30,667 )	(16,222 )	(3,180 )	-
Voyage expenses - related party	(661 )	(434 )	(1,119 )	(440 )	-
Management fees - related party	(2,415 )	(2,328 )	(1,715 )	(388 )	-
Management fees	(576 )	(316 )	-	-	-
General and administration expenses	(8,070 )	(7,606 )	(5,928 )	(2,161 )	(445 )
General and administration expenses - related party	(603 )	(697 )	(742 )	(109 )	-

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Amortization of deferred dry-docking costs	(7,313 )	(3,657 )	(1,045 )	-	-
Depreciation	(28,856 )	(29,328 )	(26,812 )	(9,929 )	-
Goodwill impairment loss	(12,910 )	-	-	(44,795 )	-
Vessels' impairment loss	(188,995 )	-	-	(4,530 )	-
Gain from acquisition of subsidiary	-	-	6,813	-	-
Operating (loss) income	(183,607 )	18,424	40,374	(31,230 )	(445 )
Interest and finance costs	(13,482 )	(12,931 )	(7,230 )	(3,895 )	(45 )
Interest and finance costs – shareholders	-	-	(386 )	(182 )	(13 )
Interest income	60	358	430	3,361	1,948
Loss on interest rate swaps	(641 )	(4,164 )	(1,575 )	-	-
Foreign currency exchange (losses) gains, net	(46 )	14	(44 )	(39 )	-
Net (loss) income before taxes	(197,716 )	1,701	31,569	(31,985 )	1,445
Income taxes	(40 )	(60 )	-	-	-
Net (loss) income	(197,756 )	1,641	31,569	(31,985 )	1,445
Less: Net income attributable to the noncontrolling interest	-	(1,509 )	(1,517 )	-	-
Net (loss) income attributable to Seanergy Maritime Holdings Corp. Shareholders	(197,756 )	132	30,052	(31,985 )	1,445
Net (loss) income per common share					
Basic	(27.04 )	0.02	17.42	(18.14 )	1.84
Diluted	(27.04 )	0.02	14.77	(18.14 )	1.44
Weighted average common shares outstanding					
Basic	7,314,636	5,861,129	1,725,531	1,763,486	783,606
Diluted	7,314,636	5,861,129	2,035,285	1,763,486	1,002,419
Dividends declared per share	-	-	-	2.76	-

	As of December 31,				
	2011	2010	2009	2008	2007
<b>Balance Sheet Data:</b>					
Total current assets	43,432	68,459	67,473	29,814	235,213
Vessels, net	381,129	597,372	444,820	345,622	-
Total assets	436,476	696,401	538,452	378,202	235,213
Total current liabilities, including current portion of long-term debt	58,697	72,791	42,138	32,999	5,995
Long-term debt, net of current portion	300,586	346,168	267,360	213,638	-
Total Seanergy shareholders' equity	76,923	274,665	208,489	131,565	148,369
Non controlling interest	-	-	18,330	-	-
Total equity	76,923	274,665	226,819	131,565	148,369

	Year Ended December 31,				
	2011	2010	2009	2008	2007
<b>Cash Flow Data:</b>					
Net cash provided by (used in) operating activities	26,439	31,537	43,208	25,700	1,585
Net cash provided by (used in) investing activities	-	7,885	36,353	(142,919 )	(232,923 )
Net cash (used in) provided by financing activities	(62,492 )	(49,242 )	(43,497 )	142,551	233,193

**B. Capitalization and Indebtedness**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not applicable.

**D. Risk Factors**

Some of the following risks relate principally to the industry in which we operate and our business in general. If any of the following risks occur, our business, financial condition, operating results and cash flows could be materially adversely affected and the trading price of our securities could decline.

**Industry Specific Risk Factors**

Charter hire rates for dry bulk carriers are highly volatile and remain significantly below the highs of 2008, which has adversely affected our revenues, earnings and profitability and our ability to pay dividends in the future.

The abrupt and dramatic downturn in the dry bulk charter market, from which we have derived substantially all of our revenues, has severely affected the dry bulk shipping industry and has harmed our business. The Baltic Dry Index, or BDI, declined from a high of 11,793 in May 2008 to a low of 663 in December 2008, which represents a decline of 94%. Over the comparable period of May through December 2008, the high and low of the Baltic Capesize Index, the Baltic Panamax Index, the Baltic Supramax Index and the Baltic Handysize Index represent declines of 96%, 96%,

94% and 92%, respectively. During 2009, the BDI increased from a low of 772 in January 2009 to a high of 4,661 in November 2009. In 2010, the BDI increased from 3,140 in January 2010 to a high of 4,209 in May 2010 and subsequently decreased to a low of 1,700 in July 2010. In 2011, the BDI experienced further declines reaching a low of 1,043 on February 4, 2011 and a high of 2,173 on October 14, 2011. In 2012 and as of the date of this Annual Report the BDI reached a low of 647 points on February 3, 2012 and a high of 1,624 on January 3, 2012. The decline and volatility in charter rates has been due to various factors, including the lack of trade financing for purchases of commodities carried by sea, which resulted in a significant decline in cargo shipments, trade disruptions caused by natural disasters, and increased vessel deliveries. Dry bulk charter rates are at depressed levels and may decline further. These circumstances, which result from the economic situation worldwide and the multiple disruptions to the operation of global credit markets, have had a number of adverse consequences for dry bulk shipping, including, among other developments:

- decrease in available financing for vessels;
- sharp decline in charter rates, particularly for vessels employed in the spot market;
- charterers seeking to renegotiate the rates for existing time charters;

- widespread loan covenant defaults in the dry bulk shipping industry due to the substantial decrease in vessel values; and
  - declaration of bankruptcy by some operators, charterers and ship owners.

The degree of charter hire rate volatility among different types of dry bulk carriers has varied widely. If we enter into a charter when charter hire rates are low, our revenues and earnings will be adversely affected. In addition, a decline in charter hire rates likely will cause the value of the vessels that we own, to decline and we may not be able to successfully charter our vessels in the future at rates sufficient to allow us to operate our business profitably or meet our obligations.

An over-supply of drybulk carrier capacity may prolong or further depress the current low charter rates and, in turn, adversely affect our profitability.

Fluctuations in charter rates and vessel values result from changes in the supply and demand for dry bulk cargoes carried internationally at sea, including coal, iron, ore, grains and minerals. The market supply of drybulk carriers has been increasing, and the number of drybulk carriers on order is near historic highs. These newbuildings were delivered in significant numbers starting at the beginning of 2006 and continued to be delivered in significant numbers through 2011. As of the end of February 2012, newbuilding orders had been placed for an aggregate of more than 31% of the current global dry bulk fleet, with deliveries expected during the next four years. While vessel supply will continue to be affected by the delivery of new vessels and the removal of vessels from the global fleet, either through scrapping or accidental losses, an over-supply of dry bulk carrier capacity, particularly in conjunction with the currently low level of demand, could exacerbate the recent decrease in charter rates or prolong the period during which low charter rates prevail. If the current low charter rate environment persists, or a further reduction occurs, during a period when the current charters for our dry bulk carriers expire or are terminated, we may only be able to recharter those vessels at reduced rates or we may not be able to charter our vessels at all. The current long-term time charters for 9 of our vessels are scheduled to expire in 2012. Because the factors affecting the supply and demand for dry bulk carriers are outside of our control and are unpredictable, the nature, timing, direction and degree of changes in dry bulk shipping market conditions are also unpredictable.

Factors that could influence demand for seaborne transportation of cargo include:

- demand for and production of dry bulk products;
  - distance that cargo is to be transported by sea;
  - global and regional economic and political conditions;
  - environmental and other regulatory developments; and
- changes in seaborne and other transportation patterns, including changes in the distances over which cargo is transported due to geographic changes in where commodities are produced and cargoes are used.

The factors that influence the supply of vessel capacity include:

- number of new vessel deliveries;

- scrapping rate of older vessels;
- vessel casualties;
- price of steel;
- number of vessels that are out of service;
- changes in environmental and other regulations that may limit the useful life of vessels; and
  - port or canal congestion.

In addition to the prevailing and anticipated freight rates, factors that affect the rate of newbuilding, scrapping and laying-up include newbuilding prices, secondhand vessel values in relation to scrap prices, costs of bunkers and other operating costs, costs associated with classification society surveys, maintenance and insurance coverage, the efficiency and age profile of the existing dry bulk fleet in the market and government and industry regulations of maritime transportation practices, particularly environmental protection laws and regulations. These factors influencing the supply and demand for shipping capacity are outside of our control, and we may not be able to correctly assess the nature, timing and degree of changes in industry conditions.

We anticipate that the future demand for our vessels will be dependent upon continued economic growth in the world's economies, including China and India, seasonal and regional changes in demand, changes in the capacity of the world's dry bulk carrier fleet and the sources and supply of cargo to be transported by sea. If the global vessel capacity increases in the dry bulk shipping market, but the demand for vessel capacity in this market does not increase or increases at a slower rate, the charter rates could materially decline, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

The market values of our vessels may decrease, which could limit the amount of funds that we can borrow or trigger certain financial covenants under our current or future credit facilities and we may incur a loss if we sell vessels following a decline in their market value.

The fair market values of our vessels are related to prevailing freight charter rates. While the fair market value of vessels and the freight charter market have a very close relationship as the charter market moves from trough to peak, the time lag between the effect of charter rates on market values of ships can vary. A decrease in the market value of our vessels would require us to raise additional capital in order to remain compliant with our loan covenants and loan covenant waiver agreements, and could result in the loss of our vessels and adversely affect our earnings and financial condition.

The fair market value of our vessels may increase and decrease depending on a number of factors including:

- prevailing level of charter rates;
- general economic and market conditions affecting the shipping industry;
  - types and sizes of vessels;
  - supply and demand for vessels;
  - other modes of transportation;
  - cost of newbuildings;
- governmental and other regulations; and
- technological advances.

In addition, as vessels grow older, they generally decline in value. If the fair market value of our vessels declines, we may not be in compliance with certain provisions of our credit facilities. If we are not able to remedy a

non-compliance or obtain waivers, our lenders could require us to post additional collateral, enhance our equity and liquidity, increase our interest payments or pay down our indebtedness to a level where we are in compliance with our loan covenants, sell vessels from our fleet, or they could accelerate our indebtedness and foreclose on their collateral, which would impair our ability to continue to conduct our business. If our indebtedness is accelerated, we may not be able to refinance our debt or obtain additional financing. During the year ended December 31, 2011, we were not in compliance with certain covenants contained in our loan agreements with Marfin Popular Bank Public Co Ltd, Greek Branch, trade name Marfin Egnatia Bank (f.k.a. Egnatia Bank S.A. of Greece), or Marfin, and Citibank International plc, or Citibank, which included breach of the covenant which requires that the market value of the vessels and the value of any other outstanding security is not less than a percentage of the outstanding amount of the outstanding loans. The lenders have agreed to addenda to these loan agreements which waive or modify the breached covenants for a specified period of time. For more information regarding the Citibank and Marfin loan agreements, please see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Credit Facilities." If we are not in compliance with the covenants in our loan agreements and we are unable to obtain waivers, we will not be able to pay dividends in the future until the covenant defaults are cured or we obtain waivers. This may limit our ability to continue to conduct our operations, pay dividends to you, finance our future operations, make acquisitions or pursue business opportunities.



In addition, if we sell any of our owned vessels at a time when prices are depressed, we could incur a loss and our business, results of operations, cash flow and financial condition could be adversely affected. Moreover, if we sell vessels at a time when vessel prices have fallen and before we have recorded an impairment adjustment to our financial statements, the sale may be at less than the vessel's carrying amount in our financial statements, resulting in a loss and a reduction in earnings. For example, in February 2012, we announced a book value loss of approximately \$2.4 million relating to the sale of the Handymax drybulk carrier, the African Zebra, to an unrelated third party, which will be reflected in our financial results for the first quarter of 2012.

If economic conditions throughout the world do not improve, it will impede our results of operations, financial condition and cash flows, and could cause the market price of our common shares to decline.

Negative trends in the global economy that emerged in 2008 continue to adversely affect global economic conditions. In addition, the world economy is currently facing a number of challenges, including recent turmoil and hostilities in the Middle East, North Africa and other geographic areas and countries. The deterioration in the global economy has caused, and may continue to cause, a decrease in worldwide demand for certain goods and, thus, shipping. Continuing economic instability could have a material adverse effect on our ability to implement our business strategy.

Continued economic slowdown in the Asia Pacific region, especially in Japan and China, may exacerbate the effect on us of the recent slowdown in the rest of the world. Since the global economic financial crisis that began in 2008, China's growth rate as determined by changes in its gross domestic product, or GDP, has been decreasing. According to industry sources, the growth rate of China's GDP decreased to approximately 9.2% for the year ended December 31, 2011, as compared to approximately 10.4% for the year ended December 31, 2010, and continues to remain below pre-2008 levels. China has imposed measures to restrain lending, which may further contribute to a slowdown in its economic growth. China and other countries in the Asia Pacific region may continue to experience slower economic growth in the near future. Moreover, the current economic slowdown in the economies of the United States, the European Union and other Asian countries may further adversely affect economic growth in China and elsewhere. Our results of operations and ability to grow our fleet would be impeded by a continuing or worsening economic downturn in any of these countries.

The instability of the euro or the inability of countries to refinance their debts could have a material adverse effect on our revenue, profitability and financial position.

As a result of the credit crisis in Europe, in particular in Greece, Italy, Ireland, Portugal and Spain, the European Commission created the European Financial Stability Facility, or the EFSF, and the European Financial Stability Mechanism, or the EFSM, to provide funding to Eurozone countries in financial difficulties that seek such support. In March 2011, the European Council agreed on the need for Eurozone countries to establish a permanent stability mechanism, the European Stability Mechanism, or the ESM, which will be activated by mutual agreement, to assume the role of the EFSF and the EFSM in providing external financial assistance to Eurozone countries. Despite these measures, concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations and the overall stability of the euro. An extended period of adverse development in the outlook for European countries could reduce the overall demand for oil and gas and for our services. These potential developments, or market perceptions concerning these and related issues, could affect our financial position, results of operations and cash flow.

We maintain cash with a limited number of financial institutions including financial institutions that may be located in Greece, which will subject us to credit risk.

We maintain all of our cash with a limited number of financial institutions, including institutions that are located in Greece. These financial institutions located in Greece may be subsidiaries of international banks or Greek financial institutions. Economic conditions in Greece have been, and continue to be, severely disrupted and volatile, and as a result of sovereign weakness, Moody's Investor Services Inc. has downgraded the bank financial strength ratings, as well as the deposit and debt ratings, of several Greek banks to reflect their weakening stand-alone financial strength and the anticipated additional pressures stemming from the country's challenged economic prospects.

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

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

Risks involved with operating ocean-going vessels could affect our business and reputation, which would adversely affect our revenues and expenses.

The operation of an ocean-going vessel carries inherent risks. These risks include the possibility of:

- crew strikes and/or boycotts;
- marine disaster;
- piracy;
- environmental accidents;
- cargo and property losses or damage; and
- business interruptions caused by mechanical failure, human error, war, terrorism, political action in various countries or adverse weather conditions.

Any of these circumstances or events could increase our costs or lower our revenues.

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

In recent years, the United States, Europe, and other parts of the world exhibited deteriorating economic trends and significant contraction, de-leveraging and reduced liquidity of the credit markets. The United States federal government and state governments, the European Union, and other foreign governments have implemented and are continuing to implement a broad variety of governmental action and/or new regulation of the financial markets. Securities and futures markets and the credit markets are subject to comprehensive statutes, regulations and other requirements. The Commission, other regulators, self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies, and may effect changes in law or interpretations of existing laws.

A number of financial institutions experienced serious financial difficulties and, in some cases, have entered bankruptcy proceedings or are in regulatory enforcement actions. These difficulties have resulted, in part, from declining markets for assets held by such institutions, particularly the reduction in the value of their mortgage and asset-backed securities portfolios. These difficulties have been compounded by a general decline in the willingness by banks and other financial institutions to extend credit or refinance our debt. In addition, these difficulties may adversely affect the financial institutions that provide our credit facilities and may impair their ability to continue to perform under their financing obligations to us, which could have an impact on our ability to fund current and future obligations. As of December 31, 2011, we had total outstanding indebtedness of \$346.4 million, under six credit facilities which are scheduled to mature in 2013, 2015, 2016 and 2018.

In addition, the world economy is currently facing a number of other challenges. This includes (i) uncertainty related to the European sovereign debt crisis and certain countries' ability to refinance their sovereign debt, such as Greece, Spain, Portugal, Ireland, and Italy, (ii) uncertainty related to the course of the economic recovery in the United States

and (iii) the possibility of an economic slowdown in Asian economies such as China, Japan and South Korea.

We face risks attendant to changes in economic environments, changes in interest rates, and instability in the banking and securities markets around the world, among other factors. Major market disruptions and the current adverse changes in market conditions and regulatory climate in the United States and worldwide may adversely affect our business or impair our ability to borrow amounts under our credit facilities or any future financial arrangements. We cannot predict how long the current market conditions will last. However, these recent and developing economic and governmental factors, together with the concurrent decline in charter rates and vessel values, may have a material adverse effect on our results of operations, financial condition or cash flows, could cause the trading price of our common shares on the NASDAQ Global Select Market to decline precipitously and could cause the price of our common shares to continue to decline or impair our ability to make distributions to our shareholders.

If we acquire additional dry bulk carriers and those vessels are not delivered on time or are delivered with significant defects, our earnings and financial condition could suffer.

We expect to acquire additional vessels in the future. A delay in the delivery of any of these vessels to us or the failure of the contract counterparty to deliver a vessel at all could cause us to breach our obligations under a related time charter and could adversely affect our earnings, our financial condition and the amount of dividends, if any, that we pay in the future. The delivery of these vessels could be delayed or certain events may arise which could result in us not taking delivery of a vessel, such as a total loss of a vessel, a constructive loss of a vessel, or substantial damage to a vessel prior to delivery. In addition, the delivery of any of these vessels with substantial defects could have similar consequences.

Rising fuel prices may adversely affect our profits.

The cost of fuel is a significant factor in negotiating charter rates. As a result, an increase in the price of fuel beyond our expectations may adversely affect our profitability. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geo-political developments, supply and demand for oil, actions by members of the Organization of the Petroleum Exporting Countries and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns and regulations. Further, fuel may become much more expensive in the future, which may reduce the profitability and competitiveness of our business versus other forms of transportation, such as truck or rail.

Upon redelivery of vessels at the end of a period time or voyage time charter, we may be obligated to repurchase bunkers on board at prevailing market prices, which could be materially higher than fuel prices at the inception of the charter period. In addition, although we rarely deploy our vessels on voyage charters, fuel is a significant, if not the largest, expense that we would incur with respect to vessels operating on voyage charter.

Currently we have 3 vessels in the spot charter market. Spot charter contracts generally provide that the vessel owner bears the cost of fuel in the form of bunkers, which is a material operating expense. We do not intend to hedge our fuel costs thus an increase in the price of fuel beyond our expectations may affect in a negative way our profitability and our cash flows.

We may become dependent on spot charters in the volatile shipping markets which may have an adverse impact on stable cash flows and revenues.

We currently employ 3 vessels on spot charters and we may employ more vessels in the spot market when long-term time charters on one or more of our vessels expire. The spot charter market is highly competitive and rates within this market are subject to volatile fluctuations, while longer-term period time charters provide income at predetermined rates over more extended periods of time. When we spot charter our vessels, there can be no assurance that we will be successful in keeping all our vessels fully employed in these short-term markets or that future spot rates will be sufficient to enable our vessels to be operated profitably. A significant decrease in charter rates could affect the value of our fleet and could adversely affect our profitability and cash flows with the result that our ability to pay debt service to our lenders could be impaired.

Our operations are subject to seasonal fluctuations, which could affect our operating results and ability to service our debt or pay dividends in the future.

We operate our vessels in markets that have historically exhibited seasonal variations in demand and, as a result, in charter hire rates. To the extent we operate vessels in the spot market, this seasonality may result in quarter-to-quarter volatility in our operating results. The dry bulk carrier market is typically stronger in the fall and winter months in anticipation of increased consumption of coal and other raw materials in the northern hemisphere during the winter months. In addition, unpredictable weather patterns in these months tend to disrupt vessel schedule and supplies of certain commodities. As a result, our revenues may be weaker during the fiscal quarters ending June 30 and September 30, and, conversely, our revenues may be stronger in fiscal quarters ending December 31 and March 31. While this seasonality will not affect our operating results as long as our fleet is employed on period time charters, if our vessels are employed in the spot market in the future, seasonality may materially affect our operating results.

Our vessels may call on ports located in countries that are subject to restrictions imposed by the United States, the European Union or other governments that could adversely affect our reputation and the market price of our common stock.

From time to time, on charterers' instructions our vessels may call on ports located in countries subject to sanctions and embargoes imposed by the U.S. government and countries identified by the U.S. government as state sponsors of terrorism including Cuba, Iran, Sudan and Syria. In the future our vessels may call on ports in these countries from time to time on our charterers' instructions. The U.S. sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time. In 2010, the U.S. enacted the Comprehensive Iran Sanctions Accountability and Divestment Act, or CISADA, which expanded the scope of the former Iran Sanctions Act. Among other things, CISADA expanded the application of the prohibitions to additional activities of non-U.S. companies and introduced limits on the ability of companies and persons to do business or trade with Iran when such activities relate to the investment, supply or export of refined petroleum or petroleum products.

We believe that we are currently in compliance with all applicable sanctions and embargo laws and regulations. In order to maintain compliance we are monitoring and reviewing the movement of our vessels on a frequent basis. During 2011, two of our chartered vessels each made one port call to Iraq, another two of our chartered vessels each made one port call to Syria, and another one of our chartered vessels made one port call to Iran, representing approximately 0.99% of the approximately 503 total calls on worldwide ports made by our vessels during 2011. These five port calls occurred while the respective vessels were chartered to third parties and operated at the instructions of the charterers or sub-charterers.

Most of our charters include provisions and trade exclusion clauses prohibiting the vessels from calling on ports where there is an existing U.S embargo. Furthermore as of the date hereof, neither the Company nor its subsidiaries have ever entered into or have any future plans to enter into, directly or indirectly, any contracts, agreements or other arrangements with the governments of Iran, Syria, Sudan or Cuba or any entities controlled by the governments of these countries, including any entities organized in these countries.

Although we intend to comply with all applicable sanctions and embargo laws and regulations, there can be no assurance that we will maintain such compliance, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. Any such violation could result in fines or other penalties and could result in some investors deciding, or being required, not to invest, in our company. Additionally, some investors may decide not to invest in our company simply because we do business with companies that do business in sanctioned countries. Moreover, our charterers may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve us or our vessels, and those violations could in turn negatively affect our reputation. Investor perception of the value of our common stock may also be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and surrounding countries.

We are subject to regulation and liability under environmental laws that could require significant expenditures and affect our cash flows and net income.

Our business and the operation of our vessels are materially affected by government regulation in the form of international conventions, national, state and local laws and regulations in force in the jurisdictions in which the vessels operate, as well as in the country or countries of their registration, including those governing oil spills, discharges to air and water, ballast water management, and the handling and disposal of hazardous substances and wastes. These requirements include, but are not limited to, the U.S. Oil Pollution Act of 1990, or OPA, the U.S. Comprehensive Environmental Response, Compensation and Liability Act of 1980, or CERCLA, the U.S. Clean Air Act, U.S. Clean Water Act and the U.S. Marine Transportation Security Act of 2002, and regulations of the International Maritime Organization, or the IMO, including the International Convention for the Prevention of Pollution from Ships of 1975, the International Convention for the Prevention of Marine Pollution of 1973, the IMO International Convention for the Safety of Life at Sea of 1974 and the International Convention on Load Lines of 1966. We may also incur additional costs in order to comply with other existing and future regulatory obligations, including, but not limited to, costs relating to air emissions including greenhouse gases, the management of ballast water, maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other financial assurance of our ability to address pollution incidents. Furthermore, the explosion of the Deepwater Horizon and the subsequent release of oil into the Gulf of Mexico, or other events, may result in further regulation of the shipping industry, and modifications to statutory liability schemes, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. These costs could have a material adverse effect on our business, results of operations, cash flows and financial condition and our available cash. Because such conventions, laws and regulations are often revised, we cannot predict the ultimate cost of

complying with such conventions, laws and regulations or the impact thereof on the resale price or useful life of our vessels. Additional conventions, laws and regulations may be adopted which could limit our ability to do business or increase the cost of our doing business and which may materially adversely affect our operations. We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to our operations.

We currently maintain, for each of our vessels, pollution liability coverage insurance of \$1.0 billion per incident. If the damages from a catastrophic spill exceed our insurance coverage, it would severely affect us.



Increased inspection procedures, tighter import and export controls and new security regulations could increase costs and disrupt our business.

International shipping is subject to security and customs inspection and related procedures in countries of origin, destination and trans-shipment points. Since the events of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security, such as the Maritime Transportation Security Act of 2002, or MTSA. To implement certain portions of the MTSA, in July 2003, the U.S. Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. These security procedures can result in delays in the loading, discharging or trans-shipment and the levying of customs duties, fines or other penalties against exporters or importers and, in some cases, carriers. Future changes to the existing security procedures may be implemented that could affect the dry bulk sector. These changes have the potential to impose additional financial and legal obligations on carriers and, in certain cases, to render the shipment of certain types of goods uneconomical or impractical. These additional costs could reduce the volume of goods shipped, resulting in a decreased demand for vessels and have a negative effect on our business, revenues and customer relations.

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

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea, the Indian Ocean and in the Gulf of Aden off the coast of Somalia. Although sea piracy worldwide decreased slightly in 2011 for the first time in five years, throughout 2008, 2009 and 2010, the frequency of piracy incidents increased significantly, particularly in the Gulf of Aden off the coast of Somalia, with dry bulk vessels and tankers particularly vulnerable to such attacks. If these piracy attacks result in regions in which our vessels are deployed being characterized as "war risk" zones by insurers, as the Gulf of Aden temporarily was in May 2008, or Joint War Committee "war and strikes" listed areas, premiums payable for such coverage could increase significantly and such insurance coverage may be more difficult to obtain. In addition, crew costs, including due to employing onboard security guards, could increase in such circumstances. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, any hijacking as a result of an act of piracy against our vessels, or an increase in cost, or unavailability, of insurance for our vessels, could have a material adverse impact on our business, financial condition and results of operations.

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

Terrorist attacks such as those in New York on September 11, 2001, in Spain on March 11, 2004, in London on July 7, 2005 and in Mumbai in 2008 and the continuing response of the United States to these attacks, as well as the threat of future terrorist attacks in the United States or elsewhere, continues to cause uncertainty in the world's financial markets and may affect our business, operating results and financial condition. Continuing conflicts and recent developments in the Middle East, including Egypt, and North Africa, and the presence of U.S. and other armed forces in the Middle East, may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further economic instability in the global financial markets. These uncertainties could also adversely affect our ability to obtain additional financing on terms acceptable to us or at all. In the past, political conflicts have also resulted in attacks on vessels, mining of waterways and other efforts to disrupt international shipping, particularly in the Arabian Gulf region. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea and the Gulf of Aden off the coast of Somalia. Any of these occurrences could have a material adverse impact on our operating results, revenues, costs and ability to pay dividends in amounts anticipated or at all.

The operation of dry bulk carriers has particular operational risks which could affect our earnings and cash flow.

The operation of vessels such as dry bulk carriers, has certain particular risks. With a dry bulk carrier, the cargo itself and its interaction with the vessel can be an operational risk. By their nature, dry bulk cargoes are often heavy, dense, easily shifted, and react badly to water exposure. In addition, dry bulk carriers are often subjected to battering treatment during discharging operations with grabs, jackhammers (to pry encrusted cargoes out of the hold) and small bulldozers. This treatment may cause damage to the vessel. Vessels damaged due to treatment during discharging procedures may affect a vessel's seaworthiness while at sea. Hull fractures in dry bulk carriers may lead to the flooding of the vessels' holds. If a dry bulk carrier suffers flooding in her forward holds, the bulk cargo may become so dense and waterlogged that its pressure may buckle the vessel's bulkheads leading to the loss of a vessel. If we are unable to adequately maintain our vessels, we may be unable to prevent these events. Any of these circumstances or events could negatively impact our business, financial condition, results of operations and our ability to pay dividends in the future.

If any of our vessels fails to maintain its class certification and/or fails any annual survey, intermediate survey, or special survey, or if any scheduled class survey takes longer or is more expensive than anticipated, this could have a material adverse impact on our financial condition and results of operations.

The hull and machinery of every commercial vessel must be certified by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and the International Convention for the Safety of Life at Sea, or SOLAS. Our vessels are certified with one or more classification societies that are members of the International Association of Classification Societies.

A vessel must undergo annual, intermediate and special surveys. The vessel's machinery may be on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. Our vessels follow this maintenance cycles for hull and machinery inspection. At the beginning, in between and in the end of this cycle, every vessel is required to undergo inspection of her underwater parts that usually includes dry-docking. These surveys and dry-dockings can be costly and can result in delays in returning a vessel to operation. The cost of our fleet's surveys in 2011 totaled approximately \$4.0 million. See "Item 5. Operating and Financial Review and Prospects – Liquidity and Capital Resources – Capital Requirements" for our anticipated surveys.

If any vessel does not maintain its class, the vessel will not be allowed to carry cargo between ports and cannot be employed or insured. Any such inability to carry cargo or be employed, or any such violation of covenants, could have a material adverse impact on our financial condition and results of operations.

Because our seafaring employees are covered by industry-wide collective bargaining agreements, failure of industry groups to renew those agreements may disrupt our operations and adversely affect our earnings.

Our vessel-owning subsidiaries employ a large number of seafarers. All of the seafarers employed on the vessels in our fleet are covered by industry-wide collective bargaining agreements that set basic standards. We cannot assure you that these agreements will prevent labor interruptions. Any labor interruptions could disrupt our operations and harm our financial performance.

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

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against that vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lien holder 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 which would have a material adverse effect on our financial condition and results of operations.

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. Claimants could try to assert "sister ship" liability against one of our vessels for claims relating to another of our vessels.

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

A government could requisition for title or seize our vessels. Requisition for title occurs when a government takes control of a vessel and becomes the owner. Also, a government could requisition our vessels for hire. Requisition for hire occurs when a government takes control of a vessel and effectively becomes the charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency. Government requisition of one or more of our vessels could have a material adverse effect on our financial condition and results of operations.

The shipping industry has inherent operational risks that may not be adequately covered by our insurance.

We procure insurance for our fleet against risks commonly insured against by vessel owners and operators. Our current insurance includes hull and machinery insurance, war risks insurance and protection and indemnity insurance (which includes environmental damage and pollution). We may not be adequately insured against all risks or our insurers may not pay a particular claim. Even if our insurance coverage is adequate to cover our losses, we may not be able to timely obtain a replacement vessel in the event of a loss. Furthermore, in the future, we may not be able to obtain adequate insurance coverage at reasonable rates for our fleet. We may also be subject to calls, or premiums, in amounts based not only on our own claim records but also the claim records of all other members of the protection and indemnity associations through which we receive indemnity insurance coverage for tort liability. Our insurance policies also contain deductibles, limitations and exclusions which, although we believe are standard in the shipping industry, may nevertheless increase our costs.

## Company Specific Risk Factors

Substantial debt levels could limit our flexibility to obtain additional financing and pursue other business opportunities.

As of December 31, 2011, we had outstanding indebtedness of \$346.4 million and we expect to incur additional indebtedness as we further grow our fleet as market conditions warrant. This level of debt could have important consequences to us, including the following:

- our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired or such financing may be unavailable on favorable terms;
- we may need to use a substantial portion of our cash from operations to make principal and interest payments on our debt, reducing the funds that would otherwise be available for operations, future business opportunities and any future dividends to our shareholders;
- our debt level could make us more vulnerable than our competitors with less debt to competitive pressures or a downturn in our business or the economy generally; and
  - our debt level may limit our flexibility in responding to changing business and economic conditions.

Our ability to service our debt will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control, as well as the level of future interest rates applicable to our outstanding indebtedness. If our operating income is not sufficient to service our current or future indebtedness, we will be forced to take actions, such as reducing or delaying our business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing our debt or seeking additional equity capital. We may not be able to effect any of these remedies on satisfactory terms, or at all. In addition, a lack of liquidity in the debt and equity markets could hinder our ability to refinance our debt or obtain additional financing on favorable terms in the future.

We have received waivers and/or amendments to our loan agreements waiving our compliance with certain covenants for certain periods of time. Our ability to conduct our business may be affected if we are unable to obtain waiver extensions or covenant modifications from our lenders and, in addition, any extensions of these waivers, if needed, could contain additional restrictions and might not be granted at all.

Our various loan agreements require that we maintain certain financial and other covenants. Recently low dry bulk charter rates and dry bulk vessel values have affected our ability to comply with some of these covenants. On September 9, 2009, November 13, 2009, June 2, 2010 and January 31, 2012 we executed addenda no. 1, no. 2, no. 3 and no. 4, respectively, to the loan agreement with Marfin and obtained a waiver of the security margin covenant whereby the aggregate market value of the vessels and the value of any additional security is required to be at least 135% of the aggregate of the debt financing and any amount available for drawing under the revolving facility, less the aggregate amount of all deposits maintained under our Marfin loan agreement, or the Marfin Security Value Covenant, through and including December 31, 2013. Commencing January 1, 2014 the Marfin Security Value Covenant will not be less than 120% and if the percentage is below 120%, then a prepayment of the loans may be required or additional security may be requested. In connection with the amendment and waiver under the addendum no. 4 dated January 31, 2012, Marfin made certain changes to our loan agreement including increasing the interest

payable to LIBOR plus 4.00% in respect of the term loan and to LIBOR plus 4.50% in respect of the revolving facility. Additionally, Marfin has agreed to grant waivers to all previous breaches of the loan agreement's covenants.

On February 7, 2012, our subsidiary, Bulk Energy Transport (Holdings) Limited, or BET, entered into a restated loan agreement, or the Citibank Restated Loan Agreement, and a fifth supplemental agreement, or the Fifth Supplemental Agreement, with Citibank, as agent, security agent and account bank for the financial institutions referred to in the Citibank Restated Loan Agreement. The Fifth Supplemental Agreement temporarily reduced the security value to security requirement covenant which requires the aggregate market value of the BET vessels to be at least 125% of the outstanding amount of the Citibank loan, or the Citibank Security Value Covenant, from 125% to 100% until January 1, 2013. The Citibank Restated Loan Agreement and the Fifth Supplemental Agreement, provide that BET must maintain a minimum amount of \$14.5 million in cash in the BET account with Citibank. Citibank also granted waivers to the minimum equity ratio and minimum liquidity requirement until January 1, 2013 and granted waivers to all previous covenant breaches.

In addition, although we were in compliance as of December 31, 2011 with the terms of the MCS loan agreements by and among United Overseas Bank Limited, or UOB, Hong Kong and Shanghai Banking Corporation Limited, or HSBC, and DVB Bank AG, or DVB, our MCS loan agreements include covenants, among others, that require the MCS borrowers to ensure that the aggregate market value of the MCS vessels is not less than 133%, 125% and 100% of the outstanding amount under each of the UOB senior loan, HSBC loan and DVB loan, respectively. The MCS borrowers have received a waiver from HSBC for compliance with this security requirement until December 31, 2012 and the covenant under the UOB loan takes effect after December 31, 2012. Under the MCS loan facility with DVB, the applicable margin following the supplemental agreement dated May 20, 2010 is LIBOR plus 2.10% per annum on the senior loan and LIBOR plus 4.90% per annum on the junior loan. Under the MCS loan facility with HSBC, following a supplemental agreement dated May 21, 2010, the applicable margin to the later of (i) July 21, 2011 and (ii) the date of compliance with the security requirement covenant is LIBOR plus 3.25% per annum and thereafter is LIBOR plus 2.75% per annum unless there is a breach of compliance of the security requirement or there is an event of default under the loan agreement. With respect to the MCS loan facility with UOB, and following a supplemental agreement dated May 24, 2010, the applicable margin prior to the voluntary prepayment was LIBOR plus (i) 1.40% per annum if the loan-to-value ratio was equal to or greater than 70%, (ii) 1.25% if the loan-to-value ratio was equal to or greater than 60% but less than 70%, or (iii) 1.10% if the loan-to-value ratio was less than 60%. The applicable margin following the voluntary prepayment is LIBOR plus 2.50% per annum in relation to the senior loan and LIBOR plus 3.50% per annum in relation to the subordinated loan.

If we are not in compliance with the terms of our MCS loan agreements at the time the waivers expire, our lenders could require us to post additional collateral, enhance our equity and liquidity, compel us to 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 they could also accelerate our indebtedness and foreclose on their collateral. The exercise of any of these remedies could materially adversely impair our ability to continue to conduct our business.

If conditions in the dry bulk charter market remain depressed or worsen, we may need to request additional extensions of these waivers. There can be no assurance that our lenders will provide such extensions, and their willingness to provide any such extensions may be limited by their financial condition, business strategy and outlook for the shipping industry at the time of any such request, all of which are outside of our control. If we require extensions to the waivers and are unable to obtain them, as described above, we would be in default under our various loan agreements, and your investment in our shares could lose most or all of its value.

In addition, as a result of these waivers, our lenders imposed operating and financial restrictions on us. If we need to extend these waivers, our lenders may impose additional restrictions. In addition to the above restrictions, 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. These potential restrictions and requirements may limit our ability to pay dividends to you, finance our future operations, make acquisitions or pursue business opportunities.

Our various loan agreements contain cross-default provisions that may be triggered by a default under any one of our loan agreements. A cross-default provision means that a default on one loan would result in a default on the other loan. Because of the presence of cross default provisions in all of our loan agreements, the refusal of any one lender to grant or extend a waiver could result in our indebtedness under our loan agreements to become accelerated. If our indebtedness under any of our loan agreements is accelerated, it may be very difficult in the current financing environment for us to refinance our debt or obtain additional financing and we could lose our vessels if any of our

lenders foreclose on their liens.

Our debt financing contains restrictive covenants that may limit our liquidity and corporate activities.

The Marfin, Citibank, UOB, HSBC and DVB loan agreements, and any future loan agreements we or our subsidiaries may execute, may impose operating and financial restrictions on us or our subsidiaries. These restrictions may, subject to certain exceptions, limit our or our subsidiaries' ability to:

- incur additional indebtedness;
- create liens on our or our subsidiaries' assets;
- sell capital stock of our subsidiaries;
- engage in any business other than the operation of the vessels;



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

The restrictions included in the Marfin loan agreement include minimum financial standards we must comply with including:

- the ratio of financial indebtedness to Last Twelve Months (LTM) Earnings, Before Interest, Taxes, Depreciation and Amortization (EBITDA) shall be less than 6.5:1 (financial indebtedness or net debt are defined as the sum of all outstanding debt facilities minus cash and cash equivalents)
  - the ratio of LTM EBITDA to net interest expense shall not be less than 2:1,
  - the ratio of total liabilities to total assets shall not exceed 0.70:1;
  - unrestricted cash deposits to be not less than 2.5% of the financial indebtedness; and
- average quarterly unrestricted cash deposits, other than in favor of the lender, to be not less than 5% of the financial indebtedness.
  - the Marfin Security Value Covenant shall not be less than 135%.

We received a waiver from Marfin with respect to the above restrictions through and including December 31, 2013.

Commencing January 1, 2014 the following financial covenants will apply and will be tested on a quarterly basis:

- the ratio of net debt to Last Twelve Months (LTM) Earnings, Before Interest, Taxes, Depreciation and Amortization (EBITDA) where net debt as defined is the sum of all outstanding debt facilities minus cash and cash equivalents, shall be no more than 8.75:1.
  - the ratio of EBITDA to net interest expense shall not be less than 1.75:1;
  - the aggregate amount of cash deposits shall be no less than 5% of the net debt; and
- the aggregate market values of the vessels and the value of any additional security shall not be less than 120% of the aggregate of the outstanding amounts under the revolving credit and term facilities and any amount available for drawing under the revolving facility, less the aggregate amount of all deposits maintained.

In addition to the minimum financial standards, under the terms of the Marfin loan agreement, we must also ensure that certain members of the Restis family, who are affiliates of our major shareholders, and the family of our former chairman Mr. George Koutsolioutsos (or companies affiliated with them) together own at all times an aggregate of at least 10% of our issued share capital. A violation of this covenant constitutes an event of default under our credit facility and would provide Marfin with various remedies. Under the UOB, DVB and HSBC loan agreements, no other

person other than the Restis family or affiliated companies with the Restis family or Seanergy may become the beneficial owner of more than 30% of MCS's issued voting share capital. Furthermore, under the terms of the Citibank loan agreement, the Restis family or affiliated companies must be the ultimate beneficial owners of at least 50.1% of our issued voting share capital or, in certain circumstances, not less than 40% of our issued voting capital. If we are not in compliance with the terms of our loan agreements, our lenders could require us to post additional collateral, enhance our equity and liquidity, compel us to withhold payment of dividends, increase our interest payment, pay down our indebtedness, sell vessels in our fleet, or they could also accelerate our indebtedness and foreclose on their collateral. The exercise of any of these remedies could materially adversely impair our ability to continue to conduct our business.

Under the Citibank loan agreement, the BET subsidiaries are subject to operating and financial covenants that may affect BET's business. Furthermore, the BET subsidiaries must assure the lenders that the aggregate market value of the BET vessels is not less than 125% of the outstanding amount of the Citibank loan. If the market value of the vessels is less than this amount, the BET subsidiaries must prepay an amount that will result in the market value of the vessels meeting this requirement or offer additional security to the lenders, and a portion of the debt may be required to be classified as current. Under the Citibank supplemental agreement dated December 23, 2010, the applicable margin has been adjusted to 1.75% per annum. In addition, the Fifth Supplemental Agreement dated February 7, 2012 and the Citibank Restated Loan Agreement provide that BET must maintain a minimum amount of \$14.5 million in cash in the BET account with Citibank as well as for a waiver of our previous breaches of financial covenants. The Fifth Supplemental Agreement also provides for a temporary waiver of the minimum equity ratio requirement, the minimum liquidity funds amount as well as a temporary reduction of the Citibank Security Value Covenant to 100% until January 1, 2013 and provides for an increase in the applicable margin.

Under the UOB, HSBC and DVB loan agreements, the MCS subsidiaries are subject to operating and financial covenants that may affect MCS's business. These restrictions may, subject to certain exceptions, limit the MCS subsidiaries' ability to engage in many of the activities listed above. Regarding the UOB loan, the aggregate market value of the underlying vessels may not be less than 133% of the outstanding amount of the UOB senior loan. With regard to the HSBC loan, the aggregate market value of the underlying vessels may not be less than 125% of the outstanding amount of the HSBC loan. With respect to the DVB loan, the aggregate market value of the underlying vessels may not be less than 100% of the outstanding amount of the DVB loan provided that a certain prepayment was made by the Company, on or prior to March 31, 2011. After December 31, 2011, the aggregate market value of the underlying vessels may not be less than 133% of the outstanding amount of the DVB loan. Also, although we were in compliance at December 31, 2011, with the terms of the HSBC loan agreement, we have received waivers from HSBC for compliance of the security requirement through December 31, 2012 (inclusive). With respect to the UOB loan, this covenant will be tested after December 31, 2012. If the market value of the vessels is less than this amount, the MCS subsidiaries must prepay an amount that will result in the market value of the vessels meeting this requirement or offer additional security to the lenders, and a portion of the debt may be required to be classified as current.

Therefore, we may need to seek permission from our lenders in order to engage in some important corporate and commercial actions that we believe would be in the best interest of our business, and a denial of permission may make it difficult for us to successfully execute our business strategy or effectively compete with companies that are not similarly restricted. Also, any further decline in vessel values may, absent any extensions of our current waivers, cause us, BET or MCS to fail to meet the market value covenants in the loan agreements and entitle the lenders to assert certain rights. Our current and any future lenders' interests may be different from our interests, and we cannot guarantee that we will be able to obtain such lenders' permission when needed. These potential restrictions and requirements may limit our ability to pay dividends in the future to you, finance our future operations, make acquisitions or pursue business opportunities.

Our ability to comply with the covenants and restrictions contained in our loan agreements may be affected by economic, financial and industry conditions and other factors beyond our control. Any default under our loan agreements that is not waived by the respective lenders, and the remedies sought by the lenders, could prevent us from paying dividends in the future. Any future loan agreement or amendment or debt instrument may contain similar or more restrictive covenants.

The failure of our counterparties to meet their obligations under our time charter agreements could cause us to suffer losses or otherwise adversely affect our business.

Currently, 12 of our dry bulk vessels are employed under long-term time charters while 4 are employed on bareboat charters, and 3 are employed in the spot market. The ability and willingness of each of our counterparties to perform its obligations under a time charter agreement with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the dry bulk shipping industry and the overall financial condition of the counterparties. In addition, in challenging market conditions, there have been reports of charterers, including some of our charterers, renegotiating their charters or defaulting on their obligations under charter agreements and our customers may fail to pay charterhire or attempt to renegotiate charter rates. As of the date of this annual report the time charters on which three of the vessels in our fleet are currently deployed provide for charter rates that are above current market rates. Should a counterparty fail to honor its obligations under agreements with us, it may be difficult to secure substitute employment for such vessel, and any new charter arrangements we secure in the spot market or on time charters would be at lower rates given the currently decreased charter rate levels, particularly in the dry bulk carrier market. If our charterers fail to meet their obligations to us or attempt to renegotiate our charter agreements, we could suffer significant losses which could have a material adverse effect on our business, financial condition, results of operations and cash flows, as well as our ability to pay dividends in the future and comply with covenants in our loan agreements.

Many of our vessels will soon be exposed to the volatilities of the dry bulk charter markets as their current charters expire.

Dry bulk charter markets have experienced significant continued weakness in 2011. We currently have 3 vessels in the spot market and the current long-term time charters for 9 of our vessels are scheduled to expire in 2012. The time charter market is highly competitive and spot and short-term voyage charter market charter-hire rates (which affect time charter rates) may fluctuate significantly based upon the supply of, and demand for, seaborne dry bulk shipping capacity. Our ability to re-charter our vessels on the expiration or termination of their current time charters and the charter rates payable under any renewal or replacement charters will depend upon, among other things, economic conditions in the dry bulk shipping market. The dry bulk charter market is volatile, and in the past, time charter and spot market charter rates for dry bulk carriers have declined below operating costs of vessels. If we are required to charter these vessels at a time when demand and charter rates are very low, we may not be able to secure long-term time charter or spot market employment for our vessels at all or at reduced and potentially unprofitable rates. As a result, our business, financial condition, results of operations and cash flows, as well as our ability to pay dividends, if any, in the future, and compliance with covenants in our credit facilities may be affected.

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

Through our subsidiaries BET and MCS, we have four interest rate swaps for purposes of managing our exposure to fluctuations in interest rates applicable to the BET and MCS loan facilities, which were advanced at a floating rate based on LIBOR. Our hedging strategies, however, may not be effective and we may incur substantial losses if interest rates move materially differently from our expectations. Since our existing interest rate swaps do not, and future derivative contracts may not, qualify for treatment as hedges for accounting purposes, we recognize fluctuations in the fair value of such contracts in our income statement. In addition, our financial condition could be materially adversely affected to the extent we do not hedge our exposure to interest rate fluctuations under our financing arrangements. Any hedging activities we engage in may not effectively manage our interest rate exposure or have the desired impact on our financial conditions or results of operations. As of December 31, 2011, the fair value of our interest rate swaps was a liability of approximately \$4.4 million.

We cannot assure you that we will be able to refinance indebtedness incurred under our credit facilities.

For so long as we have outstanding indebtedness under our credit facilities, we will have to dedicate a portion of our cash flow from operations to pay the principal and interest of this indebtedness. We cannot assure you that we will be able to generate cash flow in amounts that are sufficient for these purposes. If we are not able to satisfy these obligations, we may have to undertake alternative financing plans or sell our assets. The actual or perceived credit quality of our charterers, any defaults by them, and the market value of our fleet, among other things, may materially affect our ability to obtain alternative financing. If we are not able to find alternative sources of financing on terms that are acceptable to us or at all, our business, financial condition, results of operations and cash flows may be materially adversely affected.

As we expand our business, we will need to improve or expand our operating and financial systems and will need to recruit suitable employees and crew for our vessels.

Our current operating and financial systems may not be adequate as we implement our plan to expand the size of our fleet, and attempts by Safbulk, EST, M/S Fleet Ship Management Inc., or M/S Fleet, and Wallem Shipmanagement

Ltd., or Wallem, to improve those systems may be ineffective. In addition, as we expand our fleet, we will have to rely on EST, M/S Fleet and Wallem to recruit additional seafarers and shoreside administrative and management personnel. EST, M/S Fleet and Wallem may not be able to continue to hire suitable employees or a sufficient number of employees as we expand our fleet. If EST's, M/S Fleet's or Wallem's unaffiliated crewing agents encounter business or financial difficulties, we may not be able to adequately staff our vessels. We may also have to increase our customer base to provide continued employment for most of our new vessels. If we are unable to operate our financial system or increase our customer base as we expand our fleet, or if EST, M/S Fleet and Wallem are unable to operate our operating systems effectively or to recruit suitable employees in sufficient numbers, our financial performance and our ability to pay dividends in the future may be adversely affected.

Rising crew costs may adversely affect our profits.

Crew costs are a significant expense for us under our charters. Recently, the limited supply of and increased demand for qualified crew, due to the increase in the size of the global shipping fleet, has created upward pressure on crewing costs, which we generally bear under our period time and spot charters. Increases in crew costs may adversely affect our profitability.

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

As of the date of this annual report, the vessels in our current fleet had an average age of 13.8 years. As our vessels age, they may become less fuel efficient and more costly to maintain and will not be as advanced as recently constructed vessels due to improvements in design, technology and engineering. Rates for cargo insurance, paid by charterers, also increase with the age of a vessel, making older vessels less desirable to charterers. Governmental regulations, safety or other equipment standards related to the age of vessels may require expenditures for conversions, or the addition of new equipment, to our vessels and may restrict the type of activities in which our vessels may engage. As our vessels age, market conditions may not justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives.

Also, charterers actively discriminate against hiring older vessels. For example, Rightship, the ship vetting service founded by Rio Tinto and BHP-Billiton which has become the major vetting service in the dry bulk shipping industry, ranks the suitability of vessels based on a scale of one to five stars. Most major carriers will not charter a vessel that Rightship has vetted with fewer than three stars. Therefore, as our vessels age, we may not be able to operate these vessels profitably during the remainder of their useful lives.

In addition, unless we maintain cash reserves for vessel replacement, we may be unable to replace the vessels in our fleet upon the expiration of their useful lives. We estimate the useful life of our vessels to be 30 years from the date of initial delivery from the shipyard. Our cash flows and income are dependent on the revenues we earn by chartering our vessels to customers. If we are unable to replace the vessels in our fleet upon the expiration of their useful lives, our business, financial condition and results of operations will be materially adversely affected. Any reserves set aside for vessel replacement would not be available for other cash needs or dividends.

Our vessels may suffer damage and we may face unexpected repair costs, which could adversely affect our cash flow and financial condition.

If our vessels suffer damage, they may need to be repaired at a shipyard facility. The costs of repairs are unpredictable and can be substantial. The loss of earnings while our vessels are being repaired and repositioned, as well as the actual cost of these repairs, would decrease our earnings and reduce the amount of dividends in the future. We may not have insurance that is sufficient to cover all or any of these costs or losses and may have to pay repair costs not covered by our insurance.

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

Our inspection of secondhand vessels prior to purchase does not provide us with the same knowledge about their condition and cost of any required or anticipated repairs that we would have had if these vessels had been built for and operated exclusively by us. We will not receive the benefit of warranties on secondhand vessels.

Typically, the costs to maintain a vessel in good operating condition increase with the age of the vessel. Older vessels are typically less fuel efficient and more costly to maintain than more recently constructed vessels. Cargo insurance rates increase with the age of a vessel, making older vessels less desirable to charterers.

Governmental regulations, safety or other equipment standards related to the age of vessels may require expenditures for alterations, or the addition of new equipment, to our vessels and may restrict the type of activities in which the

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

We inspected all of our second hand vessels, which we acquired from both related and unrelated third parties, considered the age and condition of the vessels in budgeting for their operating, insurance and maintenance costs, and if we acquire additional secondhand vessels in the future, we may encounter higher operating and maintenance costs due to the age and condition of those additional vessels.



We are exposed to U.S. Dollar and foreign currency fluctuations and devaluations that could harm our reported revenue and results of operations.

We generate all of our revenues and incur the majority of our operating expenses in U.S. Dollars, but we currently incur many of our general and administrative expenses in currencies other than the U.S. Dollar, primarily the Euro. Because such portion of our expenses is incurred in currencies other than the U.S. Dollar, our expenses may from time to time increase relative to our revenues as a result of fluctuations in exchange rates, particularly between the U.S. Dollar and the Euro, which could affect the amount of net income that we report in future periods. We may use financial derivatives to operationally hedge some of our currency exposure. Our use of financial derivatives involves certain risks, including the risk that losses on a hedged position could exceed the nominal amount invested in the instrument and the risk that the counterparty to the derivative transaction may be unable or unwilling to satisfy its contractual obligations, which could have an adverse effect on our results.

If the recent volatility in LIBOR continues, it could affect our profitability, earnings and cash flow.

LIBOR has recently been volatile, with the spread between LIBOR and the prime lending rate widening significantly at times. These conditions are the result of the recent disruptions in the international credit markets. Because the interest rates borne by our outstanding indebtedness fluctuate with changes in LIBOR, if this volatility were to continue, it would affect the amount of interest payable on our debt, which in turn, could have an adverse effect on our profitability, earnings and cash flow.

Furthermore, interest in most loan agreements in our industry has been based on published LIBOR rates. Recently, however, lenders have insisted on provisions that entitle the lenders, in their discretion, to replace published LIBOR as the base for the interest calculation with their cost-of-funds rate. If we are required to agree to such a provision in future loan agreements, our lending costs could increase significantly, which would have an adverse effect on our profitability, earnings and cash flow.

We are a holding company, and we depend on the ability of our subsidiaries to distribute funds to us in order to satisfy financial obligations or to pay dividends.

We are a holding company and our subsidiaries, which are all wholly-owned by us either directly or indirectly, conduct all of our operations and own all of our operating assets. We have no significant assets other than the equity interests in our wholly-owned subsidiaries. As a result, our ability to make dividend payments depends on our subsidiaries and their ability to distribute funds to us. The ability of a subsidiary to make these distributions could be affected by a claim or other action by a third party, including a creditor, and the laws of Bermuda, the British Virgin Islands, Hong Kong, the Republic of Liberia and the Republic of the Marshall Islands, where our vessel-owning subsidiaries are incorporated, which regulate the payment of dividends by companies. If we are unable to obtain funds from our subsidiaries, our board of directors may not exercise its discretion to pay dividends in the future.

In addition, the declaration and payment of dividends in the future will depend on the provisions of Marshall Islands law affecting the payment of dividends. Marshall Islands law generally prohibits the payment of dividends if the company is insolvent or would be rendered insolvent upon payment of such dividend and dividends may be declared and paid out of our operating surplus; but in this case, there is no such surplus. Dividends may be declared or paid out of net profits for the fiscal year in which the dividend is declared and for the preceding fiscal year. Our ability to pay dividends in the future will also be subject to our satisfaction of certain financial covenants contained in our credit facilities and certain waivers related thereto. We may be unable to pay dividends in the anticipated amounts or at all.

The value of our vessels has fluctuated, and may continue to fluctuate significantly, due in large part to the sharp decline in the world economy and the charter market. A significant decline in vessel values could result in losses when we sell our vessels or could result in a requirement that we write down their carrying value, which would adversely affect our earnings. In addition, a decline in vessel values could adversely impact our ability to raise additional capital and would likely cause us to violate certain covenants in our loan agreements that relate to vessel value.

The market value of our vessels can and have fluctuated significantly based on general economic and market conditions affecting the shipping industry and prevailing charter hire rates. Since the end of 2008, the market value of our vessels has dropped significantly due to, among other things, the substantial decline in charter rates. During the year ended December 31, 2008, we recorded an impairment charge of \$4.5 million on our vessels and \$44.8 on goodwill. No indication of impairment existed as of December 31, 2009, or December 31, 2010. During the year ended December 31, 2011, we recorded an impairment charge of \$12.9 million on goodwill and \$188.9 million on our vessels. There can be no assurance as to how long charter rates and vessel values will remain at the current low levels or whether they will improve to any significant degree. Consequently, we may have to record further impairments of our vessels and goodwill.

The market value of our vessels may increase or decrease in the future depending on the following factors:

- economic and market conditions affecting the shipping industry in general;
- supply of dry bulk vessels, including newbuildings;
  - demand for dry bulk vessels;
  - scrap values;
  - types, sizes and ages of vessels;
  - other modes of transportation;
- competition from other shipping companies;
  - cost of newbuildings;
  - technological advances;
- new regulatory requirements from governments or self-regulated organizations; and
  - prevailing level of charter rates.

In addition, because the market value of our vessels may fluctuate significantly, we may incur losses when we sell vessels, which may adversely affect our earnings. In addition, whenever events or changes in circumstances indicate potential impairment, we test the carrying value of our vessels in our financial statements, based upon their earning capacity and remaining useful lives. Earning capacity is measured by the vessels' expected earnings under their charters. If we determine that our vessels' carrying values should be reduced, we would recognize an impairment charge on our financial statements that would result in a potentially significant charge against our earnings and a reduction in our shareholders' equity. Such impairment adjustment could also hinder our ability to raise capital. If for any reason we sell our vessels at a time when prices have fallen, the sale proceeds may be less than that vessel's carrying amount on our financial statements, and we would incur a loss and a reduction in earnings. Finally, a decline in vessel values would likely cause us to violate certain covenants in our loan agreement that require vessel values to equal or exceed a stated percentage of the amount of our loans. Such violations could result in a default under our loan agreements.

If we fail to manage our growth properly, we may not be able to expand our fleet further if we desire to do so, adversely affecting our overall financial position.

We may continue to expand our fleet in the future if desirable opportunities arise. Our further growth will depend on:

- locating and acquiring suitable vessels at competitive prices;
- identifying and consummating acquisitions or joint ventures;

- integrating any acquired vessels successfully with our existing operations;
  - enhancing our customer base;
  - managing our expansion; and
- obtaining required financing, which could include debt, equity or combinations thereof.

Growing any business by acquisition presents numerous risks such as undisclosed liabilities and obligations, difficulty experienced in obtaining additional qualified personnel, managing relationships with customers and suppliers, integrating newly acquired operations into existing infrastructures, identifying new and profitable charter opportunities for vessels, and complying with new loan covenants. We have not identified further expansion opportunities at this time, and the nature and timing of any such expansion is uncertain. We may not be successful in growing further and may incur significant expenses and losses.

We face strong competition, and we may not be able to compete for charters with new entrants or established companies with greater resources, which may adversely affect our results of operations.

We obtain charters for our vessels in highly competitive markets in which our market share is insufficient to enforce any degree of pricing discipline. Although we believe that no single competitor has a dominant position in the markets in which we compete, we are aware that certain competitors may be able to devote greater financial and other resources to their activities than we can, resulting in a significant competitive threat to us. Competition for the transportation of dry bulk cargoes can be intense and depends on price, customer relationships, operating expertise, professional reputation and size, location, age, condition and the acceptability of the vessel and its managers to the charterers. Due in part to the highly fragmented market, competitors with greater resources could operate larger fleets through consolidations or acquisitions that may be able to offer better prices and fleets.

We cannot give assurances that we will continue to compete successfully with our competitors or that these factors will not erode our competitive position in the future.

Because we obtain some of our insurance through protection and indemnity associations, we may also be subject to calls, or premiums, in amounts based not only on our own claim records, but also on the claim records of all other members of the protection and indemnity associations.

We may be subject to calls, or premiums, in amounts based not only on our claim records but also on the claim records of all other members of the protection and indemnity associations through which we receive insurance coverage for tort liability, including pollution-related liability. Our payment of these calls could result in significant expenses to us, which could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends in the future.

We may not be able to attract and retain key management personnel and other employees in the shipping industry, which may negatively affect the effectiveness of our management and our results of operations.

Our success will depend to a significant extent upon the abilities and efforts of our management team. We currently have two executive officers, our chief executive officer and our chief financial officer, and one general counsel and a support staff. Our success will depend upon our ability to retain key members of our management team and the ability of our management to recruit and hire suitable employees. The loss of any of these individuals could adversely affect our business prospects and financial condition. Difficulty in hiring and retaining personnel could adversely affect our results of operations.

We may not have adequate insurance to compensate us if we lose our vessels, which may have a material adverse effect on our financial condition and results of operations.

We have procured hull and machinery insurance and protection and indemnity insurance, which include environmental damage and pollution insurance coverage and war risk insurance for our fleet. We do not expect to maintain for all of our vessels insurance against loss of hire, which covers business interruptions that result from the loss of use of a vessel. We may not be adequately insured against all risks. We may not be able to obtain adequate insurance coverage for our fleet in the future. The insurers may not pay particular claims. Our insurance policies may contain deductibles for which we will be responsible and limitations and exclusions which may increase our costs or lower our revenue. Moreover, insurers may default on claims they are required to pay. Furthermore, in the future, we may not be able to obtain adequate insurance coverage at reasonable rates for our vessels. If our insurance is not enough to cover claims that may arise, the deficiency may have a material adverse effect on our financial condition and results of operations.

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

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

Failure to comply with the U.S. Foreign Corrupt Practices Act could result in fines, criminal penalties, and an adverse effect on our business.

We may operate in a number of countries throughout the world, including countries known to have a reputation for corruption. We are committed to doing business in accordance with applicable anti-corruption laws and have adopted a code of business conduct and ethics which is consistent and in full compliance with the U.S. Foreign Corrupt Practices Act. We are subject, however, to the risk that we, our affiliated entities or our or their respective officers, directors, employees and agents may take action determined to be in violation of such anti-corruption laws, including the U.S. Foreign Corrupt Practices Act of 1977. Any such violation could result in substantial fines, sanctions, civil and/or criminal penalties, curtailment of operations in certain jurisdictions, and might adversely affect our business, results of operations or financial condition. In addition, actual or alleged violations could damage our reputation and ability to do business. Furthermore, detecting, investigating, and resolving actual or alleged violations is expensive and can consume significant time and attention of our senior management.

We depend on our commercial and technical managers to operate our business and our business could be harmed if they fail to perform their services satisfactorily.

Pursuant to our management agreements, EST provides us with technical, general administrative and support services (including vessel maintenance, crewing, purchasing, shipyard supervision, insurance, assistance with regulatory compliance, freight management, accounting related to vessels, provisions, bunkering and operation) and M/S Fleet and Wallem provide us with technical management services for certain of our vessels. Our operational success depends significantly upon EST's, M/S Fleet's and Wallem's satisfactory performance of these services. Our business would be harmed if EST, M/S Fleet or Wallem failed to perform these services satisfactorily. In addition, if the management agreement were to be terminated or if its terms were to be altered, our business could be adversely affected, as we may not be able to immediately replace such services, and even if replacement services were immediately available, the terms offered could be less favorable than those under our management agreement.

Our ability to compete for and enter into new period time and spot charters and to expand our relationships with our existing charterers will depend largely on our relationship with our commercial manager, Safbulk, and its reputation and relationships in the shipping industry. If Safbulk suffers material damage to its reputation or relationships, it may harm our ability to:

- renew existing charters upon their expiration;
- obtain new charters;
- obtain financing on commercially acceptable terms;
- maintain satisfactory relationships with our charterers and suppliers; and
- successfully execute our business strategies.

If our ability to do any of the things described above is impaired, it could have a material adverse effect on our business, financial condition and results of operations.

Although we may have rights against EST, M/S Fleet and Wallem if they default on their obligations to us, investors in us will have no recourse against them. Further, we will need to seek approval from our lenders to change our technical managers from EST, M/S Fleet or Wallem.

Management fees are payable to our technical managers regardless of our profitability, which could have a material adverse effect on our business, financial condition and results of operations.

Pursuant to our management agreement with EST, M/S Fleet and Wallem, we pay a fee of \$450, \$296 and \$230, per day per vessel, respectively, for providing technical, support and administrative services. The management fees do not cover expenses such as voyage expenses, vessel operating expenses, maintenance expenses, crewing costs, insurance premiums, commissions and certain public company expenses such as directors' and officers' liability insurance, legal and accounting fees and other similar third party expenses, which are reimbursed by us. The management fees are payable whether or not our vessels are employed, and regardless of our profitability, and we have no ability to require our technical managers to reduce the management fees if our profitability decreases, which could have a material adverse effect on our business, financial condition and results of operations.



EST, Safbulk, M/S Fleet and Wallem are privately held companies and there is little or no publicly available information about them.

The ability of EST, Safbulk, M/S Fleet and Wallem to continue providing services for our benefit will depend in part on their respective financial strength. Circumstances beyond our control could impair their financial strength, and because they are privately held, it is unlikely that information about their financial strength would become public unless any of these entities began to default on their respective obligations. As a result, our shareholders might have little advance warning of problems affecting EST, Safbulk, M/S Fleet and Wallem, even though these problems could have a material adverse effect on us.

We outsource, and expect to continue to outsource, the technical management and commercial management of part of our fleet to companies that are affiliated with members of the Restis family, which may create conflicts of interest.

We outsource, and expect to continue to outsource, the technical management and commercial management of part of our fleet to EST and Safbulk, companies that are affiliated with members of the Restis family. Companies affiliated with members of the Restis family own and may acquire vessels that compete with our fleet. Both EST and Safbulk have responsibilities and relationships to owners other than us which could create conflicts of interest between us, on the one hand, and EST or Safbulk, on the other hand. These conflicts may arise in connection with the chartering of the vessels in our fleet versus dry bulk carriers managed by other companies affiliated with members of the Restis family. There can be no assurance that they will resolve conflicts in our favor.

Because SwissMarine is the sole counterparty on the time charters for four of our vessels, the failure of this counterparty to meet its obligations could cause us to suffer losses, thereby decreasing our revenues, operating results and cash flows.

Four out of five BET vessels are chartered to SwissMarine, a company affiliated with members of the Restis family. Our charters may terminate earlier than the dates indicated in this annual report. Under our charter agreements, the events or occurrences that will cause a charter to terminate or give the charterer the option to terminate the charter generally include a total or constructive total loss of the related vessel, the requisition for hire of the related vessel or the failure of the related vessel to meet specified performance criteria. In addition, the ability of our charterer to perform its obligations under a charter will depend on a number of factors that are beyond our control. These factors may include general economic conditions, the condition of the dry bulk shipping industry, the charter rates received for specific types of vessels, the ability of the charterer to obtain letters of credit from its customers and various operating expenses. It is our understanding that SwissMarine operates some of the vessels on period charters and some of the vessels in the spot market. The spot market is highly competitive and spot rates fluctuate significantly. Vessels operating in the spot market generate revenues that are less predictable than those on period time charters. Therefore, SwissMarine may be exposed to the risk of fluctuating spot dry bulk charter rates, which may have an adverse impact on its financial performance and its obligations. The cost and delays associated with the default by a charterer of a vessel may be considerable and may adversely affect our business, results of operations, cash flows, financial condition and our ability to pay dividends.

The majority of the members of our shipping committee are appointees nominated by affiliates of members of the Restis family, which could create conflicts of interest detrimental to us.

Our board of directors has created a shipping committee, which has been delegated exclusive authority to consider and vote upon all matters involving shipping and vessel finance, subject to certain limitations. Affiliates of members of the

Restis family have the right to appoint two of the three members of the shipping committee and as a result such affiliates will effectively control all decisions with respect to our shipping operations that do not involve a transaction with a Restis affiliate. Mr. Dale Ploughman, Ms. Christina Anagnostara and Mr. Dimitris Panagiotopoulos currently serve on our shipping committee. Mr. Ploughman also will continue to serve as an officer and/or director of other entities affiliated with members of the Restis family that operate in the dry bulk sector of the shipping industry. The dual responsibilities in exercising fiduciary duties to us and other entities in the shipping industry could create conflicts of interest. Although Mr. Ploughman intends to maintain as confidential all information he learns from one company and not disclose it to the other entities for which he serves; in certain instances this could be impossible given the respective roles with various companies. There can be no assurance that Mr. Ploughman would resolve any conflicts of interest in a manner beneficial to us.

The Restis affiliate shareholders hold approximately 85% of our outstanding common stock which limits your ability to influence our actions.

As of the date of this annual report, the Restis affiliate shareholders own approximately 85% of our outstanding common stock. Our major shareholders have the power to exert considerable influence over our actions and matters which require shareholder approval, which limits your ability to influence our actions. Furthermore, under the terms of the Citibank loan agreement, the Restis family or affiliated companies must be the ultimate beneficial owners of at least 50.1% of our issued voting share capital or, in certain circumstances, not less than 40% of our issued voting capital. Additionally, under the terms of the Marfin loan agreement, we must also ensure that members of the Restis family and the family of our former chairman Mr. George Koutsolioutsos (or companies affiliated with them) together own at all times an aggregate of at least 10% of our issued share capital. Under the UOB, DVB and HSBC loan agreements, no other person other than the Restis family or affiliated companies with the Restis family or Seanergy may become the beneficial owner of more than 30% of MCS's issued voting share capital.

We are incorporated in the Republic of the Marshall Islands, which does not have a well-developed body of corporate law, which may negatively affect the ability of shareholders to protect their interests.

Our corporate affairs are governed by our amended and restated articles of incorporation, our amended and restated by-laws and by the 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 laws 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. 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, 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 be difficult to serve us with legal process or enforce judgments against us, our directors or our management.

We are incorporated under the laws of the Republic of the Marshall Islands, and all of our assets are, and will be, located outside of the United States. Our business is operated primarily from our offices in Athens, Greece. In addition, our directors and officers are non-residents of the United States, and all or a substantial portion of the assets of these non-residents are located outside the United States. As a result, it may be difficult or impossible for you to bring an action against us, or against these individuals in the United States if you believe that your rights have been infringed under securities laws or otherwise. Even if you are successful in bringing an action of this kind, you may have difficulty enforcing, both within and outside of the United States, judgments you may obtain in the United States courts against us or these persons in any action, including actions based upon the civil liability provisions of United States federal or state securities laws. There is also 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 United States federal or state securities laws. Although you may bring an original action against us or our affiliates in the courts of the Marshall Islands based on U.S. laws, and the courts of the Marshall Islands may impose civil liability, including monetary damages, against us, or our affiliates for a cause of action arising under Marshall Islands laws, it may be impracticable for you to do so given the geographic location of the Marshall Islands. For more information regarding the relevant laws of the Marshall Islands, please read "Enforceability of Civil Liabilities."

We may be classified as a passive foreign investment company, or PFIC, which could result in adverse U.S. federal income tax consequences to U.S. holders of our common stock.

A foreign corporation will be treated as a "passive foreign investment company," or PFIC, for U.S. federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of certain types of "passive income" or (2) at least 50% of the average value of the corporation's assets produce or are held for the production of those types of "passive income." For purposes of these tests, "passive income" includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business. For purposes of these tests, income derived from the performance of services does not constitute "passive income." U.S. shareholders of a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

We should not be a PFIC with respect to any taxable year. Based upon our operations as described herein, our income from time charters should not be treated as passive income for purposes of determining whether we are a PFIC. Accordingly, our income from our time chartering activities should not constitute "passive income," and the assets that we own and operate in connection with the production of that income should not constitute passive assets.

There is substantial legal authority supporting this position consisting of case law and U.S. Internal Revenue Service, or IRS, pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, it should be noted that there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. Accordingly, no assurance can be given that the IRS or a court of law will accept this position, and there is a risk that the IRS or a court of law could determine that we are a PFIC. Moreover, no assurance can be given that we would not constitute a PFIC for any future taxable year if the nature and extent of our operations changed.

If the IRS were to find that we are or have been a PFIC for any taxable year, our U.S. shareholders would face adverse U.S. federal income tax consequences and certain information reporting requirements. Under the PFIC rules, unless those shareholders make an election available under the United States Internal Revenue Code of 1986 as amended, or the Code (which election could itself have adverse consequences for such shareholders, as discussed below under "Tax Considerations – U.S. Federal Income Taxation – U.S. Federal Income Taxation of U.S. Holders"), such shareholders would be liable to pay U.S. federal income tax at the then prevailing income tax rates on ordinary income plus interest upon excess distributions and upon any gain from the disposition of their shares of our common stock, as if the excess distribution or gain had been recognized ratably over the shareholder's holding period of the shares of our common stock. See "Tax Considerations – U.S. Federal Income Taxation – U.S. Federal Income Taxation of U.S. Holders" for a more comprehensive discussion of the U.S. federal income tax consequences to U.S. shareholders if we are treated as a PFIC.

Based on the current and expected composition of our and our subsidiaries' assets and income, it is not anticipated that we will be treated as a PFIC. Our actual PFIC status for any taxable year, however, will not be determinable until after the end of such taxable year. Accordingly there can be no assurances regarding our status as a PFIC for the current taxable year or any future taxable year. See the discussion in the section entitled "Item 10.E. Taxation — Passive Foreign Investment Company Regulations." We urge U.S. Holders to consult with their own tax advisors regarding the possible application of the PFIC rules.

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

Under the Code, 50% of the gross shipping income of a vessel owning or chartering corporation, such as us and our subsidiaries, that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States, exclusive of certain U.S. territories and possessions, may be subject to a 4% U.S. federal income tax without allowance for deduction, unless that corporation qualifies for exemption from tax under Section 883 of the Code and the applicable Treasury Regulations recently promulgated thereunder.

We believe that we qualify for the benefits of Section 883. However, there are factual circumstances beyond our control that could cause us or any one of our ship-operating companies to fail to qualify for this tax exemption and thereby subject us to U.S. federal income tax on our U.S. source income. For example, we would fail to qualify for exemption under Section 883 of the Code for a particular tax year if shareholders, each of whom owned, actually or under applicable constructive ownership rules, a 5% or greater interest in the vote and value of the outstanding shares of our stock, owned in the aggregate 50% or more of the vote and value of the outstanding shares of our stock, and

"qualified shareholders" as defined by the regulations to Section 883 did not own, directly or under applicable constructive ownership rules, sufficient shares in our closely-held block of stock to preclude the shares in the closely-held block that are not so owned from representing 50% or more of the value of our stock for more than half of the number of days during the taxable year. Establishing such ownership by qualified shareholders will depend upon the status of certain of our direct or indirect shareholders as residents of qualifying jurisdictions and whether those shareholders own their shares through bearer share arrangements. In addition, such shareholders will also be required to comply with ownership certification procedures attesting that they are residents of qualifying jurisdictions, and each intermediary's or other person's similar compliance in the chain of ownership between us and such shareholders.

Due to the factual nature of the issues involved, we can give no assurances on the tax-exempt status of ourselves or that of any of our subsidiaries. If we or our subsidiaries are not entitled to exemption under Section 883 for any taxable year, we or our subsidiaries could be subject for those years to an effective 4% U.S. federal income tax on the shipping income such companies derive during the year that is attributable to the transport of cargoes to or from the United States. The imposition of this taxation would have a negative effect on our business and would result in decreased earnings available for distribution to our shareholders.

## Risks Relating to Our Common Stock

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 dry bulk 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.

Our common stock could be delisted from the NASDAQ Global Market, which could negatively impact the price of our common stock and our ability to access the capital markets.

Our common stock is currently listed on the NASDAQ Global Market. Our ability to retain our listing is contingent upon compliance with NASDAQ listing requirements. The listing standards of the NASDAQ Global Market provide, among other things, that a company may be delisted if the bid price of its stock drops below \$1.00 for a period of 30 consecutive business days.

On January 28, 2011, we were notified by NASDAQ that we were no longer in compliance with NASDAQ Listing Rule 5450(a)(1) because the closing bid price of our common stock for 30 consecutive business days, from December 14, 2010 to January 26, 2011, had been below the minimum \$1.00 per share bid price requirement for continued listing on the NASDAQ Global Market. In response, we conducted a 1-for-15 reverse stock split on June 24, 2011, or the Reverse Stock Split, which was approved at a special meeting of our shareholders on January 4, 2011. We regained compliance during July 2011 when, during the applicable grace period, the closing bid price of our common stock was at least \$1.00 per share for a minimum of ten consecutive business days.

On January 24, 2012, we were notified by NASDAQ that we were no longer in compliance with NASDAQ Listing Rule 5450(b)(1)(C) because the market value of the publicly held shares of our common stock for 30 consecutive business days, from December 6, 2011 to January 23, 2012 had been below the minimum \$5,000,000 market value of publicly held shares requirement for continued listing on the NASDAQ Global Market. This notification had no effect on the listing of the Company's common stock, and the applicable grace period to regain compliance was 180 calendar days, expiring on July 23, 2012. The Company regained compliance at the end of February 2012, when during the applicable grace period the Company's minimum market value of our publicly held shares was \$5,000,000 or greater for a minimum of ten consecutive business days.



Our board of directors has suspended the payment of cash dividends as a result of certain restrictions in waivers we received from Marfin relating to our loan covenants and prevailing market conditions in the international shipping industry. Until such market conditions improve, it is unlikely that we will reinstate the payment of dividends.

In light of a lower freight environment and a highly challenging financing environment that has resulted in a substantial decline in the international shipping industry, our board of directors, beginning on February 4, 2009, suspended the cash dividend on our common stock. Our dividend policy will be assessed by our board of directors from time to time; however, it is unlikely that we will reinstate the payment of dividends until market conditions improve. Further, the waiver we have received from Marfin relating to our loan covenant restricts our ability to pay dividends. Therefore, there can be no assurances that, if we were to determine to resume paying cash dividends, Marfin would provide any required consent.

Anti-takeover provisions in our amended and restated articles of incorporation and by-laws could make it difficult for shareholders to replace or remove our current board of directors or could 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 could make it difficult for shareholders to change the composition of our board of directors in any one year, preventing them from changing the composition of our management. In addition, the same provisions may discourage, delay or prevent a merger or acquisition that shareholders may consider favorable.

These provisions include those that:

- authorize our board of directors to issue "blank check" preferred stock without shareholder approval;
- provide for a classified board of directors with staggered, three-year terms;
- require a super-majority vote in order to amend the provisions regarding our classified board of directors with staggered, three-year terms;
- permit the removal of any director from office at any time, with or without cause, at the request of the shareholder group entitled to designate such director;
- allow vacancies on the board of directors to be filled by the shareholder group entitled to name the director whose resignation or removal led to the occurrence of the vacancy; and
- prevent our board of directors from dissolving the shipping committee or altering the duties or composition of the shipping committee without an affirmative vote of not less than 80% of the board of directors.

These anti-takeover provisions could substantially impede the ability of shareholders to benefit from a change in control and, as a result, may adversely affect the market price of our common stock and your ability to realize any potential change of control premium.

Future sales of our common stock may depress our stock price.

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

Issuance of preferred stock may adversely affect the voting power of our shareholders and have the effect of discouraging, delaying or preventing a merger or acquisition, which could adversely affect the market price of our common stock.

Our amended and restated articles of incorporation currently authorize our Board to issue preferred shares in one or more series and to determine the rights, preferences, privileges and restrictions, with respect to, among other things, dividends, conversion, voting, redemption, liquidation and the number of shares constituting any series subject to prior shareholders' approval. If our Board determines to issue preferred shares, such issuance may discourage, delay or prevent a merger or acquisition that shareholders may consider favorable. The issuance of preferred shares with voting and conversion rights may also adversely affect the voting power of the holders of common shares. This 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 stock and your ability to realize any potential change of control premium.

You may experience dilution as a result of the exercise of our warrants.

We have assumed Seanergy Maritime's obligation to issue shares of common stock and warrants to purchase shares of our common stock under the unit purchase option it granted the underwriter in its initial public offering at an exercise price of \$12.50 per unit. For each unit the underwriter elects to purchase from us pursuant to the terms of the unit purchase option, we will issue to the original underwriter one-fifteenth of a unit share, identical to one-fifteenth of a share of our common stock, and one unit warrant. The unit warrants have an exercise price of \$6.50 per warrant whereby any 15 of such warrants are exercisable at an aggregate price of \$97.50 to purchase one unit warrant share. This would result in the issuance of 133,332 common shares upon the exercise of the unit option and unit warrants. The sale of the common shares issued upon such events, or the perception that such events may occur, could materially and adversely affect the market price of our common shares. Furthermore, we may issue additional securities in the future that may have a dilutive effect to the holders of our common shares.

#### ITEM 4. INFORMATION ON THE COMPANY

##### A. History and Development of the Company

###### Incorporation of Seanergy and Seanergy Maritime

We were incorporated under the laws of the Republic of the Marshall Islands on January 4, 2008, originally under the name Seanergy Merger Corp., as a wholly owned subsidiary of Seanergy Maritime Corp., or Seanergy Maritime. We changed our name to Seanergy Maritime Holdings Corp. on July 11, 2008. Our executive offices are located at 1-3 Patriarchou Grigoriou Street, 166 74 Glyfada, Athens, Greece and our telephone number is 011-30-2130181507.

Seanergy Maritime was incorporated in the Marshall Islands on August 15, 2006 as a blank check company formed to acquire, through a merger, capital stock exchange, asset acquisition or other similar business combination, one or more businesses in the maritime shipping industry or related industries. Seanergy Maritime, up to the date of the initial business combination, had not commenced any business operations and was considered a development stage enterprise. Seanergy Maritime is our predecessor. See "Dissolution and Liquidation of Our Predecessor."

###### Initial Public Offering of Seanergy Maritime and Initial Business Combination

On September 28, 2007, Seanergy Maritime consummated its initial public offering of 23,100,000 units, with each unit consisting of one share of its common stock and one warrant. Each warrant entitled the holder to purchase one share of Seanergy Maritime common stock at an exercise price of \$6.50 per share. As a result of the Reverse Stock Split, each unit holder is entitled to a one-fifteenth share upon the exercise of each unit. The initial public offering generated \$227,071,000 in net proceeds, after deducting certain deferred offering costs, that was held in a trust account maintained by Continental Stock Transfer & Trust Company, which we refer to as the Seanergy Maritime Trust Account.

We acquired our initial fleet of six dry bulk carriers from the Restis family for an aggregate purchase price of (i) \$367,030,750 in cash, (ii) \$28,250,000 (face value) in the form of a convertible promissory note, or the Note, and (iii) an aggregate of 4,308,075 shares of our common stock (or 287,205 shares as adjusted for the Reverse Stock Split), subject to us meeting an Earnings Before Interest, Taxes, Depreciation and Amortization, or EBITDA, target of \$72.0 million to be earned between October 1, 2008 and September 30, 2009, which target was achieved and the additional consideration was recorded as an increase in goodwill of \$17,275,000. This acquisition was made pursuant to the

terms and conditions of a Master Agreement dated May 20, 2008 among us, Seanergy Maritime, our former parent, the several selling parties who are affiliated with members of the Restis family, and the several investing parties who are affiliated with members of the Restis family, and six separate memoranda of agreement, which we collectively refer to as the "MOAs," between our vessel-owning subsidiaries and each seller, each dated as of May 20, 2008. The acquisition was completed with funds from the Seanergy Maritime Trust Account and with financing provided by Marfin.

On August 28, 2008, we completed our initial business combination with the acquisition, through our designated nominees, of the six dry bulk vessels. On that date, we took delivery of the M/V Davakis G., the M/V Delos Ranger and the M/V African Oryx. On September 11, 2008, we took delivery, through our designated nominee, of the fourth vessel, the M/V Bremen Max. On September 25, 2008, we took delivery, through our designated nominees, of the final two vessels, the M/V Hamburg Max and the M/V African Zebra.

### Dissolution and Liquidation of Our Predecessor

On August 26, 2008, shareholders of Seanergy Maritime also approved a proposal for the dissolution and liquidation of Seanergy Maritime, or the dissolution and liquidation, which was originally filed with the SEC on June 17, 2008, subsequently amended on July 31, 2008 and supplemented on August 22, 2008. Seanergy Maritime proposed the dissolution and liquidation because following the vessel acquisition, Seanergy Maritime was no longer needed and its dissolution was expected to save substantial accounting, legal and compliance costs related to the U.S. federal income tax filings necessary because of Seanergy Maritime's status as a partnership for U.S. federal income tax purposes.

In connection with the dissolution and liquidation of Seanergy Maritime, on January 27, 2009, Seanergy Maritime filed Articles of Dissolution with the Registrar of Corporations of the Marshall Islands in accordance with Marshall Islands law and distributed to each holder of shares of common stock of Seanergy Maritime one share of our common stock for each share of Seanergy Maritime common stock owned by such shareholders. All outstanding warrants and the underwriter's unit purchase option of Seanergy Maritime concurrently became our obligations and became exercisable to purchase our common stock. Following the dissolution and liquidation of Seanergy Maritime, our common stock and warrants began trading on the NASDAQ Market on January 28, 2009. For purposes of this annual report all share data and financial information for the period prior to January 27, 2009 is that of Seanergy Maritime.

### BET acquisition

On August 12, 2009, we closed on the acquisition of a 50% interest in BET from Constellation Bulk Energy Holdings, Inc., or Constellation. Following this acquisition, we controlled BET through our right to appoint a majority of the BET board of directors pursuant to a shareholder agreement with Mineral Transport Holdings, Inc., or Mineral Transport, a company controlled by members of the Restis family. The purchase price consisted of \$1.00 and the acquisition of assets and the assumption of liabilities. The stock purchase was accounted for under the purchase method of accounting and accordingly the assets (vessels) acquired and the liabilities assumed have been recorded at their fair values. In addition to the vessels, the other assets acquired include \$37.75 million in cash and restricted cash and \$4.32 million in current receivables and inventories. The fair value of the vessels as of the closing of the acquisition was \$126.0 million, and BET owed \$143.01 million under its credit facility as of such date. The results of operations of BET are included in our consolidated statement of operations commencing on August 12, 2009. On October 22, 2010, we purchased the remaining 50% non-controlling ownership interest in BET from Mineral Transport for consideration that was paid in the form of: (i) \$7.0 million in cash paid to Mineral Transport and (ii) 24,761,905 shares of our common stock (or 1,650,793 shares as adjusted for the Reverse Stock Split) totaling \$26.0 million determined based upon an agreed price of \$1.05 per share (or \$15.75 per share as adjusted for the Reverse Stock Split) and having a fair value of \$30.95 million. The acquisition was treated as a transaction between entities under common control, and as such, the transaction was retrospectively reported as of May 20, 2010, due to the expiration on May 20, 2010 of a voting agreement between certain of our shareholders who are affiliated with members of the Restis family, and Seanergy Maritime's founding shareholders, composed of our former directors Messrs. Georgios Koutsolioutsos, Alexios Komninos, and Ioannis Tsigkounakis, and from that date our majority shareholders, the Restis family, also became our controlling shareholders. The excess of the consideration paid to acquire the remaining equity interest over its carrying value was recorded as a deemed distribution in equity amounting to \$18.11 million.

### MCS acquisition

On May 28, 2010, after entering into a share purchase agreement with Maritime Capital Shipping (Holdings) Limited, or Maritime Capital, a company controlled by members of the Restis family, we completed the final documentation for the acquisition of a 51% ownership interest in MCS for consideration of \$33.0 million. The consideration was paid to Maritime Capital from the proceeds of our equity offering completed in February 2010 and from our cash reserves. On September 15, 2010, we completed the acquisition from Maritime Capital of the remaining 49% ownership interest in MCS for consideration that was paid in the form of: (i) cash in the amount of \$3.0 million paid to Maritime Capital from our cash reserves and (ii) 24,761,905 shares of our common stock (or 1,650,793 shares as adjusted for the Reverse Stock Split) totaling \$26.0 million at an agreed price of \$1.05 per share (or \$15.75 per share as adjusted for the Reverse Stock Split) and having a fair value of \$26.74 million. The acquisition was treated as a transaction between entities under common control, and as such, the transaction was recorded at historical cost and was retrospectively reported as of May 20, 2010. Accordingly, the excess of the consideration paid to acquire MCS over its carrying value was recorded as a deemed distribution in equity amounting to \$2.06 million.

## Equity Injection Plan

On January 31, 2012, we completed an equity injection plan with four entities affiliated with the Restis family. In exchange for \$10 million, we issued an aggregate of 4,641,620 of our common shares to the four entities at a price of \$2.15442. The price was determined as the average closing price of the five trading days preceding the execution of the purchase plan. Following the issuance of the shares and as of the date of this report we have 11,959,282 outstanding common shares.

## B. Business Overview

We are an international company providing worldwide seaborne transportation of dry bulk commodities through our wholly-owned vessel-owning subsidiaries, which include BET and MCS. We own and operate a fleet of 19 dry bulk vessels that consists of four Capesize vessels, three Panamax vessels, two Supramax vessels and ten Handysize vessels. Our fleet carries a variety of dry bulk commodities, including coal, iron ore, and grains, as well as bauxite, phosphate, fertilizer and steel products.

## Our Fleet

The following is a list of the vessels in our fleet as of the date of this annual report. The table below sets forth summary information concerning our fleet of drybulk carriers:

Vessel/Flag	Type	Dwt	Year Built	Current Employment	Terms of Employment Period	Daily Base Gross Charter Hire Rate	Profit Sharing Above Base Charter Hire Rate	Charterer
African Oryx /Bahamas	Handysize	24,112	1997	Time Charter	Expiring June 2013	\$7,000 base rate	50% above the base rate (1)	MUR Shipping B.V.
Bremen Max/ Isle of Man	Panamax	73,503	1993	Spot Time Charter	Expiring May 2012	\$11,500	None	A/C Pacific Bulk Shipping Limited
H a m b u r g Max /Isle of Man	Panamax	73,498	1994	Time Charter	Expiring October 2012	\$21,500 base rate and a ceiling of \$25,500	100% between base and ceiling and 50% above the ceiling (2)	A/C Mansel Ltd.

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D a v a k i s G./Bahamas (3)	Supramax	54,051	2008	Time Charter	Expiring January 2013	\$14,500	None	A/C Bunge
Delos Ranger /Bahamas (3)	Supramax	54,057	2008	Spot Time Charter	Expiring April 2012	\$13,500	None	Noble Chartering Corp.
B E T Commander /Isle of Man	Capesize	149,507	1991	Spot Voyage Charter	Expiring April 2012	N/A	None	Fair Wind Chartering Pte Ltd.
BET Fighter /Isle of Man	Capesize	173,149	1992	Time Charter	Expiring August 2012	BCI Linked (6)	None	SwissMarine Services S.A.
BET Prince /Isle of Man	Capesize	163,554	1995	Time Charter	Expiring December 2012	BCI Linked (6)	None	SwissMarine Services S.A.
BET Scouter /Isle of Man	Capesize	172,173	1995	Time Charter	Expiring July 2012	BCI Linked (6)	None	SwissMarine Services S.A.
BET Intruder /Isle of Man	Panamax	69,235	1993	Time Charter	Expiring October 2012	\$12,250	None	SwissMarine Services S.A.
Fiesta /Liberia (4)	Handysize	29,519	1997	B a r e b o a t Charter	Expiring November 2013	(7)	None	Oldendorff Carriers GmbH & Co. KG



Vessel/Flag	Type	Dwt	Year Built	Current Employment	Terms of Employment Period	Daily Base Gross Charter Hire Rate	Profit Sharing Above Base Charter Hire Rate	Charterer
Pacific Fantasy /Liberia (4)	Handysize	29,538	1996	Bareboat Charter	Expiring January 2014	(7)	None	Oldendorff Carriers GmbH & Co. KG
Pacific Fighter /Liberia (4)	Handysize	29,538	1998	Bareboat Charter	Expiring November 2013	(7)	None	Oldendorff Carriers GmbH & Co. KG
Clipper Freeway /Liberia (4)	Handysize	29,538	1998	Bareboat Charter	Expiring January 2014	(7)	None	Oldendorff Carriers GmbH & Co. KG
African Joy / Hong Kong	Handysize	26,482	1996	Time Charter	Expiring February 2013	BHSI Linked (8)	None	MUR Shipping B.V.
African Glory / Hong Kong	Handysize	24,252	1998	Time Charter	Expiring November 2012 (5)	\$7,000 base rate and a ceiling of \$12,000	75% between base and ceiling and 50% above the ceiling (1)	MUR Shipping B.V.
Asian Grace / Hong Kong	Handysize	20,138	1999	Time Charter	Expiring September 2012 (5)	\$7,000 base rate and a ceiling of \$11,000	75% between base and ceiling and 50% above the ceiling (1)	MUR Shipping B.V.
Clipper Glory / Hong Kong	Handysize	30,570	2007	Time Charter	Expiring August 2012	\$25,000	None	CF Bulk Carriers Ltd. (Clipper Bulk

								Shipping Limited)
Clipper Grace / H o n g Kong	Handysize	30,548	2007	Time Charter	Expiring August 2012	\$25,000	None	CF Bulk Carriers Ltd. (Clipper Bulk Shipping Limited)
Total		1,256,962						

- (1) Calculated using the adjusted Time Charter average of the Baltic Supramax Index.
- (2) Calculated using the Time Charter average of the Baltic Panamax Index.
- (3) Sister ships.
- (4) Sister ships.
- (5) Open ended contract that continues after the date specified until mutual notice is given six months in advance.
- (6) Calculated using the adjustment Time Charter average of the Baltic Capesize Index.
- (7) Time Charter average of Baltic Handysize Index increased by 100.63% minus operating expenses.
- (8) Calculated using the adjusted Time Charter average of the Baltic Handysize Index.

## Management of Our Fleet

Safbulk Pty performs the commercial management of our initial fleet of six vessels. Safbulk Maritime performs the commercial management of the BET fleet. Each of Safbulk Pty and Safbulk Maritime, which are controlled by members of the Restis family and are collectively referred to throughout this annual report as Safbulk, has entered into a brokerage agreement with Seanergy Management, one of our wholly-owned subsidiaries, to provide these commercial management services, pursuant to which Safbulk is entitled to receive a commission of 1.25% calculated on the collected gross hire/freight/demurrage payable when such amounts are collected. See "— Brokerage Agreements" below. MCS carries out the commercial management of its fleet in-house, arranging and negotiating the terms of its vessels' time and bareboat charters based on market conditions.

EST performs the technical management of our initial fleet of six vessels and the BET fleet. EST is controlled by members of the Restis family. Safbulk and EST presently do business with over 100 customers, the majority of which have been customers since inception.

Safbulk's and EST's main objective is to ensure responsible and ethical management of services and processes from the point of view of health, safety and environmental aspects. Towards this end it has increased its self regulation by adopting various models (EFQM, EBEN) standards (ISO 9001, ISO 14001, and OHSAS 18001) and codes (ISM Code).

EST has earned a market reputation for excellence in the provision of services that is evident from the many awards and certifications earned over the years including International Safety Management Certificate (1993), ISO 9001 Certification for Quality Management (1995), ISO 14001 Certification for Environmental Management System (2002), US Coast Guard AMVER Certification, EFQM "Committed to Excellence" (2004), "Recognized for Excellence" Certification (2005) and "Recognized for Excellence-4 stars" Certification (2006), OHSAS 18001:1999 for Health and Safety (2007) and EBEN (European Business Ethics Network silver (2008) and gold (2009) awards.

## Brokerage Agreements

Safbulk Pty serves as exclusive commercial broker for our initial fleet of six vessels pursuant to a brokerage agreement with Seanergy Management. Safbulk Maritime performs the commercial management of the BET fleet pursuant to a brokerage agreement with BET. Commercial management services include, among other things, seeking and negotiating employment for the vessels owned by the vessel-owning subsidiaries in accordance with the instructions of Seanergy Management and BET, as applicable. Pursuant to the brokerage agreements, Safbulk is entitled to receive a commission of 1.25% calculated on the collected gross hire/freight/demurrage payable when such amounts are collected. The brokerage agreement with Safbulk Pty was originally for a term of two years expiring in May 2010. The brokerage agreement with Safbulk Maritime was originally for a term of one year expiring in August 2010. Each brokerage agreement is automatically renewable for consecutive periods of one year, unless either party is provided with three months' written notice prior to the termination of such period. Both brokerage agreements have since been automatically renewed for another year, expiring in May 2012 and August 2012 respectively.

## Management Agreements

Seanergy Management has entered into a management agreement with EST with respect to our initial fleet of six vessels and BET has entered into a management agreement with EST with respect to the BET fleet. Pursuant to these management agreements, EST performs certain duties that include general administrative and support services necessary for the operation and employment of such vessels, including, without limitation, crewing and other

technical management, insurance, freight management, accounting related to vessels, provisions, bunkering, operation and, subject to our instructions, sale and purchase of vessels. On October 1, 2011 each of Seanergy Management and BET entered into an Amendment no. 1 to the management agreements with EST which provide that effective from October 1, 2011 and for the tenure of the agreement the Company shall pay a management fee per day per vessel of \$450 and it was further mutually agreed that effective from October 1, 2011 no adjustment will be made on the fee per vessel per day, unless agreed by the parties in writing by an amendment to the agreement.

The management fee under both agreements was Euro 436 per vessel per day for the year ended December 31, 2010, and, under both agreements, the management fee was increased to Euro 460 per vessel per day for the first nine months of the year ending December 31, 2011. As of October 1, 2011 the management fee under both agreements was reduced to \$450 per vessel per day Management fees are payable monthly in advance on the first business day of each following month.

The management agreement between Seanergy Management and EST was for an initial period of two years and is automatically extended for successive one year periods, unless three months' written notice is given by either party. The management agreement between BET and EST was for an initial period of one year and is automatically extended for successive one year periods, unless three months' written notice is given by either party.

Under the terms of our management agreements with third parties, namely M/S Fleet and Wallem, ship managers were entitled to receive an annual fee of \$108,000 and \$84,000 per vessel, respectively, in 2010. In 2011, M/S Fleet and Wallem were entitled to receive an annual fee of \$120,000 and \$96,000 per vessel, respectively. The management agreements with M/S Fleet and Wallem may be terminated by two months prior notice by either party.

#### Shipping Committee

We have established a shipping committee. The purpose of the shipping committee is to consider and vote upon all matters involving shipping and vessel finance in order to accelerate the pace of our decision making in respect of shipping business opportunities, such as the acquisition of vessels or companies. The shipping industry often demands very prompt review and decision-making with respect to business opportunities. In recognition of this, and in order to best utilize the experience and skills that our directors bring to us, our board of directors has delegated all such matters to the shipping committee. Transactions that involve the issuance of our securities or transactions that involve a related party, however, shall not be delegated to the shipping committee but instead shall be considered by the entire board of directors. The shipping committee consists of three directors. In accordance with the Amended and Restated Charter of the Shipping Committee, two of the directors on the shipping committee are nominated by the Restis affiliate shareholders and one of the directors on the shipping committee is nominated by a majority of our Board of Directors and is an independent member of the Board of Directors. The members of the shipping committee are Mr. Dale Ploughman and Ms. Christina Anagnostara, who are the Restis affiliate shareholders' nominees, and Mr. Dimitris Panagiotopoulos, who is the Board's nominee.

In order to assure the continued existence of the shipping committee, our board of directors has agreed that the shipping committee may not be dissolved and that the duties or composition of the shipping committee may not be altered without the affirmative vote of not less than 80% of our board of directors. In addition, the duties of our chief executive officer, who is currently Mr. Ploughman, may not be altered without a similar vote. These duties and powers include voting the shares of stock that Seanergy owns in its subsidiaries. In addition to these agreements, we have amended certain provisions in its articles of incorporation and by-laws to incorporate these requirements.

As a result of these various provisions, in general, all shipping- related decisions will be made by the Restis family appointees to our board of directors unless 80% of the board members vote to change the duties or composition of the shipping committee.

#### Distinguishing Factors and Business Strategy

The international dry bulk shipping industry is highly fragmented and, as of December 2011, was comprised of approximately 8,890 ocean-going vessels of tonnage size greater than 10,000 dwt. Seanergy competes with other owners of dry bulk carriers, some of which may have a different mix of vessel sizes in their fleet. We have identified the following factors that distinguish us in the dry bulk shipping industry.

- **Extensive Industry Visibility.** Our management and directors have extensive shipping and public company experience as well as relationships in the shipping industry and with charterers in the coal, steel and iron ore industries. We capitalize on these relationships and contacts to gain market intelligence, source sale and purchase opportunities and identify chartering opportunities with leading charterers in these core commodities industries, many of whom consider the reputation of a vessel owner and operator when entering into time charters.

- **Established Customer Relationships.** We believe that our directors and management team have established relationships with leading charterers and a number of chartering, sales and purchase brokerage houses around the world. We believe that our directors and management team have maintained relationships with, and have achieved acceptance by, major national and private industrial users, commodity producers and traders.
- **Balanced Chartering Strategies.** Despite the recent economic crisis, we are currently able to meet our working capital needs and debt repayments. We expect the recent decline in charter rates to affect our revenues only on vessels earning index-linked charter rates and to the extent that redelivered vessels whose charters expire during periods of low spot rates will have to commence employment on new charters at lower rates. Our current strategy involves holding a diversified portfolio of charter contracts, including fixed rate time charter, floating rate agreements and profit sharing agreements. This allows us to cover our liquidity requirements while profiting from any favorable market movements. Furthermore, our strategy allows us to avoid fixing our vessels for long periods at unprofitable rates. We may in the future pursue other market opportunities for our vessels to capitalize on favorable market conditions, including entering into longer -term time charters, pool arrangements or bareboat charters.

- **Diversified Fleet Profile.** We focus on the dry bulk sector including Capesize, Panamax, Handymax/Supramax and Handysize dry bulk carriers. Our broad fleet profile enables us to serve our customers in both major and minor bulk trades and, in our opinion, reduces our reliance on any one sector of charterers and provides us with a diversified client base and greater stability of revenue. Our vessels are able to trade worldwide in a number of trade routes carrying a wide range of cargoes for a number of industries. Our fleet includes two sister ships of one class and four sister ships of another class. Operating sister and similar ships provides us with operational and scheduling flexibility, efficiencies in employee training and lower inventory and maintenance expenses. We believe that operating sister ships allows us to maintain lower operating costs and streamline our operations.
- **Fleet Growth Potential.** We intend to acquire additional dry bulk carriers or enter into new contracts through timely and selective acquisitions of vessels in a manner that we determine will be accretive to cash flow. We expect to fund the acquisition of any additional vessels using the proceeds of any future equity offerings, amounts borrowed under our current credit facilities and future borrowings under other agreements, as well as with proceeds from the exercise of the warrants, if any, or through other sources of debt and equity. However, there can be no assurance that we will be successful in obtaining future funding or that any or all of the warrants will be exercised.

#### The Dry Bulk Shipping Industry

The global dry bulk carrier fleet is divided into four categories based on a vessel's carrying capacity. These categories are:

- **Capesize.** Capesize vessels have a carrying capacity of exceeding 100,000dwt. Only the largest ports around the world possess the infrastructure to accommodate vessels of this size. Capesize vessels are primarily used to transport iron ore or coal and, to a much lesser extent, grains, primarily on long-haul routes.
- **Panamax.** Panamax vessels have a carrying capacity of between 60,000 and 100,000 dwt. These vessels are designed to meet the physical restrictions of the Panama Canal locks (hence their name "Panamax" — the largest vessels able to transit the Panama Canal, making them more versatile than larger vessels). These vessels carry coal, grains, and, to a lesser extent, minerals such as bauxite/alumina and phosphate rock. As the availability of Capesize vessels has dwindled, Panamaxes have also been used to haul iron ore cargoes.
- **Handymax/Supramax.** Handymax vessels have a carrying capacity of between 30,000 and 60,000 dwt. These vessels operate on a large number of geographically dispersed global trade routes, carrying primarily grains and minor bulks. The standard vessels are usually built with 25-30 ton cargo gear, enabling them to discharge cargo where grabs are required (particularly industrial minerals), and to conduct cargo operations in countries and ports with limited infrastructure. This type of vessel offers good trading flexibility and can, therefore, be used in a wide variety of bulk and neobulk trades, such as steel products. Supramax are a sub-category of this category typically having a cargo carrying capacity of between 50,000 and 60,000 dwt.
- **Handysize.** Handysize vessels have a carrying capacity of up to 30,000 dwt. These vessels are almost exclusively carrying minor bulk cargo. Increasingly, vessels of this type operate on regional trading routes, and may serve as trans-shipment feeders for larger vessels. Handysize vessels are well suited for small ports with length and draft restrictions. Their cargo gear enables them to service ports lacking the infrastructure for cargo loading and discharging.

The supply of dry bulk carriers is dependent on the delivery of new vessels and the removal of vessels from the global fleet, either through scrapping or loss. The level of scrapping activity is generally a function of scrapping prices in relation to current and prospective charter market conditions, as well as operating, repair and survey costs.

The demand for dry bulk carrier capacity is determined by the underlying demand for commodities transported in dry bulk carriers, which in turn is influenced by trends in the global economy. Demand for dry bulk carrier capacity is also affected by the operating efficiency of the global fleet, with port congestion, which has been a feature of the market since 2004, absorbing tonnage and therefore leading to a tighter balance between supply and demand. In evaluating demand factors for dry bulk carrier capacity, the Company believes that dry bulk carriers can be the most versatile element of the global shipping fleets in terms of employment alternatives.



## Charter Hire Rates

Charter hire rates fluctuate by varying degrees among dry bulk carrier size categories. The volume and pattern of trade in a small number of commodities (major bulks) affect demand for larger vessels. Therefore, charter rates and vessel values of larger vessels often show greater volatility. Conversely, trade in a greater number of commodities (minor bulks) drives demand for smaller dry bulk carriers. Accordingly, charter rates and vessel values for those vessels are subject to less volatility.

Charter hire rates paid for dry bulk carriers are primarily a function of the underlying balance between vessel supply and demand, although at times other factors may play a role. Furthermore, the pattern seen in charter rates is broadly mirrored across the different charter types and the different dry bulk carrier categories. However, because demand for larger dry bulk vessels is affected by the volume and pattern of trade in a relatively small number of commodities, charter hire rates (and vessel values) of larger ships tend to be more volatile than those for smaller vessels.

In the time charter market, rates vary depending on the length of the charter period and vessel specific factors such as age, speed and fuel consumption.

In the voyage charter market, rates are influenced by cargo size, commodity, port dues and canal transit fees, as well as commencement and termination regions. In general, a larger cargo size is quoted at a lower rate per ton than a smaller cargo size. Routes with costly ports or canals generally command higher rates than routes with low port dues and no canals to transit. Voyages with a load port within a region that includes ports where vessels usually discharge cargo or a discharge port within a region with ports where vessels load cargo also are generally quoted at lower rates, because such voyages generally increase vessel utilization by reducing the unloaded portion (or ballast leg) that is included in the calculation of the return charter to a loading area.

Within the dry bulk shipping industry, the charter hire rate references most likely to be monitored are the freight rate indices issued by the Baltic Exchange. These references are based on actual charter hire rates under charters entered into by market participants as well as daily assessments provided to the Baltic Exchange by a panel of major shipbrokers.

## Competition

We operate in markets that are highly competitive and based primarily on supply and demand. We compete for charters on the basis of price, vessel location, size, age and condition of the vessel, as well as on its reputation. Safbulk negotiates the terms of our charters (whether voyage charters, period time charters, bareboat charters or pools) based on market conditions. We compete primarily with other owners of drybulk carriers, many of which may have more resources than us and may operate vessels that are newer, and therefore more attractive to charterers, than our vessels. Ownership of dry bulk carriers is highly fragmented and is divided among publicly listed companies, state controlled and independent bulk carrier owners. We compete primarily with owners of drybulk vessels in the Handymax, Supramax and Panamax class sizes. Some of our publicly listed competitors include Eagle Bulk Shipping Inc. (NASDAQ: EGLE), Freeseas Inc. (NASDAQ: FREE), Excel Maritime Carriers Ltd. (NYSE: EXM), Genco Shipping and Trading Limited (NYSE: GNK), Globus Maritime Limited (NASDAQ: GLBS), Navios Maritime Partners L.P. (NASDAQ: NMM), Paragon Shipping Inc. (NYSE: PRGN), Safe Bulkers Inc. (NYSE: SB) and Star Bulk Carriers Corp. (NASDAQ: SBLK).

## Seasonality

Coal, iron ore and grains, which are the major bulks of the dry bulk shipping industry, are somewhat seasonal in nature. The energy markets primarily affect the demand for coal, with increases during hot summer periods when air conditioning and refrigeration require more electricity and towards the end of the calendar year in anticipation of the forthcoming winter period. The demand for iron ore tends to decline in the summer months because many of the major steel users, such as automobile makers, reduce their level of production significantly during the summer holidays. Grains are completely seasonal as they are driven by the harvest within a climate zone. Because three of the five largest grain producers (the United States of America, Canada and the European Union) are located in the northern hemisphere and the other two (Argentina and Australia) are located in the southern hemisphere, harvests occur throughout the year and grains require dry bulk shipping accordingly.

#### Environmental and Other Regulations

Government regulation significantly affects the ownership and operation of our vessels. We are subject to international conventions and treaties, national, state and local laws and regulations in force in the countries in which our vessels may operate or are registered relating to safety and health and environmental protection including the storage, handling, emission, transportation and discharge of hazardous and non-hazardous materials, and the remediation of contamination and liability for damage to natural resources. Compliance with such laws, regulations and other requirements entails significant expense, including vessel modifications and implementation of certain operating procedures.

A variety of government and private entities subject our vessels to both scheduled and unscheduled inspections. These entities include the local port authorities (United States Coast Guard, harbor master or equivalent), classification societies, flag state administrations (country of registry) and charterers, particularly terminal operators. Certain of these entities require us to obtain permits, licenses, certificates or approvals for the operation of our vessels. Failure to maintain necessary permits, licenses, certificates or approvals could require us to incur substantial costs or temporarily suspend the operation of one or more of our vessels.

We believe that the heightened level of environmental and operational safety concerns among insurance underwriters, regulators and charterers have led to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the dry bulk shipping industry. Increasing environmental concerns have created a demand for vessels that conform to the stricter environmental standards. We are required to maintain operating standards for all of our vessels that emphasize operational safety, quality maintenance, continuous training of our officers and crews and compliance with United States and international regulations. We believe that the operation of our vessels is in substantial compliance with applicable environmental laws and regulations and that our vessels have all material permits, licenses, certificates or other authorizations necessary for the conduct of our operations. However, because such laws and regulations are frequently changed and may impose increasingly stricter requirements, we cannot predict the ultimate cost of complying with these requirements, or the impact of these requirements on the resale value or useful lives of our vessels. In addition, a future serious marine incident that causes significant adverse environmental impact, such as the 2010 Deepwater Horizon oil spill, could result in additional legislation or regulation that could negatively affect our profitability.

#### International Maritime Organization

The United Nations' International Maritime Organization (the "IMO") has adopted the International Convention for the Prevention of Marine Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto (collectively referred to as MARPOL 73/78 and herein as "MARPOL"). MARPOL entered into force on October 2, 1983. It has been adopted by over 150 nations, including many of the jurisdictions in which our vessels operate. MARPOL sets forth pollution-prevention requirements applicable to drybulk carriers, among other vessels, and is broken into six Annexes, each of which regulates a different source of pollution. Annex I relates to oil leakage or spilling; Annexes II and III relate to harmful substances carried, in bulk, in liquid or packaged form, respectively; Annexes IV and V relate to sewage and garbage management, respectively; and Annex VI, lastly, relates to air emissions. Annex VI was separately adopted by the IMO in September of 1997.

#### Air Emissions

In September of 1997, the IMO adopted Annex VI to MARPOL to address air pollution. Effective May 2005, Annex VI sets limits on nitrogen oxide emissions from ships whose diesel engines were constructed (or underwent major conversions) on or after January 1, 2000. It also prohibits "deliberate emissions" of "ozone depleting substances," defined to include certain halons and chlorofluorocarbons. "Deliberate emissions" are not limited to times when the ship is at sea; they can for example include discharges occurring in the course of the ship's repair and maintenance. Emissions of "volatile organic compounds" from certain tankers, and the shipboard incineration (from incinerators installed after January 1, 2000) of certain substances (such as polychlorinated biphenyls (PCBs)) are also prohibited. Annex VI also includes a global cap on the sulfur content of fuel oil (see below).

The IMO's Maritime Environment Protection Committee, or MEPC, adopted amendments to Annex VI on October 10, 2008, which amendments were entered into force on July 1, 2010. The amended Annex VI seeks to further reduce air pollution by, among other things, implementing a progressive reduction of the amount of sulphur contained in any fuel oil used on board ships. By January 1, 2012, the amended Annex VI requires that fuel oil contain no more than 3.50% sulfur (from the current cap of 4.50%). By January 1, 2020, sulfur content must not exceed 0.50%, subject to a feasibility review to be completed no later than 2018.

Sulfur content standards are even stricter within certain "Emission Control Areas" ("ECAs"). By July 1, 2010, ships operating within an ECA may not use fuel with sulfur content in excess of 1.0% (from 1.50%), which is further reduced to 0.10% on January 1, 2015. Amended Annex VI establishes procedures for designating new ECAs. Currently, the Baltic Sea and the North Sea have been so designated. Effective August 1, 2012, certain coastal areas of North America will also be designated ECAs, as will (effective January 1, 2014), the United States Caribbean Sea, including the coastal waters around Puerto Rico and the U.S. Virgin Islands. Ocean-going vessels in these areas will be subject to stringent emissions controls and may cause us to incur additional costs. If other ECAs are approved by the IMO or other new or more stringent requirements relating to emissions from marine diesel engines or port operations by vessels are adopted by the EPA or the states where we operate, compliance with these regulations could entail significant capital expenditures or otherwise increase the costs of our operations. We cannot assure you that the jurisdictions in which our vessels operate will not adopt more stringent emissions standards independent of the IMO.

Amended Annex VI also establishes new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation. The U.S. Environmental Protection Agency promulgated equivalent (and in some senses stricter) emissions standards in late 2009.

#### Safety Management System Requirements

The IMO also adopted the International Convention for the Safety of Life at Sea, or SOLAS, and the International Convention on Load Lines, or the LL Convention, which impose a variety of standards that regulate the design and operational features of ships. The IMO periodically revises the SOLAS and LL Convention standards.

The operation of our ships is also affected by the requirements set forth in Chapter IX of SOLAS, which sets forth the IMO's International Management Code for the Safe Operation of Ships and Pollution Prevention, or the ISM Code. The ISM Code requires ship owners and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. We rely upon the safety management system that our technical manager has developed for compliance with the ISM Code. The failure of a ship owner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports.

The ISM Code requires that vessel operators obtain a safety management certificate, or SMC, for each vessel they operate. This certificate evidences compliance by a vessel's operators with the ISM Code requirements for a safety management system, or SMS. No vessel can obtain an SMC under the ISM Code unless its manager has been awarded a document of compliance, or DOC, issued in most instances by the vessel's flag state.

Noncompliance with the ISM Code or other IMO regulations may subject the ship owner or bareboat charterer to increased liability, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports.

#### Pollution Control and Liability Requirements

The IMO has negotiated international conventions that impose liability for pollution in international waters and the territorial waters of the signatories to such conventions. For example, the IMO adopted the International Convention for the Control and Management of Ships' Ballast Water and Sediments, or the BWM Convention, in February 2004. The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits. The BWM Convention will not enter into force until 12 months after it has been adopted by 30 states, the combined merchant fleets of which represent not less than 35% of the gross tonnage of the world's merchant shipping tonnage. To date, there has not been sufficient adoption of this standard for it to take force. However, Panama may adopt this standard in the relatively near future, which would be sufficient for it to take force. Upon entry into force of the BWM Convention, mid-ocean ballast exchange would be mandatory for our vessels. In addition, our vessels would be required to be equipped with a ballast water treatment system that meets mandatory concentration limits not later than the first intermediate or renewal survey, whichever occurs first, after the anniversary date of delivery of the vessel in 2014, for vessels with ballast water capacity of 1500-5000 cubic meters, or after such date in 2016, for vessels with ballast water capacity of greater than 5000 cubic meters.

The IMO adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage, or the Bunker Convention, to impose strict liability on ship owners for pollution damage in jurisdictional waters of ratifying states caused by discharges of bunker fuel. The Bunker Convention requires registered owners of ships over 1,000 gross tons to maintain insurance for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime (but not exceeding the amount calculated in accordance with the Convention on Limitation of Liability for Maritime Claims of 1976, as amended). With respect to non-ratifying states, liability for spills or releases of oil carried as fuel in ship's bunkers typically is determined by the national or other domestic laws in the jurisdiction where the events or damages occur.

In March 2006, the IMO amended Annex I to MARPOL, including a new regulation relating to oil fuel tank protection, which became effective August 1, 2007. The new regulation applies to various ships delivered on or after August 1, 2010. It includes requirements for the protected location of the fuel tanks, performance standards for accidental oil fuel outflow, a tank capacity limit and certain other maintenance, inspection and engineering standards.

The IMO continues to review and introduce new regulations. It is impossible to predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulations might have on our operations. We believe that we are in substantial compliance with all applicable existing IMO requirements. In addition, we intend to comply with all future applicable IMO requirements.

The U.S. Oil Pollution Act of 1990 and Comprehensive Environmental Response, Compensation and Liability Act

OPA established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA affects all "owners and operators" whose vessels trade with the United States, its territories and possessions or whose vessels operate in United States waters, which includes the United States' territorial sea and its 200 nautical mile exclusive economic zone around the United States. The United States has also enacted the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, which applies to the discharge of hazardous substances other than oil, whether on land or at sea. OPA and CERCLA both define "owner and operator" in the case of a vessel as any person owning, operating or chartering by demise, the vessel. Both OPA and CERCLA impact our operations.

Under OPA, vessel owners and operators are "responsible parties" and are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or threatened discharges of oil from their vessels. OPA defines these other damages broadly to include:

- (i) injury to, destruction or loss of, or loss of use of, natural resources and related assessment costs;
- (ii) injury to, or economic losses resulting from, the destruction of real and personal property;
- (iii) net loss of taxes, royalties, rents, fees or net profit revenues resulting from injury, destruction or loss of real or personal property, or natural resources;
- (iv) loss of subsistence use of natural resources that are injured, destroyed or lost;
- (v) lost profits or impairment of earning capacity due to injury, destruction or loss of real or personal property or natural resources; and
- (vi) net cost of increased or additional public services necessitated by removal activities following a discharge of oil, such as protection from fire, safety or health hazards, and loss of subsistence use of natural resources.

OPA contains statutory caps on liability and damages; such caps do not apply to direct cleanup costs. Effective July 31, 2009, the U.S. Coast Guard adjusted the limits of OPA liability for non-tank vessels (e.g. drybulk) to the greater of \$1,000 per gross ton or \$854,400 (subject to periodic adjustment for inflation). These limits of liability do not apply if an incident was proximately caused by the violation of an applicable U.S. federal safety, construction or operating regulation by a responsible party (or its agent, employee or a person acting pursuant to a contractual relationship), or a responsible party's gross negligence or willful misconduct. The limitation on liability similarly does not apply if the responsible party fails or refuses to (i) report the incident where the responsible party knows or has reason to know of the incident; (ii) reasonably cooperate and assist as requested in connection with oil removal activities; or (iii) without sufficient cause, comply with an order issued under the Federal Water Pollution Act (Section 311 (c), (e)) or the Intervention on the High Seas Act.

CERCLA contains a similar liability regime whereby owners and operators of vessels are liable for cleanup, removal and remedial costs, as well as damage for injury to, or destruction or loss of, natural resources, including the reasonable costs associated with assessing same, and health assessments or health effects studies. There is no liability if the discharge of a hazardous substance results solely from the act or omission of a third party, an act of God or an

act of war. Liability under CERCLA is limited to the greater of \$300 per gross ton or \$5.0 million for vessels carrying a hazardous substance as cargo and the greater of \$300 per gross ton or \$500,000 for any other vessel. These limits do not apply (rendering the responsible person liable for the total cost of response and damages) if the release or threat of release of a hazardous substance resulted from willful misconduct or negligence, or the primary cause of the release was a violation of applicable safety, construction or operating standards or regulations. The limitation on liability also does not apply if the responsible person fails or refused to provide all reasonable cooperation and assistance as requested in connection with response activities where the vessel is subject to OPA.

OPA and CERCLA both require owners and operators of vessels to establish and maintain with the U.S. Coast Guard evidence of financial responsibility sufficient to meet the maximum amount of liability to which the particular responsible person may be subject. Vessel owners and operators may satisfy their financial responsibility obligations by providing a proof of insurance, a surety bond, qualification as a self-insurer or a guarantee.

The 2010 Deepwater Horizon oil spill in the Gulf of Mexico may also result in additional regulatory initiatives or statutes, including the raising of liability caps under OPA. Compliance with any new requirements of OPA may substantially impact our cost of operations or require us to incur additional expenses to comply with any new regulatory initiatives or statutes. Additional legislation or regulations applicable to the operation of our vessels that may be implemented in the future could adversely affect our business.



We currently maintain pollution liability coverage insurance in the amount of \$1.0 billion per incident for each of our vessels. If the damages from a catastrophic spill were to exceed our insurance coverage it could have an adverse effect on our business and results of operation.

OPA specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, provided they accept, at a minimum, the levels of liability established under OPA, and some states have enacted legislation providing for unlimited liability for oil spills. In some cases, states which have enacted such legislation have not yet issued implementing regulations defining vessel owners' responsibilities under these laws. We intend to comply with all applicable state regulations in the ports where our vessels call. We believe that we are in substantial compliance with all applicable existing state requirements. In addition, we intend to comply with all future applicable state regulations in the ports where our vessels call.

#### Other Environmental Initiatives

The CWA prohibits the discharge of oil, hazardous substances and ballast water in U.S. navigable waters unless authorized by a duly-issued permit or exemption, and imposes strict liability in the form of penalties for any unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under OPA and CERCLA.

The EPA regulates the discharge of ballast water and other substances in U.S. waters under the CWA. EPA regulations require vessels 79 feet in length or longer (other than commercial fishing and recreational vessels) to comply with a Vessel General Permit authorizing ballast water discharges and other discharges incidental to the operation of vessels. The Vessel General Permit imposes technology and water-quality based effluent limits for certain types of discharges and establishes specific inspection, monitoring, recordkeeping and reporting requirements to ensure the effluent limits are met. The EPA has proposed a draft 2013 Vessel General Permit to replace the current Vessel General Permit upon its expiration on December 19, 2013, authorizing discharges incidental to operations of commercial vessels. The draft permit also contains numeric ballast water discharge limits for most vessels to reduce the risk of invasive species in US waters, more stringent requirements for exhaust gas scrubbers and the use of environmentally acceptable lubricants.

U.S. Coast Guard regulations adopted under the U.S. National Invasive Species Act, or NISA, also impose mandatory ballast water management practices for all vessels equipped with ballast water tanks entering or operating in U.S. waters. In 2009 the Coast Guard proposed new ballast water management standards and practices, including limits regarding ballast water releases. As of November 2011, the Office of Management and Budget continues to review this proposed rule. Compliance with the EPA and the U.S. Coast Guard regulations could require the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial cost, and/or otherwise restrict our vessels from entering U.S. waters.

The U.S. Clean Air Act of 1970 (including its amendments of 1977 and 1990) (the "CAA") requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. Our vessels are subject to vapor control and recovery requirements for certain cargoes when loading, unloading, ballasting, cleaning and conducting other operations in regulated port areas. Our vessels that operate in such port areas with restricted cargoes are equipped with vapor recovery systems that satisfy these requirements. The CAA also requires states to draft State Implementation Plans ("SIPs") designed to attain national health-based air quality standards in each state. Although state-specific, SIPs may include regulations concerning emissions resulting from vessel loading

and unloading operations by requiring the installation of vapor control equipment. As indicated above, our vessels operating in covered port areas are already equipped with vapor recovery systems that satisfy these existing requirements.

#### European Union Regulations

In October 2009, the European Union amended a directive to impose criminal sanctions for illicit ship-source discharges of polluting substances, including minor discharges, if committed with intent, recklessly or with serious negligence and the discharges individually or in the aggregate result in deterioration of the quality of water. Aiding and abetting the discharge of a polluting substance may also lead to criminal penalties. Member States were required to enact laws or regulations to comply with the directive by the end of 2010. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims.

The European Union has adopted several regulations and directives requiring, among other things, more frequent inspections of high-risk ships, as determined by type, age, and flag as well as the number of times the ship has been detained. The European Union also adopted and then extended a ban on substandard ships and enacted a minimum ban period and a definitive ban for repeated offenses. The regulation also provided the European Union with greater authority and control over classification societies, by imposing more requirements on classification societies and providing for fines or penalty payments for organizations that failed to comply.

## Greenhouse Gas Regulation

Currently, the emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which entered into force in 2005 and pursuant to which adopting countries have been required to implement national programs to reduce greenhouse gas emissions. However, in July 2011 the MEPC adopted two new sets of mandatory requirements to address greenhouse gas emissions from ships that will enter into force in January 2013. Currently operating ships will be required to develop Ship Energy Efficiency Management Plans, and minimum energy efficiency levels per capacity mile will apply to new ships. These requirements could cause us to incur additional compliance costs. The IMO is also considering the development of market-based mechanisms to reduce greenhouse gas emissions from ships. The European Union has indicated that it intends to propose an expansion of the existing European Union emissions trading scheme to include emissions of greenhouse gases from marine vessels, and in January 2012 the European Commission launched a public consultation on possible measures to reduce greenhouse gas emissions from ships. In the United States, the EPA has issued a finding that greenhouse gases endanger the public health and safety and has adopted regulations to limit greenhouse gas emissions from certain mobile sources and large stationary sources. Although the mobile source emissions regulations do not apply to greenhouse gas emissions from vessels, such regulation of vessels is foreseeable, and the EPA has in recent years received petitions from the California Attorney General and various environmental groups seeking such regulation. Any passage of climate control legislation or other regulatory initiatives by the IMO, European Union, the U.S. or other countries where we operate, or any treaty adopted at the international level to succeed the Kyoto Protocol, that restrict emissions of greenhouse gases could require us to make significant financial expenditures which we cannot predict with certainty at this time.

## International Labour Organization

The International Labour Organization (ILO) is a specialized agency of the UN with headquarters in Geneva, Switzerland. The ILO has adopted the Maritime Labor Convention 2006 (MLC 2006). A Maritime Labor Certificate and a Declaration of Maritime Labor Compliance will be required to ensure compliance with the MLC 2006 for all ships above 500 gross tons in international trade. The MLC 2006 will enter into force one year after 30 countries with a minimum of 33% of the world's tonnage have ratified it. The MLC 2006 has not yet been ratified, but its ratification would require us to develop new procedures to ensure full compliance with its requirements.

## Vessel Security Regulations

Since the terrorist attacks of September 11, 2001 in the United States, there have been a variety of initiatives intended to enhance vessel security such as the Maritime Transportation Security Act of 2002, or MTSA. To implement certain portions of the MTSA, in July 2003, the U.S. Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. The regulations also impose requirements on certain ports and facilities, some of which are regulated by the U.S. Environmental Protection Agency (EPA).

Similarly, in December 2002, amendments to SOLAS created a new chapter of the convention dealing specifically with maritime security. The new Chapter V became effective in July 2004 and imposes various detailed security obligations on vessels and port authorities, and mandates compliance with the International Ship and Port Facilities Security Code, or the ISPS Code. The ISPS Code is designed to enhance the security of ports and ships against terrorism. To trade internationally, a vessel must attain an International Ship Security Certificate, or ISSC, from a recognized security organization approved by the vessel's flag state. Among the various requirements are:

- on-board installation of automatic identification systems to provide a means for the automatic transmission of safety-related information from among similarly equipped ships and shore stations, including information on a ship's identity, position, course, speed and navigational status;
- on-board installation of ship security alert systems, which do not sound on the vessel but only alert the authorities on shore;
  - the development of vessel security plans;
  - ship identification number to be permanently marked on a vessel's hull;
- a continuous synopsis record kept onboard showing a vessel's history including the name of the ship, the state whose flag the ship is entitled to fly, the date on which the ship was registered with that state, the ship's identification number, the port at which the ship is registered and the name of the registered owner(s) and their registered address; and
  - compliance with flag state security certification requirements.

Ships operating without a valid certificate may be detained at port until it obtains an ISSC, or it may be expelled from port, or refused entry at port.

Furthermore, additional security measures could be required in the future which could have a significant financial impact on us. The U.S. Coast Guard regulations, intended to be aligned with international maritime security standards, exempt non-U.S. vessels from MTSA vessel security measures, provided such vessels have on board a valid ISSC that attests to the vessel's compliance with SOLAS security requirements and the ISPS Code.

Our vessels are in compliance with the various security measures addressed by the MTSA, SOLAS and the ISPS Code. We do not believe these additional requirements will have a material financial impact on our operations.

#### Inspection by Classification Societies

Every seagoing vessel must be "classed" by a classification society. The classification society certifies that the vessel is "in class," signifying that the vessel has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the vessel's country of registry and the international conventions of which that country is a member. In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the classification society will undertake them on application or by official order, acting on behalf of the authorities concerned.

The classification society also undertakes on request other surveys and checks that are required by regulations and requirements of the flag state. These surveys are subject to agreements made in each individual case and/or to the regulations of the country concerned.

For maintenance of the class certification, regular and occasional surveys of hull, machinery, including the electrical plant, and any special equipment classed are required to be performed as follows:

**Annual Surveys.** For seagoing ships, annual surveys are conducted for the hull and the machinery, including the electrical plant, and where applicable for special equipment classed, within three months before or after each anniversary date of the date of commencement of the class period indicated in the certificate.

**Intermediate Surveys.** Extended annual surveys are referred to as intermediate surveys and typically are conducted two and one-half years after commissioning and each class renewal. Intermediate surveys are to be carried out at or between the occasion of the second or third annual survey.

**Class Renewal Surveys.** Class renewal surveys, also known as special surveys, are carried out for the ship's hull, machinery, including the electrical plant and for any special equipment classed, at the intervals indicated by the character of classification for the hull. At the special survey the vessel is thoroughly examined, including audio-gauging to determine the thickness of the steel structures. Should the thickness be found to be less than class requirements, the classification society would prescribe steel renewals. Substantial amounts of money may have to be spent for steel renewals to pass a special survey if the vessel experiences excessive wear and tear. In lieu of the special survey, a ship owner has the option of arranging with the classification society for the vessel's hull or machinery to be on a continuous survey cycle, in which every part of the vessel would be surveyed within a five year cycle. At an owner's application, the surveys required for class renewal may be split according to an agreed schedule to extend over the entire period of class. This process is referred to as continuous class renewal.

All areas subject to survey as defined by the classification society are required to be surveyed at least once per class period, unless shorter intervals between surveys are prescribed elsewhere. The period between two subsequent surveys

of each area must not exceed five years.

Most vessels are usually dry-docked every 30 to 36 months for inspection of the underwater parts and for repairs related to inspections. If any defects are found, the classification surveyor will issue a "recommendation" which must be rectified by the ship owner within prescribed time limits.

Most insurance underwriters make it a condition for insurance coverage and lending that a vessel be certified as "in class" by a classification society which is a member of the International Association of Classification Societies. Seanergy's vessels are certified as being "in class" by classification societies that are members of the International Association of Classification Societies. All new and secondhand vessels that we purchase must be certified prior to their delivery under our standard purchase contracts and memorandum of agreement. If the vessel is not certified on the date of closing, we have no obligation to take delivery of the vessel.

## Risk of Loss and Liability Insurance

### General

The operation of any cargo vessel includes risks such as mechanical failure, physical damage, collision, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, hostilities and labor strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. OPA, which imposes virtually unlimited liability upon owners, operators and demise charterers of any vessel trading in the United States exclusive economic zone for certain oil pollution accidents in the United States, has made liability insurance more expensive for ship owners and operators trading in the United States market. While we believe that our insurance coverage is adequate, not all risks can be insured, and there can be no guarantee that any specific claim will be paid, or that we will always be able to obtain adequate insurance coverage at reasonable rates.

### Hull and Machinery Insurance

We maintain marine hull and machinery and war risk insurance, which includes the risk of actual or constructive total loss, for all of the vessels. The vessels are covered up to at least fair market value, with deductibles in amounts of approximately \$100,000 to \$172,500.

We arrange, as necessary, increased value insurance for our vessels. With the increased value insurance, in case of total loss of the vessel, Seanergy will be able to recover the sum insured under the increased value policy in addition to the sum insured under the hull and machinery policy. Increased value insurance also covers excess liabilities which are not recoverable in full by the hull and machinery policies by reason of under insurance. We expect to maintain delay cover insurance for certain of our vessels. Delay cover insurance covers business interruptions that result in the loss of use of a vessel.

### Protection and Indemnity Insurance

Protection and indemnity insurance is provided by mutual protection and indemnity associations, or P&I Associations, which cover our third-party liabilities in connection with our shipping activities. This includes third-party liability and other related expenses of injury or death of crew, passengers and other third parties, loss or damage to cargo, claims arising from collisions with other vessels, damage to other third-party property, pollution arising from oil or other substances, and salvage, towing and other related costs, including wreck removal. Protection and indemnity insurance is a form of mutual indemnity insurance, extended by protection and indemnity mutual associations.

Our protection and indemnity insurance coverage for pollution is \$1.0 billion per vessel per incident. The 13 P&I Associations that comprise the International Group insure approximately 90% of the world's commercial tonnage and have entered into a pooling agreement to reinsure each association's liabilities. Each of Seanergy's vessels entered into insurance agreements with P&I Associations of the International Group. Under the International Group reinsurance program, each P&I club in the International Group is responsible for the first \$7.0 million of every claim. In every claim the amount in excess of \$7.0 million and up to \$50.0 million is shared by the clubs under a pooling agreement. In every claim the amount in excess of \$50.0 million is reinsured by the International Group under the general excess of loss reinsurance contract. This policy currently provides an additional \$3.0 billion of coverage. Claims which exceed this amount are pooled by way of "overspill" calls. As a member of a P&I Association, which is a member of the International Group, Seanergy is subject to calls payable to the associations based on its claim records as well as

the claim records of all other members of the individual associations, and members of the pool of P&I Associations comprising the International Group. The P&I Associations' policy year commences on February 20th. Calls are levied by means of estimated total costs, or ETC, and the amount of the final installment of the ETC varies according to the actual total premium ultimately required by the club for a particular policy year. Members have a liability to pay supplementary calls which might be levied by the board of directors of the club if the ETC is insufficient to cover amounts paid out by the club.



C. Organizational Structure

We are the parent company of the following wholly-owned subsidiaries as of the date of this annual report:

Subsidiary	Jurisdiction of Incorporation
Seanergy Management Corp.	Republic of the Marshall Islands
Amazons Management Inc.	Republic of the Marshall Islands
Lagoon Shipholding Ltd.	Republic of the Marshall Islands
Cynthera Navigation Ltd.	Republic of the Marshall Islands
Martinique International Corp.	British Virgin Islands
Harbour Business International Corp.	British Virgin Islands
Waldeck Maritime Co.	Republic of the Marshall Islands
Bulk Energy Transport (Holdings) Limited	Republic of the Marshall Islands
Quex Shipping Inc.	British Virgin Islands
Rossington Marine Corp.	British Virgin Islands
Rayford Navigation Corp.	British Virgin Islands
Creighton Development Inc.	British Virgin Islands
Pulford Ocean Inc.	British Virgin Islands
Lewisham Maritime Inc.	British Virgin Islands
Maritime Capital Shipping Limited	Bermuda
Maritime Capital Shipping (HK) Limited	Hong Kong
African Glory Shipping Limited	British Virgin Islands
African Joy Shipping Limited	British Virgin Islands
Asian Grace Shipping Limited	British Virgin Islands
Maritime Grace Shipping Limited	British Virgin Islands

Atlantic Grace Shipping Limited	British Virgin Islands
Maritime Glory Shipping Limited	British Virgin Islands
Maritime Freeway Shipping Limited	Liberia
Maritime Fantasy Shipping Limited	Liberia
Maritime Fiesta Shipping Limited	Liberia
Maritime Fighter Shipping Limited	Liberia

D. Property, Plants and Equipment

We do not own any real estate property. We lease our executive office space in Athens, Greece pursuant to the terms of a sublease agreement between Seenergy Management and Waterfront S.A., a company affiliated with a member of the Restis family, and for MCS we lease office space in Hong Kong from a third party entity.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following management's discussion and analysis of the results of our operations and our financial condition should be read in conjunction with the financial statements and the notes to those statements included in "Item 18, Financial Statements". This discussion contains forward-looking statements that involve risks, uncertainties, and assumptions. Actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, such as those set forth in the "Risk Factors" section and elsewhere in this annual report.

A. Operating Results

Factors Affecting our Results of Operations

Overview

We are an international provider of dry bulk marine transportation services. We were initially formed as a wholly owned subsidiary of Seenergy Maritime, which was incorporated in August 2006 as a blank check company to acquire one or more businesses in the maritime shipping industry or related industries.

Our vessel operations began upon the consummation of our initial business combination in August 2008. We further acquired a 50% controlling ownership interest in BET in August 2009, pursuant to which we acquired five vessels, and a 51% controlling ownership interest in MCS in May 2010, pursuant to which we acquired an additional nine vessels. We acquired the remaining ownership interests in BET and MCS in October 2010 and September 2010, respectively.

As of December 31, 2011, we owned and operated a total fleet of 20 dry bulk carrier vessels, consisting of four Capesize, three Panamax, two Supramax, one Handymax and ten Handysize vessels. These ships have a combined carrying capacity of 1,295,594 dwt and an average age of approximately 14.3 years, out of an expected useful life of 30 years.

We generate revenues by charging customers for the transportation of dry bulk cargo using our vessels. As of December 31, 2011 three of our vessels operated under long-term index-linked employment, five vessels were employed under long-term fixed-rate charter agreements, five vessels were operating under fixed rate charters with profit sharing agreements, four vessels were on bareboat charters and three vessels operated in the spot market. A time charter is a contract for the use of a vessel for a specific period of time during which the charterer pays substantially all of the voyage expenses, but the vessel owner pays the vessel operating expenses. A bareboat charter is a contract for a specified period of time during which the charterer is given control of the vessel, including the right to appoint the master and the crew. Under bareboat charters, all voyage and vessel operating expenses are paid by our customers.

We tested our goodwill for potential impairment and concluded that indication of impairment existed as of September 30, 2011 but not as of December 31, 2011. The fair value for goodwill impairment testing was estimated by using the income approach which is calculated using the expected present value of future cash flows, applying judgments and assumptions that management believes were appropriate in the circumstances as well as by using the market capitalization approach. The future cash flows from operations were determined by considering the charter revenues from existing time charters for the fixed fleet days and an estimated daily time charter equivalent for the non-fixed days (based on a combination of 2-year forward freight agreements and the 10-year average historical charter rates available for each type of vessel). The weighted average cost of capital used was 8.16% and 8.46% for the nine month period ended September 30, 2011 and for the year ended December 31, 2011, respectively.

At present, demand for dry bulk shipping is somewhat greater than in recent periods. Despite this, concerns about the excess supply of vessels in the market have resulted in charter rates remaining at depressed levels.

### Important Measures for Analyzing Results of Operations Following the Vessel Acquisition

We believe that the important non-GAAP measures and definitions for analyzing our results of operations consist of the following and are not included in the consolidated financial statements prepared under US GAAP:

- **Ownership days.** Ownership days are the total number of calendar days in a period during which we owned each vessel in our fleet. Ownership days are an indicator of the size of the fleet over a period and affect both the amount of revenues and the amount of expenses recorded during that period.
- **Available days.** Available days are the number of ownership days less the aggregate number of days that our vessels are off-hire due to major repairs, dry-dockings or special or intermediate surveys. The shipping industry uses available days to measure the number of ownership days in a period during which vessels should be capable of generating revenues.
- **Operating days.** Operating days are the number of available days in a period less the aggregate number of days that vessels are off-hire due to any reason, including unforeseen circumstances. The shipping industry uses operating days to measure the aggregate number of days in a period during which vessels actually generate revenues.
- **Fleet utilization.** Fleet utilization is determined by dividing the number of operating days during a period by the number of ownership days during that period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the amount of days that its vessels are off-hire for any reason excluding scheduled repairs, vessel upgrades, dry-dockings or special or intermediate surveys.
- **Off-hire.** The period a vessel is unable to perform the services for which it is required under a charter.
- **Time charter.** A time charter is a contract for the use of a vessel for a specific period of time during which the charterer pays substantially all of the voyage expenses, including port costs, canal charges and fuel expenses. The vessel owner pays the vessel operating expenses, which include crew wages, insurance, technical maintenance costs, spares, stores and supplies and commissions on gross voyage revenues. Time charter rates are usually fixed during the term of the charter. Prevailing time charter rates do fluctuate on a seasonal and year-to-year basis and may be substantially higher or lower from a prior time charter agreement when the subject vessel is seeking to renew the time charter agreement with the existing charterer or enter into a new time charter agreement with another charterer. Fluctuations in time charter rates are influenced by changes in spot charter rates.
- **TCE.** Time charter equivalent or TCE rates are defined as our time charter revenues less voyage expenses during a period divided by the number of our Operating days during the period, which is consistent with industry standards. Voyage expenses include port charges, bunker (fuel oil and diesel oil) expenses, canal charges and commissions.

### Revenues

Our revenues were driven primarily by the number of vessels we operated, the number of operating days during which our vessels generated revenues, and the amount of daily charter hire that our vessels earned under charters. These, in turn, were affected by a number of factors, including the following:

- the nature and duration of our charters;

- the amount of time that we spent repositioning our vessels;
- the amount of time that our vessels spent in dry-dock undergoing repairs;
  - maintenance and upgrade work;
- the age, condition and specifications of our vessels;
- the levels of supply and demand in the dry bulk carrier transportation market; and
- other factors affecting charter rates for dry bulk carriers under voyage charters.

A voyage charter is generally a contract to carry a specific cargo from a load port to a discharge port for an agreed-upon total amount. Under voyage charters, voyage expenses such as port, canal and fuel costs are paid by the vessel owner. A time charter voyage and a period time charter or period charter are generally contracts to charter a vessel for a fixed period of time at a set daily rate. Under time charters, the charterer pays voyage expenses. Under both types of charters, the vessel owners pay for vessel operating expenses, which include crew costs, provisions, deck and engine stores, lubricating oil, insurance, maintenance and repairs. The vessel owners are also responsible for each vessel's dry-docking and intermediate and special survey costs.

Vessels operating on period time charters and bareboat time charters provide more predictable cash flows, but can yield lower profit margins than vessels operating in the spot charter market for single voyages during periods characterized by favorable market conditions.

Vessels operating in the spot charter market generate revenues that are less predictable, but can yield increased profit margins during periods of improvements in dry bulk rates. Spot charters also expose vessel owners to the risk of declining dry bulk rates and rising fuel costs. As of December 31, 2011 three of our vessels operated under long-term index-linked employment, five vessels were employed under long-term fixed-rate charter agreements, five vessels were operating under fixed rate charters with profit sharing agreements, four vessels were on bareboat charters and three vessels operated in the spot market. During the year ended December 31, 2010, sixteen of our vessels were under time charter employment and the other four vessels were under bareboat charter employment.

A standard maritime industry performance measure is the "time charter equivalent" or "TCE." TCE rates are defined as our time charter revenues less voyage expenses during a period divided by the number of our available days during the period, which is consistent with industry standards. Voyage expenses include port charges, bunker (fuel oil and diesel oil) expenses, canal charges and commissions. Our average TCE rates for 2011, 2010 and 2009 were \$14,524, \$16,532 and \$32,909, respectively.

#### Vessel Operating Expenses

Vessel operating expenses include crew wages and related costs, the cost of insurance, expenses relating to repairs and maintenance, the costs of spares and consumable stores, tonnage taxes and other miscellaneous expenses. Vessel operating expenses generally represent costs of a fixed nature. Some of these expenses are required, such as insurance costs and the cost of spares.

#### Principal Factors Affecting Our Business

The principal factors that affected our financial position, results of operations and cash flows included the following:

- number of vessels owned and operated;
- charter market rates and periods of charter hire;
- vessel operating expenses and direct voyage costs, which were incurred in both U.S. dollars and other currencies, primarily Euros;
- depreciation expenses, which are a function of vessel cost, any significant post-acquisition improvements, estimated useful lives, estimated residual scrap values, and fluctuations in the market value of our vessels;
- financing costs related to indebtedness associated with the vessels; and

- fluctuations in foreign exchange rates.



## Performance Indicators

The figures shown below are non-GAAP statistical ratios used by management to measure performance of our vessels. There are no comparable US GAAP measures.

	Year Ended December 31,		
	2011	2010	2009
Fleet Data:			
Average number of vessels(1)	20.0	16.6	7.9
Ownership days(2)	7,300	6,040	2,895
Available days(3)	7,133	5,662	2,638
Operating days(4)	6,944	5,627	2,614
Fleet utilization(5)	95.1	% 93.2	% 90.3
Fleet utilization excluding drydocking off hire days (6)	97.4	% 99.4	% 99.1
Average Daily Results:			
Vessel TCE rate(7)	\$14,524	\$16,532	\$32,909
Vessel operating expenses(8)	\$4,757	\$5,077	\$5,603
Management fees(9)	\$410	\$438	\$592
Total vessel operating expenses(10)	\$5,167	\$5,515	\$6,195

- (1) Average number of vessels is the number of vessels that constituted the Company's fleet for the relevant period, as measured by the sum of the number of days each vessel was a part of the Company's fleet during the relevant period divided by the number of calendar days in the relevant period.
- (2) Ownership days are the total number of days in a period during which the vessels in a fleet have been owned. Ownership days are an indicator of the size of the Company's fleet over a period and affect both the amount of revenues and the amount of expenses that the Company recorded during a period.
- (3) Available days are the number of ownership days less the aggregate number of days that vessels are off-hire due to major repairs, dry dockings or special or intermediate surveys. The shipping industry uses available days to measure the number of ownership days in a period during which vessels should be capable of generating revenues. During the year ended December 31, 2011, the Company incurred 167 off-hire days for vessel surveys.
- (4) Operating days are the number of available days in a period less the aggregate number of days that vessels are off-hire due to any reason, including unforeseen circumstances. The shipping industry uses operating days to measure the aggregate number of days in a period during which vessels actually generate revenues.
- (5) Fleet utilization is the percentage of time that our vessels were generating revenue, and is determined by dividing operating days by ownership days for the relevant period.
- (6) Fleet utilization excluding drydocking off-hire days is calculated by dividing the number of the fleet's operating days during a period by the number of available days during that period. The shipping industry uses fleet utilization excluding drydocking off-hire days to measure a Company's efficiency in finding suitable employment for its vessels and excluding the amount of days that its vessels are off-hire for reasons such as scheduled repairs, vessel upgrades, or dry dockings or special or intermediate surveys.
- (7) TCE rates are defined as our net revenues less voyage expenses during a period divided by the number of our operating days during the period, which is consistent with industry standards. Voyage expenses include port charges, bunker (fuel oil and diesel oil) expenses, canal charges and other commissions:

Year Ended December 31,

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(In thousands of U.S. dollars, except operating days and daily time charter equivalent rate)

	2011	2010	2009
Net revenues from vessels	\$ 104,060	\$ 95,856	\$ 87,897
Voyage expenses	(2,541 )	(2,399 )	(753 )
Voyage expenses — related party	(661 )	(434 )	(1,119 )
Net operating revenues	\$ 100,858	\$ 93,023	\$ 86,025
Operating days	6,944	5,627	2,614
Daily time charter equivalent rate	\$ 14,524	\$ 16,532	\$ 32,909

(8) Average daily vessel operating expenses, which include crew costs, provisions, deck and engine stores, lubricating oil, insurance, maintenance and repairs, are calculated by dividing vessel operating expenses by ownership days for the relevant time periods:

(In thousands of U.S. dollars, except ownership days and daily vessel operating expenses)	Year Ended December 31,		
	2011	2010	2009
Operating expenses	\$34,727	\$30,667	\$16,222
Ownership days	7,300	6,040	2,895
Daily vessel operating expenses	\$4,757	\$5,077	\$5,603

(9) Daily management fees are calculated by dividing total management fees by ownership days for the relevant time period.

(10) Total vessel operating expenses, or TVOE, is a measurement of total expenses associated with operating the vessels. TVOE is the sum of vessel operating expenses and management fees. Daily TVOE is calculated by dividing TVOE by fleet ownership days for the relevant time period.

Year ended December 31, 2011 as compared to year ended December 31, 2010

**Vessel Revenue — Related Party, Net** — Vessel revenue, related party, during the year ended December 31, 2011 decreased by \$8,491,000, or 19%, to \$35,684,000 from \$44,175,000 for the year ended December 31, 2010, before related party address commissions of \$1,327,000 and \$1,546,000 for the years ended December 31, 2011 and 2010, respectively. The decrease in net vessel revenue — related party, is a result of the chartering of the Bremen Max, Hamburg Max and BET Commander to unrelated third parties commencing on December 1, 2010, August 31, 2010 and October 6, 2011, respectively.

**Vessel Revenue, Net - Vessel revenue, net** during the year ended December 31, 2011 increased by \$16,778,000, or 31%, to \$71,555,000 from \$54,777,000 for the year ended December 31, 2010, before address commissions of \$1,852,000 and \$1,550,000 for the years ended December 31, 2011 and 2010, respectively. The increase in net vessel revenue from unrelated third parties is the result of the chartering of the Bremen Max, Hamburg Max and BET Commander to unrelated third parties commencing on December 1, 2010, August 31, 2010 and October 6, 2011, respectively, as well as revenues received from the MCS fleet for the period from May 21, 2010 to December 31, 2010. The Bremen Max ended its employment with the related party on September 25, 2010 and underwent dry-docking repairs before commencing its employment to the unrelated third party.

**Direct Voyage Expenses** — Direct voyage expenses, which include bunkers and port expenses and brokerage commissions, increased by \$142,000, or 6%, to \$2,541,000 during the year ended December 31, 2011 from \$2,399,000 in the year ended December 31, 2010. The increase in direct voyage expenses is principally due to an increase in operating days from 5,627 in 2010 to 6,944 in 2011 and the consolidation of MCS's operations commencing on May 21, 2010.

**Vessel Operating Expenses** — For the year ended December 31, 2011, our vessel operating expenses increased by \$4,060,000, or 13%, to \$34,727,000, from \$30,667,000 for the year ended December 31, 2010. Vessel operating expenses include crew wages and related costs, the cost of insurance, expenses relating to repairs and maintenance, chemicals and lubricants, consumable stores, tonnage taxes and other miscellaneous expenses. The increase in operating expenses is attributable to the increase in ownership days to 7,300 and an average of 20.0 vessels for the

year ended December 31, 2011, as compared to an average of 6,040 ownership days and an average of 16.6 vessels for the year ended December 31, 2010, resulting from the consolidation of MCS's operations commencing on May 21, 2010. The increase in vessel operating expenses was offset by the decrease in additional repair costs incurred as a result of the dry-dock surveys for five of our vessels during the year ended December 31, 2011 as compared to seven of our vessels during the year ended December 31, 2010. Our daily vessel operating expenses decreased to \$4,757 for the year ended December 31, 2011, from \$5,077 for the year ended December 31, 2010.

Voyage Expenses — Related Party — These expenses represent commissions charged in relation to the brokerage agreement we have with Safbulk, an affiliate, for the provision of chartering services. Voyage expenses, related party, increased by \$227,000, or 52%, to \$661,000 in the year ended December 31, 2011, from \$434,000 in the year ended December 31, 2010. The chartering commissions represent a commission of 1.25% payable to Safbulk on the collected vessel revenue. The increase in voyage expenses – related party is mainly attributable to the fact that three of MCS vessels have brokerage agreements with Safbulk, and as such, those vessels recorded expenses for the entire 2011 as compared to the consolidation of MCS's operations which commenced on May 21, 2010.

**Management Fees — Related Party** — For the year ended December 31, 2011, management fees charged by EST, which is a related party, increased by \$87,000, or 4%, to \$2,415,000 from \$2,328,000 in the year ended December 31, 2010. Management fees relate to the management agreement we have with EST for the provision of operating and technical management services for the Seanergy and BET fleets. The fixed daily fee per vessel was Euro 436 in 2010, EUR 460 for the nine month period ended September 30, 2011, and \$450 from October 1, 2011, and for a period of one year.

**Management Fees** — For the year ended December 31, 2011 our management fees increased by \$260,000, or 82%, to \$576,000, from \$316,000 for the year ended December 31, 2010. Management fees relate to the management agreements we have with M/S Fleet and Wallem for the provision of technical management services for the MCS fleet. The increase in management fees is a result of MCS' consolidation for the entire year during 2011 compared to its consolidation from May in 2010.

**General and Administration Expenses** — General and administrative expenses increased by \$464,000, or 6%, to \$8,070,000 for the year ended December 31, 2011, compared to \$7,606,000 for the year ended December 31, 2010 mainly due to personnel redundancy costs associated with the Hong Kong office reorganization. Our general and administration expenses primarily include auditing and accounting fees of \$752,000, fees for professional services of \$1,844,000 and salaries, board of director remuneration and other compensation of \$3,219,000.

**General and Administration Expenses — Related Party** — Related party general and administrative expenses decreased by \$94,000, or 13%, to \$603,000 for the year ended December 31, 2011, compared to \$697,000 for the year ended December 31, 2010. Our related party general and administration expenses are primarily comprised of office rental expenses. The monthly lease payment was EUR 42,000 up to December 20, 2010, at which date it was amended to EUR 35,000.

**Amortization of Deferred Dry-docking Costs** — Amortization of deferred dry-docking costs increased by \$3,656,000, or 100%, to \$7,313,000 for the year ended December 31, 2011, compared to \$3,657,000 for the year ended December 31, 2010. The increase in amortization of deferred dry-docking costs is due to the fact that: (i) amortization for three of the five vessels that underwent dry-docking in 2011 commenced during the first half of the year, (ii) amortization for five of the seven vessels that underwent dry-docking in 2010 commenced in the last quarter of 2010 and (iii) only three vessels had undergone dry-docking in 2009. This resulted in lower dry-docking amortization for 2010 as compared to 2011, as the cost of the 3 surveys that took place in 2009 had to be amortized in 2010, whereas the 7 surveys that took place in 2010 and the 3 surveys that took place in the first half of 2011 had to be amortized in 2011.

**Depreciation** — For the year ended December 31, 2011, depreciation expense decreased by \$472,000, or 2%, to \$28,856,000, compared to \$29,328,000 for the year ended December 31, 2010. The decrease is due to the change in the estimated residual value of our fleet as well as the impairment charge on our six initial vessels, which reduced the depreciable value of those vessels. We depreciate our vessels based on a straight line basis over the expected useful life of each vessel. Up to June 30, 2009, we estimated the useful lives of our vessels at 25 years from the date of their delivery from the shipyard. Effective July 1, 2009 we changed the estimated useful life of our fleet to 30 years. This change reduced depreciation expense by \$8,039,000 (approximately \$0.32 per share) for the year ended December 31, 2009. Depreciation is based on the cost of the vessel less its estimated residual value. Residual value is estimated by taking the cost of steel times the weight of the ship noted in lightweight ton (LWT). Up to September 30, 2011, management estimated the salvage value of its vessels at \$270 per LWT. Effective October 1, 2011, following management's reassessment of the residual values of the company's vessels, the estimated salvage value per LWT was increased to \$435, as that was the average realized price during 2010. This change reduced depreciation expense by \$729,000 (approximately \$0.10 per share) for the year ended December 31, 2011.

Vessels Impairment Loss — We recorded an impairment loss of \$188,995,000 during 2011 on the six initial vessels acquired in 2008. The impairment loss was measured as the amount by which the carrying amount of the long lived assets exceeded their fair value. Fair value was determined using the valuation derived from market data. The impairment loss recorded is composed of a loss of \$187,401,000 related to the vessels cost and of \$1,594,000 related to the respective vessels unamortized dry-docking costs. No indication of impairment existed during 2010.

Goodwill Impairment Loss — We recorded an impairment loss of \$12,910,000 during 2011. No such impairment existed during 2010. We tested goodwill for potential impairment, and concluded that indication of impairment existed as of September 30, 2011, but not as of December 31, 2011 and 2010. The fair value for goodwill impairment testing was estimated by using the income approach ie expected present value of future cash flows, using judgments and assumptions that management believes were appropriate in the circumstances as well as by using the market capitalization approach. The future cash flows from operations were determined by considering the charter revenues from existing time charters for the fixed fleet days and an estimated daily time charter equivalent for the non-fixed days (based on a combination of 2-year forward freight agreements and the 10-year average historical charter rates available for each type of vessel). The weighted average cost of capital used was 8.16%, 8.46% and 8.75% for the nine month period ended September 30, 2011, and the years ended December 31, 2011 and 2010, respectively.

**Interest and Finance Costs** — Interest and finance costs increased by \$551,000, or 4%, to \$13,482,000 for the year ended December 31, 2011, compared to \$12,931,000 for the year ended December 31, 2010. Fees incurred for obtaining new loans, including related legal and other professional fees, are deferred and amortized using the effective interest method over the life of the related debt. The slight increase in interest and finance costs is attributable to the increase in margin in 2010 on the Marfin and Citi facilities, offset by the lower loan balances in 2011 compared to those in 2010 as a result of ongoing debt repayments. In particular, the margin on the Marfin revolving facility was increased from 3.50% to 4.00% effective June 2, 2010, the margin on the Marfin term facility was increased from 3.00% to 3.50% effective June 2, 2010 and the margin on the Citi facility was reduced from 2.00% as of June 30, 2010 to 1.75% up to March 31, 2011, at which point it was adjusted back to 2.00%.

**Interest Income** — Interest income decreased by \$298,000, or 83%, to \$60,000 for the year ended December 31, 2011, compared to \$358,000 for the year ended December 31, 2010. The decrease in interest income is a result of the lower interest rates received in 2011.

**Loss on interest rate swaps** — Loss on interest rate swaps decreased by \$3,523,000, or 85%, to \$641,000 for the year ended December 31, 2011, compared to \$4,164,000 for the year ended December 31, 2010 mainly due to expiration of two interest rate swap agreements in 2011 in January and March 2011 and mark-to-market valuations. The Company had interest rate swap agreements under BET and MCS for both years. Specifically, the Company had seven interest rate swaps during 2010, one of which expired in October 2010.

**Income taxes** — Income taxes for the years ended December 31, 2011 and 2010 amounted to \$40,000 and \$60,000, respectively, and relate to MCS. Hong Kong profit tax has been provided at the rate of 16.5% on the estimated assessable profit for both years.

Year ended December 31, 2010 as compared to year ended December 31, 2009

**Vessel Revenue — Related Party, Net** — Vessel revenue, related party, during the year ended December 31, 2010 decreased by \$39,728,000, or 47%, to \$44,175,000 from \$83,903,000 for the year ended December 31, 2009, before related party address commissions of \$1,546,000 and \$2,226,000 for the years ended December 31, 2010 and 2009, respectively. The decrease in net vessel revenue — related party, is a result of the chartering of the Davakis G., Delos Ranger, African Oryx and the African Zebra to unrelated third parties commencing on September 6, 2009, October 1, 2009, July 17, 2009 and July 20, 2009, respectively at significantly lower market employment rates in 2010 than previously employed.

**Vessel Revenue, Net - Vessel revenue, net** during the year ended December 31, 2010 increased by \$48,437,000, or 764%, to \$54,777,000 from \$6,340,000 for the year ended December 31, 2009, before address commissions of \$1,550,000 and \$120,000 for the years ended December 31, 2010 and 2009, respectively. The increase in net vessel revenue from unrelated third parties is the result of the chartering of the Davakis G., Delos Ranger, African Oryx and the African Zebra to unrelated third parties commencing on September 6, 2009, October 1, 2009, July 17, 2009 and July 20, 2009, respectively, as well as revenues received from the MCS fleet for the period from May 21, 2010 to December 31, 2010.

**Direct Voyage Expenses** — Direct voyage expenses, which include bunkers and port expenses, increased by \$1,646,000, or 219%, to \$2,399,000 during the year ended December 31, 2010 from \$753,000 in the year ended December 31, 2009. The increase in direct voyage expenses is principally due to an increase in operating days from 2,614 to 5,627 due to the consolidation of BET's operations commencing on August 13, 2009 and the consolidation of MCS's

operations commencing on May 21, 2010.

Vessel Operating Expenses — For the year ended December 31, 2010, our vessel operating expenses increased by \$14,445,000, or 89%, to \$30,667,000, from \$16,222,000 for the year ended December 31, 2009. Vessel operating expenses include crew wages and related costs, the cost of insurance, expenses relating to repairs and maintenance, chemicals and lubricants, consumable stores, tonnage taxes and other miscellaneous expenses. The increase in operating expenses is attributable to the increase in ownership days to 6,040 and an average of 16.6 vessels for the year ended December 31, 2010, as compared to 2,895 ownership days and an average of 7.9 vessels for the year ended December 31, 2009, resulting from the consolidation of BET's operations commencing on August 13, 2009 and the consolidation of MCS's operations commencing on May 21, 2010. Vessel operating expenses additionally increased due to the additional repair costs incurred as a result of the dry-dock surveys for seven of our vessels during the year ended December 31, 2010 as compared to three of our vessels during the year ended December 31, 2009. Our daily vessel operating expenses decreased to \$5,077 for the year ended December 31, 2010, from \$5,603 for the year ended December 31, 2009, due to the significant expansion of our Handysize fleet in 2010 with the acquisition of MCS.



**Voyage Expenses — Related Party** — These expenses represent commissions charged in relation to the brokerage agreement we have with Safbulk, an affiliate, for the provision of chartering services. Voyage expenses, related party, decreased by \$685,000, or 61%, to \$434,000 in the year ended December 31, 2010, from \$1,119,000 in the year ended December 31, 2009. The chartering commissions represent a commission of 1.25% payable to Safbulk on the collected vessel revenue; therefore, their decrease is related to the decrease in revenues from related party.

**Management Fees — Related Party** — For the year ended December 31, 2010, management fees charged by EST, which is a related party, increased by \$613,000, or 36%, to \$2,328,000 from \$1,715,000 in the year ended December 31, 2009. The increase was due to the consolidation of BET's operations commencing on August 13, 2009. Management fees relate to the management agreement we have with EST for the provision of operating and technical management services for the Seanergy and BET fleets. The fixed daily fee per vessel was Euro 436 in 2010 and Euro 425 in 2009.

**Management Fees** — Management fees relate to the management agreements we have with M/S Fleet and Wallem for the provision of technical management services for the MCS fleet. Management fees for the year ended December 31, 2010 amounted to \$316,000. There were no such fees in the year ended December 31, 2009.

**General and Administration Expenses** — General and administrative expenses increased by \$1,678,000, or 28%, to \$7,606,000 for the year ended December 31, 2010, compared to \$5,928,000 for the year ended December 31, 2009. Our general and administration expenses primarily include auditing and accounting fees of \$994,000, professional services of \$1,615,000 and salaries, BOD remuneration and other compensation of \$3,159,000. Our general and administration expenses for the year ended December 31, 2010 were comparatively higher than those in the prior year primarily due to the acquisition of MCS in 2010.

**General and Administration Expenses — Related Party** — Related party general and administrative expenses decreased by \$45,000, or 6%, to \$697,000 for the year ended December 31, 2010, compared to \$742,000 for the year ended December 31, 2009. Our related party general and administration expenses are primarily comprised of office rental expenses. The decrease is primarily related to exchange rate variations.

**Gain from Acquisition** — For the year ended December 31, 2009, we recognized a gain from the BET acquisition of \$6,813,000. The gain is a result of the difference between the purchase price we paid and the fair market value of the 50% interest in BET, which we acquired as of the closing date on August 13, 2009. The transaction occurred because of the seller's desire to divest itself of its shipping operations.

**Depreciation** — We depreciate our vessels based on a straight line basis over the expected useful life of each vessel. Up to June 30, 2009, we estimated the useful lives of our vessels at 25 years from the date of their delivery from the shipyard. In July 2009, a time charter contract was successfully executed for one of the vessels that expires on her 26th anniversary, and based on the projected necessary dry docking costs and understanding of the charterer's needs that it will complete the next dry-docking and be able to charter the vessel up to her 30th anniversary. Based on this event, as well as, considering that it is not uncommon for vessels to be operable to their 30th anniversary, effective July 1, 2009 we changed the estimated useful life of our fleet to 30 years. Depreciation is based on the cost of the vessel less its estimated residual value, which is estimated at \$270 per lightweight ton. Secondhand vessels are depreciated from the date of their acquisition through their remaining estimated useful life. However, when regulations place limitations over the ability of a vessel to trade on a worldwide basis, its useful life is adjusted to end at the date such regulations become effective. We constantly evaluate the useful life of our fleet based on market factors and specific facts and circumstances applicable to each vessel.

Depreciation expense increased by \$2,516,000, or 9%, to \$29,328,000 for the year ended December 31, 2010, compared to \$26,812,000 for the year ended December 31, 2009. The increase is due to the consolidation of BET's vessels commencing on August 13, 2009 and the consolidation of MCS's vessels commencing on May 21, 2010. This was partially offset with the change in the estimated useful life of our fleet from 25 years to 30 years, effective July 1, 2009.

Goodwill Impairment Loss — We performed our annual impairment testing of goodwill as at December 31, 2010 and 2009, respectively, and concluded that no impairment existed.

**Interest and Finance Costs** — Interest and finance costs increased by \$5,701,000, or 79%, to \$12,931,000 for the year ended December 31, 2010, compared to \$7,230,000 for the year ended December 31, 2009. The significant increase in interest and finance costs is attributable to our revolving credit and term facilities, which we obtained in order to fund our initial business combination and vessel purchase and for working capital purposes, the loan facility assumed through the BET acquisition and the increased spreads are a result of the waivers obtained under the Citibank supplemental agreement and the loan facilities assumed through the MCS acquisition. More specifically (i) interest expense related to the Marfin revolving credit facility amounted to \$2,259,000 for the year ended December 31, 2010, and \$1,659,000 for the year ended December 31, 2009, (ii) interest expense related to the Marfin term facility amounted to \$4,147,000 for the year ended December 31, 2010, and \$3,541,000 for the year ended December 31, 2009, (iii) interest expense related to the Citibank loan facility amounted to \$2,206,000 for the year ended December 31, 2010, and \$1,154,000 for the year ended December 31, 2009, (vi) interest expense related to the DVB loan facility amounted to \$1,028,000 for the period from May 21, 2010 to December 31, 2010, (vii) interest expense related to the HSBC loan facility amounted to \$849,000 for the period from May 21, 2010 to December 31, 2010, and (viii) interest expense related to the UOB loan facility amounted to \$848,000 for the period from May 21, 2010 to December 31, 2010. Fees incurred for obtaining new loans, including related legal and other professional fees, are deferred and amortized using the effective interest method over the life of the related debt.

**Interest and Finance Costs — Shareholders** — Shareholders interest and finance costs for the year ended December 31, 2009 amounted to \$386,000. There is no such cost in 2010. This cost is for interest paid on a convertible secured promissory note, in the principal amount of \$28,250,000, to a shareholder in connection with our August 2008 initial business combination. On August 19, 2009, we amended the convertible promissory note to reduce the conversion price, from the original rate of \$12.50 per share, exercisable on August 28, 2010, to the average price of our stock for the five trading days commencing on August 19, 2009, (\$4.45 per share) exercisable only on August 19, 2009, after which any conversion rights would be forfeited. The holders of the note accepted the amendment and have converted the principal amount of the note of \$28,250,000 and all accrued but unpaid fees and interest due, totaling \$1,352,000, into 6,585,868 shares of our common stock.

**Interest Income** — Interest income decreased by \$72,000, or 17%, to \$358,000 for the year ended December 31, 2010, compared to \$430,000 for the year ended December 31, 2009. The decrease in interest income is a result of the lower interest rates received in 2010.

**Loss on interest rate swaps** — Loss on interest rate swaps for the year ended December 31, 2010 amounted to \$4,164,000 and is attributable to the loss on the interest rate swaps under BET and MCS. Loss on financial instruments for the year ended December 31, 2009 amounted to \$1,575,000 and is attributable to the loss on the interest rate swaps under BET.

**Income taxes** — Income taxes for the year ended December 31, 2010 amounted to \$60,000 and relate to MCS. Hong Kong profit tax has been provided at the rate of 16.5% on the estimated assessable profit for 2010.

#### Recent Accounting Pronouncements

Refer to Note 2 of the consolidated financial statements included in this annual report.

#### Critical Accounting Policies and Estimates

Critical accounting policies are those that reflect significant judgments or uncertainties and potentially result in materially different results under different assumptions and conditions. We have described below what we believe are our most critical accounting policies, because they generally involve a comparatively higher degree of judgment in their application.

#### Business Acquisitions

On August 28, 2008, we completed our initial business combination of our initial fleet from the Restis family. The acquisition was accounted for under the purchase method of accounting and accordingly, the assets acquired have been recorded at their fair values. No liabilities were assumed or other tangible assets acquired. The results of operations are included in the consolidated statement of income from August 28, 2008. The consideration paid for the initial business combination has been recorded at fair value at the date of acquisition and forms part of the cost of the acquisition. Total consideration for the initial business combination was \$404,876,000, including direct transaction costs of \$8,802,000, and excluding the contingent earn-out component.

The contingent consideration forming part of the initial business combination consisted of the issuance of 4,308,075 shares (or 287,205 shares as adjusted for Reverse Stock Split) of common stock subject to Seanergy meeting certain target EBITDA during the twelve month period ended September 30, 2009. This target was met and on September 30, 2009, we recorded and measured additional consideration of \$17,275,000, which was equal to the fair value of the 4,308,075 shares (or 287,205 shares as adjusted for the Reverse Stock Split), with an increase in goodwill and equity.

The allocation of the purchase price to the assets acquired on the date of the initial business combination is a critical area due to the subjectivity involved in identifying and allocating the purchase price to intangible assets acquired. As at the date of the initial business combination, the fair value of the vessels was determined to be \$360,081,000. No additional identifiable intangibles were identified and the difference of \$44,795,000 was assigned to goodwill. Areas of subjectivity included whether there were any values associated with intangible assets such as customer relationships, right of first refusal agreements and charter agreements.

On August 12, 2009, we completed our business acquisition of 50% of BET and obtained control of BET by entering into a shareholders' agreement with Mineral Transport, an affiliate of members of the Restis family and the owner of the other 50% of BET, which allowed us to appoint a majority of BET's directors. The acquisition was accounted for under the purchase method of accounting and accordingly, the assets and liabilities acquired have been recorded at their fair values. The consideration paid for the business acquisition has been recorded at fair value at the date of acquisition. As at the date of the acquisition of BET, the fair value of the vessels was \$126.0 million while the fair value of total assets acquired amounted to \$168.1 million and liabilities assumed to \$154.5 million.

The fair values of assets acquired and liabilities assumed at acquisition were as follows (amounts in table in thousands):

Cash	36,374
Restricted cash	1,381
Trade and other receivables	2,844
Inventories	1,476
Vessels	126,000
Current portion of long term debt	(16,573 )
Accounts payable and accruals	(5,722 )
Acquired time charters	(710 )
Derivative instruments	(4,917 )
Long term debt net of current portion	(126,527 )
Noncontrolling interest	(6,813 )
Excess of fair value of assets acquired and liabilities assumed over consideration paid	(6,813

The excess of fair value of assets acquired and liabilities assumed over consideration has been recorded as bargain purchase gain and recorded in line "Gain from acquisition" in our consolidated statement of income during the year ended December 31, 2009. The bargain purchase gain was a result of the sellers' intent to divest from shipping operations. BET is a provider of worldwide ocean transportation services through the ownership of five dry bulk carriers. BET was incorporated on December 18, 2006 under the laws of the Republic of the Marshall Islands.

On October 22, 2010, we purchased the remaining 50% ownership interest in BET from Mineral Transport for consideration that was paid by us to Mineral Transport in the form of cash amounting to \$7.0 million and 24,761,905 of our shares (or approximately 1,650,794 shares as adjusted for the Reverse Stock Split) at an agreed price of \$1.05 per share (or \$15.75 per share as adjusted for the Reverse Stock Split) totaling \$26.0 million. The transaction was treated as a transaction between entities under common control.

The transaction has been retrospectively recorded as of May 20, 2010 and resulted in the following:

Acquisition of non controlling interest of BET	19,839
Due to non controlling shareholders of BET	(7,000 )
Issuance of common shares at fair value (additional paid-in capital)	(30,952 )
Deemed distribution (non-cash) to controlling shareholder	(18,113 )

On May 28, 2010, we acquired 51% of MCS for \$33.0 million in cash. The acquisition was treated as a transaction between entities under common control and as such we consolidated MCS from the first day that both entities were under common control, May 20, 2010, using MCS' historical balances. Inclusion of MCS in our consolidated financial statements resulted in a debit of \$2.05 million to our additional paid-in capital and a credit of \$29.73 million to noncontrolling interest. The opening balances of MCS on May 20, 2010 were as follows:

Cash	48,860
Restricted cash	3,453
Inventories	263
Other current assets	762
Vessels	181,861
Other non-current assets	192
Other liabilities	(4,304 )
Debt	(166,923 )
Financial instruments	(3,485 )
Net assets	60,679
51% of net assets acquired	30,946
Consideration paid	(33,000 )
Deemed distribution	(2,054 )

On September 15, 2010, we acquired the remaining 49% of MCS for consideration of approximately \$29.0 million which was paid by us to the MCS Seller in the form of cash amounting to \$3.0 million and 24,761,905 of our shares (or 1,650,794 shares as adjusted for the Reverse Stock Split) at an agreed price of \$1.05 per share (or \$15.75 per share as adjusted for the Reverse Stock Split) totaling \$26.0 million. The transaction has been retrospectively recorded as of May 20, 2010 and resulted in the following:

Acquisition of non controlling interest of MCS	29,733
Due to non controlling shareholders of MCS	(3,000 )
Issuance of common shares at fair value (additional paid-in capital)	(26,743 )
Deemed distribution (non-cash) to controlling shareholder	(10 )

#### Impairment of long-lived assets

We review our vessels and other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized when the carrying amount of the long-lived asset is not recoverable and exceeds its fair value. The carrying amount of the long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Any impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value and is recorded as a reduction in the carrying value of the related asset and a charge to operating results. Once an impairment results in a reduction in the carrying value, the carrying value of such an asset cannot thereafter be increased. Fair value is determined based on current market values, when available, or from other acceptable valuation techniques such as discounted cash flows models. As market expectations of future rates are low and the correlation between daily freight rates and vessel market values has historically been very high, expectations of most market participants point to the fact that values have further room to fall, even as they have retreated heavily from 2008 levels which were marked by historically high daily rates and vessel values that are unlikely to be revisited in the foreseeable future. On this basis, and given the unfavorable market conditions witnessed

year to date, we proceeded with an impairment test of our vessels as of September 30, 2011 and recorded an impairment loss of \$188,995,000. We also performed the impairment tests as of December 31, 2011, 2010 and 2009. No indication of impairment existed as of those dates.



## Goodwill impairment

Goodwill represents the excess of the aggregate purchase price over the fair value of the net identifiable assets acquired in business combinations accounted for under the purchase method. Goodwill is reviewed for impairment at least annually on December 31 in accordance with the FASB guidance for impairment of intangible assets and whenever events or circumstances indicate possible impairment in accordance with guidance regarding goodwill and other intangible assets. Over the course of 2011 there was substantial deterioration in the dry bulk market, as daily rates have fallen precipitously. Despite the fact that this downturn has largely been the result of seasonal factors and particularly adverse conditions owing to the floods in Australia, export bans from India and the earthquake in Japan, it is also revealing of the major underlying weakness in shipping market fundamentals. As a result, management determined that there was a triggering event to test for goodwill impairment as of September 30, 2011. The goodwill impairment test is a two-step process. Under the first step, the fair value of the reporting unit is compared to the carrying value of the reporting unit (including goodwill). If the fair value of the reporting unit is less than the carrying value of the reporting unit, goodwill impairment may exist, and the second step of the test is performed. Under the second step, the implied fair value of the goodwill is compared to the carrying value of the goodwill and an impairment loss is recognized to the extent that the carrying value of goodwill exceeds the implied fair value of goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined by using the income approach which is calculated using the discounted cash flow analysis and the market capitalization approach. If the fair value of the reporting unit exceeds its carrying value, step two does not have to be performed. We recorded a goodwill impairment loss of \$44,795,000 in 2008. We tested our goodwill for potential impairment as of September 30, 2011, and concluded that impairment existed as of that date. We recorded an impairment loss of \$12,910,000 as of September 30, 2011. We also tested our goodwill for potential impairment as of December 31, 2011 and 2010 and concluded that there was no impairment as of those dates. The fair value for goodwill impairment testing was estimated using the expected present value of future cash flows, using judgments and assumptions that management believes were appropriate in the circumstances. The future cash flows from operations were determined by considering the charter revenues from existing time charters for the fixed fleet days and an estimated daily time charter equivalent for the non-fixed days (based on a combination of 2-year forward freight agreements and the 10-year average historical charter rates available for each type of vessel). The weighted average cost of capital used was 8.16%, 8.46% and 8.75% for the nine month period ended September 30, 2011, and the years ended December 31, 2011 and 2010, respectively.

## Vessel depreciation

Depreciation is computed using the straight-line method over the estimated useful lives of the vessels, after considering the estimated salvage value. We estimate salvage value by taking the cost of steel times the vessels lightweight ton ("LWT"). Salvage values are periodically reviewed and revised to recognize changes in conditions, new regulations or other reasons. Revisions of salvage values are recognized over current and future periods. Up to September 30, 2011, we estimated the salvage value of our vessels at \$270 per LWT. Effective October 1, 2011, following management's reassessment of the residual values of the company's vessels, the estimated salvage value per LWT was increased to \$435 as that was the average realized price during 2010. This change reduced depreciation expense by \$729,000 (approximately \$0.10 per share) for the year ended December 31, 2011. Through June 30, 2009, management estimated the useful life of our vessels at 25 years from the date of their delivery from the shipyard. In July 2009, we successfully executed a time charter contract for one of our vessels that expires on its 26th anniversary, and based on the projected necessary dry-docking costs and understanding of the charterer's needs, we believe that the

vessel will complete the next dry-docking following the expiration of such charter and that we will be able to charter the vessel up to its 30th anniversary. Based on this event as well as considering that it is not uncommon for vessels to be operable to their 30th anniversary, effective July 1, 2009, we have changed the estimated useful life of our fleet to 30 years. This change reduced depreciation expense by approximately \$8.0 million for the year ended December 31, 2009.

The above four policies are considered to be critical accounting policies because assessments need to be made due to the shipping industry being highly cyclical experiencing volatility in profitability, and changes in vessel value and fluctuations in charter rates resulting from changes in the supply and demand for shipping capacity. In addition, there are significant assumptions used in applying these policies such as possible future new charters, future charter rates, future on-hire days, future market values and the time value of money. The estimates and assumptions regarding expected cash flows and the appropriate discount rates require considerable judgment and are based upon existing contracts, historical experience, financial forecasts and industry trends and conditions. Consequently, actual results could differ from these estimates and assumptions used and we may need to review such estimates and assumptions in future periods as underlying conditions, prices and other mentioned variables change. Our results of operations and financial position in future periods could be significantly affected upon revision of these estimates and assumptions or upon occurrence of events. Due to the different scenarios under which such changes could occur, it is not practical to quantify the range and possible effects of such future changes in our financial statements.

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

In "Critical Accounting Policies and Estimates – Impairment of long-lived assets," we discuss our policy for impairing the carrying values of our vessels. During the past few years, the market values of vessels have experienced particularly high volatility, with substantial declines in many vessel classes. As a result, the charter-free market value, or basic market value, of certain of our vessels may have declined below those vessels' carrying value, even though we would not impair those vessels' carrying value under our accounting impairment policy, due to our belief that future undiscounted cash flows expected to be earned by such vessels over their operating lives would exceed such vessels' carrying amounts. The table set forth below indicates (i) the carrying value of each of our vessels as of December 31, 2011, (ii) which of our vessels we believe has a basic market value below its carrying value, and (iii) the aggregate difference between carrying value and market value represented by such vessels. This aggregate difference represents the approximate analysis of the amount by which we believe we would have to reduce our net income if we sold all of such vessels in the current environment, on industry standard terms, in cash transactions, and to a willing buyer where we are not under any compulsion to sell, and where the buyer is not under any compulsion to buy. For purposes of this calculation, we have assumed that the vessels would be sold at a price that reflects our estimate of their current basic market values. However, we are not holding our vessels for sale, except as otherwise noted in this report.

Our estimates of basic market value assume that our vessels are all in good and seaworthy condition without need for repair and if inspected would be certified in class without notations of any kind. Our estimates are based on information available from various industry sources, including:

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

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

	Dwt	Year Purchased	Carrying Value
Davakis G.	54,051	2008	\$26.9 million*
Delos Ranger	54,057	2008	\$27.0 million*

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African Oryx	24,112	2008	\$13.3 million*
Bremen Max	73,503	2008	\$14.0 million*
Hamburg Max	73,498	2008	\$15.5 million*
African Zebra	38,632	2008	\$6.0 million*
BET Commander	149,507	2009	\$18.8 million*
BET Intruder	69,235	2009	\$15.5 million*
BET Prince	163,554	2009	\$30.0 million*
BET Scouter	172,173	2009	\$25.0 million*
BET Fighter	173,149	2009	\$20.8 million*
Fiesta	29,519	2010	\$16.6 million*
Pacific Fantasy	29,538	2010	\$15.6 million*
Pacific Fighter	29,538	2010	\$17.6 million*
Clipper Freeway	29,538	2010	\$17.6 million*
African Joy	26,482	2010	\$14.6 million*
African Glory	24,252	2010	\$15.8 million*
Asian Grace	20,138	2010	\$14.8 million*
Clipper Glory	30,570	2010	\$28.0 million*
Clipper Grace	30,548	2010	\$28.0 million*
<b>TOTAL DWT</b>	<b>1,295,594</b>		

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\* Indicates that, as of December 31, 2011, the basic charter-free market value is lower than the vessel's carrying value. We believe that the aggregate carrying value of these vessels exceeds their aggregate basic charter-free market value by approximately \$36.6 million.

It should be noted that if we were to sell vessels with long-term charters attached, the sale price may be affected by the relationship of the charter rate to the prevailing market rate for a comparable charter with the same terms.

We refer you to the risk factor entitled "The value of our vessels has fluctuated, and may continue to fluctuate significantly, due in large part to the sharp decline in the world economy and the charter market. A significant decline in vessel values could result in losses when we sell our vessels or could result in a requirement that we write down their carrying value, which would adversely affect our earnings. In addition, a decline in vessel values could adversely impact our ability to raise additional capital and would likely cause us to violate certain covenants in our loan agreements that relate to vessel value."

#### Survey costs

There are two methods that are primarily used by the shipping industry to account for dry-dockings; first, the deferral method, whereby specific costs associated with a dry-docking are capitalized when incurred and amortized on a straight-line basis over the period to the next scheduled dry-dock; and second, the direct expensing method, whereby dry-docking costs are expensed in the period incurred. We use the deferral method of accounting for dry-dock expenses. Under the deferral method, dry-dock expenses are capitalized and amortized on a straight-line basis until the date that the vessel is expected to undergo its next dry-dock. We believe the deferral method better matches costs with revenue. We use judgment when estimating the period between dry-docks performed, which can result in adjustments to the estimated amortization of dry-dock expense, the duration of which depends on the age of the vessel and the nature of dry-docking repairs the vessel will undergo. We expect that our vessels will be required to be dry-docked approximately every 2.5 years in accordance with class requirements for major repairs and maintenance. Costs capitalized as part of the dry-docking include actual costs incurred at the dry-dock yard and parts and supplies used in undertaking the work necessary to meet class requirements.

#### Variable interest entities

We evaluate our relationships with other entities to identify whether they are variable interest entities and to assess whether we are the primary beneficiary of such entities. If it is determined that we are the primary beneficiary, that entity is included in our consolidated financial statements. We do not participate in any variable interest entity.

#### Recent Developments

##### Sale of the African Zebra

On February 9, 2012, the Company announced it entered into a memorandum of agreement with an unaffiliated third party for the sale of the Handymax drybulk carrier, the African Zebra, for a gross sale price of \$4.1 million and on February 15, 2012 the vessel was delivered to its new owners. The African Zebra is a 38,632 dwt Handymax bulk carrier built in 1985 and the Company used the proceeds to reduce debt. The sale resulted in a book loss of approximately \$2.4 million. Following the sale of African Zebra, the Company's fleet consisted of four Capesize, three Panamax, two Supramax and ten Handysize dry bulk carriers with an average age of 13.7 years.

##### Amendment to Credit Facilities Agreements with Marfin

On January 31, 2012, we amended the Marfin term and revolving credit facilities agreements. The amendment includes the (i) extension of the term and revolving facilities' maturity dates from September 2015 to December 2018; (ii) that we are not required to pay principal installments on the term facility for 2012; (iii) amendment of the

amortization schedule from 2013 onwards; (iv) payment of \$3.2 million on the outstanding revolving facility; (v) waiver of all financial covenants as of December 31, 2011; (vi) waiver of all financial covenants, including the security margin, for the period commencing from January 1, 2012 through and including December 31, 2013; and (vii) amendment of the financial undertakings and the applicable security margins from 2014 onwards. Furthermore, the applicable margin has been increased by 50 basis points per annum on the term and revolving facilities. For more information regarding the Marfin credit facilities, please read "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Credit Facilities."

#### Amendment to Loan Facility Agreement with Citibank

On February 7, 2012, we entered into a supplemental agreement for certain covenant waivers under the loan facility by and among Bulk Energy Transport (Holdings) Limited, our subsidiary, and Citibank, as agent, and the other financial institutions referred to in the Citibank Restated Loan Agreement. The lenders have agreed to grant waivers on all previous covenant breaches and to temporarily grant waivers to the minimum equity ratio and minimum liquidity amount and reduce the Citibank Security Value Covenant from 125% to 100% until January 1, 2013. In addition, BET must maintain a minimum amount of \$14.5 million in cash in the BET account with Citibank. The applicable margin has been increased by 100 basis points per annum.

#### Equity Injection Plan

On January 31, 2012, we completed an equity injection plan with four entities affiliated with the Restis family. In exchange for \$10 million, we issued an aggregate of 4,641,620 of our common shares to the four entities at a price of \$2.15442. The price was determined as the average closing price of the five trading days preceding the execution of the purchase plan. Following the issuance of the shares and as of the date of this report we have 11,959,282 outstanding common shares.

#### NASDAQ Notifications and Reverse Stock Split

On January 28, 2011, we were notified by NASDAQ that we were no longer in compliance with NASDAQ Listing Rule 5450(a)(1) because the closing bid price of our common stock for 30 consecutive business days, from December 14, 2010 to January 26, 2011, had been below the minimum \$1.00 per share bid price requirement for continued listing on the NASDAQ Global Market.

In response, we conducted a 1-for-15 reverse stock split on June 24, 2011 which began trading on a split adjusted basis on NASDAQ on June 27, 2011. No fractional shares were issued in connection with the reverse split and shareholders who otherwise held fractional shares of our common stock received a cash payment instead. Also, on the effective date, the Company's issued and outstanding warrants were adjusted automatically pursuant to the terms of the respective governing agreements. On a per warrant basis, the exercise price did not change following the reverse stock split and, accordingly, the price at which one whole share of the Company's common stock may be purchased at the time warrants are exercised will increase by a multiple of fifteen.

On January 24, 2012, we were notified by NASDAQ that we were no longer in compliance with NASDAQ Listing Rule 5450(b)(1)(C) because the market value of the publicly held shares of our common stock for 30 consecutive business days, from December 6, 2011 to January 23, 2012 had been below the minimum \$5,000,000 market value of publicly held shares requirement for continued listing on the NASDAQ Global Market. This notification had no effect on the listing of the Company's common stock, and the applicable grace period to regain compliance was 180 calendar days, expiring on July 23, 2012. The Company regained compliance at the end of February 2012, when during the applicable grace period the Company's minimum market value of our publicly held shares was \$5,000,000 or greater for a minimum of ten consecutive business days.

#### Special Meeting of Shareholders

At a special meeting of our shareholders held on January 4, 2011, our shareholders approved a proposal to grant our board of directors the authority to effect a reverse stock split of our issued and outstanding common stock by a ratio of not less than one-for-two and not more than one-for-fifteen. Following the shareholders' approval, on June 23, 2011,

the Board of Directors approved a reverse split of the Company's common stock at a ratio of one-for-fifteen. The reverse stock split became effective on June 24, 2011 and Company's common stock began trading on a split-adjusted basis at the opening of trading on June 27, 2011. There was no change in the number of authorized shares or the par value of the Company's common stock. Following the effectiveness of the reverse stock split, the number of common shares issued, earnings per share, warrants and share options were retrospectively adjusted in accordance to the 1:15 ratio for all periods presented.

#### Equity Incentive Plan

On January 12, 2011 our board of directors adopted the Seanergy Maritime Holdings Corp. 2011 Equity Incentive Plan, or the Plan. A total of 8,750,000 shares of our common stock were reserved for issuance under the Plan, which is administered by the Compensation Committee of our board of directors. Under the Plan, our officers, key employees, directors, consultants and service providers may be granted incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, unrestricted stock, restricted stock units, and unrestricted stock at the discretion of our Compensation Committee. Any awards granted under the Plan that are subject to vesting are conditioned upon the recipient's continued service as an employee or a director of the Company, through the applicable vesting date.



On February 16, 2011, the Compensation Committee granted an aggregate of 50,000 restricted shares (or 3,332 restricted shares as adjusted for the Reverse Stock Split) of our common stock, or the February 2011 Shares, pursuant to the Plan. 40,000 (or 2,667 restricted shares as adjusted for the Reverse Stock Split) of the February 2011 Shares were granted to our two executive directors, and the other 10,000 (or 665 restricted shares as adjusted for the Reverse Stock Split) of the February 2011 Shares were granted to certain of our other employees. All of the February 2011 Shares vest proportionally over a period of three years in equal installments, commencing on January 10, 2012. The fair value of each February 2011 Share on the grant date was \$0.89 and such shares will be expensed over 3 years.

#### B. Liquidity and Capital Resources

As of December 31, 2011, we had available cash reserves of \$37,294,000. Of these amounts, \$19,560,000 is restricted. In the twelve months following December 31, 2011, we have aggregate principal repayments due of \$45,817,000 for debt repayments.

Our principal source of funds is our operating cash flows, and our borrowing facilities. Our principal use of funds has primarily been capital expenditures to establish our fleet, acquire MCS and BET, maintain the quality of our dry bulk carriers, comply with international shipping standards and environmental laws and regulations, fund working capital requirements, and make principal repayments on our outstanding loan facilities.

We believe that our current cash balance and our operating cash flow will be sufficient to meet our current liquidity needs, although the dry bulk charter market has sharply declined since September 2008 and our results of operations may be adversely affected. We expect to rely upon operating cash flow to meet our liquidity requirements going forward.

We are currently able to meet our working capital needs and debt repayment obligations. We believe that a decline in charter rates may affect our revenue for vessels employed under time charters, because 8 of our vessels are employed under index-linked charters, and 3 vessels are employed in the spot market. As of the date of this annual report, Seanergy has secured charter employment for 75% of ownership days for 2012 and 22% of ownership days for 2013. For the calculation of charter coverage, we are using the latest expiration date of our vessels' time and bareboat charters. In addition, we have not reflected the effect of any future vessel acquisitions. Lastly, there is upside potential due to the profit sharing arrangements in place on five of our charter agreements. As a result, our actual vessel revenues may differ from anticipated amounts.

We will make use of our cash flows not committed to the repayment of our borrowing facilities mentioned above to meet our financial obligations. Accordingly, unless we are able to raise additional capital in other ways, such as through a rights offering or private placement or if our warrants are exercised, our ability to pursue acquisition opportunities will be limited. We cannot provide assurances that the warrants will be exercised, or if exercised, the quantity which will be exercised or the period in which they will be exercised. Exercise of the warrants is not likely considering current market prices.

Furthermore, our Marfin revolving credit facility is tied to the market value of the vessels and not to the prevailing (spot) market rates. For example, our existing term and revolving credit facilities require the aggregate market values of the vessels and the value of any additional security must be at least 135% of the aggregate of the debt financing and any amount available for drawing under the revolving facility less the aggregate amount of all deposits maintained. On September 9, 2009, November 13, 2009, June 2, 2010 and January 31, 2012 we executed addenda no. 1, no. 2, no. 3 and no. 4, respectively, to the loan agreement with Marfin and obtained a waiver of this loan covenant through and

including December 31, 2013. As of January 1, 2014 the aggregate market values of the vessels and the value of any additional security must be at least 120% of the aggregate of the debt financing and any amount available for drawing under the revolving facility less the aggregate amount of all deposits maintained. If we are not in compliance with the terms of our loan agreements at the time the waivers expire, our lenders could require us to post additional collateral, enhance our equity and liquidity, compel us to 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 they could also accelerate our indebtedness and foreclose on their collateral. The exercise of any of these remedies could materially adversely impair our ability to continue to conduct our business.

Under the Citibank loan agreement, the BET subsidiaries are subject to operating and financial covenants that may affect BET's business. These restrictions may, subject to certain exceptions, limit the BET subsidiaries' ability to engage in many of its activities. Furthermore, the BET subsidiaries must assure the lenders that the aggregate market value of the BET vessels is not less than 100% until January 1, 2013 and not less than 125% of the outstanding amount of the Citibank loan for all times thereafter. If the market value of the vessels is less than this amount, the BET subsidiaries may at the request of the lender prepay an amount that will result in the market value of the vessels meeting this requirement or offer additional security to the lenders. On February 7, 2012, March 31, 2011 and September 30, 2009, BET entered into supplemental agreements with Citibank (see "Credit Facilities" below for further details).

We intend to continue to expand our fleet in the future. Growth will depend on locating and acquiring suitable vessels, identifying and consummating acquisitions or joint ventures, enhancing our customer base, obtaining required financing (debt or equity or a combination of both), and obtaining favorable terms in all cases.

Five of our vessels underwent class surveys in 2011 for a total cost of \$4 million. The African Zebra's survey commenced on January 4, 2011 and was completed on February 28, 2011 at a total cost of \$1.4 million. The survey for Davakis G commenced on March 18, 2011 and lasted until April 2, 2011. The total cost of the survey was \$0.6 million. The out-of-schedule survey of the African Oryx commenced on May 14, 2011 and was completed on June 1, 2011 at a total cost of \$0.2 million. The survey of the BET Commander started on August 24, 2011 and was completed on October 6, 2011. The total cost of the survey was \$1.3 million. The African Glory started the scheduled survey on August 19, 2011, which was completed on September 4, 2011. The total cost for the African Glory survey amounted to \$0.4 million. Seven of our vessels underwent class surveys in 2010, at a total cost of \$8.3 million. So far in 2012, the Clipper Glory underwent its class survey from January 4, 2012 until January 29, 2012 at a total cost of \$1 million. Further to the Clipper Glory, an additional five vessels are expected to undergo class surveys at a total projected cost of \$6.3 million. We plan to pay these costs with cash from operations.

Our short-term liquidity requirements relate to servicing our debt (including principal payments on our term loan), payment of operating costs, survey costs, funding working capital requirements and maintaining cash reserves against fluctuations in operating cash flows. Sources of short-term liquidity are primarily our revenues earned from our charters.

Our medium and long term liquidity requirements include repayment of long-term debt balances, debt interest payments and survey costs. As of December 31, 2011, we had outstanding borrowings of \$98,000,000 under the term facility and \$48,000,000 under the revolving facility due to Marfin. In the year ended December 31, 2011, we made principal repayments on our Marfin term and revolving facilities amounting to \$12,800,000 and \$6,845,000 respectively.

On January 31, 2012, we received an extension of the maturity date from Marfin in connection with the outstanding principal amount of the term and the revolving facility from December 2015 to December 2018.

As per the amended loan agreement dated January 31, 2012, we made a payment of \$3,200,000 towards the Marfin revolving credit facility and any outstanding balance will be fully repaid together with the balloon payment of the term facility due December 2018.

In connection with the term facility, we are required to make 22 repayment installments with the first two installments to be paid on June 25, 2013 and December 25, 2013 each in the amount of \$1,600,000. The remaining 20 repayment installments are due in consecutive quarterly intervals in the amount of \$2,000,000 each. Along with the twenty-second repayment installment, we are to pay a balloon payment of \$54,800,000 due December 2018.

The vessels acquired from BET have been financed with the proceeds of a loan from Citibank, as agent for a syndicate of banks and financial institutions. The outstanding principal amount as of December 31, 2011 was \$87,459,000. Following BET's supplemental agreement dated September 30, 2009 and prepayment of \$20.0 million the semi-annual installments of principal and the balloon payment amounted to \$7,128,000 and \$37,562,000, respectively due December 2015. In the year ended December 31, 2011, we made \$14,256,000 of principal repayments under the BET facility.

The vessels acquired from MCS have been financed with the proceeds from three loan facilities with DVB, HSBC and UOB. The first loan facility, with DVB, as agent, comprised two loans, a senior loan and a junior loan, and was used to finance a part of the cost of the acquisition of four vessels. Following a supplemental agreement dated May 20, 2010 and prepayment of \$7.4 million, no further principal installments are due until the second quarter of 2011, at which point \$6.2 million was paid. The Company prepaid the entire balloon payment of \$6,765,000 related to Maritime Freeway Shipping Limited on January 17, 2012 and a portion of the balloon payment related to Maritime Fiesta Shipping Limited in the amount of \$1,435,000 on January 26, 2012. The remaining loan amount is repayable in sixteen quarterly installments plus balloon payments due October 2015.

The second loan facility, with HSBC as agent, was used to finance part of the cost of acquisition of two vessels. Following a supplemental agreement dated May 21, 2010 and prepayment of \$7.6 million, the remaining loan amounts are repayable in thirteen quarterly installments plus balloon payments due July 2013.

The third loan facility with UOB as agent was used to finance part of the cost of the acquisition of three vessels. Following a supplemental agreement dated May 24, 2010, \$13.8 million was converted into subordinated debt, out of which \$3.8 million was prepaid on June 30, 2010, \$9.3 million was prepaid from the senior loan, and the remaining loan amounts are repayable in 25 quarterly installments plus balloon payments due May 2016.

On January 28, 2010, we priced a public offering of 20,833,333 shares (or 1,388,889 shares as adjusted for Reverse Stock Split) of common stock. We granted the representatives of the underwriters a 45-day option to purchase up to an additional 3,125,000 shares (or 208,333 shares as adjusted for Reverse Stock Split) of common stock to cover over-allotments. The shares were offered to the public at \$1.20 per share (or 18.00 per share as adjusted for Reverse Stock Split). Four of our major shareholders affiliated with the Restis family purchased an additional 4,166,667 shares (or 277,778 shares as adjusted for Reverse Stock Split) of common stock directly from the Company at the public offering price. The offering and the concurrent sale of 4,166,667 shares (or 277,778 shares as adjusted for Reverse Stock Split) to entities affiliated with the Restis family settled and closed on February 3, 2010. The net proceeds were approximately \$26.0 million. On March 19, 2010, the underwriters exercised the over-allotment option to purchase an additional 1,945,000 shares (or 129,667 shares as adjusted for Reverse Stock Split) of our common stock, which resulted in additional net proceeds to us of approximately \$2.1 million.

On January 31, 2012, we completed an equity injection plan with four entities affiliated with the Restis family. In exchange for \$10 million, we issued an aggregate of 4,641,620 of our common shares to the four entities at a price of \$2.15442. The price was determined as the average closing price of the five trading days preceding the execution of the purchase plan. Following the issuance of the shares and as of the date of this report we have 11,959,282 outstanding common shares.

#### Derivatives

Through the BET and MCS acquisitions, we had four interest swap agreements as of December 31, 2011. The agreements have the following characteristics:

- (i) from September 28, 2007 for a period of five years through September 28, 2012, for a total notional principal amount of \$30,000,000; under the provisions of the agreement we pay a fixed rate of 4.84% and receive the six month LIBOR semiannually;
- (ii) from January 25, 2008 for a period of five years through January 25, 2013, for a total notional principal amount of \$50,000,000; under the provisions of the agreement we pay a fixed rate of 3.13% and receive the six month LIBOR semiannually; and
- (iii) from June 10, 2008 for a period of five years through June 10, 2013, for a total notional principal amount of \$25,775,000; under the provisions of the agreement we pay a fixed rate of 3.96% and receive the three month LIBOR quarterly.
- (iv) from October 26, 2007 for a period of five years through October 24, 2012, for a total notional principal amount of \$24,927,000; under the provisions of the agreement we pay a fixed rate of 4.80% and receive the three month LIBOR quarterly.

The market value of the interest swaps was a liability of \$4.4 million and \$8.6 million as of December 31, 2011 and 2010, respectively.

#### Cash Flows

Year ended December 31, 2011, as compared to year ended December 31, 2010

Operating Activities: Net cash from operating activities totaled \$26,439,000 for the year ended December 31, 2011, compared to \$31,537,000 for the year ended December 31, 2010. This decrease is due to the fact that we had lower charter rates and higher operating expenses for the year ended December 31, 2011 as compared to the same period in 2010.

Investing Activities: The Company had no investing activities for the year ended December 31, 2011. Net cash provided by investing activities totaled \$7,885,000 for the year ended December 31, 2010, which is primarily cash assumed as part of the acquisition of MCS in 2010.

Financing Activities: Net cash used in financing activities totaled \$62,492,000 for the year ended December 31, 2011, as compared to net cash used in financing activities of \$49,242,000 for the year ended December 31, 2010. The increase is mainly due to debt repayments and prepayments of \$53,145,000 and \$67,941,000 during the years ended December 31, 2011 and 2010, respectively, which is partially offset by the proceeds of \$28,526,000 from the issuance of our common stock in 2010 and an increase in retained restricted cash of \$2,243,000 in 2011.

Year ended December 31, 2010, as compared to year ended December 31, 2009

**Operating Activities:** Net cash from operating activities totaled \$31,537,000 for the year ended December 31, 2010, compared to \$43,208,000 for the year ended December 31, 2009. This decrease is due to the fact that (i) we had lower charter rates and higher operating expenses for the year ended December 31, 2010 as compared to the same period in 2009 and (ii) we had increased interest expense of approximately \$3,700,000 due to additional loans and waivers obtained in 2010 as a result of the business acquisition of BET and MCS.

**Investing Activities:** Net cash provided by investing activities totaled \$7,885,000 for the year ended December 31, 2010, compared to net cash provided by investing activities of \$36,353,000 for the year ended December 31, 2009. This is primarily a result of the higher amount of cash assumed as part of the acquisition of BET in 2009 as compared to the amount of cash assumed as part of the acquisition of MCS in 2010.

**Financing Activities:** Net cash used in financing activities totaled \$49,242,000 for the year ended December 31, 2010, as compared to net cash used in financing activities of \$43,497,000 for the year ended December 31, 2009. The slight increase is mainly due to debt repayments and prepayments of \$67,941,000 and \$54,878,000 during the years ended December 31, 2010 and 2009, respectively, which is partially offset by the proceeds of \$28,526,000 from the issuance of our common stock in 2010.

#### Credit Facilities

##### Marfin Term Facility and Addenda

The initial vessel acquisition was financed with an amortizing term loan from Marfin equal to \$165,000,000, representing 42% of the vessels' aggregate acquisition costs, excluding any amounts associated with the earn-out provision. The amount outstanding as of December 31, 2011, amounted to \$98,000,000.

The loan is repayable commencing three months from the last drawdown, or March 31, 2009, whichever is earlier, through 28 consecutive quarterly principal installments, of which the first four principal installments will be equal to \$7.5 million each, the next four principal installments will be equal to \$5.3 million each and the final 20 principal installments will be equal to \$3.2 million each, with a balloon payment equal to \$50.0 million due concurrently with the 28th principal installment. On September 9, 2009, we executed addendum no. 1 to the loan agreement. In connection with the amendment, Marfin accelerated the due date of installment no. 5 to September 25, 2009 and of installment nos. 6 and 7 to January 4, 2010.

On November 13, 2009, we received an extension of the waiver from Marfin in connection with the \$165,000,000 term facility and \$54,845,000 revolving facility utilized. In connection with the amendment, Marfin accelerated the due date of installments no. 8 and no. 9 to July 1, 2010.

On June 2, 2010, we received an extension of the waiver from Marfin in connection with the \$165,000,000 term facility and \$54,845,000 revolving facility utilized. In connection with the amendment, Marfin accelerated the due date of installments no. 10 and no. 11 to January 3, 2011 and the due date of installments no. 12 and no. 13 to July 1, 2011. The remaining fifteen quarterly installments are repayable starting in March 2012, with a balloon payment equal to \$50,000,000 due concurrently with the final installment in September 2015.

On January 31, 2012, we received an extension of the maturity date from Marfin in connection with the outstanding principal amount of the term facility of \$98,000,000 and \$44,800,000 drawn under the revolving facility. In connection with the amendment, we are required to make 22 repayment installments with the first two installments to be paid on June 25, 2013 and December 25, 2013 each in the amount of \$1,600,000. The remaining 20 repayment installments are due in consecutive quarterly intervals in the amount of \$2,000,000 each. Along with the twenty-second repayment installment, we are to pay a balloon payment of \$54,800,000.

The loan bears interest at an annual rate equal to 3 month LIBOR plus 1.5%, if our ratio of total assets to total liabilities is greater than 165%, which is to be increased to 1.75% if the ratio is equal or less than 165%. As per the amended loan agreement dated September 9, 2009, the term facility bore interest at LIBOR plus 2.75% until July 1, 2010. As per the amended loan agreement dated November 13, 2009, the term facility bore interest at LIBOR plus 3.00% until January 1, 2011. As per the amended loan agreement dated June 2, 2010, the term facility bore interest at LIBOR plus 3.50% until January 3, 2012. As per the amended loan agreement dated January 31, 2012, the term facility bears interest at LIBOR plus 4.0%.



The term facility is secured by the following: a first priority mortgage on the vessels, on a joint and several basis; a first priority general assignment of any and all earnings, insurances and requisition compensation of the vessels and the respective notices and acknowledgements thereof; a first priority specific assignment of the benefit of all charters exceeding 12 calendar months duration and all demise charters in respect of the vessels and the respective notices and acknowledgements thereof to be effected in case of default or potential event of default to the absolute discretion of Marfin; assignments, pledges and charges over the earnings accounts held in the name of each borrower with the security trustee; undertakings by the technical and commercial managers of the vessels; and subordination agreement between Marfin and the holder of the Note. All of the aforementioned security will be on a full cross collateral basis. As per the amended loan agreement dated January 31, 2012, we have granted a first priority charge over the shares of MCS to Marfin.

The term facility includes covenants, among others, that require the borrowers and the corporate guarantor, to maintain vessel insurance for an aggregate amount greater than the vessels' aggregate market value or an amount equal to 130% of the aggregate of (a) the outstanding amounts under both the revolving credit and term facilities and (b) the amount available for drawdowns under the revolving facility. The vessels' insurance is to include as a minimum cover hull and machinery, war risk and protection and indemnity insurance, \$1.0 billion for oil pollution and for excess oil spillage and pollution liability insurance. In relation to the protection and indemnity insurance, no risk should be excluded or the deductibles as provided by the P&I Association materially altered or increased to amounts exceeding \$150,000 without the prior written consent of Marfin. In addition, the mortgagees' interest insurance on the vessels and the insured value must be at least 110% of the aggregate of the revolving credit and term facility.

In addition, if a vessel is sold or becomes a total loss or the mortgage on the vessel is discharged on its disposal, we are required to repay such part of the facilities as is equal to the higher of the amount related to such vessel or the amount necessary to maintain the security clause margin.

Other covenants include the following:

- not to borrow any money or permit such borrowings to continue other than by way of subordinated shareholders' loan or enter into any agreement for deferred terms, other than in any customary supplier's credit terms or any equipment lease or contract hire agreement other than in ordinary course of business;
- no loans, advances or investments in, any person, firm, corporation or joint venture or to any officer, director, shareholder or customer of any such person;
  - not to assume, guarantee or otherwise undertake the liability of any person, firm, company;
  - not to authorize any capital commitments;
- not to declare or pay dividends in any amount greater than 60% of the net cash flow of the Group as determined by the lender on the basis of the most recent annual audited financial statements provided, or repay any shareholder's loans or make any distributions in excess of the above amount without the lenders prior written consent (see below for terms of waiver obtained on December 31, 2008);
  - not to change our Chief Executive Officer and/or Chairman without the prior written consent of the lender;
  -

not to assign, transfer, sell or otherwise or dispose vessels or any of the property, assets or rights without prior written consent of the lender;

- no change of control in the Company without the written consent of the lender;
- not to engage in any business other than the operation of the vessels without the prior written consent of the lender;

- not to violate the security margin clause, which provides that: the aggregate market values of the vessels and the value of any additional security shall not be less than (or at least) 135% of the aggregate of the outstanding amounts under the revolving credit and term facilities and any amount available for drawing under the revolving facility, less the aggregate amount of all deposits maintained. As of December 31, 2008, we would not have been in compliance with the security margin clause under the Marfin loan agreement had we not later obtained certain retroactive waivers from Marfin. During the first quarter of 2009, we obtained waivers from Marfin of our compliance with these various financial and other covenants, which waivers were effective as of December 31, 2008. These waivers expired in July 2009, when the first of our original charterers was replaced. On September 9, 2009, November 13, 2009 June 2, 2010 and January 31, 2012, we executed addenda no. 1, no. 2, no. 3 and no. 4 respectively, to the loan agreement and obtained a waiver from Marfin through and including December 31, 2013. In connection with the amendment and waiver, Marfin made certain changes to our loan agreement including increasing the interest payable during the waiver period, accelerating the due dates of certain principal installments, limiting our ability to pay dividends without their prior consent and reducing security margin clause to 120%. As a result of these waivers, we are not currently in default under our Marfin loan agreement; and
- ensure that members of the Restis family and the family of our former chairman Mr. George Koutsolioutsos (or companies affiliated with them) together own at all times an aggregate of at least 10% of our issued share capital.

Financial covenants include the following:

- the ratio of financial indebtedness to LTM EBITDA shall be less than 6.5:1;
- the ratio of LTM EBITDA to net interest expense shall not be less than 2:1;
- the ratio of total liabilities to total assets shall not exceed 0.70:1;
- unrestricted cash deposits shall not be less than 2.5% of the financial indebtedness; and
- average quarterly unrestricted cash deposits, other than in favor of the lender, shall not be less than 5% of the financial indebtedness.

The financial covenants listed above are to be tested on a quarterly basis. As per the amended loan agreement dated January 31, 2012, the aforementioned financial covenants have been waived until and including December 31, 2013.

Commencing January 1, 2014 the following financial covenants will apply:

- ratio of net debt to Last Twelve Months (LTM) Earnings, Before Interest, Taxes, Depreciation and Amortization (EBITDA) where net debt as defined is the sum of all outstanding debt facilities minus cash and cash equivalents, shall be no more than 8.75:1;
- the ratio of EBITDA to net interest expense shall not be less than 1.75:1;
- the aggregate amount of cash deposits shall be no less than 5% of the net debt; and
- the aggregate market values of the vessels and the value of any additional security shall not be less than 120% of the aggregate of the outstanding amounts under the revolving credit and term facilities and any amount available for

drawing under the revolving facility, less the aggregate amount of all deposits maintained.

#### Marfin Revolving Credit Facility

As of January 1, 2011, we had utilized \$54,845,000 of the amount available under our revolving credit facility, which is equal to an amount in dollars which when aggregated with the amounts already drawn down under the term facility does not exceed 70% of the aggregate market values of the vessels and other securities held in favor of the lender for the initial business combination and working capital purposes. As of September 29, 2011, the revolving facility was reduced to \$48,000,000. As per the amended loan agreement dated January 31, 2012, we made a payment of \$3,200,000 towards the Marfin revolving credit facility and any outstanding balance will be fully repaid together with the balloon payment of the term facility on December 27, 2018. In addition, any surplus of funds greater than \$5,000,000 over requirements associated with the operation and maintenance of our vessels during each fiscal quarter will be applied to the prepayment of our revolving credit facility.

The original revolving credit facility bears interest at an annual rate equal to LIBOR plus 2.25% per annum. As per the amended loan agreement dated September 9, 2009, the revolving credit facility bore interest at an annual rate equal to LIBOR plus 3.25% until July 1, 2010. As per the amended loan agreement dated November 13, 2009, the revolving credit facility bore interest at an annual rate equal to LIBOR plus 3.50% until January 1, 2011. As per the amended loan agreement dated June 2, 2010, the revolving facility bore interest of LIBOR plus 4% until January 3, 2012. As per the amended loan agreement dated January 31, 2012, the revolving facility bears interest of LIBOR plus 4.5%. A commitment fee of 0.25% per annum is calculated on the daily aggregate un-drawn balance and un-cancelled amount of the revolving credit facility, payable quarterly in arrears from the date of the signing of the loan agreement. The revolving facility is subject to one full payment due at the same time as the final repayment of the Marfin term facility loan.

#### Citibank Loan Agreement and Supplemental Agreements

The six wholly-owned subsidiaries of BET financed the acquisition of their respective vessels with the proceeds of an amortizing loan from Citibank, as agent for the syndicate of banks and financial institutions set forth in the loan agreement, in the principal amount of \$222,000,000. The loan agreement dated June 26, 2007 is guaranteed by BET. The BET subsidiaries drew down on agreed portions of the loan facility to acquire each of the original six vessels in the BET fleet. The amount of the loan for each vessel was less than or equal to 70% of the contractual purchase price for the applicable vessel. The loan bears interest at the annual rate of LIBOR plus 0.75%. As of December 31, 2011, the principal amount due under the Citibank loan was \$87,459,000.

The repayment of the loan commenced on December 28, 2007 through 15 equal semi-annual installments of principal in the amount of \$8,286,000, to be followed by a balloon payment due six months thereafter in the amount of \$43,664,000, as these installment amounts were revised after the BET Performer sale. Following a supplemental agreement dated September 30, 2009 and prepayment of \$20 million, the semi-annual installments of principal and the balloon payment amount to \$7,128,000 and \$37,562,000, respectively. The borrowers are required to deposit one-sixth of the next principal payment in a retention account each month to fund each semi-annual principal payment. Interest is due and payable based on interest periods selected by BET equal to one month, two months, three months, six months, or a longer period up to 12 months. For interest periods longer than three months, interest is due in three-month installments.

Under Citibank supplemental agreement and restated loan dated September 30, 2009, Citibank agreed to the following material terms:

- (1) the applicable margin for the period between July 1, 2009 and ending on June 30, 2010 was increased to 2% per annum and to 0.75% per annum for the period commencing on July 1, 2010 and at all other times thereafter;
- (2) we made a payment in the amount of \$20.0 million;
- (3) the temporary reduction of the Citibank Security Value Covenant requirement from 125% to 100% until June 30, 2010; and
- (4) the temporary reduction of the minimum equity ratio requirement of the principal corporate guarantee from 0.3:1.0 to 0.175:1.0 from July 1, 2009 to June 30, 2010.

Additionally, the Restis family, or companies affiliated with the Restis family, must be the beneficial owners of at least 50.1% of our issued share capital (or any lower percentage not less than 40% resulting solely from a rights issue or increase of our issued share capital). Failure to satisfy this condition would constitute an event of default under the Citibank loan agreement.

Pursuant to a supplemental agreement dated August 4, 2010 with Citibank, BET undertook to maintain a minimum amount of at least \$7.5 million in the BET account with Citibank. Under the supplemental agreement with Citibank dated December 23, 2010 the applicable margin was adjusted to 1.75% per annum.

On March 31, 2011, BET entered into another supplemental agreement with Citibank. The following are the material terms of the supplemental agreement with Citibank dated March 31, 2011:

- (i) the applicable margin for the period between January 1, 2011 and December 31, 2011 was increased to 2% per annum and to 1.75% per annum from January 1, 2012 and at all other times thereafter;

(ii) a temporary reduction of the minimum equity ratio requirement of the principal corporate guarantee to be amended from 0.3:1.0 to 0.175:1.0 for the accounting period ending on December 31, 2011, and following the expiration of such accounting period, the minimum equity ratio requirement of the principal corporate guarantee to return to 0.3:1.0.

Pursuant to the Fifth Supplemental Agreement and the Citibank Restated Loan Agreement, both dated February 7, 2012, BET undertook to maintain a minimum amount of no less than \$14.5 million in the BET account with Citibank. The material terms of the Fifth Supplemental Agreement with Citibank are as follows:

- (i) the temporary reduction of the Citibank Security Value Covenant until January 1, 2013 to 100%;
- (ii) a temporary waiver of the minimum equity ratio requirement of the principal corporate guarantee of 0.3:1.0 for the accounting period ending on and including December 31, 2012;
- (iii) the waiver of the minimum liquidity requirement up to January 1, 2013; and
- (iv) the applicable margin has been adjusted to 3% per annum.

The Citibank loan facility is secured by the following: the loan agreement, a letter agreement regarding payment of certain fees and expenses by BET; a first priority mortgage on each of the BET vessels; the BET guarantee of the loan; a general assignment or deed of covenant of any and all earnings, insurances and requisition compensation of each of the vessels; pledges over the earnings accounts and retention accounts held in the name of each borrower; undertakings by the technical managers of the BET vessels; and the trust deed executed by Citibank for the benefit of the other lenders, among others.

The ship security documents include covenants, among others, that require the borrowers to maintain vessel insurance for an aggregate amount equal to the greater of the vessels' aggregate market value or an amount equal to 125% of the outstanding amount under the loan. The vessels' insurance is to include as a minimum cover fire and usual marine risks, war risk and protection and indemnity insurance, and \$1.0 billion for oil pollution. In addition, the borrowers agree to reimburse the mortgagee for mortgagees' interest insurance on the vessels in an amount of up to 110% of the outstanding amount under the loan.

In addition, if a vessel is sold or becomes a total loss, BET is required to repay such part of the loan as is equal to the greater of the relevant amount for such vessel, or such amount as is necessary to maintain compliance with the minimum security covenant in the loan agreement.

The Borrowers also must assure that the aggregate market value of the BET vessels is not less than 125% of the outstanding amount of the loan, as amended by the Fifth Supplemental Agreement to 100% for the period up to January 1, 2013. If the market value of the vessels is less than this amount, the Borrowers must prepay an amount that will result in the market value of the vessels meeting this requirement or offer additional security to the lender with a value sufficient to meet this requirement, which additional security must be acceptable to the lender. The value of the BET vessels shall be determined when requested by the lender, and such determination shall be made by any two of the lender's approved shipbrokers, one of which shall be nominated by the lender and one of which shall be nominated by the borrowers.

Other covenants include the following:

- not to permit any lien to be created over all or any part of the borrowers' present or future undertakings, assets, rights or revenues to secure any present or future indebtedness;
  - not to merge or consolidate with any other person;
- not to sell, transfer, dispose of or exercise direct control over any part of the borrowers' assets, rights or revenue without the consent of the lender;
- not to undertake any business other than the ownership and operation of vessels and the chartering of vessels to third parties;
  - not to acquire any assets other than the BET vessels;



- not to incur any obligations except under the loan agreement and related documents or contracts entered into in the ordinary course of business;
- not to borrow money other than pursuant to the loan agreement, except that the borrowers may borrow money from their shareholders or directors or their related companies as long as such borrowings are subordinate to amounts due under the loan agreement;
- not to guarantee, indemnify or become contingently liable for the obligations of another person or entity except pursuant to the loan agreement and related documents, except, in general, for certain guarantees that arise in the ordinary course of business;
- not to make any loans or grant any credit to any person, except that the borrowers make loans to BET or the borrowers' related companies as long as they are made on an arm's length basis in the ordinary course of business and are fully subordinated to the rights of the lender;
  - not to redeem their own shares of stock;
- not to permit any change in the legal or beneficial ownership of any of the borrowers or BET or cause any change in the shareholders' agreement or constitutional documents related to BET; and
  - not to enter into any related party transactions except on an arm's length basis and for full value.

#### MCS Loan Agreements

The vessels acquired from MCS were partially financed with the proceeds from three loan facilities. The first loan facility, with DVB, as agent, comprised two loans, a senior loan and a junior loan, and was used to finance a part of the cost of the acquisition of four vessels. The amount of the loan for each vessel was less than or equal to 70% of the contractual purchase price for the applicable vessel. Following a supplemental agreement dated May 20, 2010 and the prepayment of \$7.4 million, no further principal installments were due until the second quarter of 2011, when we made a payment of \$6.2 million. Since then, the remaining loan amounts are repayable in quarterly installments plus balloon payments through October 2015. The applicable margin following the supplemental agreement is LIBOR plus 2.10% per annum on the senior loan and LIBOR plus 4.90% per annum on the junior loan. As of December 31, 2011, the outstanding amount under this loan facility was \$48,397,000. The Company made repayments of \$6,765,000 on January 17, 2012 and \$1,435,000 on January 26, 2012 to DVB.

The second loan facility with HSBC, as agent, was used to finance part of the cost of acquisition of two vessels. The amount of the loan for each vessel was less than or equal to 65% of the contractual purchase price for the applicable vessel. Following a supplemental agreement dated May 21, 2010 and a prepayment of \$7.6 million, the remaining loan amounts are repayable in quarterly installments plus balloon payments through July 2013. The applicable margin to the loan amount from May 21, 2010 to July 21, 2011 was LIBOR plus 3.25% per annum and thereafter it has been LIBOR plus 2.75% per annum as long as there is not a breach of the security requirement or an event of default under the loan agreement. As of December 31, 2011, the outstanding amount under this loan facility was \$24,867,000.

The third loan facility with UOB as agent was used to finance part of the cost of the acquisition of three vessels. The amount of the loan for each vessel was less than or equal to 70% of the contractual purchase price for the applicable vessel. Following a supplemental agreement dated May 24, 2010, \$13.8 million was converted into subordinated debt,

out of which \$3.8 million was prepaid on June 30, 2010, \$9.3 million was prepaid from the senior loans, and the remaining loan amounts are repayable in twenty five quarterly installments plus balloon payments through May 2016. The applicable margin following the voluntary prepayment is LIBOR plus 2.50% per annum in relation to the senior loan and LIBOR plus 3.50% per annum in relation to the subordinated loan. As of December 31, 2011, the outstanding amount under this loan facility was \$39,680,000. As of December 31, 2011, the remaining balance of \$10,397,000 on the subordinated debt is repayable up to the final balloon payment date of the original UOB loan facility on May 2016.

The DVB, HSBC and UOB loan facilities are secured by the following: first priority mortgages on each of the MCS vessels; MCS guaranties on each of the loans; a general assignment or deed of covenant of any and all earnings, insurances and requisition compensation of each of the vessels; pledges over the earnings accounts and retention accounts held in the name of each borrower and undertakings by the technical managers of the MCS vessels, among others.

The ship security documents include covenants, among others, that require the borrowers to maintain vessel insurance for an aggregate amount equal to the greater of the vessels' aggregate market value or an amount equal to 120%, 120% and 120% of the outstanding amount under each of the UOB, HSBC and DVB loans as described above. The MCS borrowers have received a waiver from HSBC from compliance of their security requirement until December 31, 2012. The relevant covenant in the UOB loan takes effect after December 31, 2012. The vessels' insurance is to include as a minimum cover fire and usual marine risks, war risk and protection and indemnity insurance, and oil pollution. In addition, the borrowers agree to reimburse the mortgagee for mortgagees' interest insurance on the vessels in an amount of 110%, 100% and 115% of the outstanding amount under the loan of UOB, HSBC and DVB, respectively.

In addition, if a vessel is sold or becomes a total loss, MCS is required to repay such part of the loan as is equal to the greater of the relevant amount for such vessel, or such amount as is necessary to maintain compliance with the relevant minimum security covenant in the loan agreements.

#### Debt Repayment and Terms

The annual principal payments required to be made after December 31, 2011, for the facilities discussed above, are as follows:

2012	\$45,817
2013	44,438
2014	31,433
2015	72,685
2016	36,430
Thereafter	115,600
	\$346,403

#### Capital Requirements

Our capital expenditures relate to the routine drydocking of our vessels.

The following table summarizes our next anticipated surveys, as of December 31, 2011:

Vessel	Next Scheduled Survey	Estimated Cost
Clipper Glory *	Jan 2012	\$500,000
Asian Grace	Aug 2012	\$600,000
Hamburg Max	Aug 2012	\$1,500,000
Clipper Grace	Oct 2012	\$500,000
BET Fighter	Dec 2012	\$1,850,000
BET Intruder	Jan 2013	\$1,850,000
African Oryx	Jan 2013	\$750,000
Bremen Max	May 2013	\$1,750,000
BET Scouter	May 2013	\$1,750,000
Davakis G	May 2013	\$650,000
BET Prince	Jun 2013	\$1,750,000

African Glory	Jun 2013	\$600,000
Delos Ranger	Aug 2013	\$750,000
African Joy	Oct 2013	\$650,000
African Zebra	Feb 2014	\$500,000
BET Commander	Aug 2014	\$1,400,000

\* The Clipper Glory's survey commenced on January 4, 2012 and was completed on January 29, 2012.

C. Research and development, patents and licenses, etc.

Not applicable.

## D. Trend Information

Our results of operations depend primarily on the charter hire rates that we are able to realize for our owned vessels, which depend on the demand and supply dynamics characterizing the dry bulk freight market at any given time.

After reaching historical highs in May 2008, the freight market reversed sharply in the fourth quarter of the same year. Since then, freight rates have been quite volatile yet they have remained at lower levels than those witnessed before 2009. For industry trends refer to industry disclosure under "Risk Factors" and "Item 4 – Business Overview." For company-specific trends refer to "Item 5. Operating and Financial Review and Prospects – Operating Results."

## E. Off-balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

## F. Tabular Disclosure of Contractual Obligations

The following tables summarize our contractual obligations as of December 31, 2011, based on the contractual terms of the loan agreements and rental arrangements. The table does not reflect any potential acceleration due to non-compliance with covenant terms of our loan agreements.

Contractual Obligations	Total	less than 1			more than 5
		year	1-3 years	3-5 years	
Long-term debt	\$346,403	\$45,817	\$75,870	\$109,115	\$115,600
Interest expense (1)	\$65,878	\$14,390	\$24,208	\$15,972	\$11,308
Office rent (2)	\$1,071	\$551	\$520	\$-	\$-
Total	\$413,352	\$60,758	\$100,598	\$125,087	\$126,908

1. The Marfin revolving facility bears interest at LIBOR plus a spread of 4.0% until January 31, 2012. Pursuant to the fourth loan addendum dated January 31, 2012, the spread has been increased to 4.50%. The Marfin term facility bears interest at LIBOR plus a spread of 3.5%. Pursuant to the fourth loan addendum dated January 31, 2012, the spread has been increased to 4.0%. The Citibank term facility bears interest at LIBOR plus a spread of 3.0% pursuant to the Fifth Supplemental Agreement dated February 7, 2012. The HSBC term facility bears interest at LIBOR plus a spread of 3.25%. The UOB senior term facility bears interest at LIBOR plus a spread of 2.50% and the UOB subordinated term facility bears interest at LIBOR plus a spread of 3.50%. The DVB senior facility bears interest at LIBOR plus a spread of 2.10% and the DVB junior facility bears interest at LIBOR plus a spread of 4.90%.

2. The office rent reflects our agreement with Waterfront S.A. for the rent of our executive offices. The initial lease term is from November 17, 2008 to November 16, 2011. Seanergy has the option to extend the term until February 28, 2014. The monthly lease payment is EUR 42,000. As of December 20, 2010, the monthly lease payment was amended to EUR 35,000 and as of January 1, 2012 the monthly lease payment was amended to EUR 25,000. The monthly payment due under the office rent in U.S. dollars has been computed by using the Euro/U.S. dollar exchange rate as of December 31, 2011, which was €1.00:\$1.2691. The office rent also includes the rent for the office of MCS in Hong Kong. The MCS offices were relocated in 2011. The monthly payment under the old tenancy agreement was HK\$ 688,680 per month. The monthly payment under the new tenancy agreement is HK\$ 95,600 until the expiration of the agreement on May 8, 2013. The monthly payment due under the office rent in

Hong Kong dollars has been computed by using the U.S. dollar/ HK dollar exchange rate as of December 31, 2011, which was \$1.00:HK\$ 7.7674.

G. Safe Harbor

See the section titled "Cautionary Statement Regarding Forward-Looking Statements" at the beginning of this annual report.

## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

## A. Directors and Senior Management

Set forth below are the names, ages and positions of our current directors and executive officers. Members of our board of directors are elected annually on a staggered basis, and each director elected holds office for a three-year term. Officers are elected from time to time by vote of our board of directors and hold office until a successor is elected. The business address of each of our directors and executive officers listed below is 1-3 Patriarchou Grigoriou Street, 166 74 Glyfada, Athens, Greece.

Name	Age	Position	Director Class
Dale Ploughman	64	Chief Executive Officer and Chairman of the Board of Directors	B (term expires in 2014)
Christina Anagnostara	40	Chief Financial Officer and Director	B (term expires in 2014)
Elias Culucundis	68	Director	A (term expires in 2013)
George Taniskidis	50	Director	A (term expires in 2013)
D i m i t r i s Panagiotopoulos	51	Director	A (term expires in 2013)
George Tsimpis	65	Director	C (term expires in 2012)
D i m i t r i s Anagnostopoulos	64	Director	C (term expires in 2012)

Biographical information with respect to each of our directors and executive officers is set forth below.

Dale Ploughman has served as a member of our board of directors and our chief executive officer since May 20, 2008 and as the Chairman of our board of directors since July 21, 2010. He has over 47 years of shipping industry experience. From 1999 until 2011, Mr. Ploughman had been the chairman of the Bahamas Ship Owners Association, and from 2000 to 2005 he was the chairman of South African Marine Corporation (Pty) Ltd., a dry bulk shipping company based in South Africa. In addition, from 2005 to 2010, Mr. Ploughman served as president, chief executive officer and director of Golden Energy Marine Corp. Mr. Ploughman also serves as president and chief executive officer of numerous private shipping companies controlled by members of the Restis family. From 1989 to 1999, Mr. Ploughman was the president of Great White Fleet, a fleet owned by Chiquita Brands International Inc., which was one of the largest shipping carriers to and from Central America. Mr. Ploughman has previously worked as president and chief executive officer of Lauritzen Reefers A.S., a shipping company based in Denmark, the managing director of Dammers and Vander Hiede Shipping and Trading Inc., a shipping company based in the Netherlands and as the chairman of Mackay Shipping, a shipping company based in New Zealand. He holds degrees in Business Administration and Personnel Management and Master's level Sea Certificates and was educated at the Thames Nautical Training College, HMS Worcester.

Christina Anagnostara has served as our chief financial officer since November 17, 2008 and as a member of our board of directors since December 2008. Prior to joining us, she served as chief financial officer and a board member for Global Oceanic Carriers Ltd, a dry bulk shipping company listed on the Alternative Investment Market of the London Stock Exchange, or AIM, since February 2007. Between 1999 and 2006, she was a senior manager at EFG Audit & Consulting Services, the auditors of the Geneva-based EFG Group, an international banking group specializing in global private banking and asset management. Prior to EFG Group, she worked from 1998 to 1999 in the internal audit group of Eurobank EFG, a bank with a leading position in Greece; and between 1995 and 1998 as a

senior auditor at Ernst & Young Hellas, SA, Greece, the international auditing firm. Ms. Anagnostara studied Economics in Athens and has been a Certified Chartered Accountant since 2002.

Elias Culucundis has been a member of our board of directors since our inception. From 2002 until 2010, Mr. Culucundis had been a member of the board of directors of Folli Follie S.A. and since 2006 an executive member of the board of directors of Hellenic Duty Free Shops S.A. Since 1999, Mr. Culucundis has been president, chief executive officer and director of Equity Shipping Company Ltd., a company specializing in starting, managing and operating commercial and technical shipping projects. Additionally, from 1996 to 2000, he was a director of Kassian Maritime Shipping Agency Ltd., a vessel management company operating a fleet of ten bulk carriers. During this time, Mr. Culucundis was also a director of Point Clear Navigation Agency Ltd, a marine project company. From 1981 to 1995, Mr. Culucundis was a director of Kassos Maritime Enterprises Ltd., a company engaged in vessel management. While at Kassos, he was initially a technical director and eventually ascended to the position of chief executive officer, overseeing a large fleet of Panamax, Aframax and VLCC tankers, as well as overseeing new vessel building contracts, specifications and the construction of new vessels. From 1971 to 1980, Mr. Culucundis was a director and the chief executive officer of Off Shore Consultants Inc. and Naval Engineering Dynamics Ltd. Off Shore Consultants Inc. He worked in Floating Production, Storage and Offloading vessel, or FPSO, design and construction and responsible for the technical and commercial supervision of a pentagon-type drilling rig utilized by Royal Dutch Shell plc. Seven FPSOs were designed and constructed that were subsequently utilized by Pertamina, ARCO, Total and Elf-Aquitaine. Naval Engineering Dynamics Ltd. was responsible for purchasing, re-building and operating vessels that had suffered major damage. From 1966 to 1971, Mr. Culucundis was employed as a Naval Architect for A.G. Pappadakis Co. Ltd., London, responsible for tanker and bulk carrier new buildings and supervising the technical operation of our fleet. He is a graduate of Kings College, Durham University, Great Britain, with a degree in Naval Architecture and Shipbuilding. He is a member of several industry organizations, including the Council of the Union of Greek Shipowners and American Bureau of Shipping. Mr. Culucundis is a fellow of the Royal Institute of Naval Architects and a Chartered Engineer.



George Taniskidis has been a member of our board of directors since December 2008. Mr. Taniskidis is a member of the board of directors of Euroseas Limited (NASDAQ: ESEA), a shipping company, where he has served since 2005. He was also a member of the board of directors of Millennium Bank, Turkey and a member of the board of directors of the Hellenic Banks Association. Mr. Taniskidis was the Chairman and Managing Director of Millennium Bank from 2002 until 2010. From 2003 until 2005, he was a member of the board of directors of Visa International Europe, elected by the Visa issuing banks of Cyprus, Malta, Portugal, Israel and Greece. From 1990 to 1998, Mr. Taniskidis worked at XIOSBANK (until its acquisition by Piraeus Bank in 1998) in various positions, with responsibility for the bank's credit strategy and network. Mr. Taniskidis studied law at the National University of Athens and at the University of Pennsylvania Law School, where he received an LL.M. After law school, he joined the law firm of Rogers & Wells in New York, where he worked from 1986 until 1989 and was also a member of the New York State Bar Association. He is a member of the Young Presidents Organization.

Dimitrios Panagiotopoulos has been a member of our board of directors since December 2008. Mr. Panagiotopoulos is the Head of Shipping and Yachting Finance of Proton Bank, a Greek private bank, where he has served since April 2004. From January 1997 to March 2004, he served as deputy head of the Greek shipping desk of BNP Paribas and before that for four years as senior officer of the shipping department of Credit Lyonnais Greece. From 1990 to 1993, he worked as chief accountant in Ionia Management, a Greek shipping company. He also served his obligatory military duty as an officer of the Greek Special Forces and today is a captain of the reserves of the Hellenic Army.

George Tsimpis has been a member of our board of directors since December 2008. Since March 2009, Mr. Tsimpis is also member of the board of directors of FBB-First Business Bank S.A., of Greece, a bank affiliated with members of the Restis family. Mr. Tsimpis served as shipping advisor at BNP Paribas, Greece, from 2006 through 2007, upon retiring as Head of the Greek Shipping Desk from BNP Paribas in 2006, a position he had held since 1992. From 1986 to 1992, Mr. Tsimpis served as chief financial officer of Pirelli Tyres. From 1978 to 1986, Mr. Tsimpis was Delegate Manager and Treasurer at Bank of America, Greece. Mr. Tsimpis joined Citibank, Greece in 1971, where he served as chief trader from 1974 to 1978. Mr. Tsimpis holds a Bachelor of Arts Degree in Economics from the University of Piraeus.

Dimitrios Anagnostopoulos has been a member of our board of directors since May 2009. Mr. Anagnostopoulos has over forty years of experience in shipping and ship finance. His career began in the 1970's at Athens University of Economics followed by four years with the Onassis Group in Monaco. Mr. Anagnostopoulos also held various posts at the National Investment Bank of Industrial Development (ETEBA), Continental Illinois National Bank of Chicago, the Greyhound Corporation, and with ABN AMRO, where he has spent nearly two decades with the Bank as Senior Vice-President and Head of Shipping. In June 2010 he was elected a board member of the Aegean Baltic Bank S.A. Mr. Anagnostopoulos has been a speaker and panelist in various shipping conferences in Europe, and a regular guest lecturer at the City University Cass Business School in London and the Erasmus University in Rotterdam. He is a member (and ex-vice chairman) of the Association of Banking and Financial Executives of Greek Shipping. In 2008 he was named by the Lloyd's Organization as Shipping Financier of the Year.

On November 30, 2009, we announced the resignations of Messrs. Ioannis Tsigkounakis and Alexander Papageorgiou from our board. On May 20, 2010 and on July 20, 2010, Mr. Alexis Komninos and Mr. George Koutsolioutsos, respectively, resigned from our board. Following these resignations, the Board determined to reduce its size from thirteen to nine members. On November 17, 2010 and November 22, 2010, Messrs. Kostas Koutsoubelis and Kyriakos Dermatis, respectively, resigned from our board, and the Board has since determined to reduce its size from nine to the present seven members.

No family relationships exist among any of the directors and executive officers.

**B. Compensation**

For the year ended December 31, 2011, we paid our executive officers and directors aggregate compensation of \$1.1 million. Our executive officers are employed by us pursuant to employment and consulting contracts as more fully described below. The contracts do not provide for benefits upon termination of employment, except that our CEO will receive 12 months' salary if he is terminated without cause or resigns for "good reason," as defined in his contract. We do not have a retirement plan for our executive officers or directors.

Each member of our Board of Directors receives a fee of \$40,000 per year. In addition, each member of the Shipping Committee receives a fee of \$60,000 per year. The aggregate director fees paid by us for the years ended December 31, 2011, 2010 and 2009 totaled \$460,000, \$568,000 and \$684,000, respectively.

We have entered into an employment agreement with our Chief Executive Officer, pursuant to which he receives an annual base salary of \$400,000. His salary may be increased upon approval by the Compensation Committee. The employment agreement expires in November 2012 and may be renewed for successive one-year terms. In addition, Seanergy Management entered into an employment agreement in March 2009 with our Chief Executive Officer. The total net annual remuneration amounts to Euro 30,800 subject to any increases made from time to time by the compensation committee. This amount forms part of the annual base salary described above.

On December 15, 2008, Seanergy Management entered into an agreement with C.K.A. Company S.A., a Marshall Islands corporation. C.K.A. Company S.A. is beneficially owned by our Chief Financial Officer. Under the agreement, C.K.A. Company S.A. provides the services of the individual who serves as our Chief Financial Officer. The agreement provides for the payment of \$220,000 per annum, payable monthly on the last working day of every month, in 12 installments, and is subject to increases as approved by the Compensation Committee. In addition, Seanergy Management has entered into an employment agreement with our Chief Financial Officer. The total net annual remuneration amounts to Euro 23,800 subject to any increases made from time to time by Compensation Committee. Our Chief Financial Officer's contracts are at-will but may be terminated by either party on six months notice.

### C. Board Practices

Our board of directors has an audit committee, a compensation committee, a nominating committee and a shipping committee. Our board of directors has adopted a charter for each of these committees.

#### Audit Committee

Our audit committee consists of Messrs. Dimitris Anagnostopoulos, Dimitrios Panagiotopoulos and George Tsimpis. Our board of directors has determined that the members of the audit committee meet the applicable independence requirements of the SEC and the NASDAQ Marketplace Rules. Our board of directors has determined that Mr. Dimitrios Panagiotopoulos is an "Audit Committee Financial Expert" under the SEC rules and the corporate governance rules of the NASDAQ Global Market.

The audit committee has powers and performs the functions customarily performed by such a committee (including those required of such a committee under the NASDAQ Marketplace Rules and the SEC). The audit committee is responsible for selecting and meeting with our independent registered public accounting firm regarding, among other matters, audits and the adequacy of our accounting and control systems.

#### Compensation Committee

Our compensation committee consists of Messrs. Dimitris Panagiotopoulos, George Taniskidis and George Tsimpis, each of whom is an independent director. The compensation committee reviews and approves the compensation of our executive officers.

#### Nominating Committee

Our nominating committee consists of Messrs. Elias Culucundis, Dimitrios Panagiotopoulos and George Tsimpis, each of whom is an independent director. The nominating committee is responsible for overseeing the selection of persons to be nominated to serve on our board of directors.

#### Shipping Committee

We have established a shipping committee. The purpose of the shipping committee is to consider and vote upon all matters involving shipping and vessel finance in order to accelerate the pace of our decision making in respect of shipping business opportunities, such as the acquisition of vessels or companies. The shipping industry often demands very prompt review and decision-making with respect to business opportunities. In recognition of this, and in order to

best utilize the experience and skills that our directors bring to us, our board of directors has delegated all such matters to the shipping committee. Transactions that involve the issuance of our securities or transactions that involve a related party, however, shall not be delegated to the shipping committee but instead shall be considered by the entire board of directors. The shipping committee consists of three directors. In accordance with the Amended and Restated Charter of the Shipping Committee, two of the directors on the shipping committee are nominated by the Restis affiliate shareholders and one of the directors on the shipping committee is nominated by a majority of our Board of Directors and is an independent member of the Board of Directors. The members of the shipping committee are Mr. Dale Ploughman and Ms. Christina Anagnostara, who are the Restis affiliate shareholders' nominees, and Mr. Dimitris Panagiotopoulos, who is the Board's nominee.

In order to assure the continued existence of the shipping committee, our board of directors has agreed that the shipping committee may not be dissolved and that the duties or composition of the shipping committee may not be altered without the affirmative vote of not less than 80% of our board of directors. In addition, the duties of our chief executive officer, who is currently Mr. Ploughman, may not be altered without a similar vote. These duties and powers include voting the shares of stock that Seanergy owns in its subsidiaries. In addition to these agreements, we have amended certain provisions in its articles of incorporation and by-laws to incorporate these requirements.

As a result of these various provisions, in general, all shipping-related decisions will be made by the Restis family appointees to our board of directors unless 80% of the board members vote to change the duties or composition of the shipping committee.

#### D. Employees

We currently have two executive officers, Mr. Dale Ploughman, our chief executive officer who is also the Chairman of our Board of Directors, and Ms. Christina Anagnostara, our chief financial officer. In addition, we employ Ms. Theodora Mitropetrou, our general counsel, and a support staff of thirteen employees. In addition, EST, M/S Fleet and Wallem are responsible for identifying, screening and recruiting, directly or through crewing agents, the seafarers that crew the vessels in our fleet.

#### E. Share Ownership

The shares of our common stock beneficially owned by our directors and senior managers are disclosed below in "Item 7. Major Shareholders and Related Party Transactions."

### ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

#### A. Major Shareholders

The following table sets out information, as of the date of this annual report, regarding (i) the owners of more than five percent of outstanding common shares that we are aware of and (ii) the total number of common shares owned by all of our directors and senior management. All of the shareholders, including the shareholders listed in this table, are entitled to one vote for each common share held.

Title of Class	Identity of Person or Group	Number of Shares Owned	Percent of Class	
Common shares, par value \$0.0001 per share				
	United Capital Investments Corp.(1)	2,622,727	21.9	%
	Atrion Shipholding S.A.(1)	2,522,149	21.1	%
	Plaza Shipholding Corp.(1)	2,526,388	21.1	%
	Comet Shipholding Inc.(1)	2,522,168	21.1	%
	Dale Ploughman	12,000	*	
	Christina Anagnostara	667	*	
	All directors and executive officers as a group (7 individuals)	12,667	*	

\* Less than one percent.

All shares owned by the shareholders listed in the table above have the same voting rights as other shares of our common stock.

(1) Each of United Capital Investments Corp., Atrion Shipholding S.A., Plaza Shipholding Corp, and Comet Shipholding Inc., is an affiliate of members of the Restis family.

B. Related Party Transactions

Share Purchase Agreement

On January 31, 2012, we completed an equity injection plan with four entities affiliated with the Restis family. In exchange for \$10 million, we issued an aggregate of 4,641,620 of our common shares to the four entities at a price of \$2.15442. The price was determined as the average closing price of the five trading days preceding the execution of the purchase plan. Following the issuance of the shares and as of the date of this report we have 11,959,282 outstanding common shares.

Purchase of Remaining 50% Ownership Interest in BET

On August 12, 2009, we expanded the size of our fleet when we closed on the purchase of a 50% ownership interest in BET from Constellation, a company unaffiliated with us. On September 3, 2010, we entered into an agreement to acquire the remaining 50% ownership interest in BET from Mineral Transport, a company controlled by members of the Restis family, for consideration that was paid in the form of: (i) \$7.0 million in cash and (ii) 24,761,905 shares of our common stock (or 1,650,793 shares as adjusted for the Reverse Stock Split), at an agreed price of \$1.05 per share (or \$15.75 per share as adjusted for the Reverse Stock Split) totaling \$26.0 million, that were issued to the Restis affiliate shareholders, as nominees of Mineral Transport.

### Purchase of 100% Ownership Interest in MCS

On April 30, 2010, Maritime Capital, a company controlled by members of the Restis family, acquired 100% of MCS. On May 28, 2010, we further expanded our fleet by acquiring a 51% ownership interest in MCS for consideration of \$33.0 million paid to Maritime Capital. On September 15, 2010, we acquired the remaining 49% ownership interest in MCS from Maritime Capital for consideration of approximately \$29.0 million, which was paid to Maritime Capital in the form of: (i) \$3.0 million in cash and (ii) 24,761,905 shares of our common stock (or 1,650,793 shares as adjusted for the Reverse Stock Split), at an agreed price of \$1.05 per share (or \$15.75 per share as adjusted for the Reverse Stock Split) totaling \$26.0 million, that were issued to the Restis affiliate shareholders, as nominees of Maritime Capital.

### Registration Rights

Pursuant to a Registration Rights Agreement, no later than 30 days from the effective date of the dissolution and liquidation of Seanergy Maritime, we were obligated to file a registration statement with the Commission registering the resale of the 366,666 shares of our common stock in the aggregate owned by Seanergy Maritime's founding shareholders and the Restis affiliate shareholders, 16,016,667 common stock purchase warrants that were issued in a private transaction, to which we refer as the Insider Warrants, and the 16,016,667 shares of our common stock (or 1,067,777 shares as adjusted for the Reverse Stock Split) underlying the Insider Warrants. In addition, we agreed to register for resale in such registration statement an aggregate of 6,568,075 shares of our common stock (or 437,871 shares as adjusted Reverse Stock Split), consisting of the 4,308,075 shares of our common stock (or 287,205 shares as adjusted Reverse Stock Split) issued to the Restis affiliate shareholders upon achievement of the earnings targets and the 2,260,000 shares of our common stock (or 150,666 shares as adjusted for the Reverse Stock Split) originally issuable upon conversion of the Note. We filed such registration statement, to which we refer as the original resale registration statement, with the Commission (File No. 333-157270) and it was declared effective on February 19, 2009. The 5,500,000 shares (or 366,666 shares as adjusted for the Reverse Stock Split) were in escrow for a period of 12 months after the vessel acquisition and in September 2009, they were released by the escrow agent.

On August 28, 2009, in connection with the amendment to the Note, we filed a registration statement pursuant to Rule 462(b) promulgated under the Securities Act (File No. 333-161595), or the second resale registration statement, for the additional 4,325,868 shares of our common stock (or 288,391 shares as adjusted for the Reverse Stock Split) issued upon conversion of the Note, as amended. The securities we registered pursuant to the original resale registration statement and the second resale registration statement were again registered pursuant to a registration statement on Form F-3 we filed with the Commission on May 10, 2010 (File No. 333-166697), or the third resale registration statement, which was declared effective on May 19, 2010. The holders of such securities are also entitled to certain "piggy-back" registration rights on registration statements filed subsequent to such date. We have since withdrawn the original resale registration statement and the second resale registration statement.

On September 15, 2010, we entered into a registration rights agreement in connection with our acquisition of a 49% interest in MCS, as part of the purchase price for the acquisition was paid through the issuance of 24,761,905 shares of our common stock (or 1,650,793 shares as adjusted for the Reverse Stock Split) to the Restis affiliate shareholders as nominees of the seller, Maritime Capital. On October 22, 2010, we entered into a registration rights agreement in connection with our acquisition of a 50% interest in BET, as part of the purchase price for the acquisition was paid through the issuance of 24,761,905 shares of our common stock (or 1,650,793 shares as adjusted for the Reverse Stock Split) to the Restis affiliate shareholders as nominees of the seller, Mineral Transport. Pursuant to these registration rights agreements, no later than 120 days from the execution of each of the registration rights agreements,

we were obligated to file a registration statement with the Commission registering the resale of such 49,523,810 shares of common stock (or 3,301,587 shares as adjusted for the Reverse Stock Split) in the aggregate issued to and held by the Restis affiliate shareholders following the September 2010 MCS and October 2010 BET acquisitions, to which we refer as the fourth resale registration statement. We filed the fourth resale registration statement with the Commission on a registration statement on Form F-3 on October 7, 2010 (File No. 333-169813), and it was declared effective on November 12, 2010.

On January 4, 2012, we entered into a registration rights agreement in connection with a share purchase agreement, discussed above, under which we sold 4,641,620 of our common shares to United Capital Investments Corp., Atrion Shipholding S.A., Plaza Shipholding Corp. and Comet Shipholding Inc., which are all companies affiliated with the Restis family, for \$10 million. The common shares were sold at a price of \$2.15442, which was the average closing price of our common shares for the five trading days preceding the execution of the share purchase agreement. We have agreed to register our 4,641,620 shares within 120 days from the closing date of the share purchase agreement.



### Management Agreement

Under the terms of the management agreement entered into by EST, a company controlled by members of the Restis family, as manager of the initial fleet of six vessels owned by our subsidiaries, with Seanergy Management, and EST, as manager of all vessels owned by BET, and BET, EST performs certain duties that include general administrative and support services necessary for the operation and employment of all vessels owned by all subsidiaries of Seanergy and BET, including, without limitation, crewing and other technical management, insurance, freight management, accounting related to vessels, provisions, bunkering, operation and, subject to our instructions, sale and purchase of vessels.

### Brokerage Agreement

Under the terms of the brokerage agreements entered into by Seanergy Management, with Safbulk, a company controlled by members of the Restis family, Safbulk provides commercial management services for our initial fleet of six vessels and the BET vessels, which include, among other things, seeking and negotiating employment for the vessels owned by the vessel-owning subsidiaries in accordance with the instructions of Seanergy Management and BET, as the case may be. Safbulk is entitled to receive a commission of 1.25% calculated on the collected gross hire/freight/demurrage payable when such amounts are collected. Both brokerage agreements have been automatically renewed for another year expiring in May and August 2011.

### Time Charters with Swissmarine

Pursuant to charter party agreements dated June 16, 2011, each of the BET Fighter and BET Scouter were chartered to Swissmarine for a period of about 11 to about 13 months, at a gross daily rate equal to the adjusted time charter average of the Baltic Capesize Index. Seanergy has a right to convert this to a fixed daily rate throughout the life of the contract, subject to the charterer's mutual consent. Pursuant to charter party agreement dated June 16, 2011, the BET Intruder was chartered to Swissmarine for a period of about 11 to about 13 months, at a gross daily rate of \$12,250. Pursuant to a charter party agreement dated October 7, 2011, the BET Prince was chartered to Swissmarine for a period of about 11 to about 13 months, at a gross daily rate equal to the adjusted time charter average of the Baltic Capesize Index. Seanergy has a right to convert this to a fixed daily rate throughout the life of the contract, subject to the charterer's mutual consent. All charter rates for the BET fleet with Swissmarine are inclusive of a commission of 1.25% payable to Safbulk Maritime as commercial broker and 3.75% to Swissmarine as charterer.

### Vgenopoulos and Partners

Mr. Ioannis Tsigkounakis, who was a member of our Board of Directors until November 18, 2009, is a partner of Vgenopoulos and Partners, a law firm we had retained in connection with certain transactional matters. During the fiscal year ended December 31, 2010, we paid Mr. Tsigkounakis' law firm \$31,000.

### Commercial Real Estate Sublease Agreement

We lease our executive office space in Athens, Greece pursuant to the terms of a sublease agreement between Seanergy Management and Waterfront S.A., a company affiliated with a member of the Restis family. The initial sublease fee is Euro 504,000 per annum, or Euro 42,000 per month. The initial term is from November 17, 2008 to November 16, 2011. We have the option to extend the term until February 28, 2014. On December 20, 2010 we entered into an amendment which provides that for the remaining of the term of the sublease agreement the sublease

fee will be EUR 35,000 per month and on January 1, 2012 we entered into an amendment which provides that for the remaining of the term of the sublease agreement the sublease fee will be EUR 25,000 per month. Seanergy Management has been granted Ministerial Approval (issued in the Greek Government Gazette) for the establishment of an office in Greece under Greek Law 89/67 (as amended).

#### Consultancy Agreement

On December 15, 2008, Seanergy Management entered into an agreement with C.K.A. Company S.A., a related party entity incorporated in the Marshall Islands. C.K.A. Company S.A. is beneficially owned by our chief financial officer. Under the agreement, C.K.A. Company S.A. provides the services of the individual who serves in the position of our chief financial officer. The agreement is for \$220,000 per annum, payable monthly on the last working day of every month in 12 installments. The agreement may be terminated by either party on six-months notice.

#### C. Interests of Experts and Counsel

Not applicable.

## ITEM 8. FINANCIAL INFORMATION

### A. Consolidated Statements and Other Financial Information

See Item 18.

### Legal Proceedings

On December 30, 2010, certain of our shareholders who are resident in Greece (including Mr. George Koutsolioutsos, the former Chairman of the Board of the Company) brought suit in the First Instance Court of Athens against certain other shareholders of the Company and other individuals who are resident in Greece, including our CEO and CFO. Neither we nor any of our subsidiaries is named as a defendant. The complaint alleges that the defendants engaged in willful unlawful conduct under Greek law and that the plaintiffs sustained losses therefrom, including diminution in the value of their shares in the Company and reputational damage. The defendants have advised us that they do not believe the action has merit, and that they intend to vigorously defend it. A court hearing date has been set for November 28, 2012, however, the defendants have advised us that the court may, at the request of either party, determine to adjourn the hearing date until as late as 2014.

### Dividend Policy

We had initially expressed an intent to pay dividends in the aggregate amount of \$1.20 per common share on a quarterly basis during the one-year period commencing with the second full quarter following the initial closing of the acquisition of the six vessels that composed our initial fleet, which was the quarter ending March 31, 2009. We have, however, determined to temporarily suspend the payment of any dividends based on restrictions imposed on us by Marfin. We have not yet determined when any dividend payments will be resumed, if at all. In the event we determine to resume any dividend payments, under the terms of the waiver obtained with respect to our loan facilities' security margin clause, the written approval of Marfin will be required before the payment of any dividends. The declaration and payment of any dividend is subject to the discretion of our board of directors. The timing and amount of dividend payments will be in the discretion of our board of directors and be dependent upon our earnings, financial condition, cash requirements and availability, fleet renewal and expansion, restrictions in our loan agreements, the provisions of Marshall Islands law affecting the payment of dividends to shareholders, overall market conditions, and other factors. Our board of directors may review and amend our dividend policy from time to time in light of our plans for future growth and other factors.

### B. Significant Changes

See "Item 5 – Operating and Financial Review and Prospects – Recent Developments".

## ITEM 9. THE OFFER AND LISTING

### A. Offer and Listing Details

Our shares of common stock are currently listed on the NASDAQ Global Market under the symbol "SHIP".

The table below sets forth the high and low closing prices for each of the periods indicated for our shares of common stock on the American Stock Exchange or the NASDAQ Global Market. Seanergy Maritime's shares of common stock

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were originally listed on the American Stock Exchange. On October 15, 2008, Seanergy Maritime's shares of common stock commenced trading on the NASDAQ Global Market. Following the dissolution of Seanergy Maritime, our shares of common stock started trading on the NASDAQ Global Market on January 28, 2009.

	High	Low
For the Fiscal Year Ended December 31, 2009	\$ 80.25	\$43.95
For the Fiscal Year Ended December 31, 2010	\$ 44.85	\$13.5
For the Fiscal Year Ended December 31, 2011	\$ 14.84	\$2.06
For the Quarter Ended		
March 31, 2010	\$ 44.85	\$15.75
June 30, 2010	\$ 23.85	\$15.9
September 30, 2010	\$ 18.30	\$13.80
December 31, 2010	\$ 19.80	\$13.50
March 31, 2011	\$ 14.84	\$9.18
June 30, 2011	\$ 9.30	\$4.95
September 30, 2011	\$ 5.90	\$3.00
December 31, 2011	\$ 3.57	\$2.06

	High	Low
For the Month Ended		
September 2011	\$4.56	\$3.19
October 2011	\$3.57	\$2.79
November 2011	\$3.28	\$2.83
December 2011	\$3.00	\$2.06
January 2012	\$2.74	\$2.15
February 2012	\$4.23	\$2.16
March 1 through March 15, 2012	\$3.25	\$3.80

B. Plan of Distribution

Not applicable.

C. Markets

Our common stock trades on the NASDAQ Global Market under the symbol "SHIP".

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Articles of Incorporation

Our amended and restated articles of incorporation and our amended and restated bylaws have been filed in the Annex to Seanergy Maritime's proxy statement filed with the SEC on Form 6-K on July 31, 2008. The information contained in these exhibits is incorporated by reference herein. Our second amended and restated bylaws have been filed with the SEC on Form 6-K on July 20, 2011.

Information regarding the rights, preferences and restrictions attaching to each class of the shares is described in the section titled "Description of Capital Stock" in our Registration Statement on Form F-3 (Registration No.

333-169813), declared effective by the SEC on November 12, 2010, and incorporated by reference herein.

C. Material contracts

For a full description of our loan agreements, please see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Credit Facilities." Other than as discussed in this annual report, we have no material contracts, other than contracts entered into in the ordinary course of business, to which we are a party.

D. Exchange controls

Under Marshall Islands law, there are currently no restrictions on the export or import of capital, including foreign exchange controls or restrictions that affect the remittance of dividends, interest or other payments to non-resident holders of shares of our common stock.

E. Taxation

The following is a summary of the material U.S. federal and Marshall Islands income tax consequences of the ownership and disposition of our common stock as well as the material U.S. federal and Marshall Islands income tax consequences applicable to us and our operations. The discussion below of the U.S. federal income tax consequences to "U.S. Holders" will apply to a beneficial owner of our common stock that is treated for U.S. federal income tax purposes as:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) that is created or organized (or treated as created or organized) in or under the laws of the United States, any state thereof or the District of Columbia; or
- an estate whose income is includible in gross income for U.S. federal income tax purposes regardless of its source; or a trust if (i) a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust, or (ii) it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If you are not described as a U.S. Holder and are not an entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes, you will be considered a "Non-U.S. Holder." The U.S. federal income tax consequences applicable to Non-U.S. Holders is described below under the heading "Non-U.S. Holders."

This summary is based on the Code, its legislative history, Treasury regulations promulgated thereunder, published rulings and court decisions, all as currently in effect. These authorities are subject to change, possibly on a retroactive basis.

This summary does not address all aspects of U.S. federal income taxation that may be relevant to any particular holder based on such holder's individual circumstances. In particular, this discussion considers only holders that will own and hold our common stock as capital assets within the meaning of Section 1221 of the Code and does not address the potential application of the alternative minimum tax or the U.S. federal income tax consequences to holders that are subject to special rules, including:

- financial institutions or "financial services entities";
- broker-dealers;
- taxpayers who have elected mark-to-market accounting;
- tax-exempt entities;

- governments or agencies or instrumentalities thereof;
  - insurance companies;
  - regulated investment companies;
  - real estate investment trusts;
- certain expatriates or former long-term residents of the United States;
- persons that actually or constructively own 10% or more of our voting shares;
  - persons that hold our warrants;



- persons that hold our common stock or warrants as part of a straddle, constructive sale, hedging, conversion or other integrated transaction; or
- persons whose functional currency is not the U.S. dollar.

This summary does not address any aspect of U.S. federal non-income tax laws, such as gift or estate tax laws, or state, local or non-U.S. tax laws. Additionally, this discussion does not consider the tax treatment of partnerships or other pass-through entities or persons who hold our common stock through such entities. If a partnership (or other entity classified as a partnership for U.S. federal income tax purposes) is the beneficial owner of our common stock, the U.S. federal income tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership.

We have not sought, nor will we seek, a ruling from the Internal Revenue Service, or the IRS, as to any U.S. federal income tax consequence described herein. The IRS may disagree with the description herein, and its determination may be upheld by a court.

Because of the complexity of the tax laws and because the tax consequences to any particular holder of our common stock may be affected by matters not discussed herein, each such holder is urged to consult with its tax advisor with respect to the specific tax consequences of the ownership and disposition of our common stock, including the applicability and effect of state, local and non-U.S. tax laws, as well as U.S. federal tax laws.

#### United States Federal Income Tax Consequences

##### Taxation of Operating Income: In General

Unless exempt from United States federal income taxation under the rules discussed below, a foreign corporation is subject to United States federal income taxation in respect of any income that is derived from the use of vessels, from the hiring or leasing of vessels for use on a time, voyage or bareboat charter basis, from the participation in a shipping pool, partnership, strategic alliance, joint operating agreement, code sharing arrangements or other joint venture it directly or indirectly owns or participates in that generates such income, or from the performance of services directly related to those uses, which we refer to as "shipping income," to the extent that the shipping income is derived from sources within the United States. For these purposes, 50% of shipping income that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States, exclusive of certain U.S. territories and possessions, constitutes income from sources within the United States, which we refer to as "U.S.-Source Gross Transportation Income" or "USSGTI."

Shipping income attributable to transportation that both begins and ends in the United States is considered to be 100% from sources within the United States. We are prohibited by law from engaging in transportation that produces income considered to be 100% from sources within the United States.

Shipping income attributable to transportation exclusively between non-U.S. ports will be considered to be 100% derived from sources outside the United States. Shipping income derived from sources outside the United States will not be subject to any United States federal income tax.

In the absence of exemption from tax under Section 883, our USSGTI would be subject to a 4% tax imposed without allowance for deductions as described below.

### Exemption of Operating Income from United States Federal Income Taxation

Under Section 883 of the Code and the regulations thereunder, we will be exempt from United States federal income taxation on our U.S.-source shipping income if:

- we are organized in a foreign country (our "country of organization") that grants an "equivalent exemption" to corporations organized in the United States; and

either

- more than 50% of the value of our stock is owned, directly or indirectly, by "qualified shareholders," that are persons (i) who are "residents" of our country of organization or of another foreign country that grants an "equivalent exemption" to corporations organized in the United States, and (ii) who comply with certain documentation requirements, which we refer to as the "50% Ownership Test;" or
- our stock is primarily and regularly traded on one or more established securities markets in our country of organization, in another country that grants an "equivalent exemption" to United States corporations, or in the United States, which we refer to as the "Publicly-Traded Test."

The jurisdictions where we and our ship-owning subsidiaries are incorporated grant "equivalent exemptions" to United States corporations. Therefore, we will be exempt from United States federal income taxation with respect to our U.S.-source shipping income if we satisfy either the 50% Ownership Test or the Publicly-Traded Test.

As discussed in more detail below, we believe that we satisfied the Publicly-Traded Test for our 2011 taxable year since, on more than half the days of the taxable year, our common shares were primarily and regularly traded on an established securities market in the United States, namely the NASDAQ Global Market.

The regulations provide, in pertinent part, that the stock of a foreign corporation will be considered to be "primarily traded" on an established securities market in a country if the number of shares of each class of stock that is traded during the taxable year on all established securities markets in that country exceeds the number of shares in each such class that is traded during that year on established securities markets in any other single country. Our common stock, our sole class of our issued and outstanding stock, is "primarily traded" on the NASDAQ Global Market, which is an established securities market for these purposes.

The regulations also require that our stock be "regularly traded" on an established securities market. Under the regulations, our stock will be considered to be "regularly traded" if one or more classes of our stock representing 50% or more of our outstanding shares, by total combined voting power of all classes of stock entitled to vote and by total combined value of all classes of stock, are listed on one or more established securities markets, which we refer to as the "listing threshold." Our common stock, our sole class of issued and outstanding stock, is listed on the NASDAQ Global Market, and accordingly, we will satisfy this listing requirement.

The regulations further require that with respect to each class of stock relied upon to meet the listing requirement: (i) such class of the stock is traded on the market, other than in minimal quantities, on at least 60 days during the taxable year or 1/6 of the days in a short taxable year; and (ii) the aggregate number of shares of such class of stock traded on such market is at least 10% of the average number of shares of such class of stock outstanding during such year or as appropriately adjusted in the case of a short taxable year. We believe we will satisfy the trading frequency and trading volume tests. Even if we do not satisfy both tests, the regulations provide that the trading frequency and trading volume tests will be deemed satisfied by a class of stock if, as we expect to be the case with our common stock, such class of stock is traded on an established market in the United States and such class of stock is regularly quoted by dealers making a market in such stock.

Notwithstanding the foregoing, the regulations provide, in pertinent part, that a class of stock will not be considered to be "regularly traded" on an established securities market for any taxable year in which 50% or more of the vote and value of the outstanding shares of such class of stock are owned, actually or constructively under specified stock attribution rules, on more than half the days during the taxable year by persons who each own directly or indirectly 5% or more of the vote and value of such class of stock, who we refer to as "5% Shareholders." We refer to this restriction in the regulations as the "Closely-Held Rule." The Closely-Held Rule will not disqualify us, however, if we can establish that our qualified 5% Shareholders own sufficient shares in our closely-held block of stock to preclude the shares in the closely-held block that are owned by non-qualified 5% Shareholders from representing 50% or more of the value of such class of stock for more than half of the days during the tax year, which we refer to as the exception to the Closely-Held Rule.

For purposes of being able to determine our 5% Shareholders, the regulations permit us to rely on Schedule 13G and Schedule 13D filings with the Securities and Exchange Commission. The regulations further provide that an investment company that is registered under the Investment Company Act of 1940, as amended, will not be treated as

a 5% Shareholder for such purposes.

Based on our Schedule 13G and 13D filings for the 2011 taxable year, we believe that we were not subject to the Closely-Held Rule for our 2011 taxable year and therefore satisfy the Publicly-Traded Test. However, there can be no assurance regarding whether we will be subject to the Closely-Held Rule for any future taxable year. For this and other reasons, there can be no assurance that we or any of our subsidiaries will qualify for the benefits of Section 883 of the Code for future taxable year.

#### Taxation in Absence of Exemption

To the extent the benefits of Section 883 are unavailable, our USSGTI, to the extent not considered to be "effectively connected" with the conduct of a U.S. trade or business, as described below, would be subject to a 4% tax imposed by Section 887 of the Code on a gross basis, without the benefit of deductions, otherwise referred to as the "4% Tax." Since under the sourcing rules described above, no more than 50% of our shipping income would be treated as being derived from U.S. sources, the maximum effective rate of U.S. federal income tax on our shipping income would never exceed 2% under the 4% gross basis tax regime.

To the extent the benefits of the Section 883 exemption are unavailable and our USSGTI is considered to be "effectively connected" with the conduct of a U.S. trade or business, as described below, any such "effectively connected" U.S.-source shipping income, net of applicable deductions, would be subject to the U.S. federal corporate income tax currently imposed at rates of up to 35%. In addition, we may be subject to the 30% "branch profits" taxes on earnings effectively connected with the conduct of such trade or business, as determined after allowance for certain adjustments, and on certain interest paid or deemed paid attributable to the conduct of our U.S. trade or business.

Our U.S.-source shipping income would be considered "effectively connected" with the conduct of a U.S. trade or business only if:

- we have, or are considered to have, a fixed place of business in the United States involved in the earning of shipping income; and
- substantially all of our U.S.-source shipping income is attributable to regularly scheduled transportation, such as the operation of a vessel that follows a published schedule with repeated sailings at regular intervals between the same points for voyages that begin or end in the United States.

We do not intend to have, or permit circumstances that would result in having, any vessel operating to the United States on a regularly scheduled basis. Based on the foregoing and on the expected mode of our shipping operations and other activities, we believe that none of our U.S.-source shipping income will be "effectively connected" with the conduct of a U.S. trade or business.

#### United States Taxation of Gain on Sale of Vessels

Regardless of whether we qualify for exemption under Section 883, we will not be subject to United States federal income taxation with respect to gain realized on a sale of a vessel, provided the sale is considered to occur outside of the United States under United States federal income tax principles. In general, a sale of a vessel will be considered to occur outside of the United States for this purpose if title to the vessel, and risk of loss with respect to the vessel, pass to the buyer outside of the United States. It is expected that any sale of a vessel by us will be considered to occur outside of the United States.

#### United States Tax Taxation Related to the BET Fleet

As further described in "Item 4. Information on the Company – A. History and Development of the Company" of this annual report, on August 12, 2009, we closed on the acquisition of a 50% controlling interest in BET from Constellation Bulk Energy Holdings, Inc., and on October 22, 2010, we purchased the remaining 50% non-controlling interest in BET from Mineral Transport. Concurrent with our August 12, 2009 acquisition of a 50% interest in BET, BET and its ship-owning subsidiaries requested and received the IRS' permission to make a check-the-box election after the fact as if the check-the-box election was made at the formation of BET. Without this check-the-box election, the USSGTI of each ship-owning corporation in the BET fleet would have been subject to the 4% Tax on its USSGTI for the 2008 and 2009 tax years since the ship-owning corporations would not otherwise qualify for Section 883 relief under the Section 883 regulations. Our ability to obtain a Section 883 exemption for our 50%, and subsequently 100%, interests in the USSGTI generated by operation of the BET fleet depends on our ability to qualify for the benefits of the Section 883 exemption for each of the relevant tax years as further above in this section.

#### United States Federal Income Taxation of U.S. Holders

### Taxation of Distributions Paid on Common Stock

Subject to the passive foreign investment company, or PFIC, rules discussed below, any distributions made by us with respect to common shares to a U.S. Holder will generally constitute dividends, which may be taxable as ordinary income or "qualified dividend income" as described in more detail below, to the extent of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of our earnings and profits will be treated first as a non-taxable return of capital to the extent of the U.S. Holder's tax basis in his common shares on a dollar-for-dollar basis and thereafter as capital gain. Because we are not a U.S. corporation, U.S. Holders that are corporations will not be entitled to claim a dividends-received deduction with respect to any distributions they receive from us.

Dividends paid on common shares to a U.S. Holder which is an individual, trust, or estate (a "U.S. Non-Corporate Holder") will generally be treated as "qualified dividend income" that is taxable to such shareholders at preferential U.S. federal income tax rates (currently through 2012) provided that (1) the common shares are readily tradable on an established securities market in the United States (such as the NASDAQ Global Market on which the common shares are listed); (2) we are not a PFIC for the taxable year during which the dividend is paid or the immediately preceding taxable year (which we do not believe we are, have been or will be); and (3) the U.S. Non-Corporate Holder has owned the common shares for more than 60 days in the 121-day period beginning 60 days before the date on which the common shares become ex-dividend.

Legislation has been previously introduced in the U.S. Congress which, if enacted in its present form, would preclude the dividends paid by us from qualifying for such preferential rates prospectively from the date of the enactment. Any dividends paid by us which are not eligible for these preferential rates will be taxed as ordinary income to a U.S. Holder. Further, in the absence of legislation extending the term of the preferential tax rates for qualified dividend income, all dividends received by a taxpayer in tax years beginning on January 1, 2013 or later will be taxed at ordinary graduated tax rates.

Special rules may apply to any "extraordinary dividend"—generally, a dividend in an amount which is equal to or in excess of 10% of a shareholder's adjusted basis in a common share—paid by us. If we pay an "extraordinary dividend" on its common stock that is treated as "qualified dividend income," then any loss derived by a U.S. Non-Corporate Holder from the sale or exchange of such common stock will be treated as long-term capital loss to the extent of such dividend.

#### Sale, Exchange or other Disposition of Common Shares

Assuming we do not constitute a PFIC for any taxable year, a U.S. Holder generally will recognize taxable gain or loss upon a sale, exchange or other disposition of our common shares in an amount equal to the difference between the amount realized by the U.S. Holder from such sale, exchange or other disposition and the U.S. Holder's tax basis in such stock. Such gain or loss will be treated as long-term capital gain or loss if the U.S. Holder's holding period in the common shares is greater than one year at the time of the sale, exchange or other disposition. A U.S. Holder's ability to deduct capital losses is subject to certain limitations.

#### Passive Foreign Investment Company Rules

Special U.S. federal income tax rules apply to a U.S. Holder that holds stock in a foreign corporation classified as a PFIC for U.S. federal income tax purposes. In general, we will be treated as a PFIC with respect to a U.S. Holder if, for any taxable year in which such holder held our common shares, either:

- at least 75% of our gross income for such taxable year consists of passive income (e.g., dividends, interest, capital gains and rents derived other than in the active conduct of a rental business); or
- at least 50% of the average value of the assets held by the corporation during such taxable year produce, or are held for the production of, passive income.

For purposes of determining whether we are a PFIC, we will be treated as earning and owning its proportionate share of the income and assets, respectively, of any of its subsidiary corporations in which it owns at least 25% of the value of the subsidiary's stock (including, for example, BET). Income earned, or deemed earned, by us in connection with the performance of services would not constitute passive income. By contrast, rental income would generally constitute "passive income" unless we are treated under specific rules as deriving its rental income in the active conduct of a trade or business.

Based on our current operations and future projections, we do not believe that we are, nor do we expect to become, a PFIC with respect to any taxable year. Although there is no legal authority directly on point, our belief is based principally on the position that, for purposes of determining whether we are a PFIC, the gross income we derive or are deemed to derive from the time chartering and voyage chartering activities of our wholly-owned subsidiaries should constitute services income, rather than rental income. Correspondingly, we believe that such income does not

constitute passive income, and the assets that we or our wholly-owned subsidiaries own and operate in connection with the production of such income, in particular, the vessels, do not constitute passive assets for purposes of determining whether we are a PFIC. We believe there is substantial legal authority supporting its position consisting of case law and Internal Revenue Service pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. It should be noted that in the absence of any legal authority specifically relating to the statutory provisions governing PFICs, the Internal Revenue Service or a court could disagree with this position. In addition, although we intend to conduct its affairs in a manner to avoid being classified as a PFIC with respect to any taxable year, there can be no assurance that the nature of our operations will not change in the future.

As discussed more fully below, if we were to be treated as a PFIC for any taxable year, a U.S. Holder would be subject to different taxation rules depending on whether the U.S. Holder makes an election to treat us as a "Qualified Electing Fund," which election is referred to as a "QEF election." As an alternative to making a QEF election, a U.S. Holder should be able to make a "mark-to-market" election with respect to the common shares, as discussed below. In addition, if we were to be treated as a PFIC for any taxable year after 2010, a U.S. Holder would be required to file an annual report with the IRS for that year with respect to such holder's common stock.



### Taxation of U.S. Holders Making a Timely QEF Election

If a U.S. Holder makes a timely QEF election, which U.S. Holder is referred to as an "Electing Holder," the Electing Holder must report each year for U.S. federal income tax purposes his pro rata share of the our ordinary earnings and its net capital gain, if any, for our taxable year that ends with or within the taxable year of the Electing Holder, regardless of whether or not distributions were received from us by the Electing Holder. The Electing Holder's adjusted tax basis in the common shares will be increased to reflect taxed but undistributed earnings and profits. Distributions of earnings and profits that had been previously taxed will result in a corresponding reduction in the adjusted tax basis in the common shares and will not be taxed again once distributed. An Electing Holder would generally recognize capital gain or loss on the sale, exchange or other disposition of the common shares.

### Taxation of U.S. Holders Making a "Mark-to-Market" Election

Alternatively, if we were to be treated as a PFIC for any taxable year and, as anticipated, our common shares is treated as "marketable stock," a U.S. Holder would be allowed to make a "mark-to-market" election with respect to our common shares. If that election is made, the U.S. Holder generally would include as ordinary income in each taxable year the excess, if any, of the fair market value of the common shares at the end of the taxable year over such holder's adjusted tax basis in the common shares. The U.S. Holder would also be permitted an ordinary loss in respect of the excess, if any, of the U.S. Holder's adjusted tax basis in the common shares over its fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A U.S. Holder's tax basis in his common shares would be adjusted to reflect any such income or loss amount. Gain realized on the sale, exchange or other disposition of the common shares would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of the common shares would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included by the U.S. Holder.

### Taxation of U.S. Holders Not Making a Timely QEF or Mark-to-Market Election

Finally, if we were to be treated as a PFIC for any taxable year, a U.S. Holder who does not make either a QEF election or a "mark-to-market" election for that year, whom we refer to as a "Non-Electing Holder," would be subject to special rules with respect to (1) any excess distribution (i.e., the portion of any distributions received by the Non-Electing Holder on our common stock in a taxable year in excess of 125 percent of the average annual distributions received by the Non-Electing Holder in the three preceding taxable years, or, if shorter, the Non-Electing Holder's holding period for the common stock), and (2) any gain realized on the sale, exchange or other disposition of our common stock. Under these special rules:

- the excess distribution or gain would be allocated ratably over the Non-Electing Holders' aggregate holding period for the common stock;
- the amount allocated to the current taxable year and any taxable year before we became a passive foreign investment company would be taxed as ordinary income; and
- the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

These penalties would not apply to a pension or profit sharing trust or other tax-exempt organization that did not borrow funds or otherwise utilize leverage in connection with its acquisition of our common stock. If a Non-Electing Holder who is an individual dies while owning our common stock, such holder's successor generally would not receive a step-up in tax basis with respect to such stock.

#### United States Federal Income Taxation of Non-U.S. Holders

Dividends paid to a Non-U.S. Holder with respect to our common stock generally should not be subject to U.S. federal income tax, unless the dividends are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base that such holder maintains in the United States).

In addition, a Non-U.S. Holder generally should not be subject to U.S. federal income tax on any gain attributable to a sale or other disposition of our common stock unless such gain is effectively connected with its conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment or fixed base that such holder maintains in the United States) or the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of sale or other disposition and certain other conditions are met (in which case such gain from United States sources may be subject to tax at a 30% rate or a lower applicable tax treaty rate).

Dividends and gains that are effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base in the United States) generally should be subject to tax in the same manner as for a U.S. Holder and, if the Non-U.S. Holder is a corporation for U.S. federal income tax purposes, it also may be subject to an additional branch profits tax at a 30% rate or a lower applicable tax treaty rate.

#### Backup Withholding and Information Reporting

In general, information reporting for U.S. federal income tax purposes should apply to distributions made on our common stock within the United States to a non-corporate U.S. Holder and to the proceeds from sales and other dispositions of our common stock to or through a U.S. office of a broker by a non-corporate U.S. Holder. Payments made (and sales and other dispositions effected at an office) outside the United States will be subject to information reporting in limited circumstances.

In addition, backup withholding of U.S. federal income tax, currently at a rate of 28%, generally should apply to distributions paid on our common stock to a non-corporate U.S. Holder and the proceeds from sales and other dispositions of our common stock by a non-corporate U.S. Holder, who:

- fails to provide an accurate taxpayer identification number;
- is notified by the IRS that backup withholding is required; or
- in certain circumstances, fails to comply with applicable certification requirements.

A Non-U.S. Holder generally may eliminate the requirement for information reporting and backup withholding by providing certification of its foreign status, under penalties of perjury, on a duly executed applicable IRS Form W-8 or by otherwise establishing an exemption.

Backup withholding is not an additional tax. Rather, the amount of any backup withholding generally should be allowed as a credit against a U.S. Holder's or a Non-U.S. Holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that certain required information is timely furnished to the IRS.

Pursuant to recently enacted legislation, individuals who are U.S. Holders (and to the extent specified in applicable Treasury regulations, certain individuals who are Non-U.S. Holders and certain U.S. entities) who hold "specified foreign financial assets" (as defined in Section 6038D of the Code) are required to file IRS Form 8938 with information relating to the asset for each taxable year in which the aggregate value of all such assets exceeds \$75,000 at any time during the taxable year or \$50,000 on the last day of the taxable year (or such higher dollar amount as prescribed by applicable Treasury regulations). Specified foreign financial assets would include, among other assets, the common shares, unless the shares held through an account maintained with a U.S. financial institution. Substantial penalties apply to any failure to timely file IRS Form 8938, unless the failure is shown to be due to reasonable cause and not due to willful neglect. Additionally, in the event an individual U.S. Holder (and to the extent specified in applicable Treasury regulations, an individual Non-U.S. Holder or a U.S. entity) that is required to file IRS Form 8938 does not file such form, the statute of limitations on the assessment and collection of U.S. federal income taxes of such holder for the related tax year may not close until three years after the date that the required information is filed. U.S. Holders (including U.S. entities) and Non-U.S. Holders are encouraged consult their own tax advisors regarding their reporting obligations under this legislation.

Marshall Islands Tax Consequences

Seanergy is incorporated in the Marshall Islands. Under current Marshall Islands law, Seanergy is not subject to tax on income or capital gains, no Marshall Islands withholding tax will be imposed upon payment of dividends by Seanergy to its shareholders, and holders of common stock of Seanergy that are not residents of or domiciled or carrying on any commercial activity in the Marshall Islands will not be subject to Marshall Islands tax on the sale or other disposition of such common stock.

F. Dividends and paying agents

Not applicable.

G. Statement by experts

Not applicable.

H. Documents on display

We file annual reports and other information with the SEC. You may inspect and copy any report or document we file, including this annual report and the accompanying exhibits, at the SEC's public reference facilities located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the public reference facilities by calling the SEC at 1-800-SEC-0330, and you may obtain copies at prescribed rates. Our SEC filings are also available to the public at the website maintained by the SEC at <http://www.sec.gov>, as well as on our website at <http://www.seanergymaritime.com>. This web address is provided as an inactive textual reference only. Information on our website does not constitute a part of this annual report.

We will also provide without charge to each person, including any beneficial owner, upon written or oral request of that person, a copy of any and all of the information that has been incorporated by reference in this annual report. Please direct such requests to Investor Relations, Seanergy Maritime Holdings Corp., 1-3 Patriarchou Grigoriou Street, 166 74 Glyfada, Athens, Greece, telephone number (011) +30 2130181507 or facsimile number (011) +30-210-9638450.

I. Subsidiary information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We are subject to interest-rate risk relating to the floating-rate interest on our revolving credit facility and on our term facility with Marfin, as well as on our Citibank, DVB, HSBC and UOB term facilities. These facilities bear interest at LIBOR plus a spread. For the year ended December 31, 2011, the weighted average interest rate was 4.26%, 3.79% and 2.30% for the Marfin revolving facility, the Marfin term facility and the Citibank term facility, respectively. For the DVB, HSBC and UOB term facilities respectively, the weighted average interest rate was 2.92%, 3.35% and 3.06% for the year ended December 31, 2011. A 1% increase in LIBOR would have resulted in an increase in interest expense for the twelve months ended December 31, 2011, of approximately \$0.5 million, \$1.0 million and \$1.0 million on the Marfin revolving credit facility, the Marfin term facility and the Citibank term facility, respectively. A 1% increase in LIBOR would have resulted in an increase in interest expense for the twelve months ended December 31, 2011, of approximately \$0.5 million, \$0.3 million and \$0.4 million on the DVB, HSBC and UOB term facilities, respectively.

For a description of our derivatives, see "Item 5. Operating and Financial Review and Prospects – Liquidity and Capital Resources – Derivatives".

Interest Rate Swaps

We are exposed to interest rate fluctuations associated with our variable rate borrowings, and our objective is to manage the impact of such fluctuations on earnings and cash flows of our borrowings. In this respect, we use interest rate swaps to manage net exposure to interest rate fluctuations related to our borrowings and to lower our overall borrowing costs. As of December 31, 2011 we had four interest rate swaps outstanding, originally entered into by BET and MCS, with a total notional amount of approximately \$130.7 million. These interest rate swap agreements do not qualify for hedge accounting, and changes in their fair values are reflected in our earnings.

#### Foreign Exchange Rate Fluctuation

We generate all of our revenue in U.S. dollars. The majority of our operating expenses are in U.S. dollars except primarily for our management fees and our executive office rental expenses which are denominated in Euros and Hong Kong dollars. During the year ended December 31, 2011, approximately 3% of our expenses were in currencies other than U.S. dollars, the majority of which are denominated in Euros and Hong Kong dollars. For accounting purposes, expenses incurred in other currencies are converted into U.S. dollars at the exchange rate prevailing on the date of each transaction. We have not hedged currency exchange risks associated with our expenses. However due to our relatively low percentage exposure to currencies other than our base currency which is the U.S. dollar, we believe that such currency movements will not have a material effect on us.

Inflation

We do not consider inflation to be a significant risk to direct expenses in the current and foreseeable future. However, in the event that inflation becomes a significant factor in the global economy, inflationary pressures would result in increased operating, voyage and financing costs.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

a) Disclosure Controls and Procedures

Management, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) under the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, as of the end of the period covered by this annual report (as of December 31, 2011). The term disclosure controls and procedures is defined under SEC rules as controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its Chief Executive Officer and its Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures are effective as of the evaluation date.

b) Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is identified in Exchange Act Rule 13a-15(f). Our internal control over financial reporting is a process designed under the supervision of our Chief Executive Officer and Chief Financial Officer and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with U.S. GAAP.

Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures are being made only in accordance with the



authorization of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Management, including our Chief Executive Officer and our Chief Financial Officer, has assessed the effectiveness of our internal control over financial reporting as of December 31, 2011. In making this assessment, it used the control criteria framework of the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") published in its report entitled Internal Control-Integrated Framework. Based on this assessment, management has determined that the Company's internal control over financial reporting is effective as of December 31, 2011.

However, it should be noted that because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements with certainty even when determined to be effective and can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

PricewaterhouseCoopers S.A., our independent registered public accounting firm, has audited the consolidated financial statements included herein and our internal control over financial reporting and has issued an attestation report on the effectiveness of our internal control over financial reporting as of December 31, 2011.

c) Attestation Report of the Registered Public Accounting Firm

Our independent registered public accounting firm has issued an attestation report on our internal control over financial reporting, appearing under Item 18. This report appears on page F-2 of the consolidated financial statements, and such report is included herein.

d) Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the year covered by this annual report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined that Mr. Dimitrios Panagiotopoulos, an independent director and a member of our audit committee, is an "Audit Committee Financial Expert" under the SEC rules and the corporate governance rules of the NASDAQ Global Market.

ITEM 16B. CODE OF ETHICS

We have adopted a Code of Business Conduct and Ethics that applies to our employees, officers and directors. Our Code of Business Conduct and Ethics is available on the Corporate Governance section of our website at [www.seanergymaritime.com](http://www.seanergymaritime.com). We will also provide a hard copy of our Code of Business Conduct and Ethics free of charge upon written request. We intend to disclose any waivers to or amendments of the Code of Business Conduct and Ethics for the benefit of any of our directors and executive officers, within 5 business days of such waiver or amendment. Shareholders may direct their requests to the attention of Investor Relations, Seanergy Maritime Holdings Corp., 1-3 Patriarchou Grigoriou Street, 16674 Glyfada, Athens, Greece, telephone number (011) +30213 0181507 or facsimile number (011) +30-210-9638450.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Our principal accountants are PricewaterhouseCoopers, S.A., or PWC. PWC has billed us for audit, audit-related and non-audit services as follows:

	2011	2010
Audit fees	\$767,788	\$1,230,276
Audit related fees	-	-
Tax fees	-	-
All other fees	-	-
Total fees	\$767,788	\$1,230,276

Audit fees for 2011 of \$767,788 related to professional services rendered for the audit of our financial statements for the year ended December 31, 2011. Audit fees for 2010 of \$1,230,276 related to professional services rendered for the audit of our financial statements for the year ended December 31, 2010 and services performed in connection with amendments of our registration statements on Form F-1 and our registration statements on Form F-3. Our audit committee pre-approves all audit, audit-related and non-audit services not prohibited by law to be performed by our independent auditors and associated fees prior to the engagement of the independent auditor with respect to such services.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

As a foreign private issuer, as defined in Rule 3b-4 under the Exchange Act, the Company is permitted to follow certain corporate governance rules of its home country in lieu of NASDAQ's corporate governance rules. The Company's corporate governance practices deviate from NASDAQ's corporate governance rules in the following two ways:

- In lieu of obtaining shareholder approval, under specified circumstances, prior to the issuance of securities in connection with: (i) the acquisition of the stock or assets of another company, (ii) equity-based compensation of officers, directors, employees or consultants, (iii) a change of control, or (iv) private placements, the Company complies with provisions of the BCA providing that the Board of Directors may approve share issuances.
  - The Company's Board is not required to be composed of a majority of independent directors.

Other than as noted above, we are in full compliance with all other applicable NASDAQ corporate governance standards.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

See Item 18.

ITEM 18. FINANCIAL STATEMENTS

The following financial statements, together with the reports of PricewaterhouseCoopers, S.A., are set forth on pages F-1 through F-39 and are filed as part of this annual report:

ITEM 19. EXHIBITS

Exhibit

Number	Description
1.1	Amended and Restated Articles of Incorporation (1)
1.2	Second Amended and Restated Bylaws (2)
1.3	Amendment to Amended and Restated Articles of Incorporation (3)
1.4	Second Amendment to Amended and Restated Articles of Incorporation (4)
1.5	Third Amendment to Amended and Restated Articles of Incorporation (5)
1.6	Fourth Amendment to Amended and Restated Articles of Incorporation (6)
2.1	Specimen Common Stock Certificate(7)
2.2	Warrant Agreement between Continental Stock Transfer & Trust Company and the Registrant(8)
2.3	Unit Purchase Option(8)
2.4	Specimen Unit Certificate(9)
2.5	Form of Underwriters Warrant(10)
4.1	Master Agreement dated as of May 20, 2008(1)
4.2	Amendment to Master Agreement dated July 25, 2008(1)
4.3	Brokerage Agreement dated as of May 20, 2008(1)
4.4	Form of Convertible Unsecured Promissory Note(1)
4.5	Amendment to Convertible Promissory Note dated August 28, 2009(11)
4.6	Memorandum of Agreement relating to the African Zebra dated January 30, 2012 between Expedition International Limited, as buyers and Waldeck Maritime Co., as sellers, as amended
4.7	Management Agreement dated as of May 20, 2008(1)
4.8	Amendment No.1 to Management Agreement dated October 1, 2011
4.9	Management Agreement with BET dated August 12, 2009
4.10	Amendment No. 1 to Management Agreement with BET dated October 1, 2011
4.11	Share Purchase Agreement dated July 14, 2009 between registrant and Constellation Bulk Energy Holdings, Inc.(12)
4.12	Shareholders' Agreement dated August 12, 2009 between Seanergy and Mineral Transport Holdings(11)
4.13	Share Purchase Agreement dated May 27, 2010 between Seanergy and Maritime Capital(13)

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- 4.14 Shareholders' Agreement dated May 28, 2010 between Seanergy and Maritime Capital(13)
- 4.15 Share Purchase Agreement dated September 3, 2010 between Seanergy and Maritime Capital(14)
- 4.16 Share Purchase Agreement dated September 3, 2010 between Seanergy and Mineral Transport(15)
- 4.17 Share Purchase Agreement dated January 4, 2012 between registrant and United Capital Investments Corp., Atrion Shipholding S.A., Plaza Shipholding Corp. and Comet Shipholding Inc.(18)
- 4.18 Seanergy Maritime Holdings Corp. 2011 Equity Incentive Plan(16)
- 4.19 Loan Agreement dated August 27, 2008 between Seanergy and Marfin Bank of Greece, S.A.(11)
- 4.20 Amendment No. 1 to Marfin Loan Agreement dated September 9, 2009(11)
- 4.21 Amendment No. 2 to Marfin Loan Agreement dated November 13, 2009(12)
- 4.22 Amendment No. 3 to Marfin Loan Agreement dated June 2, 2010(13)
- 4.23 Amendment No. 4 to Marfin Loan Agreement dated January 31, 2012
- 4.24 Second Supplement Agreement dated September 30, 2009 relating to and including the Loan Agreement dated June 26, 2007 between BET and Citibank(11)
- 4.25 Supplemental Letter Agreement dated August 4, 2010 relating to the Loan Agreement dated June 26, 2007 between BET and Citibank (14)

Number	Description
4.26	Third Supplemental Agreement dated December 23, 2010 relating to the Loan Agreement dated June 26, 2007 between BET and Citibank(17)
4.27	Fourth Supplemental Agreement dated March 31, 2011 relating to the Loan Agreement dated June 26, 2007 between BET and Citibank (17)
4.28	Fifth Supplemental Agreement dated February 7, 2012 relating to the Loan Agreement dated June 26, 2007 between BET and Citibank
4.29	Restated Loan Agreement originally dated June 26, 2007 between BET and Citibank
4.30	Loan Agreement dated October 19, 2007 between MCS and DVB(13)
4.31	Loan Agreement dated June 5, 2008 between MCS and HSBC(13)
4.32	Supplemental Agreement dated May 20, 2010 relating to the Loan Agreement dated October 19, 2007 between MCS and DVB(13)
4.33	Supplemental Agreement dated May 21, 2010 relating to the Loan Agreement dated June 5, 2008 between MCS and HSBC(13)
4.34	Supplemental Letter and Amended and Restated Agreement dated May 24, 2010 relating to and including the Loan Agreement dated March 6, 2008 between MCS and UOB(17)
8.1	List of Subsidiaries
12.1	Certificate of Principal Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act
12.2	Certificate of Principal Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act
13.1	Certificate of Principal Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2	Certificate of Principal Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1	Consent of PricewaterhouseCoopers, S.A.

- (1) Incorporated herein by reference to the corresponding exhibit in the Annex filed with Seanergy Maritime's proxy statement on Form 6-K submitted to the SEC on July 31, 2008.
- (2) Incorporated herein by reference to our Company's report on Form 6-K submitted to the SEC on July 20, 2012.
- (3) Incorporated herein by reference to the corresponding exhibit filed with our Company's registration statement on Form F-1MEF filed with the SEC on August 28, 2009 (File No. 333-161595).
- (4) Incorporated herein by reference to the corresponding exhibit to our Company's report on Form 6-K submitted to the SEC on September 16, 2010.
- (5) Incorporated herein by reference to the corresponding exhibit to our Company's report on Form 6-K submitted to the SEC on June 27, 2011.
- (6) Incorporated herein by reference to the corresponding exhibit to our Company's report on Form 6-K submitted to the SEC on August 5, 2011.
- (7) Incorporated herein by reference to the corresponding exhibit filed with our Company's registration statement on Form F-1/A filed with the SEC on January 15, 2009 (File No. 333-154952).

- (8) Incorporated herein by reference to the corresponding exhibit filed with Seanergy Maritime's report on Form 8-K filed with the SEC on October 4, 2007.
- (9) Incorporated herein by reference to the corresponding exhibit filed with Seanergy Maritime's registration statement on Form F-1/A filed with the SEC on July 10, 2007 (File No. 333-144436).
- (10) Incorporated herein by reference to the corresponding exhibit filed with our Company's registration statement on Form F-1/A filed with the SEC on January 26, 2010 (File No. 333-161961).
- (11) Incorporated herein by reference to the corresponding exhibit filed with our Company's registration statement on Form F-1/A filed with the SEC on October 16, 2009 (File No. 333-161961).



- (12) Incorporated herein by reference to the corresponding exhibit filed with our Company's registration statement on Form F-1/A filed with the SEC on November 18, 2009 (File No. 333-161961).
- (13) Incorporated herein by reference to the corresponding exhibit filed with our Company's registration statement on Form F-1/A filed with the SEC on July 21, 2010 (File No. 333-166872).
- (14) Incorporated herein by reference to the corresponding exhibit filed with our Company's post-effective amendment no. 1 to the registration statement on Form F-1 filed with the SEC on September 24, 2010 (File No. 333-166872).
- (15) Incorporated herein by reference to the corresponding exhibit to our Company's report on Form 6-K submitted to the SEC on October 29, 2010.
- (16) Incorporated herein by reference to the corresponding exhibit to our Company's report on Form 6-K submitted to the SEC on February 7, 2011.
- (17) Incorporated herein by reference to the corresponding exhibit filed with our Company's annual report on Form 20-F submitted to the SEC on March 31, 2011.
- (18) Incorporated herein by reference to the corresponding exhibit filed with a Schedule 13D/A relating to our Company submitted to the SEC on March 18, 2012

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

SEANERGY MARITIME HOLDINGS CORP.

By:	/s/ Dale Ploughman
Name:	Dale Ploughman
Title:	Chief Executive Officer and Chairman of the Board of Directors

Date: March 19, 2012

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Seanergy Maritime Holdings Corp.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of  
Seanergy Maritime Holdings Corp.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, changes in equity and cash flows present fairly, in all material respects, the financial position of Seanergy Maritime Holdings Corp. and its subsidiaries (the "Company") at December 31, 2011 and December 31, 2010 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in "Management's Annual Report on Internal Control over Financial Reporting" appearing in item 15(B) of the Company's 2011 Annual Report on Form 20-F. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers S.A.  
Athens, Greece  
March 19, 2012



## Seanergy Maritime Holdings Corp.

## Consolidated Balance Sheets

December 31, 2011 and 2010

(In thousands of US Dollars, except for share data, unless otherwise stated)

	Notes	2011	2010
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	4	17,734	53,787
Restricted cash	5	19,560	10,385
Accounts receivable trade, net		1,764	999
Due from related parties	6	405	-
Inventories	7	2,512	1,459
Other current assets	8	1,457	1,829
Total current assets		43,432	68,459
Fixed assets:			
Vessels, net	9	381,129	597,372
Office equipment, net	9	15	29
Total fixed assets		381,144	597,401
Other assets			
Goodwill	10	4,365	17,275
Deferred charges	11	7,358	13,086
Other non-current assets		177	180
<b>TOTAL ASSETS</b>		<b>436,476</b>	<b>696,401</b>
<b>LIABILITIES AND EQUITY</b>			
Current liabilities:			
Current portion of long-term debt	12	45,817	53,380
Trade accounts and other payables		2,595	2,340
Due to related parties	6	1,097	4,025
Accrued expenses		2,428	3,491
Accrued interest		1,936	1,009
Financial instruments	13	4,092	5,787
Below market acquired time charters		-	266
Deferred revenue – related party	14	142	1,041
Deferred revenue	14	590	1,452
Total current liabilities		58,697	72,791
Long-term debt, net of current portion	12	300,586	346,168
Financial instruments, net of current portion	13	270	2,777
Total liabilities		359,553	421,736
Commitments and contingencies			
	15	-	-
<b>EQUITY</b>			
Seanergy shareholders' equity			
Preferred stock, \$0.0001 par value; 25,000,000 shares authorized; none issued		-	-
Common stock, \$0.0001 par value; 500,000,000 authorized shares as	16	1	1

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at December 31, 2011 and 2010; 7,317,662 and 7,314,931 shares issued		
and outstanding as at December 31, 2011 and 2010, respectively		
Additional paid-in capital	279,292	279,278
Accumulated deficit	(202,370 )	(4,614 )
Total equity	76,923	274,665
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>436,476</b>	<b>696,401</b>

The accompanying notes are an integral part of these consolidated financial statements.

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Seanergy Maritime Holdings Corp.  
Consolidated Statements of Income

For the years ended December 31, 2011, 2010 and 2009

(In thousands of US Dollars, except for share and per share data, unless otherwise stated)

	Notes	2011	2010	2009
Revenues:				
Vessel revenue - related party	17	35,684	44,175	83,903
Vessel revenue		71,555	54,777	6,340
Commissions – related party	3	(1,327 )	(1,546 )	(2,226 )
Commissions		(1,852 )	(1,550 )	(120 )
Vessel revenue, net		104,060	95,856	87,897
Expenses:				
Direct voyage expenses		(2,541 )	(2,399 )	(753 )
Vessel operating expenses	18	(34,727 )	(30,667 )	(16,222 )
Voyage expenses - related party	3	(661 )	(434 )	(1,119 )
Management fees - related party	3	(2,415 )	(2,328 )	(1,715 )
Management fees		(576 )	(316 )	-
General and administration expenses	19	(8,070 )	(7,606 )	(5,928 )
General and administration expenses - related party	20	(603 )	(697 )	(742 )
Amortization of deferred dry-docking costs	11	(7,313 )	(3,657 )	(1,045 )
Depreciation	9	(28,856 )	(29,328 )	(26,812 )
Impairment loss for vessels	9, 11	(188,995 )	-	-
Impairment loss for goodwill	10	(12,910 )	-	-
Gain from acquisition of subsidiary		-	-	6,813
Operating (loss) income		(183,607 )	18,424	40,374
Other income (expense), net:				
Interest and finance costs	21	(13,482 )	(12,931 )	(7,230 )
Interest and finance costs – shareholders		-	-	(386 )
Interest income	22	60	358	430
Loss on interest rate swaps	13	(641 )	(4,164 )	(1,575 )
Foreign currency exchange (losses) gains, net		(46 )	14	(44 )
		(14,109 )	(16,723 )	(8,805 )
Net (loss) income before taxes		(197,716 )	1,701	31,569
Income taxes		(40 )	(60 )	-
Net (loss) income		(197,756 )	1,641	31,569
Less: Net (income) attributable to the noncontrolling interest		-	(1,509 )	(1,517 )
Net (loss) income attributable to Seanergy Maritime Holdings Corp. Shareholders		(197,756 )	132	30,052
Net (loss) income per common share				
Basic	23	(27.04 )	0.02	17.42
Diluted	23	(27.04 )	0.02	14.77
Weighted average common shares outstanding				
Basic	23	7,314,636	5,861,129	1,725,531
Diluted	23	7,314,636	5,861,129	2,035,285

The accompanying notes are an integral part of these consolidated financial statements.



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Seanergy Maritime Holdings Corp.  
Consolidated Statements of Changes in Equity  
For the years ended December 31, 2011, 2010 and 2009  
(In thousands of US Dollars, except for share data, unless otherwise stated)

	Common stock # of Shares	Par Value	Additional paid-in capital	Accumulated deficit	Total Seanergy shareholders' equity	Noncontrolling interest	Total equity
Balance, January 1, 2009	1,490,748	-	166,363	(34,798)	131,565	-	131,565
Issuance of common stock to convert promissory note	439,058	-	29,597	-	29,597	-	29,597
Issuance of common stock due to earn-out	287,205	-	17,275	-	17,275	-	17,275
Gain from acquisition (Note 1)	-	-	-	-	-	6,813	6,813
Noncontrolling interest contribution	-	-	-	-	-	10,000	10,000
Net income for the year ended December 31, 2009	-	-	-	30,052	30,052	1,517	31,569
Balance, December 31, 2009	2,217,011	-	213,235	(4,746)	208,489	18,330	226,819
Issuance of common stock (Note 16)	1,796,333	1	28,525	-	28,526	-	28,526
Subsidiaries acquired (Note 1)	3,301,587	-	37,518	-	37,518	(19,839)	17,679
Net income for the year ended December 31, 2010	-	-	-	132	132	1,509	1,641
Balance, December 31, 2010	7,314,931	1	279,278	(4,614)	274,665	-	274,665
Issuance of non-vested shares	3,332	-	-	-	-	-	-
Redemption of partial shares due to reverse stock split	(601)	-	-	-	-	-	-
Stock based compensation (Note 24)	-	-	14	-	14	-	14
Net loss for the year ended December 31, 2011	-	-	-	(197,756)	(197,756)	-	(197,756)
Balance, December 31, 2011	7,317,662	1	279,292	(202,370)	76,923	-	76,923

The accompanying notes are an integral part of these consolidated financial statements.

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Seanergy Maritime Holdings Corp.  
Consolidated Statements of Cash Flows  
For the years ended December 31, 2011, 2010 and 2009  
(In thousands of US Dollars)

	2011	2010	2009
Cash flows from operating activities:			
Net (loss) income	(197,756 )	1,641	31,569
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation	28,856	29,328	26,812
Amortization of deferred finance charges	989	738	696
Amortization of deferred dry-docking costs	7,313	3,657	1,045
Payments for dry-docking	(6,414 )	(5,519 )	(7,119 )
Change in fair value of financial instruments	(4,202 )	(27 )	189
Amortization of acquired time charters	(266 )	(319 )	(125 )
Stock based compensation	14	-	-
Impairment of vessels	188,995	-	-
Impairment of goodwill	12,910	-	-
Gain on acquisition	-	-	(6,813 )
Changes in operating assets and liabilities:			
(Increase) decrease in operating assets			
Due from related parties	(405 )	265	1,760
Inventories	(1,053 )	(70 )	1,222
Accounts receivable trade, net	(765 )	(493 )	(263 )
Other current assets	371	904	(191 )
Other non-current assets	3	-	(180 )
Increase (decrease) in operating liabilities			
Trade accounts and other payables	255	37	(3,299 )
Due to underwriters	-	(19 )	(400 )
Accrued expenses	1,356	(2,071 )	(885 )
Accrued charges on convertible note due to shareholders	-	-	670
Due to related parties	(2,928 )	4,025	-
Premium amortization on convertible note due to shareholders	-	-	(379 )
Accrued interest	927	(1,002 )	1,176
Deferred revenue – related party	(899 )	148	(2,523 )
Deferred revenue	(862 )	314	246
Net cash provided by operating activities	26,439	31,537	43,208
Cash flows from investing activities:			
Acquisition of businesses, including of cash acquired	-	17,913	36,374
Additions to office furniture and equipment	-	(28 )	(21 )
Acquisition of noncontrolling interest	-	(10,000 )	-
Net cash provided by investing activities	-	7,885	36,353
Cash flows from financing activities:			
Deemed distribution upon acquisition of MCS	-	(2,054 )	-
Net proceeds from issuance of common stock	-	28,526	-
Repayments of long term debt	(53,145 )	(67,941 )	(54,878 )
Deferred finance charges	(172 )	(841 )	-
Noncontrolling interest contribution	-	-	10,000

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Restricted cash (retained) released	(9,175 )	(6,932 )	1,381
Net cash used in financing activities	(62,492 )	(49,242 )	(43,497 )
Net (decrease) increase in cash and cash equivalents	(36,053 )	(9,820 )	36,064
Cash and cash equivalents at beginning of period	53,787	63,607	27,543
Cash and cash equivalents at end of period	17,734	53,787	63,607
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>			
Cash paid for interest	11,045	11,070	6,447
<b>Non-cash investing and financing activities:</b>			
Issuance of common shares at fair value for the acquisition of BET	-	30,952	-
Issuance of common shares at fair value for the acquisition of MCS	-	26,743	-
Deemed distribution to controlling shareholder – BET acquisition	-	(18,113 )	-
Deemed distribution to controlling shareholder – MCS acquisition	-	(10 )	-
Issuance of common shares at fair value upon conversion of convertible note	-	-	29,597
Issuance of warrants for offering	-	1,053	-

The accompanying notes are an integral part of these consolidated financial statements.

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SEENERGY MARITIME HOLDINGS CORP.  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 (All amounts in footnotes in thousands of US Dollars, except for share and per share data)

1. Basis of Presentation and General Information:

Seenergy Maritime Holdings Corp. (the "Company" or "Seenergy"), originally Seenergy Merger Corp., was formed under the laws of the Republic of the Marshall Islands on January 4, 2008, with executive offices located in Athens, Greece. The Company provides global transportation solutions in the dry bulk shipping sector through its vessel-owning subsidiaries for a broad range of dry bulk cargoes, including coal, iron ore, and grains or major bulks, as well as bauxite, phosphate, fertilizers and steel products or minor bulks.

The accompanying consolidated financial statements include the accounts of Seenergy Maritime Holdings Corp. and its subsidiaries (collectively, the "Company" or "Seenergy").

(a) Maritime Capital Shipping Limited ("MCS") Acquisition:

On May 20, 2010, a voting agreement between certain of the Company's shareholders expired, and from that date, the majority shareholders of the Company, the Restis family, became controlling shareholders of the Company. On May 28, 2010, the Company acquired 51% of MCS, a company wholly owned by the Restis family, for \$33.0 million in cash. The acquisition was treated as a transaction between entities under common control and as such the Company consolidated MCS from the first day that both entities were under common control, May 20, 2010, using MCS' historical balances. Inclusion of MCS in the Company's consolidated financial statements resulted in a debit of \$2.05 million to the Company's additional paid-in capital and a credit of \$29.73 million to noncontrolling interest. The opening balances of MCS on May 20, 2010 were as follows:

Cash	48,860
Restricted cash	3,453
Inventories	263
Other current assets	762
Vessels	181,861
Other non-current assets	192
Other liabilities	(4,304)
Debt	(166,923)
Financial instruments	(3,485)
Net assets	60,679
51% of net assets acquired	30,946
Consideration paid	(33,000)
Deemed distribution (cash) to controlling shareholder	(2,054)

On September 15, 2010, the Company acquired the remaining 49% of MCS from the Restis family for consideration of approximately \$29.0 million which was paid by the Company to the MCS Seller in the form of cash amounting to \$3.0 million and 1,650,794 shares of the Company at an agreed price of \$15.75 per share totaling \$26.0 million. The transaction has been retrospectively recorded as of May 20, 2010 and resulted in the following:

Acquisition of non controlling interest of MCS	29,733
Due to non controlling shareholders of MCS	(3,000)

Issuance of common shares at fair value (additional paid-in capital)	(26,743)
Deemed distribution (non-cash) to controlling shareholder	(10)

For purposes of the earnings per share calculation in Note 23, the 1,650,794 shares were considered to be issued and outstanding as of May 20, 2010.

(b) Acquisition of Bulk Energy Transport (Holdings) Limited ("BET") noncontrolling interest:

On July 15, 2009, the Company entered into an agreement with Constellation Bulk Energy Holdings Inc. ("Seller") to acquire the Seller's 50% ownership interest in Bulk Energy Transport (Holdings) Limited ("BET") for a nominal cash consideration of \$1.00. On August 12, 2009, the Company closed on its previously announced agreement to purchase a 50% ownership interest in BET from the Seller. BET's other equity owner is Mineral Transport Holdings Inc. ("Mineral Transport"), which is an affiliate of members of the Restis family, one of the Company's major shareholders. On the closing day, the Company also entered into a shareholders' agreement with Mineral Transport whereby the Company was granted the right to appoint a majority on the board of directors of BET, thus obtaining control of BET. The acquisition was accounted for under the purchase method of accounting and accordingly, the assets acquired and liabilities assumed were recorded at their fair values. The aggregate purchase price for the shares was \$1.00.

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The Company estimated that the fair values of the assets acquired and liabilities assumed at acquisition were as follows:

Cash	36,374
Restricted cash	1,381
Trade and other receivables	2,844
Inventories	1,476
Vessels	126,000
Current portion of long term debt	(16,573 )
Accounts payable and accruals	(5,722 )
Acquired time charters	(710 )
Derivative instruments	(4,917 )
Long term debt net of current portion	(126,527 )
Non controlling interest	(6,813 )
Excess of fair value of assets acquired and liabilities assumed over consideration paid	(6,813 )

The excess of the fair value of assets acquired and liabilities assumed over consideration has been recorded as bargain purchase gain and recorded in the line "Gain from acquisition" in the Company's consolidated statement of income. The bargain purchase gain was a result of the sellers' intent to divest from shipping operations. BET is a provider of worldwide ocean transportation services through the ownership of five dry bulk carriers. BET was incorporated in December 18, 2006 under the laws of the Republic of the Marshall Islands.

On October 22, 2010, the Company purchased from Mineral Transport, an affiliate of members of the Restis family, the remaining 50% ownership interest in BET for consideration that was paid by the Company to Mineral Transport in the form of cash amounting to \$7.0 million and 1,650,794 shares of the Company at an agreed price of \$15.75 per share totaling \$26.0 million. The transaction was treated as a transaction between entities under common control.

The transaction has been retrospectively recorded as of May 20, 2010 and resulted in the following:

Acquisition of non controlling interest of BET	19,839
Due to non controlling shareholders of BET	(7,000)
Issuance of common shares at fair value (additional paid-in capital)	(30,952)
Deemed distribution (non-cash) to controlling shareholder	(18,113)

For purposes of the earnings per share calculation in Note 23, the 1,650,794 shares were considered to be issued and outstanding as of May 20, 2010.

(c) Reverse stock split:

Effective June 24, 2011, the Company effected a fifteen-to-one reverse stock split on its issued and outstanding common stock (Note 16). All share and per share amounts disclosed in the financial statements give effect to this reverse stock split retroactively, for all periods presented.



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## (d) Subsidiaries in consolidation:

Seanergy's subsidiaries included in these consolidated financial statements as of December 31, 2011 are as follows:

Company	Country of Incorporation	Date of Incorporation	Vessel name	Date of Delivery
Seanergy Management Corp.(1) (4)	Marshall Islands	May 9, 2008	N/A	N/A
Amazons Management Inc.(1)	Marshall Islands	April 21, 2008	Davakis G.	August 28, 2008
Lagoon Shipholding Ltd.(1)	Marshall Islands	April 21, 2008	Delos Ranger	August 28, 2008
Cynthera Navigation Ltd.(1)	Marshall Islands	March 18, 2008	African Oryx	August 28, 2008
Martinique International Corp.(1)	British Virgin Islands	May 14, 2008	Bremen Max	September 11, 2008
Harbour Business International Corp.(1)	British Virgin Islands	April 1, 2008	Hamburg Max	September 25, 2008
Waldeck Maritime Co.(1) (7)	Marshall Islands	April 21, 2008	African Zebra	September 25, 2008
Motion Shipholding Co.(8)	Marshall Islands	September 8, 2009	N/A	N/A
Bulk Energy Transport (Holdings) Limited (1)	Marshall Islands	December 18, 2006	N/A	N/A
Quex Shipping Inc.(2)	British Virgin Islands	January 3, 2007	BET Commander	August 13, 2009
Rosington Marine Corp.(2)	British Virgin Islands	January 3, 2007	BET Intruder	August 13, 2009
Rayford Navigation Corp.(2)	British Virgin Islands	January 3, 2007	BET Prince	August 13, 2009
Creighton Development Inc.(6)	British Virgin Islands	January 3, 2007	N/A	August 13, 2009
Pulford Ocean Inc.(2)	British Virgin Islands	January 3, 2007	BET Scouter	August 13, 2009
Lewisham Maritime Inc.(2)	British Virgin Islands	January 3, 2007	BET Fighter	August 13, 2009
Maritime Capital Shipping Limited (1)	Bermuda	April 30, 2007	N/A	May 21, 2010
Maritime Capital Shipping (HK) Limited (4)	Hong Kong	June 16, 2006	N/A	May 21, 2010
Maritime Fiesta Shipping Limited (3)	Liberia	August 14, 2007	Fiesta	May 21, 2010
Maritime Fantasy Shipping Limited (3)	Liberia	August 14, 2007	Pacific Fantasy	May 21, 2010
Maritime Fighter Shipping Limited (3)	Liberia	August 14, 2007	Pacific Fighter	May 21, 2010
Maritime Freeway Shipping Limited (3)	Liberia	August 14, 2007	Clipper Freeway	May 21, 2010
African Joy Shipping Limited (3)	British Virgin Islands	February 13, 2008	African Joy	May 21, 2010
African Glory Shipping Limited (3)	British Virgin Islands	October 24, 2007	African Glory	May 21, 2010

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Asian Grace Shipping Limited (3)	British Virgin Islands	January 18, 2008	Asian Grace	May 21, 2010
Maritime Glory Shipping Limited (3)	British Virgin Islands	April 8, 2008	Clipper Glory	May 21, 2010
Maritime Grace Shipping Limited (3)	British Virgin Islands	April 8, 2008	Clipper Grace	May 21, 2010
African Grace Shipping Limited (5)	British Virgin Islands	October 3, 2007	N/A	May 21, 2010
Atlantic Grace Shipping Limited (6)	British Virgin Islands	October 9, 2007	N/A	May 21, 2010

(1) Subsidiaries wholly owned

(2) Vessel owning subsidiaries owned by BET

(3) Vessel owning subsidiaries owned by MCS

(4) Management company

(5) Liquidated on February 11, 2011

(6) Dormant company

(7) Sold on February 15, 2012 (Note 25(f))

(8) Dissolved on September 16, 2011

2. Significant Accounting Policies:

(a) Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (US GAAP) and include the accounts and operating results of Seanergy and its wholly-owned subsidiaries where Seanergy has control. Control is presumed to exist when Seanergy through direct or indirect ownership retains the majority of voting interest. In addition, Seanergy evaluates its relationships with other entities to identify whether they are variable interest entities and to assess whether it is the primary beneficiary of such entities. If the determination is made that the Company is the primary beneficiary, then that entity is included in the consolidated financial statements. When the Company does not have a controlling interest in an entity, but exerts a significant influence over the entity, the Company applies the equity method of accounting. All significant intercompany balances and transactions and any intercompany profit or loss on assets remaining with the Group have been eliminated in the accompanying consolidated financial statements.

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(b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States (US GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates include evaluation of relationships with other entities to identify whether they are variable interest entities, determination of vessel useful lives, allocation of purchase price in a business combination, determination of vessels impairment and determination of goodwill impairment.

(c) Foreign Currency Translation

Seanergy's functional currency is the United States dollar since the Company's vessels operate in international shipping markets and therefore primarily transact business in US Dollars. The Company's books of accounts are maintained in US Dollars. Transactions involving other currencies are translated into the United States dollar using exchange rates, which are in effect at the time of the transaction. At the balance sheet dates, monetary assets and liabilities, which are denominated in other currencies, are translated to United States dollars at the foreign exchange rate prevailing at year-end. Gains or losses resulting from foreign currency translation are reflected in the consolidated statements of income.

(d) Concentration of Credit Risk

Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist principally of cash and cash equivalents, trade accounts receivable and derivative contracts (interest rate swaps). The Company places its cash and cash equivalents, consisting mostly of deposits, with high credit qualified financial institutions. The Company performs periodic evaluations of the relative credit standing of the financial institutions in which it places its deposits. The Company limits its credit risk with accounts receivable by performing ongoing credit evaluations of its customers' financial condition. The Company does not obtain rights to collateral to reduce its credit risk. The Company is exposed to credit risk in the event of non-performance by counter parties to derivative instruments; however, the Company limits its exposure by diversifying among counter parties with high credit ratings.

(e) Cash and Cash Equivalents

Seanergy considers time deposits and all highly liquid investments with an original maturity of three months or less to be cash equivalents. Restricted cash is excluded from cash and cash equivalents.

(f) Accounts Receivable Trade, net

Accounts receivable trade, net at each balance sheet date, includes receivables from charterers for hire, freight and demurrage billings, net of a provision for doubtful accounts. At each balance sheet date, all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate provision for doubtful accounts. The provision for doubtful accounts at December 31, 2011 and 2010 amounted to \$NIL and \$NIL, respectively.

(g) Inventories

Inventories consist of lubricants and bunkers which are stated at the lower of cost or market value. Cost is determined by the first in, first out method.

(h) Insurance Claims

The Company records insurance claim recoveries for insured losses incurred on damage to fixed assets and for insured crew medical expenses. Insurance claim recoveries are recorded, net of any deductible amounts, at the time the Company's fixed assets suffer insured damages or when crew medical expenses are incurred, recovery is probable under the related insurance policies, the claim is not subject to litigation and the Company can make an estimate of the amount to be reimbursed. The classification of the insurance claims into current and non-current assets is based on management's expectations as to their collection dates.

(i) Vessels

Vessels acquired as a part of a business combination are recorded at fair market value on the date of acquisition. Vessels acquired as asset acquisitions are stated at historical cost, which consists of the contract price less discounts, plus any material expenses incurred upon acquisition (delivery expenses and other expenditures to prepare for the vessel's initial voyage). Vessels acquired from entities under common control are recorded at historical cost. Subsequent expenditures for conversions and major improvements are capitalized, when they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of the vessels. Expenditures for routine maintenance and repairs are expensed as incurred.

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(j) Vessel Depreciation

Depreciation is computed using the straight-line method over the estimated useful life of the vessels, after considering the estimated salvage value. Salvage value is estimated by the Company by taking the cost of steel times the weight of the ship noted in lightweight ton (LWT). Salvage values are periodically reviewed and revised to recognize changes in conditions, new regulations or other reasons. Revisions of salvage values affect the depreciable amount of the vessels and affects depreciation expense in the period of the revision and future periods. Up to September 30, 2011, management estimated the salvage value of its vessels at \$270 per LWT. Effective October 1, 2011, following management's reassessment of the residual values of the company's vessels, the estimated salvage value per LWT was increased to \$435. This change reduced depreciation expense by \$729 (approximately \$0.10 per share) for the year ended December 31, 2011. Up to June 30, 2009, management estimated the useful lives of its vessels at 25 years from the date of their delivery from the shipyard. In July 2009, a time charter contract was successfully executed for one of the vessels that expires on the vessel's 26th anniversary, and based on the projected necessary dry-docking costs and understanding of the charterer's needs, the Company believes that it will complete the next dry-docking and be able to charter the vessel up to the vessel's 30th anniversary. Based on this event, as well as, considering that it is not uncommon for vessels to be operable to their 30th anniversary, effective July 1, 2009, the Company changed the estimated useful life of its fleet to 30 years. This change reduced depreciation expense by \$8,039 (approximately \$0.32 per share) for the year ended December 31, 2009.

(k) Impairment of Long-Lived Assets (Vessels)

The Company reviews its long-lived assets held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. When the estimate of undiscounted cash flows, excluding interest charges, expected to be generated by the use of the vessel is less than its carrying amount, the Company evaluates the asset for an impairment loss. Measurement of the impairment loss is based on the fair value of the asset. In this respect, management regularly reviews the carrying amount of the vessels in connection with the estimated recoverable amount for each of the Company's vessels. No impairment loss was recorded in 2009 or 2010. The Company tested its vessels for impairment as of September 30, 2011 and recorded an impairment loss of \$188,995 in 2011 (see Notes 9 & 11).

(l) Goodwill

Goodwill represents the excess of the aggregate purchase price over the fair value of the net identifiable assets acquired in business combinations accounted for under the purchase method. Goodwill is reviewed for impairment at least annually in December. The goodwill impairment test is a two-step process. Under the first step, the fair value of the reporting unit is compared to the carrying value of the reporting unit (including goodwill). If the fair value of the reporting unit is less than the carrying value of the reporting unit, goodwill impairment may exist, and the second step of the test is performed. Under the second step, the implied fair value of the goodwill is compared to the carrying value of the goodwill and an impairment loss is recognized to the extent that the carrying value of goodwill exceeds the implied fair value of goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a discounted cash

flow analysis and market capitalization analysis. If the fair value of the reporting unit exceeds its carrying value, step two does not have to be performed.

The Company tests its goodwill for potential impairment at year end or whenever there is an indication of impairment. The fair value for goodwill impairment testing is estimated using the expected present value of future cash flows, using judgments and assumptions that management believes are appropriate in the circumstances. The future cash flows from operations are determined by considering the charter revenues from existing time charters for the fixed fleet days and an estimated daily time charter equivalent for the non-fixed days (based on a combination of 2-year forward freight agreements and the 10-year average historical charter rates available for each type of vessel). The Company tested its goodwill for potential impairment as of September 30, 2011 (see Note 10), and recorded a goodwill impairment charge of \$12,910. There was no goodwill impairment for the years ended December 31, 2010 and 2009.

(m) Dry-Docking and Special Survey Costs

The Company follows the deferral method of accounting for dry-docking costs and special survey costs whereby actual costs incurred are deferred and are amortized on a straight-line basis over the period through the expected date of the next dry-docking which is scheduled to become due in 2 to 3 years. Dry-docking costs which are not fully amortized by the next dry-docking period are expensed.

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(n) Commitments and Contingencies

Liabilities for loss contingencies, arising from claims, assessments, litigation, fines and penalties, environmental and remediation obligations and other sources are recorded when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

(o) Fair value of above/below market acquired time charter

Where the Company identifies any assets or liabilities associated with the acquisition of a vessel, the Company records all such identified assets or liabilities at fair value. Fair value is determined by reference to market data. The Company values any asset or liability arising from the market value of the time charters assumed when a vessel is acquired. The amount to be recorded as an asset or liability at the date of delivery of a vessel is based on the difference between the current fair values of a charter with similar characteristics as the time charter assumed and the net present value of future contractual cash flows from the time charter contract assumed. When the present value of the time charter assumed is greater than the current fair value of such charter, the difference is recorded as "Fair value of above market acquired time charter". When the opposite situation occurs, the difference is recorded as "Fair value of below market acquired time charter". Such assets and liabilities are amortized as a reduction of, or an increase in revenue, respectively over the period of the time charter assumed.

(p) Revenue Recognition

Voyage revenues are generated from time charters, bareboat charters and voyage charters. A time charter is a contract for the use of a vessel for a specific period of time and a specified daily charter hire rate, which is generally payable in advance. Some of the time charters also include profit sharing provisions, under which additional revenue can be realized in the event the spot rates are higher than the base rates under the time charters. A bareboat charter is a contract in which the vessel is provided to the charterer for a fixed period of time at a specified daily rate, which is generally payable in advance. Voyage charter agreements are charter hires, where a contract is made in the spot market for the use of a vessel for a specific voyage at a specified charter rate per ton of cargo. A voyage is deemed to commence when a vessel is available for loading and is deemed to end upon the completion of the discharge of the delivered cargo.

Time charter revenue, including bareboat hire, is recorded over the term of the charter agreement as the service is provided and collection of the related revenue is reasonably assured. Under time charter, revenue is adjusted for the off hire days that the vessel spends due to major repairs dry dockings or special or intermediate surveys. Voyage charter revenue is recognized on a pro-rata basis over the duration of the voyage, when a voyage agreement exists, the price is fixed, service is provided and the collection of the related revenue is reasonably assured.

Deferred revenue represents cash received prior to the balance sheet date and is related to revenue applicable to periods after such date.

Revenues are recorded net of address commissions. Address commissions represent a discount provided directly to the charterers based on a fixed percentage of the agreed upon charter or freight rate.



(q)

Commissions

Commissions, which include address and brokerage commissions, are recognized in the same period as related charter revenues are recognized. Brokerage commissions to related parties are included in Voyage expenses – related The following are the commissions for the year ended December 31, 2011: (i) 1.25% commercial brokerage services commission to Safbulk Pty Ltd. ("Safbulk Pty") and Safbulk Maritime S.A. ("Safbulk Maritime"), together referred to as "Safbulk", both affiliates, (ii) 3.75% address commission to SAMC for the BET fleet, (iii) 3.75% address commission to Swissmarine Services S.A. ("Swissmarine"), an affiliate, for the BET fleet, (iv) 3.75% address commission to third party charterers, and (v) 1.25% brokerage commissions to third party brokers. Related party address commissions paid to SAMC and Swissmarine are included in Commissions – related party. Address commissions to third parties are included in Commissions. Brokerage commissions to third parties are included in Direct voyage expenses.

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(r) Vessel voyage expenses

Vessel voyage expenses primarily consist of port, canal and bunker expenses that are unique to a particular charter and are paid for by the charterer under time charter agreements and other non-specified voyage expenses.

(s) Repairs and Maintenance

All repair and maintenance expenses, including major overhauling and underwater inspection expenses are expensed in the year incurred. Such costs are included in Vessel operating expenses in the accompanying consolidated statements of income.

(t) Financing Costs and Capitalized Interest

Underwriting, legal and other direct costs incurred with the issuance of long-term debt or to refinance existing debt are deferred and amortized to interest expense over the life of the related debt using the effective interest method. Unamortized fees relating to loans repaid are expensed in the period the repayment is made. Interest costs incurred on debt during the construction of vessels are capitalized. There were no interest costs capitalized during any of the years presented.

(u) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized, when applicable, for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest related to unrecognized tax benefits in interest expense and penalties in general and administration expenses. The only operation that creates profits subject to tax is Maritime Capital Shipping (HK) Limited, the South East Asia management office in Hong Kong, which is subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profit for the year.

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(v) Stock-based compensation

Stock-based compensation represents vested and non-vested common stock granted to directors and employees for their services. The Company calculates stock-based compensation expense for the award based on its fair value on the grant date and recognizes it on a straight-line basis over the vesting period.

(w) Earnings (Losses) per Share

Basic earnings (losses) per common share are computed by dividing net income (loss) available to Seanergy Maritime Holdings Corp. shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings (losses) per share, reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted at the beginning of the periods presented, or issuance date, if later. Potential common shares that have an anti-dilutive effect (i.e. those that increase income per share or decrease loss per share) are excluded from the calculation of diluted earnings per share.

(x) Segment Reporting

Seanergy reports financial information and evaluates its operations by total charter revenues and not by the length of vessel employment, customer, or type of charter. As a result, management, including the chief operating decision maker, reviews operating results solely by revenue per day and operating results of the fleet and thus, Seanergy has determined that it operates under one reportable segment. Furthermore, when Seanergy charters a vessel to a charterer, the charterer is free to trade the vessel worldwide and, as a result, disclosure of geographic information is impracticable (see Note 3(b)).

(y) Financial Instruments

Derivative instruments (including certain derivative instruments embedded in other contracts) are recorded in the balance sheet as either an asset or liability measured at its fair value, with changes in the derivatives' fair value recognized currently in earnings unless specific hedge accounting criteria are met. The Company is party to interest swap agreements where it receives a floating interest rate and pays a fixed interest rate for a certain period in exchange. These contracts do not qualify for hedge accounting and as such changes in their fair values are reported to earnings. The fair value of these agreements equates to the amount that would be paid by the Company if the agreements were cancelled at the reporting date, taking into account current interest rates.

(z) Fair Value Measurements

The Company has adopted guidance for fair value measurements of financial assets and financial liabilities and for nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This guidance also establishes a framework for measuring fair value and expands disclosures about fair value measurements (see Note 13).

(aa) Presentation changes

Certain minor reclassifications have been made to the presentation of the 2009 consolidated financial statements, as originally published, to conform to those of 2011 and 2010.

(ab) Recent accounting pronouncements

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-04, "Fair Value Measurement (Topic 820)". The amendments in this ASU generally represent clarifications of Topic 820 but also results in common principles and requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and International Financial Reporting Standards ("IFRS"). The ASU is effective for annual periods beginning after December 15, 2011. Early adoption is not permitted. The adoption of ASU 2011-04 will not have a material impact on the Company's consolidated financial statements.

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In September 2011, the FASB issued ASU No. 2011-08, "Intangibles-Goodwill and Other (Topic 350): Testing Goodwill for Impairment." The amendments in this ASU allow an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Under these amendments, an entity would not be required to calculate the fair value of a reporting unit unless the entity determines based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The ASU is effective for annual periods beginning after September 15, 2011. Early adoption is permitted. The adoption of ASU 2011-08 did not have any effect on the Company's consolidated financial statements.

3. Transactions with Related Parties:

(a) Management Agreement:

On May 20, 2008, a management agreement was concluded between a wholly owned subsidiary of the Company, Seanergy Management Corp. ("Seanergy Management"), and EST, an affiliate, for the provision of technical management services relating to certain vessels for an initial period of two years from the date of signing. The agreement is automatically extended for successive one year periods, unless three months written notice of termination by either party is given prior to commencement of the next period. The fixed daily fee per vessel in operation for the year ended December 31, 2011, was EUR 460 (four hundred and sixty Euros) up to September 30, 2011 and was amended to USD 450 (four hundred and fifty USD) effective October 1, 2011, and for a period of one year. EST also manages the BET acquired vessels under similar terms as the ones for the initial Seanergy vessels. The related expense for the years ended December 31, 2011, 2010 and 2009, amounted to \$2,415, \$2,328 and \$1,715, respectively, and is included under management fees — related party in the accompanying consolidated statements of income.

Concurrently with the closing of the BET acquisition on August 12, 2009, BET entered into a technical management agreement with EST and a commercial brokerage agreement with Safbulk Maritime at terms similar to those that the existing fleet has with these entities. Each of EST and Safbulk are affiliated with members of the Restis family and are the technical manager and commercial broker of the current fleet.

On September 2, 2008, a service agreement was signed between the Company and EST, for consultancy services with respect to financing, dealing and relations with third parties and assistance in the preparation of periodic reports to shareholders for a fixed monthly fee of \$5. The agreement expired on December 2, 2008 and was extended for one 3 month period ended March 2, 2009. The related expense for the year ended December 31, 2009 amounted to \$16 and is included under general and administrative expenses – related party (see Note 20).

Any services provided by EST to the Company for consultancy, financing, accounting, IT, legal or other expenses are invoiced as they incur.

(b) Charter Agreements:

Pursuant to addendum dated July 24, 2009 to the individual charter party agreement dated May 26, 2008 between SAMC and Martinique Intl. Corp. (vessel Bremen Max), SAMC agreed to extend the existing charter party for the Bremen Max. Pursuant to the terms of the addendum, the vessel was chartered for a period of between 11-13 months, at the charterer's option. The charter commenced on July 27, 2009. The daily gross charter rate paid by SAMC was \$15.5. The charter rate was subject to a commission of 1.25% payable to Safbulk Pty as commercial broker and 2.5%

to SAMC as charterer. SAMC sub-chartered the vessel in the market and took the risk that the rate it received was lower than the period rate it was paying Seanergy. The charter party with SAMC expired in September 2010, at which point the vessel was employed with a third party charterer.

Pursuant to addendum dated July 24, 2009, to the individual charter party agreement dated May 26, 2008 between SAMC and Harbour Business Intl. Corp. (vessel Hamburg Max), SAMC agreed to extend the existing charter party for the Hamburg Max. Pursuant to the terms of the addendum, the vessel was chartered for a period of between 11-13 months, at the charterer's option. The charter commenced on August 12, 2009. The daily gross charter rate paid by SAMC was \$15.5. The charter rate was subject to a commission of 1.25% payable to Safbulk Pty as commercial broker and 2.5% to SAMC as charterer. SAMC sub-chartered the vessel in the market and took the risk that the rate it received was lower than the period rate it was paying Seanergy. The charter party with SAMC expired in August 2010, at which point the vessel was employed with a third party charterer.

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Pursuant to charter party agreements dated July 7, 2009, each of the BET Commander, the BET Prince, the BET Fighter, BET Scouter and the BET Intruder were chartered to SAMC at daily charter rates of \$24, \$25, \$25, \$26 and \$15.5, respectively, for charters expired in August 2011, November 2011, June 2011, June 2011 and September 2011, respectively. For 2009, all charter rates for the BET fleet were subject to a commission of 3.75% to SAMC as charterer and 1.25% to Safbulk Maritime as a commercial broker. For 2010 and 2011, all charter rates for the BET fleet were subject to a commission of 3.75% to SAMC as charterer. SAMC sub-charters these vessels in the market and takes the risk that the rate it receives is lower than the period rate it is paying BET.

Pursuant to charter party agreements dated June 16, 2011, each of the BET Fighter and BET Scouter were chartered to Swissmarine for a period of 11 to 13 months, at a gross daily rate equal to the adjusted time charter average of the Baltic Capesize Index. Seanergy has a right to convert this to a fixed daily rate throughout the life of the contract, subject to the charterer's mutual consent. Both charters commenced in June 2011 and are subject to an address commission of 3.75% and a brokerage commission of 1.25% payable to Safbulk Pty.

Pursuant to a charter party agreement dated October 7, 2011, the BET Prince was chartered to Swissmarine for a period of 11 to 13 months, at a gross daily rate equal to the adjusted time charter average of the Baltic Capesize Index. Seanergy has a right to convert this to a fixed daily rate throughout the life of the contract, subject to the charterer's mutual consent. The charter commenced in November 2011 and is subject to an address commission of 3.75% and a brokerage commission of 1.25% payable to Safbulk Pty.

Pursuant to charter party agreement dated June 16, 2011, the BET Intruder was chartered to Swissmarine for a period of 11 to 13 months, at a gross daily rate of \$12.3. The charter commenced on September 16, 2011. The charter rate for the BET Intruder is subject to an address commission of 3.75% and a brokerage commission of 1.25% payable to Safbulk Pty.

The address commissions amounted to \$1,327, \$1,546 and \$2,226 for the years ended December 31, 2011, 2010 and 2009, respectively, and is recorded under commissions - related party in the accompanying consolidated statements of income.

(c) Brokerage Agreement:

Under the terms of the brokerage agreements entered into by Safbulk Pty, as commercial broker, with Seanergy Management, for Seanergy's initial fleet of six vessels, and Safbulk Maritime and BET for the BET fleet, Safbulk provides commercial brokerage services to the Company's subsidiaries, which include, among other things, seeking and negotiating employment for the vessels owned by the vessel-owning subsidiaries in accordance with the instructions of Seanergy Management, as the case may be. Safbulk is entitled to receive a commission of 1.25% calculated on the collected gross hire/freight/demurrage payable when such amounts are collected. The brokerage agreements with Safbulk are automatically renewable for consecutive periods of one year, unless either party is provided with three months' written notice prior to the termination of such period.

The fees charged by Safbulk amounted to \$661, \$434 and \$1,119 for the years ended December 31, 2011, 2010 and 2009, respectively, and are separately reflected as voyage expenses — related party in the accompanying consolidated statements of income.





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## (d) Sublease Agreement:

On November 17, 2008, a lease agreement was entered into with Waterfront S.A, a company affiliated with a member of the Restis family, for the lease of the executive offices. The initial lease term was from November 17, 2008 to November 16, 2011. Seenergy exercised its option to extend the term until February 28, 2014. The monthly lease payment was EUR 42,000. As of December 20, 2010, the monthly lease payment was amended to EUR 35,000 and as of January 1, 2012 the monthly lease payment was amended to EUR 25,000. The rent charged by Waterfront S.A. for the years ended December 31, 2011, 2010 and 2009, amounted to \$603, \$697 and \$726, respectively, and is included under general and administration expenses — related party in the accompanying consolidated statements of income (see Notes 15 and 20).

## (e) V&amp;P Law Firm (Vgenopoulos &amp; Partners):

Mr. Ioannis Tsigkounakis, who was a member of the Board of Directors until November 18, 2009, when he resigned from Director and Officer of Seenergy, is a partner of V&P Law Firm, which the Company has retained in connection with certain legal matters. The related expense for the years ended December 31, 2011, 2010 and 2009, amounted to \$9, \$31 and \$19, respectively.

## (f) Acquisition of subsidiaries:

For the acquisition of MCS and the acquisitions of the noncontrolling interests, see Note 1.

## 4. Cash and Cash Equivalents:

Cash and cash equivalents in the accompanying consolidated balance sheets are analyzed as follows:

	2011	2010
Cash at bank	13,603	31,728
Term deposits	4,110	22,049
Cash in hand	21	10
Total	17,734	53,787

## 5. Restricted Cash:

Restricted cash of \$19,560 and \$10,385 as of December 31, 2011 and 2010, respectively, comprises of bank deposits that are required under borrowing arrangements which are used to fund the loan installments coming due under the loan agreements. The funds can only be used for the purposes of loan repayment.

## 6. Due from / due to Related Parties:

As of December 31, 2011, due from related parties of \$405 represents a receivable of \$264 from SAMC and \$141 from Swissmarine.

As of December 31, 2011, due to related parties of \$1,097 represents liabilities of \$989 to EST for working capital purposes mainly for dry-docking works performed during the fourth quarter of the year and liabilities of \$108 to Waterfront S.A. for common building expenses for 2011. As of December 31, 2010, due to related parties of \$4,025 represents liabilities to EST for working capital purposes mainly for dry-docking works performed during the fourth quarter of the year.

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7. Inventories:

Inventories in the accompanying consolidated balance sheets are analyzed as follows:

	2011	2010
Lubricants	1,468	1,459
Bunkers	1,044	-
Total	2,512	1,459

8. Other Current Assets:

The amounts in the accompanying consolidated balance sheets are analyzed as follows:

	2011	2010
Prepaid expenses	1,105	916
Prepaid expenses and other current assets – related parties	13	39
Insurance claims	49	201
Other	290	673
Total	1,457	1,829

9. Fixed Assets:

The amounts in the accompanying consolidated balance sheets are analyzed as follows:

	Vessel Cost	Office Furniture and Fittings	Total Value
Cost:			
Balance, December 31, 2009	481,551	30	481,581
-Additions	-	28	28
-Additions relating to MCS acquisition	181,861	-	181,861
Balance, December 31, 2010	663,412	58	663,470
Balance, December 31, 2011	663,412	58	663,470
Accumulated depreciation:			
Balance, December 31, 2009	(36,731 )	(10 )	(36,741 )
-Depreciation charge for the period	(29,309 )	(19 )	(29,328 )
Balance, December 31, 2010	(66,040 )	(29 )	(66,069 )
-Depreciation charge for the period	(28,842 )	(14 )	(28,856 )
-Impairment charge	(187,401 )	-	(187,401 )

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Balance, December 31, 2011	(282,283 )	(43 )	(282,326 )
Net book value December 31, 2010	597,372	29	597,401
Net book value December 31, 2011	381,129	15	381,144

The Company evaluates the carrying amounts of vessels and related deferred dry-dock and special survey costs to periods over which long-lived assets are depreciated to determine if events have occurred which would require modification to their carrying values or useful lives. In evaluating useful lives and carrying values of long-lived assets, management reviews certain indicators of potential impairment, such as vessel sales and purchases, business plans and overall market conditions.

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As market expectations of future rates are low and the correlation between daily freight rates and vessel market values has historically been very high, expectations of most market participants point to the fact that values have further room to fall, even as they have retreated heavily from 2008 levels which were marked by historically high daily rates and vessel values that are unlikely to be revisited in the foreseeable future. On this basis, and given the sustainable unfavorable market conditions witnessed year to date, the Company proceeded with an impairment test of its vessels as of September 30, 2011.

The Company determined undiscounted projected net operating cash flows for each vessel and compared it to the vessel's carrying value. The projected net operating cash flows were determined by considering the charter revenues from existing time charters for the fixed fleet days (Seanergy's remaining charter agreement rates) and an estimated daily time charter equivalent for the unfixed days (based on a combination of Seanergy's remaining charter agreement rates, 2-year forward freight agreements and the 10-year average historical time charter rates) over the remaining economic life of each vessel, net of brokerage and address commissions, expected outflows for scheduled vessels' maintenance, vessel operating expenses, and management fees assuming an average annual inflation rate of 2.5%. Fleet utilization was assumed at 98.6% in the Company's exercise, taking into account each vessel's off hire days, historical performance and other companies operating in the dry-bulk industry.

The Company recorded an impairment loss on the six initial vessels acquired in 2008, which is separately reflected in the accompanying consolidated statement of income for the year ended December 31, 2011 (see also Note 11). The impairment loss was measured as the amount by which the carrying amount of the long lived assets exceeded its fair value. Fair value was determined using the valuation derived from market data. The Company also performed an impairment test as of December 31, 2011. No indication of impairment existed as of that date.

The vessels, having a total carrying value of \$381,129 at December 31, 2011, have been provided as collateral to secure the loans of each respective vessel discussed under Note 12.

10. Goodwill:

The contingent consideration forming part of the 2008 business combination (see Note 1) consisted of the issuance of 287,205 shares of common stock subject to Seanergy meeting certain target EBITDA during the twelve month period ended September 30, 2009. This target was met and on September 30, 2009, the Company recorded additional consideration of \$17,275, equal to the fair value of the 287,205 shares, with an increase in goodwill and equity.

Goodwill is reviewed for impairment annually and whenever events or circumstances indicate possible impairment in accordance with guidance regarding goodwill and other intangible assets. Over the course of this year there was substantial deterioration in the dry bulk market, as daily rates have fallen precipitously. Despite the fact that this downturn has largely been the result of seasonal factors and particularly adverse conditions owing to the floods in Australia, export bans from India and the earthquake in Japan, it is also revealing of the major underlying weakness in shipping market fundamentals. As a result management determined that there was a triggering event to test for goodwill impairment.

The Company evaluates impairment using a two-step process. First, the aggregate fair value of the reporting unit is compared to its carrying amount, including goodwill. The Company determines the fair value of the reporting unit based on generally accepted valuation methodologies, including both income and market cap approaches. For the

income approach, the Company discounts projected cash flows using a long-term weighted average of capital ("WACC") rate, which is based on the Company's estimates. The estimates and assumptions regarding expected cash flows and the appropriate discount rates require considerable judgment and are based upon existing contracts, historical experience, financial forecasts and industry trends and conditions. For the market cap approach, the Company derives its fair equity value from its market cap, which is equal to the product of shares outstanding times the share price, increase by a market premium, which represents an implied premium paid in order to acquire a comparable publicly traded company based on recent acquisitions in the marketplace.

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If the fair value of a reporting unit exceeds its carrying value, then no further testing is required. This is referred to as Step 1. If the fair value is determined to be less than the carrying value, a second step 2 is performed to compute the amount of the impairment, if any. In this process, an implied fair value for goodwill is estimated, based in part on the fair value of the operations, and is compared to its carrying value of goodwill. The shortfall of the implied fair value of goodwill below its carrying value represents the amount of goodwill impairment.

The Company has one reporting unit and tested its goodwill for potential impairment, and concluded that indication of impairment existed as of September 30, 2011 but not as of December 31, 2011 and 2010. The fair value for goodwill impairment testing was estimated using the expected present value of future cash flows, using judgments and assumptions that management believes were appropriate in the circumstances and using the market capitalization approach. The future cash flows from operations were determined by considering the charter revenues from existing time charters for the fixed fleet days and an estimated daily time charter equivalent for the non-fixed days (based on a combination of 2-year forward freight agreements and the 10-year average historical charter rates-adjusted for outliers- available for each type of vessel). The weighted average cost of capital used was 8.16%, 8.46% and 8.75% for the nine month period ended September 30, 2011, and the years ended December 31, 2011 and 2010, respectively. As a result of the impairment test, goodwill was impaired by \$12,910.

The amounts in the accompanying consolidated balance sheets are analyzed as follows:

	2011	2010
Beginning balance		
Goodwill	62,070	62,070
Accumulated impairment losses	(44,795 )	(44,795 )
	17,275	17,275
Goodwill acquired during the period	-	-
Impairment loss	(12,910 )	-
Ending balance		
Goodwill	62,070	62,070
Accumulated impairment losses	(57,705 )	(44,795 )
	4,365	17,275

11. Deferred Charges:

The amounts in the accompanying consolidated balance sheets are analyzed as follows:

	Dry-Docking	Financing Costs	Total
December 31, 2009	6,074	2,610	8,684
Additions	8,296	1,199	9,495
Deferred issuance fees reclassified to equity	-	(698 )	(698 )
Amortization and write-off	(3,657 )	(738 )	(4,395 )

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December 31, 2010	10,713	2,373	13,086
Additions	3,996	172	4,168
Amortization and write-off	(7,313 )	(989 )	(8,302 )
Impairment charge	(1,594 )	-	(1,594 )
December 31, 2011	5,802	1,556	7,358

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During the year ended December 31, 2011, the Company incurred dry-docking and special survey costs of \$3,996, while amortization for the same period amounted to \$5,401 and is reflected in the accompanying consolidated statements of income. During the year ended December 31, 2010, the Company incurred dry-docking and special survey costs of \$8,296, while amortization for the same period amounted to \$3,657 and is separately reflected in the accompanying consolidated statements of income.

The Company wrote-off unamortized dry-docking and special survey costs of \$1,177 associated with the vessel African Zebra and \$735 associated with the vessel BET Commander since the latest dry-dockings occurred earlier than projected, resulting in a shortened amortization period for the prior dry-dockings. In addition, the Company impaired \$1,594 associated with the partial impairment of the Seenergy vessels (see Note 9). The African Zebra entered into a new dry-docking on January 4, 2011 which was completed on February 28, 2011. The BET Commander entered into a new dry-docking on August 23, 2011 which was completed on October 7, 2011.

Deferred finance charges are analyzed as follows:

	2011	2010
Long term debt issuance costs, net of amortization (Note 12)	1,556	2,373
	1,556	2,373

The amortization and write-off of the debt issuance costs are included in interest and finance costs in the accompanying consolidated statements of income and amounted to \$989, \$738 and \$696 for the years ended December 31, 2011, 2010 and 2009, respectively.

Deferred issuance fees relates to costs for the Company's registration statement for:

- (i) the public offering of 20,833,333 shares;
- (ii) the concurrent sale of 4,166,667 shares to entities affiliated with the Restis family;
- (iii) the underwriters' exercise of the over-allotment option to purchase 1,945,000 shares, which were successfully completed on February 3, 2010, February 3, 2010, and March 19, 2010, respectively, resulting in total net proceeds of \$28,526.

12. Long-Term Debt:

The amounts in the accompanying consolidated balance sheets are analyzed as follows:

	2011	2010
(a) Marfin reducing revolving credit facility	48,000	54,845
(b) Marfin term facility	98,000	110,800
(c) Citibank loan facility	87,459	101,715
(d) DVB loan facility	48,397	54,641
(e) HSBC loan facility	24,867	35,290
(f) UOB loan facility	39,680	42,257
Total	346,403	399,548

Less - current portion	(45,817 )	(53,380 )
Long-term portion	300,586	346,168

(a) & (b) A long term debt (the "Facility") of up to \$255,000 has been provided by Marfin Popular Bank Public Co Ltd, Greek Branch, trade name MARFIN EGNATIA BANK (f.k.a. Marfin Egnatia Bank S.A.) ("Marfin" or "lender") being available in two Facilities as described below. The Facility is guaranteed by Seanergy Maritime Holdings Corp., the Corporate Guarantor. An arrangement fee of \$2,550 was paid on the draw-down date and is included net of amortization in deferred finance charges in the accompanying consolidated balance sheet (see Note 11).

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(a) Marfin Reducing Revolving Credit Facility

As of December 31, 2011, the Company had utilized \$54,845 of the available reducing revolving credit facility which is equal to the lesser of \$72,000 and an amount in dollars, which when aggregated with the amounts already drawn down under the term facility does not exceed 70% of the aggregate market values of the vessels and other securities held in favor of the lender to be used for the August 2008 business combination and working capital purposes.

The original reducing revolving credit facility bears interest at USD LIBOR plus 2.25% per annum. As per Addendums no. 1 and no. 2 to the loan agreement dated September 9, 2009 and November 13, 2009, respectively, the revolving credit facility bears interest at USD LIBOR plus 3.50% until January 1, 2011. As per Addendum no. 3 to the loan agreement dated June 2, 2010, the revolving credit facility bears interest at USD LIBOR plus 4.00% until January 3, 2012.

On January 31, 2012, the Company entered into an Addendum no. 4 for the amendments of certain terms of its facility agreement with Marfin. The amendments include the (i) extension of the facility's maturity date from September 2015 to December 2018, (ii) payment of \$3,200 on the outstanding facility, (iii) waiver of all financial covenants as of December 31, 2011 (iv) waiver of all financial covenants (including the security margin) for the period commencing from January 1, 2012 through December 31, 2013, and (v) amendment of the financial undertakings and the security margin to apply from 2014 onwards. Furthermore, the applicable margin has been increased by 50 basis points starting from February 1, 2012 and any surplus of funds greater than \$5,000 over requirements associated with the operation and maintenance of the vessels during each fiscal quarter will be applied to the prepayment of our revolving credit facility.

As of December 31, 2011 and December 31, 2010, the amounts outstanding under this facility are \$48,000 and \$54,845, respectively

Interest expense for the years ended December 31, 2011, 2010 and 2009, amounted to \$2,330, \$2,259 and \$1,659, respectively, and is recorded in interest and finance costs in the accompanying consolidated statement of income (see Note 21).

The weighted average interest rate on the revolving credit facility, including the spread, for the years ended December 31, 2011, 2010 and 2009, was approximately 4.26%, 4.06% and 2.98%, respectively.

(b) Marfin Term Facility

Certain vessel acquisitions were financed by Marfin by an amortizing term facility equal to \$165,000, representing 42% of the vessels aggregate acquisition costs, excluding any amounts associated with the earn-out provision.

The loan is repayable through sixteen remaining installments with a balloon payment equal to \$50,000 due concurrently with the final installment in September 2015.

The loan bears interest at an annual rate at USD LIBOR plus 1.5%, if the Company's ratio of total assets to total liabilities is greater than 165%, which is to be increased to 1.75% if the ratio is equal or less than 165%. As per the amended loan agreements dated September 9, 2009 and November 13, 2009, respectively, the term facility bears

interest at USD LIBOR plus 3.00% until January 1, 2011. As per the amended loan agreement dated June 2, 2010, the term facility bears interest at USD LIBOR plus 3.50% until January 3, 2012. After January 3, 2012, interest is reinstated at USD LIBOR plus 1.5% if the Company's ratio of total assets to total liabilities is greater than 165%, or USD LIBOR plus 1.75% if the ratio is equal or less than 165%.

As of December 31, 2011 and December 31, 2010, the amounts outstanding under this facility are \$98,000 and \$110,800, respectively. On February 15, 2012, the Company used \$4.0 million from the \$4.1 million proceeds of the sale of its Handymax dry bulk carrier, the African Zebra, to prepay part of the outstanding debt of this vessel.

The weighted average interest rate on the term facility, including the spread, for the years ended December 31, 2011, 2010 and 2009, was approximately 3.79%, 3.55% and 2.42%, respectively.

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Interest expense for the years ended December 31, 2011, 2010 and 2009, amounted to \$3,884, \$4,147 and \$3,541, respectively, and is included in interest and finance costs in the accompanying consolidated statements of income (see Note 21).

The Facility includes covenants, among others, that require the borrowers and the corporate guarantor to maintain vessel insurance for an aggregate amount greater than the vessels' aggregate market value or an amount equal to 130% of the aggregate of (a) the outstanding amount under both the revolving credit and term facilities and (b) the amount available for drawing under the revolving facility. The vessels' insurance is required to include as a minimum coverage for hull and machinery, war risk and protection and indemnity insurance, \$1,000,000,000 for oil pollution and for excess oil spillage and pollution liability insurance. In addition mortgagees' interest insurance on the vessels is required with the insured value to be at least 110% of the aggregate of the revolving credit and term facility.

In addition if a vessel is sold or becomes a total loss or the mortgage of the vessel is discharged on the disposal, Seanergy shall repay such part of the facilities as equal to the higher of the relevant amount or the amount in Dollars to maintain the security clause margin.

On June 2, 2010, the Company received an extension of its waiver regarding the security margin whereby the aggregate market value of the vessels and the value of any additional security is required to be at least 135% of the aggregate of the debt financing and any amount available for drawing under the revolving facility, less the aggregate amount of all deposits maintained, from Marfin in connection with the term facility and the revolving facility, for a period up to January 3, 2012.

The material terms of the covenant waiver and amendment agreement signed with Marfin are as follows:

- (1) the Applicable Margin throughout each Waiver Period shall be increased to: (i) Three point fifty per cent (3.50%) per annum in respect of each Term Advance, and (ii) Four per cent (4%) per annum in respect of each Revolving Advance, for each relevant interest period;
- (2) the Borrowers paid the following Repayment Installments in the amounts described below on January 3, 2011. More particularly the Borrowers paid on January 3, 2011: (i) the tenth (10th) Repayment Installment in the amount of \$3,200; and (ii) the eleventh (11th) Repayment Installment, in the amount of \$3,200;
- (3) the Borrowers prepaid the following Repayment Installments in the amounts described below on July 1, 2011. More particularly the Borrowers paid on July 1, 2011: (i) the twelfth (12th) Repayment Installment in the amount of \$3,200; and (ii) the thirteenth (13th) Repayment Installment, in the amount of \$3,200.

On January 31, 2012, the Company entered into an Addendum no. 4 for the amendments of certain terms of its facility agreement with Marfin. The amendments include the (i) extension of the facility's maturity date from September 2015 to December 2018, (ii) principal installment payment holiday for 2012 and amendment of the amortization schedule for 2013 onwards, (iii) waiver of all financial covenants as of December 31, 2011 (iv) waiver of all financial covenants (including the security margin) for the period commencing from January 1, 2012 through December 31, 2013, and (v) amendment of the financial undertakings and the security margin to apply from 2014 onwards.

Furthermore, the applicable margin has been increased by 50 basis points starting from February 1, 2012.

(c) Citibank loan facility

The vessels acquired from BET have been financed with the proceeds of a loan from Citibank International PLC ("Citibank"), as agent for a syndicate of banks and financial institutions. Following a supplemental agreement dated September 30, 2009 and prepayment of \$20 million, of which \$10 million was contributed by noncontrolling shareholders, the semi-annual installments of principal and the balloon payment, payable June 2015, amount to \$7,128 and \$37,563, respectively.

On September 30, 2009, the Company entered into a supplemental agreement with Citibank in connection with the amortized loan obtained by the six wholly owned subsidiaries, which financed the acquisition of their respective vessels. The material terms of the supplemental agreement with Citibank are as follows:

- (1) applicable margin for the period between July 1, 2009 and ending on June 30, 2010 (the amendment period) shall be increased from zero point seventy five per cent (0.75%) per annum to two per cent (2%) per annum;

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- (2) the borrowers to pay part of the loan in the amount of \$20,000;
- (3) the borrowers and the corporate guarantor have requested and the creditors consented to:
  - a. the temporary reduction of the security requirement during the amendment period to 100%; and
  - b. the temporary reduction of the minimum equity ratio requirement of the principal corporate guarantee to be amended from 0.30:1.0 to 0.175:1.0 during the amendment period at the end of the accounting periods ending on December 31, 2009 and June 30, 2010.

Under the Citibank loan agreement, the BET subsidiaries are subject to operating and financial covenants that may affect BET's business. These restrictions may, subject to certain exceptions, limit the BET subsidiaries' ability to engage in many of its activities. Furthermore, the BET subsidiaries must assure the lenders that the aggregate market value of the BET vessels is not less than 125% of the outstanding amount of the Citibank loan. If the market value of the vessels is less than this amount, the BET subsidiaries must prepay an amount that will result in the market value of the vessels meeting this requirement or offer additional security to the lenders, and a portion of the debt may be required to be classified as current. The Citibank supplemental agreement, dated August 4, 2010, provides that the Company must maintain a minimum amount of \$7,500 in cash in the BET account with Citibank as additional security for the market value covenant of its fleet which should not be less than 125% of the outstanding amount of the Citibank loan and is included in restricted cash in the accompanying consolidated balance sheet as at December 31, 2010. The Citibank supplemental agreement, dated December 23, 2010, provides that the applicable margin has been adjusted to 1.75% per annum. The Company is required to maintain a minimum equity ratio requirement of 0.30:1.00 at the end of each accounting period. The Company did not meet the minimum equity ratio as of December 31, 2010. The Citibank supplemental agreement dated March 31, 2011, provides that minimum equity ratio as of December 31, 2010 is waived and that for the period from December 31, 2010 to December 31, 2011 (inclusive) the minimum equity ratio requirement has been reduced from 0.3:1.0 to 0.175:1.0 and that the applicable margin has been adjusted to 2% per annum for the period ending December 31, 2011 (inclusive).

On February 7, 2012, the Company entered into a Fifth Supplemental Agreement and a Restated Loan Agreement amending certain terms of the loan facility by and between BET and Citibank as agent, security agent and account bank and the banks and financial institutions referred in the Restated Loan Agreement as lenders (the "Banks"). The Banks waived all covenants of the loan facility until January 1, 2013 and granted waivers on all previous covenant breaches. The waiver excludes the security requirement to security value covenant which was amended from 125% to 100% and will be tested quarterly. Furthermore, the applicable margin was increased by 100 basis points starting from December 23, 2011.

As of December 31, 2011 and December 31, 2010, the amounts outstanding under this facility are \$87,459 and \$101,715, respectively.

Interest expense for the years ended December 31, 2011, 2010 and 2009, amounted to \$2,287, \$2,206 and \$1,154, respectively, and is recorded in interest and finance costs in the accompanying consolidated statement of income (see Note 21).

The weighted average interest rate on the Citibank loan facility, including the spread, for the years ended December 31, 2011, 2010 and 2009, was approximately 2.30%, 1.94% and 2.28%, respectively.

The vessels acquired from MCS were partially financed with the proceeds from three loan facilities (DVB, HSBC and UOB).

(d) DVB loan facility

The first loan facility, with DVB, as agent, comprised two loans, a senior loan and a junior loan, and was used to finance a part of the cost of the acquisition of four vessels. The amount of the loan for each vessel was less than or equal to 70% of the contractual purchase price for the applicable vessel. Following a supplemental agreement dated May 20, 2010 and prepayment of \$7.4 million, no further principal installments were due until the second quarter of 2011, at which point \$6.2 million was paid. After that, the remaining loan amounts are repayable in sixteen quarterly installments plus balloon payments through October 2015. The applicable margin following the supplemental agreement is USD LIBOR plus 2.10% per annum on the senior loan and USD LIBOR plus 4.90% per annum on the junior loan.



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As of December 31, 2011 and December 31, 2010, the amounts outstanding under this facility are \$48,397 and \$54,641, respectively.

The Company has prepaid the entire balloon of \$6,765 related to Maritime Freeway Shipping Limited on January 17, 2012 and a portion of the balloon related to Maritime Fiesta Shipping Limited in the amount of \$1,435 on January 26, 2012.

Interest expense for the year ended December 31, 2011 and the period from May 21, 2010 to December 31, 2010, amounted to \$1,487 and \$1,028, respectively, and is recorded in interest and finance costs in the accompanying consolidated statement of income (see Note 21).

The weighted average interest rate on the DVB loan facility, including the spread, for the year ended December 31, 2011 and the period from May 21, 2010 to December 31, 2010, was approximately 2.92% and 2.99%, respectively

(e) HSBC loan facility

The second loan facility, with HSBC as agent, was used to finance part of the cost of acquisition of two vessels. The amount of the loan for each vessel was less than or equal to 65% of the contractual purchase price for the applicable vessel. Following a supplemental agreement dated May 21, 2010 and prepayment of \$7.6 million, the remaining loan amounts are repayable in thirteen quarterly installments plus balloon payments through July 2013. The applicable margin to the later of July 21, 2011 and the date of compliance with the security requirement covenant is USD LIBOR plus 3.25% per annum and thereafter is USD LIBOR plus 2.75% per annum unless there is breach of the compliance of the security requirement or there is an event of default under the loan agreement.

As of December 31, 2011 and December 31, 2010, the amounts outstanding under this facility are \$24,867 and \$35,290, respectively. The remaining loan amounts as of December 31, 2011 are repayable in seven quarterly installments plus balloon payments through July 2013.

Interest expense for the year ended December 31, 2011 and for the period from May 21, 2010 to December 31, 2010, amounted to \$998 and \$849, respectively, and is recorded in interest and finance costs in the accompanying consolidated statement of income (see Note 21).

The weighted average interest rate on the HSBC loan facility, including the spread, for the year ended December 31, 2011 and for the period from May 21, 2010 to December 31, 2010, was approximately 3.35% and 3.58%, respectively.

(f) UOB loan facility

The third loan facility, with UOB as agent, was used to finance part of the cost of the acquisition of three vessels. The amount of the loan for each vessel was less than or equal to 70% of the contractual purchase price for the applicable vessel. Following a supplemental agreement dated May 24, 2010, \$13.8 million was converted into subordinated debt, out of which \$3.8 million was prepaid on June 30, 2010, \$9.3 million was prepaid from the senior loans, and the remaining loan amounts are repayable in twenty five quarterly installments plus balloon payments through May 2016. The applicable margin following the voluntary prepayment is USD LIBOR plus 2.50% per annum in relation to the

senior loan and USD LIBOR plus 3.50% per annum in relation to the subordinated loan.

As of December 31, 2011 and December 31, 2010, the amounts outstanding under this facility are \$39,680 and \$42,257, respectively. The remaining balances of the subordinated debt as of December 31, 2011 and December 31, 2010, of \$10,397 and \$10,162, respectively, are classified as non-current portion and are repayable up to the final balloon payment date of the original UOB loan facility. The remaining loan amounts as of December 31, 2011 are repayable in eighteen quarterly installments plus balloon payments through May 2016.

Interest expense for the year ended December 31, 2011 and for the period from May 21, 2010 to December 31, 2010, amounted to \$1,270 and \$848, respectively, and is recorded in interest and finance costs in the accompanying consolidated statement of income (see Note 21).

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The weighted average interest rate on the UOB loan facility, including the spread, for the year ended December 31, 2011 and for the period from May 21, 2010 to December 31, 2010, was approximately 3.06% and 3.14%, respectively.

#### UOB, HSBC and DVB loan facilities general terms

The UOB, HSBC and DVB loan facilities are secured by the following: first priority mortgages on each of the vessels; the Company guaranties each of the loans; a general assignment or deed of covenant of any and all earnings, insurances and requisition compensation of each of the vessels; pledges over the earnings accounts and retention accounts held in the name of each borrower and undertakings by the technical managers of the vessels, among others.

Under the UOB, HSBC and DVB loan agreements, the MCS subsidiaries are subject to operating and financial covenants that may affect MCS's business. These restrictions may, subject to certain exceptions, limit the MCS subsidiaries' ability to engage in many of the activities listed above. Furthermore, the MCS subsidiaries must assure the lenders that the aggregate market value of the MCS vessels is not less than 133%, 125% and 100% of the outstanding amount of each of the UOB, HSBC and DVB loans, respectively. As of December 31, 2011 the Company was in compliance with DVB security requirements covenants. Although the Company was in compliance with HSBC covenants as of December 31, 2011, the Company had received in 2010 from HSBC waiver from compliance of these security requirements until December 31, 2012. The relevant covenant in the UOB loan takes effect beginning as of December 31, 2012. If the market value of the vessels is less than this amount, the MCS subsidiaries must prepay an amount that will result in the market value of the vessels meeting this requirement or offer additional security to the lenders, and a portion of the debt may be required to be classified as current.

The vessels' insurance is to include as a minimum coverage for fire and usual marine risks, war risk and protection and indemnity insurance, and oil pollution. In addition, the borrowers agree to reimburse the mortgagee for mortgagees' interest insurance on the vessels in an amount of 110%, 100% and 115% of the outstanding amount under the loan of UOB, HSBC and DVB, respectively.

In addition, if a vessel is sold or becomes a total loss, the Company is required to repay such part of the loan as is equal to the greater of the relevant amount for such vessel, or such amount as is necessary to maintain compliance with the relevant minimum security covenant in the loan agreements.

#### Repayment Schedule

The annual principal payments required to be made after December 31, 2011, for the facilities discussed above, are as follows:

2012	45,817
2013	44,438
2014	31,433
2015	72,685

2016	36,430
Thereafter	115,600
	346,403

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13. Financial Instruments:

The principal financial assets of the Company consist of cash and cash equivalents, restricted cash, accounts receivable trade, net and due from related parties. The principal financial liabilities of the Company consist of long-term debt, trade accounts payable, accrued expenses, accrued interest and financial instruments.

(a) Significant Risks and Uncertainties, including Business and Credit Concentration

As of December 31, 2011, the Company operates a total fleet of 20 vessels, consisting of 10 Handysize vessels, 4 Capesize vessels, 3 Panamax vessels, 1 Handymax vessel and 2 Supramax vessels. Of these 20 vessels, the Company acquired 3 on August 28, 2008, 1 on September 11, 2008, 2 on September 25, 2008, 5 on August 12, 2009, when it completed the acquisition of a 50% controlling ownership interest in BET, and the remaining 9 on May 28, 2010, when it completed the acquisition of a 51% ownership interest in MCS.

Pursuant to addendum dated July 24, 2009 to the individual charter party agreement dated May 26, 2008 between SAMC and Martinique Intl. Corp. (vessel Bremen Max), SAMC agreed to extend the existing charter party for the Bremen Max. Pursuant to the terms of the addendum, the vessel was chartered for a period of between 11-13 months, at the charterer's option. The charter commenced on July 27, 2009. The daily gross charter rate paid by SAMC was \$15.5. The charter rate was subject to a commission of 1.25% payable to Safbulk Pty as commercial broker and 2.5% to SAMC as charterer. SAMC sub-chartered the vessel in the market and took the risk that the rate it received was lower than the period rate it was paying Seanergy. Following the completion of its dry-docking on November 30, 2010, the Bremen Max was chartered with Cargill International S.A. at a gross daily rate of \$10 if traveled via the Suez Canal, or, if traveled via the Cape of Good Hope, at a daily gross charter rate of \$10 for the first 55 days followed by the time charter average of the Baltic Panamax Index for the remaining duration of the time charter. Pursuant to the charter party agreement dated February 18, 2011 the Bremen Max was chartered with Glencore Grain BV (Rotterdam) for a period of 11-13 months at a gross daily rate of \$20. The rate includes a 1.25% brokerage commission payable to each of Safbulk Pty and Arrow Chartering (UK) and an address commission of 3.75%. The time charter commenced on February 23, 2011.

Pursuant to the charter party agreement dated August 24, 2010, the Hamburg Max is chartered for a period of 23-25 months with Mansel LTD (Vitol Holding SARL) at a daily gross charter rate of a base rate of \$21.5 and a ceiling of \$25.5, with a 50% profit sharing arrangement applying to any amount in excess of the ceiling. The spread between base and ceiling will accrue 100% to Seanergy. The calculation of the rate is based on the time charter average of the Baltic Panamax Index (BPI). The rate includes a 1.25% brokerage commission payable to each of Safbulk Pty and Arrow Chartering (UK) and an address commission of 3.75%. The time charter commenced on August 31, 2010.

Pursuant to charter party agreements dated July 14, 2009, the African Oryx and the African Zebra were chartered with MUR Shipping BV ("MUR") for a period of 22 to 25 months at gross daily base charter rates of \$7 and \$7.5, respectively. Seanergy was entitled to receive a 50% adjusted profit share calculated on the adjusted time charter average of the Baltic Supramax Index. Pursuant to charter party agreements dated May 26, 2011, Seanergy has entered into agreements with MUR to extend the time charter contracts for the African Oryx and the African Zebra for a further 22 to 25 months in direct continuation from the end of the minimum period of the previous charter parties of the two vessels at gross daily base charter rates of \$7 and \$7.5 respectively. The rate includes a 1.25% brokerage commission payable to Safbulk Pty. Seanergy is entitled to receive a 50% adjusted profit share calculated on the adjusted time charter average of the Baltic Supramax Index. The African Zebra was sold on February 9, 2012 (see

Note 25(f)).

Following the expiration of her charter party agreement in September 2009, the Delos Ranger was chartered in the spot market until January 14, 2010. On January 16, 2010, pursuant to a charter party agreement dated November 20, 2009, the vessel commenced employment for a period of 11-13 months with Bunge S.A. at a daily charter rate of \$20, subject to a brokerage commission of 1.25% payable to each of Arrow and Safbulk Pty. and a charterer commission of 3.75%. Pursuant to the charter party agreement dated January 5, 2011, the Delos Ranger was chartered with Oldendorff Carriers GmbH & Co for a time charter trip up to February 25, 2011 at a gross daily rate of \$8. Pursuant to the charter party agreement dated February 25, 2011, the Delos Ranger was chartered with Oldendorff Carriers GmbH & Co for a time charter trip up to April 16, 2011 at a gross daily rate of \$20. The rate included a 1.25% brokerage commission payable to each of Arrow and Safbulk Pty and an address commission of 3.75%. The time charter commenced on March 12, 2011. Pursuant to the charter party agreement dated April 8, 2011 the Delos Ranger was chartered with Mansel LTD (Vitol Holding SARL) for a time charter trip at a gross daily rate of \$17. The rate included a 1.25% brokerage commission payable to each of Arrow and Safbulk Pty and an address commission of 3.75%. The time charter commenced on April 16, 2011. Pursuant to the charter party agreement dated September 9, 2011, the Delos Ranger was chartered with Americas Bulk Transport (BVI) Ltd. for a time charter trip at a gross daily rate of \$15. The rate includes a 1.25% brokerage commission payable to each of SSY New York and Safbulk Pty and an address commission of 3.75%. The time charter commenced on September 14, 2011 at a gross daily rate of \$15. Pursuant to the charter party agreement dated November 21, 2011, the Delos Ranger was chartered with Americas Bulk Transport (BVI) Ltd. for a time charter trip up to February 19, 2012 at a gross daily rate of \$16. The time charter commenced on November 30, 2011.

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Following the expiration of her charter party agreement in November 2009, the Davakis G. was chartered for a period of 11 to 13 months with Sangamon Transportation Group (Louis Dreyfus) at a daily charter rate of \$21, subject to a brokerage commission of 1.25% payable to each of SSY NY and Safbulk Pty, and an address commission of 3.75%. Following the expiration of her charter party agreement in December 2010, the Davakis G. was chartered for a time charter trip, which commenced on December 6, 2010, with Grieg Star Shipping A/S at a daily gross charter rate of \$10, subject to a brokerage commission of 1.25% payable to each of Afea Shipbrokers and Safbulk Pty, and an address commission of 3.75%. Pursuant to the charter party agreement dated February 16, 2011, the Davakis G. was chartered with U-Sea Bulk A/S for a time charter trip at a gross daily rate of \$23.5. The rate included a 1.25% brokerage commission payable to Safbulk Pty and an address commission of 3.75%. The time charter commenced on February 22, 2011. Pursuant to the charter party agreement dated April 7, 2011, the Davakis G. was chartered with MUR Shipping BV for a time charter trip at a gross daily rate of \$29.3. The rate included a 1.25% brokerage commission payable to Safbulk Pty and an address commission of 3.75%. The time charter commenced on April 16, 2011. Pursuant to the charter party agreement dated May 26, 2011, the Davakis G. was chartered with Norden for a time charter trip at a gross daily rate of \$23. The rate included a 1.25% brokerage commission payable to each of Arrow and Safbulk Pty and an address commission of 3.75%. The time charter commenced on June 5, 2011. Pursuant to the charter party agreement dated July 11, 2011 the Davakis G was chartered for a period of 12 to 18 months with Bunge S.A. Geneva, at a gross daily rate of \$14.5. The rate includes a 1.25% brokerage commission payable to each of Safbulk Pty and Arrow and an address commission of 3.75%.

Pursuant to charter party agreements dated July 7, 2009, each of the BET Commander, the BET Prince, the BET Fighter, BET Scouter and the BET Intruder were chartered to SAMC at daily charter rates of \$24, \$25, \$25, \$26 and \$15.5, respectively, for charters expiring in December 2011, January 2012, September 2011, October 2011 and September 2011, respectively, assuming latest redelivery. For 2009, all charter rates for the BET fleet were subject to a commission of 3.75% to SAMC as charterer and 1.25% to Safbulk Maritime as a commercial broker. For 2010 and 2011, all charter rates for the BET fleet were subject to a commission of 3.75% to SAMC as charterer. SAMC sub-charters these vessels in the market and takes the risk that the rate it receives is lower than the period rate it is paying BET.

Pursuant to the charter party agreement dated October 12, 2011, the BET Commander was chartered to Vitol on a voyage charter basis, for a voyage from South Africa to China. Employment under the agreement was completed in December 2011, and was subject to an address commission of 3.75% and a 1.25% payable to each of Arrow and Safbulk Pty. Pursuant to the charter party agreement dated December 7, 2011 the BET Commander was chartered to Fairwind Chartering on a voyage charter basis, for a voyage from Australia to China. Employment under the agreement was completed in January 2012, and was subject to an address commission of 3.75% and a 1.25% commission payable to each of Ifchor and Safbulk Pty.

Pursuant to charter party agreements dated June 16, 2011, each of the BET Fighter and BET Scouter were chartered to Swissmarine for a period of 11 to 13 months, at a gross daily rate equal to the adjusted time charter average of the Baltic Capesize Index. Seanergy has a right to convert this to a fixed daily rate throughout the life of the contract, subject to the charterer's mutual consent. Both charters commenced in June 2011 and are subject to an address commission of 3.75% and a 1.25% payable to Safbulk Pty.

Pursuant to a charter party agreement dated October 7, 2011, the BET Prince was chartered to Swissmarine for a period of 11 to 13 months, at a gross daily rate equal to the adjusted time charter average of the Baltic Capesize Index. Seanergy has a right to convert this to a fixed daily rate throughout the life of the contract, subject to the charterer's

mutual consent. The charter commenced in November 2011 and is subject to an address commission of 3.75% and a 1.25% payable to Safbulk Pty.

Pursuant to charter party agreement dated June 16, 2011, the BET Intruder was chartered to Swissmarine for a period of 11 to 13 months, at a gross daily rate of \$12.3. The charter rate for the BET Intruder is subject to an address commission of 3.75% and a 1.25% commission payable to Safbulk Pty. The charter commenced on September 16, 2011.

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Pursuant to charter party agreements dated May 24, 2007, each of the Fiesta, the Pacific Fighter, the Pacific Fantasy and the Clipper Freeway were chartered to Oldendorff Carriers GmbH & Co on a bareboat basis, for a period of about 68-72 months at gross daily rates as per average time charter routes of the Baltic Handysize Index multiplied by 100.63% and reduced by fixed daily operating costs, as specified in the respective charter agreements, for charters expiring in November 2013, November 2013, January 2014 and February 2014, respectively, assuming latest redelivery. The charter party agreements for each of Fiesta, Pacific Fighter, and Pacific Fantasy were novated from their previous owners to each of the respective MCS shipowning subsidiaries on August 16, 2007 and the charter party agreement for the Clipper Freeway was novated from her previous owner to the respective MCS shipowning subsidiary on October 3, 2007. All four bareboat charters commenced within the period from October 26, 2007 to January 19, 2008.

Pursuant to the charter party agreement dated September 14, 2010 the African Glory is chartered for a minimum period of 24 months with MUR shipping B.V. at a gross daily base rate of \$7 and a ceiling of \$12, with a profit sharing arrangement of 75% for owners and 25% for charterers to apply to any amount between the base and the ceiling and for any amount in excess of the ceiling the profit sharing arrangement will be 50% for owners and 50% for charterers. The calculation of the rate is based on the adjusted time charter average of the Baltic Supramax Index (BSI). The rate includes a 1.25% brokerage commission payable to Safbulk Pty. The time charter commenced on November 11, 2010.

Pursuant to the charter party agreement dated September 14, 2010 the African Joy was chartered for a period of 11 to 13 months with MUR shipping B.V. at a gross daily rate of \$14. The charterer had the option to extend the charter for another 11 to 13 months at the same rate. The rate includes a 1.25% brokerage commission payable to Safbulk Pty. The vessel commenced her charter on October 30, 2010. Pursuant to the charter party agreement dated October 6, 2011 the African Joy was chartered for a period of 4 to 6 months with MUR shipping B.V. at a gross daily rate of \$10. The charter agreement is subject to a 1.25% brokerage commission payable to Safbulk Pty. The time charter commenced on September 30, 2011.

Pursuant to the charter party agreement dated September 14, 2010, the Asian Grace is chartered for a minimum period of 24 months with MUR shipping B.V. at a gross daily base rate of \$7 and a ceiling of \$11, with a profit sharing arrangement of 75% for owners and 25% for charterers to apply to any amount between the base and the ceiling and for any amount in excess of the ceiling the profit sharing arrangement will be 50% for owners and 50% for charterers. The calculation of the rate is based on the adjusted time charter average of the Baltic Supramax Index (BSI). The rate includes a 1.25% brokerage commission payable to Safbulk Pty. The time charter commenced on September 15, 2010.

Pursuant to charter party agreements dated April 7, 2008, each of the Clipper Glory and Clipper Grace are chartered for periods of 47-49 months to CF Bulk Carriers Ltd. at gross daily rates of \$25. The rates are subject to a commission of 1.00% payable to Arrow Asia Shipbrokers Ltd. as commercial broker and 4.00% to CF Bulk Carriers Ltd. as charterer. The time charters commenced on July 24, 2008.

The Company cannot predict whether its charterers will, upon the expiration of their charters, re-charter the Company's vessels on favorable terms or at all. This decision is likely to depend upon prevailing charter rates in the months prior to charter expiration. If the Company's charterers decide not to re-charter its vessels, the Company may not be able to re-charter them on similar terms. In the future, the Company may employ vessels in the spot market, which is subject to greater rate fluctuation than the time charter market. If the Company receives lower charter rates

under replacement charters or are unable to re-charter all of its vessels, the Company's net revenue will decrease.

(b) Interest Rate Risk

The Company's interest rates and long-term loan repayment terms are described in Note 12.

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## Fair Value of Financial Instruments

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at December 31, 2011 and 2010. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

	2011		2010	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets:</b>				
Cash and cash equivalents	17,734	17,734	53,787	53,787
Restricted cash	19,560	19,560	10,385	10,385
Accounts receivable trade, net	1,764	1,764	999	999
Due from related parties	405	405	-	-
<b>Financial liabilities:</b>				
Long-term debt	346,403	346,403	399,548	399,548
Trade accounts and other payables	2,595	2,595	2,340	2,340
Due to related parties	1,097	1,097	4,025	4,025
Accrued expenses	2,428	2,428	3,491	3,491
Accrued interest	1,936	1,936	1,009	1,009
Financial instruments – current liabilities	4,092	4,092	5,787	5,787
Financial instruments – net of current portion	270	270	2,777	2,777

The carrying amounts shown in the table are included in the consolidated balance sheets under the indicated captions.

The fair values of the financial instruments shown in the above table as of December 31, 2011 and 2010 represent management's best estimate of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Company's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Company based on the best information available in the circumstances.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- a. Cash and cash equivalents, restricted cash, accounts receivable trade, net, due from related parties, trade accounts and other payables, due to related parties, accrued expenses, and accrued interest: The carrying amounts approximate fair value because of the short maturity of these instruments. Restricted cash includes bank deposits

that are required under the Company's borrowing arrangements which are used to fund the loan installments coming due under the loan agreements. The funds can only be used for the purposes of loan repayment.

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b. Long-term debt: The carrying value approximates the fair market value as the long-term debt bears interest at floating interest rate.

c. As of December 31, 2011 and 2010, the Company had outstanding four and six interest rate swap agreements, respectively maturing from September 2012 through June 2013. These contracts do not qualify for hedge accounting and as such changes in their fair values are reported to earnings. The fair value of these agreements equates to the amount that would be paid by the Company to transfer the remaining rights and obligations under these contracts to a market participant of comparable credit standing taking into account relevant market factors.

The Company's interest rate swaps have the following characteristics:

(i) From September 28, 2007 for a period of five years through September 28, 2012, for a total notional principal amount of \$30,000. Under the provisions of the agreement the Company pays a fixed rate of 4.84% and receives the six month USD LIBOR semiannually, (ii) From January 25, 2008 for a period of five years through January 25, 2013, for a total notional principal amount of \$50,000. Under the provisions of the agreement the Company pays a fixed rate of 3.13% and receives the six month USD LIBOR semiannually, (iii) From October 26, 2007 for a period of five years through October 24, 2012, for a total notional principal amount of \$24,927. Under the provisions of the agreement the Company pays a fixed rate of 4.80% and receives the three month USD LIBOR quarterly, and (iv) From June 10, 2008 for a period of five years through June 10, 2013, for a total notional principal amount of \$25,775. Under the provisions of the agreement the Company pays a fixed rate of 3.96% and receives the three month USD LIBOR quarterly. The Company had an interest rate swap expire on January 18, 2011. The total notional principal amount of that interest rate swap was \$24,927, and under the provisions of the agreement the Company paid a fixed rate of 3.2925% and received the three month USD LIBOR quarterly. The Company had an interest rate swap expire on March 10, 2011. The total notional principal amount of that interest rate swap was \$50,000, and under the provisions of the agreement the Company paid a fixed rate of 2.96% on a semiannual basis and received the three month USD LIBOR quarterly.

(c) Fair Value Hierarchy

The Company adopted FASB guidance on January 1, 2008, for fair value measurements of financial assets and financial liabilities and for fair value measurements of non-financial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. This statement establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurement involving significant unobservable inputs (Level 3 measurement) The three levels of the fair value hierarchy are as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities;

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data;

Level 3: Unobservable inputs that are not corroborated by market data.

The Company's financial and nonfinancial items measured at fair value on a recurring basis at December 31, 2011 were:

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	Level 1	Level 2	Level 3	Total
Interest Rate Swap – Current liabilities	-	(4,092 )	-	(4,092 )
Interest Rate Swap – Net of current portion	-	(270 )	-	(270 )
	-	(4,362 )	-	(4,362 )

The Company's financial and nonfinancial items measured at fair value on a recurring basis at December 31, 2010 were:

	Level 1	Level 2	Level 3	Total
Interest Rate Swap – Current liabilities	-	(5,787 )	-	(5,787 )
Interest Rate Swap – Net of current portion	-	(2,777 )	-	(2,777 )
	-	(8,564 )	-	(8,564 )

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The effect of financial instruments on the consolidated statement of income for the years ended December 31:

Derivatives not designated as hedging instruments	Location of loss recognized	Amount of loss		
		2011	2010	2009
Interest rate swaps	Loss on financial instruments	(641 )	(4,164 )	(1,575 )

The Company's nonfinancial items measured at fair value on a non-recurring basis were:

	Level 1	Level 2	Level 3	Total
Vessels, net	-	-	103,863	103,863
Deferred charges	-	-	1,137	1,137
Goodwill	-	-	4,365	4,365
	-	-	109,365	109,365

The Company recorded an impairment loss of \$188,995 on its six initial vessels as of September 30, 2011, thus reducing the vessels' carrying value and their respective unamortized dry-docking costs at September 30, 2011 from \$291,264 and \$2,731, respectively, to \$103,863 and \$1,137, respectively (see Notes 9 and 11). The Company recorded an impairment loss on its goodwill as of September 30, 2011, thus reducing its goodwill at September 30, 2011 to \$4,365 (Note 10).

14. Deferred Revenue and Deferred Revenue – Related Party:

Deferred revenue in the accompanying consolidated balance sheet as at December 31, 2011 and 2010 was \$590 and \$1,452, respectively. The amounts represent cash received from charterers prior to the balance sheet dates and relate to revenue applicable to periods after such dates.

Deferred revenue — related party in the accompanying consolidated balance sheet as at December 31, 2011 and 2010 was \$142 and \$1,041, respectively. The amounts represent cash received from Swissmarine and SAMC, respectively, prior to the balance sheet dates and relate to revenue applicable to periods after such dates.

15. Commitments and Contingencies:

Various claims, lawsuits, and complaints, including those involving government regulations and product liability, arise in the ordinary course of the shipping business. In addition, losses may arise from disputes with charterers, agents, insurance and other claims with suppliers relating to the operations of the Company's vessels. Currently, management is not aware of any such claims or contingent liabilities, which should be disclosed, or for which a provision should be established in the accompanying consolidated financial statements.

The Company accrues for the cost of environmental liabilities when management becomes aware that a liability is probable and is able to reasonably estimate the probable exposure. Currently, management is not aware of any such claims or contingent liabilities, which should be disclosed, or for which a provision should be established in the accompanying consolidated financial statements. A minimum of up to \$1,000,000,000 of liabilities associated with the

individual vessels actions, mainly for sea pollution, are covered by the Protection and Indemnity (P&I) Club insurance.

Rental expense for the years ended December 31, 2011, 2010 and 2009 was \$1,164, \$1,351 and \$726, respectively (see Note 3(d)). Fixed future minimum rent commitments as of December 31, 2011, based on a Euro/U.S. dollar exchange rate of €1.00:\$1.2961 and on a U.S. dollar/Hong Kong dollar exchange rate of \$1.00:HK\$7.7674, were as follows:

Rental commitments	
2012	550
2013	455
2014	65
Total	1,070



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Future minimum rental receipts, based on vessels committed to non-cancelable long-term time charter contracts, assuming earliest redelivery, including off hire days due to any scheduled dry-docking and a 98.6% unscheduled off hire rate (operating days divided by available days), net of commissions, will be:

Future minimum contractual charter revenue	
2012	40,790
2013	4,710
Total	45,500

16. Capital Structure:

(a) Common Stock

On July 21, 2010, the Company approved and amended its Amended and Restated Articles of Incorporation to increase the number of authorized shares of common stock, par value \$0.0001 per share from 200,000,000 to 500,000,000 shares.

On January 28, 2010, the Company priced a public offering of 1,388,889 shares of common stock. The Company granted the representatives of the underwriters a 45-day option to purchase up to an additional 208,333 shares of common stock to cover over-allotments. The shares were offered to the public at \$18.00 per share. Four of the Company's major shareholders affiliated with the Restis family purchased an additional 277,778 shares of common stock directly from the Company at the public offering price. The offering and the concurrent sale of 277,778 shares to entities affiliated with the Restis family settled and closed on February 3, 2010. The purpose of the offering was the acquisition of a new vessel(s), and resulted in net proceeds of \$26,381.

On March 19, 2010, the underwriters exercised the over-allotment option to purchase an additional 129,667 shares of the Company's common stock, which resulted in additional net proceeds to the Company of approximately \$2,145.

On September 15, 2010, the Company issued 1,650,794 shares in connection with the acquisition of the remaining 49% of MCS.

On October 22, 2010, the Company issued 1,650,794 shares in connection with the acquisition of the remaining 50% of BET.

At a special meeting of the Company's shareholders held on January 4, 2011, the shareholders approved a proposal to grant the Company's Board of Directors the authority to effect a reverse stock split of the Company's issued and outstanding common stock by a ratio of not less than one-for-two and not more than one-for-fifteen. On June 23, 2011, the Board of Directors approved a reverse split of the Company's common stock at a ratio of one-for-fifteen. The reverse stock split became effective on June 24, 2011 and Company's common stock began trading on a split-adjusted basis at the opening of trading on June 27, 2011. There was no change in the number of authorized shares or the par value of the Company's common stock. Following the effectiveness of the reverse stock split, the number of common shares issued, earnings per share, warrants and share options were retrospectively adjusted in accordance with the 1:15 ratio for all periods presented.

On February 23, 2011, the Company issued 3,332 unvested shares in connection with the Equity Incentive Plan (see Note 24).

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(b) Warrants

On September 28, 2007, Seanergy Maritime Corp., pursuant to its public offering, sold 23,100,000 units, which included 1,100,000 units exercised pursuant to the underwriters' over-allotment option, at a price of \$10.00 per unit. Each unit consisted of one share of Seanergy Maritime Corp.'s common stock, \$0.0001 par value, and one redeemable common stock purchase warrant. Each warrant entitles the holder to purchase from Seanergy Maritime Corp. one share of common stock at an exercise price of \$6.50 per share commencing on the later of the completion of a business combination with a target business or one year from the effective date of the public offering (September 30, 2008) and expires on September 28, 2011.

On September 28, 2007, and prior to the consummation of the public offering described above, all of Seanergy Maritime Corp.'s executive officers purchased from the Company an aggregate of 16,016,667 warrants at \$0.90 per warrant in a Private Placement. All warrants issued in the Private Placement are identical to the warrants in the units sold in the public offering, except that:

- (i) subject to certain limited exceptions, none of the warrants are transferable or saleable until after Seanergy Maritime Corp. completes a business combination;
- (ii) the warrants are not subject to redemption if held by the initial holders thereof; and
- (iii) the warrants may be exercised on a cashless basis if held by the initial holders thereof by surrendering these warrants for that number of shares of common stock equal to the quotient obtained by dividing the product of the number of shares of common stock underlying the warrants, multiplied by the difference between the warrant price and fair value. The fair value is defined to mean the average reported last sales price of common stock for the 10 trading days ending on the third business day prior to the date on which notice of exercise is received. No placement fees were payable on the warrants sold in the Private Placement. The sale of the warrants to executive officers did not result in the recognition of any stock-based compensation expense because they were sold at approximate fair market value.

Seanergy Maritime Corp. may call the warrants for redemption:

- in whole and not in part,
- at a price of \$0.01 per warrant at any time,
- upon a minimum of 30 days' prior written notice of redemption, and if, and only if, the last sale price of the common stock equals or exceeds \$14.25 per share for any 20 trading days within a 30 trading day period ending three business days prior to the notice of redemption to the warrant holders.

There is no cash settlement for the warrants.

Subsequently, the underwriter notified Seanergy Maritime Corp. that it was not going to exercise any of the remaining units as part of its over-allotment option. The common stock and warrants included in the units began to trade separately on October 26, 2007.

Upon the dissolution and liquidation of Seanergy Maritime Corp., all outstanding warrants and the underwriters unit purchase options of Seanergy Maritime Corp. concurrently became the Company's obligations and became exercisable to purchase the Company's common stock.

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In connection with the public offering of January 28, 2010, the Company granted on February 3, 2010 1,041,667 warrants with an exercise price of \$19.80 each. In addition, due to the over-allotment exercise on March 19, 2010, Seanergy granted additional 97,250 warrants, with terms identical to the warrants issued on February 3, 2010. The fair value of these warrants amounted to \$1,053. No expenses were recorded in connection with these warrants which were classified in equity.

Following the Company's reverse stock split which became effective on June 24, 2011 and began trading on a split-adjusted basis at the opening of trading on June 27, 2011, with respect to the warrants from the initial IPO of the Company in 2007, the warrant price has increased so that fifteen (15) warrants now entitle the registered holder thereof to purchase from the Company an aggregate of one share of post-split common stock of the Company at the aggregate price of \$97.50 per share of post-split common stock.

With respect to each unit purchasable under the Unit Option from the Company's initial IPO, each unit now consists of one-fifteenth of a share of post-split common stock of the Company and one warrant to purchase one-fifteenth of a share of post-split common stock of the Company.

With respect to the warrants from the Company's secondary offering that closed on February 3, 2010, as a result of the reverse stock split, each warrant now reflects an increase in the per share exercise price and a decrease in the number of warrant shares at the same proportion as the reverse stock split. Accordingly, each warrant is now exercisable for one-fifteenth of a share, following the reverse stock split at an exercise price of \$19.80 for each such warrant share.

As of December 31, 2011, Seanergy Maritime Holdings Corp. has 1,138,917 warrants which are outstanding and exercisable to purchase an aggregate of approximately 75,927 shares of the Seanergy's common stock. Seanergy previously had issued 38,984,667 warrants, exercisable to purchase an aggregate of approximately 2,598,977 shares of the Company's common stock, which have expired in accordance with their terms since September 24, 2011 and are no longer outstanding.

(c) Registration Rights

(i) 2010 Public Offering - Concurrent sale of shares to shareholders affiliated with the Restis family

With respect to the additional 277,778 shares of common stock purchased in February 2010 by the four of the Company's major shareholders affiliated with the Restis family, the Company entered into a Registration Rights Agreement on March 26, 2010. Pursuant to such Registration Rights Agreement, on or prior to the 120th day following the closing date of the public offering the Company filed a registration statement with the Securities and Exchange Commission registering the resale of the 277,778 shares.

(ii) 2010 Public Offering - Underwriters' representatives warrants

In connection with the completion of the Company's public offering in February 2010, Seanergy issued to Maxim Group LLC and Rodman & Renshaw, LLC, joint book-running managers and representatives of the underwriters, aggregate of 1,041,667 warrants to purchase shares of the Company's common stock for services provided in connection with the offering. In addition due to the over-allotment exercise on March 19, 2010, the Company granted

additional 97,250 warrants to the underwriters with terms identical to the warrants issued on February 3, 2010. The exercise price of all such warrants was \$19.80 per share. The warrants are exercisable for a period commencing July 28, 2010 and expiring January 28, 2015. The Company may not call the warrants for redemption. The exercise price and number of shares underlying the warrants to be issued to the underwriters' representatives may be adjusted in certain circumstances including in the event of a stock dividend, or recapitalization, reorganization, merger or consolidation. However, the warrants will not be adjusted for issuances of common stock at a price below their exercise price.

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The warrants may be exercised upon surrender of the warrant certificate on or prior to the expiration date at the Company's offices, with the exercise form on the reverse side of the warrant certificate completed and executed as indicated, accompanied by full payment of the exercise price, by certified check payable to the Company, for the number of warrants being exercised. The warrant holders do not have the rights or privileges of holders of common stock or any voting rights until they exercise their warrants and receive shares of the Company's common stock. After the issuance of shares of common stock underlying the warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by shareholders.

The Company had agreed to file a post-effective amendment to the registration statement relating to the public offering it completed in February 2010 no later than six months after the date of issuance of the representatives' warrants to Maxim Group LLC and Rodman & Renshaw, LLC (the "Six Month Date") and to maintain the effectiveness of such registration statement for a period of one year from the date such post-effective amendment is declared effective by the SEC or the Six Month Date, whichever is later, subject to certain black-out periods. Such post-effective amendment was filed on September 24, 2010 and was declared effective by the SEC on October 4, 2010. In addition, the Company granted Maxim Group LLC and Rodman & Renshaw, LLC certain "piggy-back" registration rights on registration statements filed prior to the expiration date of the representatives' warrants. The Company has agreed to bear the expenses incurred in connection with the filing of the post-effective amendment and any subsequent registration statement, other than underwriting discounts and/or commissions and the legal fees of counsel to Maxim Group LLC and/or Rodman & Renshaw, LLC.

(d) Preferred Stock

On August 4, 2011, the Company amended its Amended and Restated Articles of Incorporation to increase the number of authorized preferred stock with par value \$0.0001 per share from 1,000,000 to 25,000,000, with such designations, voting and other rights and preferences, as may be determined from time to time by the Board of Directors. As of December 31, 2011, no shares of preferred stock have been issued.

(e) Dividends

The declaration and payment of any dividend is subject to the discretion of Seanergy's board of directors and is dependent upon its earnings, financial condition, cash requirements and availability, fleet renewal and expansion, restrictions in its loan agreements, the provisions of Marshall Islands law affecting the payment of dividends to shareholders and other factors. Seanergy's board of directors may review and amend its dividend policy from time to time in light of its plans for future growth and other factors.

As a condition of the waiver from Marfin (see Note 12), dividends will not be declared without the prior written consent of Marfin.

17. Vessel Revenue – Related Party, net:

During the years ended December 31, 2011, 2010 and 2009, several of the Company's vessels were employed under time charters with SAMC and Swissmarine. Revenue from related party is shown net of off-hire expenses of \$362, \$394 and \$458, respectively.





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## 18. Vessel Operating Expenses:

The amounts in the accompanying consolidated statements of income are analyzed as follows:

	2011	2010	2009
Crew wages and related costs	16,423	14,095	7,762
Chemicals and lubricants	3,546	3,412	2,088
Repairs and maintenance	9,735	9,475	4,456
Insurance	3,490	2,825	1,551
Miscellaneous expenses	1,533	860	365
Total	34,727	30,667	16,222

## 19. General and Administration Expenses:

The amounts in the accompanying consolidated statements of income are analyzed as follows:

	2011	2010	2009
Auditors' and accountants' fees	752	994	1,159
Professional services	1,844	1,615	1,831
Salaries, BOD remuneration and other compensation	3,219	3,159	2,086
D&O Insurance	173	166	120
Other	2,082	1,672	732
Total	8,070	7,606	5,928

Other expenses for the year ended December 31, 2011 mainly include MCS office rent of \$561, common building expenses for the executive offices of \$110, subscription expenses of \$146 and travelling and transportation expenses of \$236. Other expenses for the year ended December 31, 2010 mainly include MCS office rent of \$654, common building expenses for the executive offices of \$134, subscription expenses of \$118 and travelling and transportation expenses of \$116. Other expenses for the year ended December 31, 2009 mainly include common building expenses for the executive offices of \$132, printing and stationary expenses of \$132 and travelling and transportation expenses of \$56.

## 20. General and Administration Expenses – Related Party:

The amounts in the accompanying consolidated statements of income are analyzed as follows:

	2011	2010	2009
Office rental (Note 3(d))	603	697	726
Administrative fee (Note 3(a))	-	-	16
Total	603	697	742

## 21. Interest and Finance Costs:

The amounts in the accompanying consolidated statements of income are analyzed as follows:

	2011	2010	2009
Interest on long-term debt	9,926	9,078	4,695
Interest on revolving credit facility	2,330	2,259	1,659
Amortization of debt issuance costs	657	738	608
Restructuring fees on acquired debt	407	705	145
Commitment fee on un-drawn revolving credit facility	-	35	14
Other	162	116	109
Total	13,482	12,931	7,230

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22. Interest Income:

Interest income for the year ended December 31, 2011 of \$60 represents interest earned on term deposits at an annualized interest rate ranging from 0.08% to 6.00%. Interest income for the year ended December 31, 2010 of \$358 represents interest earned on term deposits at an annualized interest rate ranging from 0.20% to 2.20%. Interest income for the year ended December 31, 2009 of \$430 represents interest earned on term deposits at an annualized interest rate ranging from 0.35% to 1.40%.

23. (Loss) earnings per Share:

The calculation of net (loss) income per common share is summarized below:

	2011	2010	2009
Basic:			
Net (loss) income attributable to Seanergy Maritime Holdings Corp.	\$ (197,756 )	\$ 132	\$ 30,052
Weighted average common shares outstanding - basic	7,314,636	5,861,129	1,725,531
Net (loss) income per common share - basic	\$ (27.04 )	\$ 0.02	\$ 17.42
Diluted:			
Net (loss) income attributable to Seanergy Maritime Holdings Corp.	\$ (197,756 )	\$ 132	\$ 30,052
Interest expense on convertible promissory note due to shareholders	-	-	386
Diluted net (loss) income	\$ (197,576 )	\$ 132	\$ 30,438
Weighted average common shares outstanding - basic	7,314,636	5,861,129	1,725,531
Convertible note – to related party	-	-	94,941
Contingently-issuable shares – earn-out	-	-	214,813
Weighted average common shares outstanding - diluted	7,314,636	5,861,129	2,035,285
Net (loss) income per common share - diluted	\$ (27.04 )	\$ 0.02	\$ 14.77

The convertible note to shareholders has been included in the diluted Earnings per Share calculations using the "as if converted" method up to the date of the actual conversion and the applicable conversion ratio.

On September 15, 2010, the Company issued 1,650,794 shares in connection with the acquisition of the remaining 49% of MCS. For the purpose of calculating earnings per share, these are considered outstanding as of May 20, 2010, the date that common control existed.

On October 22, 2010, the Company issued 1,650,794 shares in connection with the acquisition of the remaining 50% of BET. For the purpose of calculating earnings per share, these are considered outstanding as of May 20, 2010, the date that common control existed.

The 3,332 non-vested shares issued under the Equity Incentive Plan (Note 24) are excluded from the diluted EPS calculation for the year ended December 31, 2011 due to their anti-dilutive effect.

As of December 31, 2011, 2010 and 2009 all outstanding warrants to acquire 1,138,917, 2,674,906 and 2,598,978 shares of common stock, respectively, were anti-dilutive. The underwriters' purchase options (common shares of 66,667 and warrants of 1,000,000) were also anti-dilutive for the years ended December 31, 2011, 2010 and 2009.

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Thus, as of December 31, 2011, securities that could potentially dilute basic EPS in the future that were not included in the computation of diluted EPS as mentioned above are:

Private warrants	1,138,917
Underwriters purchase options - common shares	66,667
Underwriters purchase options - warrants	1,000,000
Non-vested shares	3,332
Total	2,208,916

24. Equity Incentive Plan:

On January 12, 2011 the Board adopted the Seenergy Maritime Holdings Corp. 2011 Equity Incentive Plan, or the Plan. A total of 8,750,000 shares of common stock were reserved for issuance under the Plan, which is administered by the Compensation Committee of the Board of Directors. Under the Plan, officers, key employees, directors, consultants and service providers may be granted incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, unrestricted stock and restricted stock units at the discretion of the Compensation Committee. On February 16, 2011, the Compensation Committee granted an aggregate of 3,332 restricted shares of common stock, or the February 2011 Shares, pursuant to the Plan. 2,667 of the February 2011 Shares were granted to Seenergy's two executive directors and the other 665 of the February 2011 Shares were granted to certain of Seenergy's other employees. All of the February 2011 Shares vest proportionally over a period of three years in equal installments, commencing on January 10, 2012. The fair value of each February 2011 Share on the grant date was \$13.28 and will be expensed over three years. The amortization of stock based compensation for the year ended December 31, 2011, amounted to \$14 and is recorded in general and administrative expenses in the accompanying consolidated statement of income.

25. Subsequent Events:

The Company has evaluated subsequent events that occurred after the balance sheet date but before the issuance of these consolidated financial statements and, where it was deemed necessary, appropriate disclosures have been made.

- a) As of January 1, 2012, the monthly lease payment with Waterfront S.A. was amended to EUR 25,000.
- b) On January 24, 2012, the Company received written notification from The Nasdaq Stock Market ("Nasdaq") indicating that because the market value of the publicly held shares ("MVPSH") of the Company's common stock for 30 consecutive business days, from December 6, 2011 to January 23, 2012, was below the minimum requirement of \$5,000 for the continued listing on the Nasdaq Global Market, the Company is not in compliance with Nasdaq Listing Rule 5450(b)(1)(C). The applicable grace period to regain compliance is 180 days. On March 1, 2012, Nasdaq confirmed that the Company has regained such compliance.
- c) On January 31, 2012, the Company entered into an amendment of certain terms of its facilities' agreement with Marfin. See Note 11 for further details.
- d) On February 2, 2012, the Company announced the successful completion of the previously announced equity injection by four entities affiliated with members of the Restis family. In exchange of \$10,000, the Company has

issued an aggregate of 4,641,620 common shares to the four entities at a price of \$2.15442, which was the average closing price of the five trading days preceding the execution of the purchase plan. Following the issuance of the shares, the Company has a total of 11,959,282 outstanding common shares. These shares would decrease net loss per share for 2011 by approximately \$10.50 if they had been issued and outstanding for the entire year of 2011.

- e) On February 7, 2012, the Company entered into an amendment of certain terms of its loan facility by and among (inter alios) BET and Citibank. See Note 11 for further details.
  
- f) On February 9, 2012, the Company announced that it has signed a Memorandum of Agreement with an unaffiliated third party for the sale of its Handymax dry bulk carrier, the African Zebra, for a gross price of \$4.1 million. The vessel was delivered to its new owners on February 15, 2012. The Company used \$4.0 million from the proceeds of this sale to prepay part of the outstanding debt of this vessel. The sale will result in a book loss of approximately \$2.4 million.

