

FreeSeas Inc.
Form 424B4
October 25, 2007

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**Filed Pursuant to Rule 424(b)(4)
Registration Nos. 333-145203 and 333-146920**

PROSPECTUS

FREESEAS INC.

11,000,000 Shares of Common Stock

We are offering 11,000,000 shares of our common stock. Our common stock is currently quoted on the NASDAQ Capital Market under the symbol FREE. On October 24, 2007, the closing price of our common stock was \$9.30 per share. We have applied to have our common stock and warrants listed on the NASDAQ Global Market upon completion of this offering.

Investing in our common stock involves a high degree of risk. See Risk Factors beginning on page 13 to read about the risks you should consider before buying shares of our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	\$ 8.25	\$ 90,750,000
Underwriting discounts and commissions	\$ 0.5775	\$ 6,352,500
Proceeds to us, before expenses	\$ 7.6725	\$ 84,397,500

The underwriters have a 30-day option to purchase up to 1,650,000 additional shares of our common stock from us to cover any over-allotments, if any, at the offering price, less underwriting discounts and commissions.

The underwriters expect to deliver the shares to purchasers on or about October 30, 2007.

Credit Suisse

Cantor Fitzgerald & Co.

The date of this prospectus is October 25, 2007

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We have not authorized anyone to give any information or to make any representations other than those contained in this prospectus. Do not rely upon any information or representations made outside of this prospectus. This prospectus is not an offer to sell, and it is not soliciting an offer to buy (1) any securities other than shares of our common stock or (2) shares of our common stock in any circumstances in which our offer or solicitation is unlawful. The information contained in this prospectus may change after the date of this prospectus. Do not assume after the date of this prospectus that the information contained in this prospectus is still correct.

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ENFORCEABILITY OF CIVIL LIABILITIES

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

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PROSPECTUS SUMMARY

This section summarizes some of the information and consolidated financial statements that appear later in this prospectus. As an investor or prospective investor, you should review carefully the risk factors and the more detailed information and financial statements that appear later in this prospectus. In this prospectus, references to FreeSeas, Company, we, our, ours and us refer to FreeSeas Inc. and its subsidiaries, unless otherwise stated or the context requires.

We use the term deadweight tons, or dwt, in describing the capacity of our drybulk carriers. Dwt, expressed in metric tons, each of which is equivalent to 1,000 kilograms, refers to the maximum weight of cargo and supplies that a vessel can carry. For the definition of certain shipping terms used in this prospectus, see the Glossary of Shipping Terms on page 124 of this prospectus. Drybulk carriers are categorized as Handysize, Handymax, Panamax and Capesize. The carrying capacity of a Handysize drybulk carrier ranges from 10,000 to 39,999 dwt and that of a Handymax drybulk carrier ranges from 40,000 to 59,999 dwt. By comparison, the carrying capacity of a Panamax drybulk carrier ranges from 60,000 to 79,999 dwt and the carrying capacity of a Capesize drybulk carrier is 80,000 dwt and above.

Unless otherwise indicated, information presented in this prospectus assumes that the underwriters will not exercise their option to purchase additional shares. All references to \$ and dollars in this prospectus refer to U.S. dollars.

Our Company

We are an international drybulk shipping company incorporated on April 23, 2004 under the laws of the Republic of the Marshall Islands with headquarters in Piraeus, Greece. We are currently focusing on the Handysize and Handymax sectors, which we believe will enable us to transport a wider variety of cargoes and pursue a greater number of chartering opportunities than if we owned larger vessels. We may, however, acquire larger drybulk vessels if market conditions warrant.

Our existing fleet consists of three Handysize vessels and one Handymax vessel that carry a variety of drybulk commodities, including coal, grains, and iron ore which are referred to as major bulks, as well as bauxite, phosphate, fertilizers, steel products, sugar and rice, or minor bulks. In order to expand and renew our fleet, on May 1, 2007, we entered into memoranda of agreement to purchase from unaffiliated parties the M/V *Free Hero*, a 1995-built secondhand Handysize vessel that was delivered on July 3, 2007, and the M/V *Free Jupiter*, a 2002-built secondhand Handymax vessel that was delivered on September 5, 2007, for a total purchase price of \$72.25 million. On August 20, 2007, we entered into another memorandum of agreement to purchase from an unaffiliated third party the M/V *Free Goddess*, a 1995-built secondhand Handysize vessel that we expect to be delivered prior to the closing of this offering for a total purchase price of \$25.20 million. We refer to the M/V *Free Goddess* together with our existing vessels, the M/V *Free Destiny*, the M/V *Free Envoy*, the M/V *Free Hero* and the M/V *Free Jupiter*, as our fleet.

As a result of the acquisition of the M/V *Free Hero*, the M/V *Free Jupiter* and upon the acquisition of the M/V *Free Goddess*, we will increase the aggregate dwt of our fleet to approximately 146,000 dwt, increase the book value of our fleet to approximately \$107.8 million, and reduce the average age of our fleet to approximately 16 years.

We contract the management of our fleet to Free Bulkiers, S.A., or Free Bulkiers, a company owned by Ion G. Varouxakis, our chairman, chief executive officer and president. Free Bulkiers will provide technical management of our fleet, accounting services and office space and has subcontracted the charter and post-charter management of our fleet to Safbulk Pty Ltd., or Safbulk, a company controlled by the Restis family. We believe that Safbulk has achieved

a strong reputation in the international shipping industry for efficiency and reliability that should create new employment opportunities for us with a variety of well known charterers. While Safbulk is responsible for finding and arranging charters for our vessels, the final decision to charter our vessels remains with us.

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Following the completion of this offering, we intend to distribute a portion of our available cash from operations as quarterly cash dividends to our shareholders in February, May, August and November of each year. We currently expect that we will pay a dividend in February 2008 of \$0.175 per share for the 2007 fiscal year followed by a quarterly dividend of \$0.175 per share in each of the following three quarters. See Forward-Looking Statements.

Our Fleet

The following table details the vessels in our fleet:

Vessel Name	Dwt	Year Built	Vessel Type	Employment	Purchase Price	Delivery Date
Owned						
Free Envoy	26,318	1984	Handysize	One-year time charter through April 2008 at \$17,000 per day	\$9.50 million	September 20, 2004
Free Destiny	25,240	1982	Handysize	70-day time charter at \$28,000 per day	\$7.60 million	August 3, 2004
Free Hero	24,318	1995	Handysize	Balance of time charter through December 2008/February 2009 at \$14,500 per day	\$25.25 million	July 3, 2007
Free Jupiter	47,777	2002	Handymax	Initial one-trip time charter with approximately seven days remaining at \$43,000 per day followed by an unscheduled dry-docking to complete repairs; thereafter to be delivered to a new charterer under a three-year time charter at \$32,000 per day for first year, \$28,000 per day for second year, and \$24,000 per day for third year	\$47.00 million	September 5, 2007
Acquisition Pending						
Free Goddess	22,051	1995	Handysize		\$25.20 million	

Two-month time
charter at \$13,000
per day; thereafter a
two-year time
charter at \$19,250
per day

Expected late October
2007

One of our vessels, the M/V *Free Jupiter*, ran aground off the coast of the Philippines on September 21, 2007. Operations to re-float the vessel have been completed. The M/V *Free Jupiter* was employed under a one-trip time charter with approximately seven days remaining at the time of the grounding incident. We currently anticipate that this time charter will resume upon completion of temporary repairs. Following completion of this time charter, the vessel will undergo an unscheduled dry-docking to complete permanent repairs. The vessel will be out of service during this dry-docking, which will delay the commencement of its subsequent three-year time charter. Based on information available to us at the present time, we currently estimate that the vessel will be out of service until approximately the end of November 2007, although the repair period could be longer. We have notified the charterer of the delay and it has agreed to an extension of the charter cancellation date until November 30, 2007. If the vessel's repairs require longer to complete, we have advised the charterer that we will request a further extension from it. We expect that the vessel's insurance will cover the vessel's repairs and related expenses, less applicable deductibles. We do not have insurance for loss of hire that will cover this incident, so we will experience a loss of income during the period that the vessel is out of service.

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Our Competitive Strengths

We believe that we possess the following competitive strengths:

Experienced Management Team. Our management team has significant experience in commercial, technical, operational and financial areas of our business and has developed relationships with leading charterers, ship brokers and financial institutions. Since 1997, Ion G. Varouxakis, our chairman, chief executive officer and president has served in various management roles for shipping companies in the drybulk sector. Dimitris Papadopoulos, who became our chief financial officer in May 2007, served from 1975 to 1991 as financial and administrative vice president in charge of, among other things, the shipping interests of the owners of Archirodon Group, Inc.

Affiliation with Leading Shipping Group. In January 2007, FS Holdings Limited, an entity controlled by the Restis family, acquired a 37.4% interest (including shares underlying warrants) in our company. The Restis family has been engaged in the international shipping industry for more than 40 years and their interests include ownership and operation of more than 60 vessels in several segments of the shipping industry, as well as cargo and chartering interests. The Restis family group is regarded as one of the largest independent ship-owning and management groups in the shipping industry. Our management believes that affiliation with and access to the resources of companies controlled by the Restis family commercially enhances the operations of our fleet, our ability to obtain employment for our vessels and our ability to obtain more favorable financing.

Strong Customer Relationships. Through Free Bulkers, our ship management company, and Safbulk, a Restis family controlled management company, we have established customer relationships with leading charterers around the world, such as major international industrial companies, commodity producers and traders and a number of chartering brokerage houses. Free Bulkers has subcontracted the charter and post-charter management of our fleet to Safbulk. We believe that the established customer base and the reputation of our fleet managers will enable us to secure favorable employment for our vessels with well known charterers.

Strong Balance Sheet with a Moderate Level of Indebtedness. We will repay a significant portion of our indebtedness with the proceeds of this offering and \$48.7 million of borrowings under the credit facility we expect to enter into with Credit Suisse. This will strengthen our balance sheet and leave us with approximately \$41.9 million in cash to fund our operations and to acquire additional vessels. Our financial resources and borrowing capacity will thus position us to take advantage of acquisition opportunities as they arise.

Stable Cash Flow from Well-Established and Reputable Charterers. A majority of the vessels in our fleet will be initially employed on time charters to well-established and reputable charterers. We believe these time charters will provide us with steady cash flow and high vessel utilization rates while limiting our exposure to freight rate volatility.

Efficient Operations. Through Free Bulkers, we believe that we have established a strong track record in the technical management of drybulk carriers, which has enabled us to maintain cost-efficient operations. We actively monitor and control vessel operating expenses while maintaining the high quality of our fleet through regular inspections, proactive maintenance programs, high standards of operations, and retaining and training qualified crew members.

Our Business Strategy

The following are highlights of our business strategy:

Leveraging our Strategic Relationships. Free Bulkers, Safbulk, the Restis family and their affiliates have extensive experience and relationships in the ship brokerage and financial industries as well as directly with industrial charterers and commodity traders. We plan to use these relationships to identify chartering and acquisition opportunities and make available to us sources of additional financing, make contacts, and gain market intelligence.

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Handysize and Handymax Focus. Our fleet of drybulk carriers will consist of Handysize and Handymax vessels. Based on the relatively low number of drybulk newbuildings on order in these categories, we believe there will be continued high demand for such vessels. Handysize and Handymax vessels are typically shallow-drafted and equipped with onboard cranes. This makes Handysize and Handymax vessels more versatile and able to access a wider range of loading and discharging ports than larger ships, which are unable to service many ports due to their size or the local port infrastructure. Many countries in the Asia Pacific region, including China, as well as countries in Africa and South America, have shallow ports. We believe that our vessels, and any Handysize or Handymax vessels that we acquire, will enable us to transport a wider variety of cargoes and to pursue a greater number of chartering opportunities than if we owned larger drybulk vessels. Handysize and Handymax vessels have also historically achieved greater charter rate stability than larger drybulk vessels.

Renew and Expand our Fleet. We intend to continue growing our fleet in a disciplined manner through acquisition of well-maintained, secondhand vessels, preferably up to 15 years old. We perform technical review and financial analysis of each potential acquisition and only purchase vessels as market conditions and opportunities warrant. We are focused on purchasing such vessels, because we believe that secondhand vessels, when operated in a cost-efficient manner, should provide significant value given the prevailing charter rate environment and currently provide better returns as compared to newbuildings. Furthermore, as part of our fleet renewal, we will continue to sell vessels when we believe it is in the best interests of FreeSeas and our shareholders.

Maintain Balanced Time Charter Employment. We intend to strategically deploy a substantial portion of our fleet under time charter employment and our remaining vessels under spot charter. We actively pursue time charter coverage to provide steady cash flow to cover a substantial portion of our fleet's fixed costs. We intend to deploy part of our fleet through spot charters depending on our view of the direction of the markets and other tactical or strategic considerations. We believe this balanced employment strategy will provide us with more predictable operating cash flows and sufficient downside protection, while allowing us to participate in the potential upside of the spot charter market during periods of rising charter rates.

Use of Flexible Financial Strategy. We will use a combination of bank debt, cash flow and proceeds from equity offerings to fund our vessel acquisitions. We assess the level of debt we will incur in light of our ability to repay that debt based on the level of cash flow we expect to generate pursuant to our chartering strategy and our operating cost structure. Following this offering, we intend to reduce our ratio of debt to total capitalization to between approximately 35% and 40%. We expect that the maintenance of a reasonable ratio of debt to total capitalization will increase our ability to borrow funds to make additional vessel acquisitions while maintaining our ability to pay dividends to our shareholders.

Pay Quarterly Dividends. Following the completion of this offering, we intend to distribute a portion of our available cash from operations as quarterly cash dividends to our shareholders in February, May, August and November of each year. We currently expect that we will pay a dividend in February 2008 of \$0.175 per share for the 2007 fiscal year followed by a quarterly dividend of \$0.175 per share in each of the following three quarters, assuming we complete this offering. See Forward-Looking Statements.

Our Dividend Policy

Following the completion of this offering, we intend to distribute a portion of our available cash from operations as quarterly cash dividends to our shareholders in February, May, August and November of each year. We currently expect that we will pay a dividend in February 2008 of \$0.175 per share for the 2007 fiscal year followed by a

quarterly dividend of \$0.175 per share in each of the following three quarters, assuming we complete this offering. Declaration and payment of any dividend is subject to the discretion of our board of directors. The timing and amount of dividend payments will be dependent upon our earnings, financial position, cash requirements and availability, fleet renewal and expansion, and restrictions in our loan

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agreements, as well as the provisions of Marshall Islands law affecting the payment of distributions to shareholders and other factors.

We may not have sufficient funds with which to pay dividends at all or at the anticipated frequency or amount set forth in this prospectus. Alternatively, even if we have sufficient funds available, our board of directors may determine to devote those funds to internal uses rather than to the payment of dividends. We refer you to the disclosures under the headings **Forward-Looking Statements**, **Dividend Policy** and **Tax Considerations** included elsewhere in this prospectus. In addition, see **Risk Factors** for a discussion of certain risks related to our ability to pay dividends.

Drybulk Shipping Industry Trends

The maritime shipping industry is fundamental to international trade with ocean-going vessels representing the most efficient and often the only method of transporting large volumes of many essential drybulk commodities, finished goods as well as crude oil and refined petroleum products between the continents and across the seas. It is a global industry whose performance is closely tied to the level of economic activity in the world.

Drybulk cargoes are used in many basic industries and in construction, and can be divided into major bulk commodities and minor bulk commodities. Major bulk commodities include iron ore, coal and grains. Minor bulk commodities include a wide variety of commodities, such as forest products, iron and steel products, fertilizers, agricultural products, non-ferrous ores, minerals and petcoke, cement, other construction materials and salt. Grains include wheat, coarse grains and soybeans.

According to Maritime Strategies International Ltd., or MSI, since the fourth quarter of 2002, the drybulk shipping industry has experienced the highest charter rates and vessel values in its modern history due to the favorable imbalance between the supply of drybulk carriers and demand for drybulk seaborne transportation. After reaching a peak in mid-2005, however, vessel values decreased during 2005 and the first half of 2006; since July 2006, the value of secondhand vessels has risen sharply approaching new historical record high levels in August 2007 as ship owners seek to increase the size of their fleets to benefit from the rise in trade.

With respect to drybulk shipping, factors that affect the supply of drybulk carriers and demand for transportation of drybulk cargo include:

Supply:

The average delivery lag for a new vessel is about three years, limiting the number of new drybulk carriers that will enter the market in coming years. As of June 2007, newbuilding orders had been placed for an aggregate of more than 34% of the current global drybulk fleet, with deliveries expected during the next three to four years; and

Port congestion worldwide as a result of increased shipping activity has increased the number of days vessels are waiting to load or discharge their cargo, effectively reducing the number of drybulk carriers that are available for hire at any particular time.

Demand:

In general, the effects of the expansion of world trade and increasing global production and consumption have driven the strong demand for ships; and

China has helped drive demand for drybulk carriers as its economy continues to grow at a remarkable level. This has resulted in growing iron ore imports and steel production.

We cannot offer assurances as to charter rates or vessel values in any period or that the industry trends described above will continue following the completion of this offering.

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Our Fleet Manager

We contract the technical and commercial management of our vessels to Free Bulkers, a Marshall Islands corporation owned by Ion G. Varouxakis, our chairman, chief executive officer and president. Free Bulkers has a separate management contract with each of our ship-owning subsidiaries and provides a wide range of services at a fixed fee per vessel basis. These services include vessel operations, maintenance, regulatory compliance, crewing, supervising dry-docking and repairs, arranging insurance for vessels, vessel supplying, advising on the purchase and sale of vessels, and performing certain accounting and other administrative services, including financial reporting and internal controls requirements. Free Bulkers has subcontracted the charter and post-charter management of our fleet to Safbulk. Safbulk is an entity affiliated with one of our principal shareholders, FS Holdings Limited, which is controlled by the Restis family. Safbulk has been chartering bulk carriers, ranging in size from 25,000 to 175,000 dwt, both owned by it (as many as 20 vessels) and owned by third parties (as many as 70 vessels), since 1965. We believe that the experience and reputation of Safbulk, and its long-standing relationships with charterers and charter brokers in all parts of the world should enhance the commercial operation of our fleet and our ability to obtain employment for our fleet. We believe that using Free Bulkers and Safbulk to perform these functions should provide us experienced technical and commercial management for our fleet and enable us to better manage our costs.

New Credit Facility

Consistent with our strategy of making efficient use of leverage, we have negotiated an offer letter for a senior secured credit facility from Credit Suisse, the lead underwriter of this offering, in the aggregate amount of \$87.0 million, consisting of a \$48.7 million loan to finance or refinance, as appropriate, up to 50% of the purchase price of the M/V *Free Hero*, the M/V *Free Jupiter* and the M/V *Free Goddess* and a \$38.3 million facility to finance up to 75% of the purchase price of additional vessels. Upon each drawdown of the \$38.3 million facility the aggregate amount outstanding under the total \$87.0 million facility may not exceed 60% of the aggregate market value of the M/V *Free Hero*, the M/V *Free Jupiter*, the M/V *Free Goddess* and any additional vessels financed under the facility. The availability of this senior secured credit facility is contingent upon the execution of formal loan documents. We intend to enter into this senior credit facility only if we successfully complete this offering.

We currently intend to use the proceeds of this offering in conjunction with the \$48.7 million loan from Credit Suisse to refinance a portion of our existing indebtedness and for other corporate purposes, including future acquisitions.

Our Corporate History

We were incorporated on April 23, 2004 by Ion G. Varouxakis, our chairman, chief executive officer and president, and two other co-founding shareholders under the name Adventure Holdings S.A. pursuant to the laws of the Republic of the Marshall Islands to serve as the parent holding company of our ship-owning entities. On April 27, 2005, we changed our name to FreeSeas Inc.

On December 15, 2005, we completed a merger with Trinity Partners Acquisition Company Inc., a blank check company formed to serve as a vehicle to complete a business combination with an operating business. At the time of the merger we owned three drybulk carriers, the M/V *Free Destiny*, the M/V *Free Envoy* and the M/V *Free Fighter*. Under the terms of the merger, we were the surviving corporation. Each outstanding share of Trinity's common stock and Class B common stock was converted into the right to receive an equal number of shares of our common stock, and each Trinity Class W warrant and Class Z warrant was converted into the right to receive an equal number of our Class W warrants and Class Z warrants.

Our common stock, Class W warrants and Class Z warrants began trading on the NASDAQ Capital Market on December 16, 2005 under the trading symbols FREE, FREEW and FREEZ, respectively. As a result of the merger,

Trinity's former securities, including the Trinity Class A Units and the Class B Units, ceased trading on the OTC Bulletin Board.

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In January 2007, Mr. Varouxakis purchased all of the shares of common stock owned by the two other co-founding shareholders. He simultaneously sold shares of common stock owned by him to FS Holdings Limited, an entity controlled by the Restis family, and to certain other investors. As a result of these transactions, Mr. Varouxakis now beneficially owns (including shares underlying options and warrants beneficially owned by him) approximately 29.8% of our outstanding common stock and FS Holdings Limited beneficially owns (including shares underlying warrants) approximately 35.1% of our outstanding common stock. Immediately following these transactions, our board of directors appointed Mr. Varouxakis chairman of the board and president, the two other co-founding shareholders and one other director resigned from the board, and two new directors were appointed to fill the vacancies. See Management and Related Party Transactions.

As of October 23, 2007, we have received an aggregate of \$5,039,655 in gross proceeds, which resulted in net proceeds of \$4,787,672 after deducting fees due to a financial advisor, from exercises of the Class W and Class Z warrants. We issued 1,007,931 shares of common stock in accordance with the terms of these warrants in connection with the exercises. These exercises occurred following our registration in August 2007 of the shares underlying these warrants.

Our executive offices are located at 89 Akti Miaouli & 4 Mavrokordatou Street, 185 38, Piraeus, Greece and our telephone number is 011-30-210-452-8770.

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The Offering

Common stock offered by us	11,000,000 shares.
Underwriters over-allotment option	Up to 1,650,000 shares.
Common stock outstanding after this offering(1)	18,298,031 shares.
Use of proceeds	<p>We estimate that we will receive net proceeds of approximately \$83,197,500 from this offering, based on the offering price of \$8.25 per share, after deducting underwriting discounts and commissions, and offering expenses, and assuming the underwriters over-allotment option is not exercised.</p> <p>We intend to use the proceeds of this offering in conjunction with \$48.7 million of borrowings under the credit facility we expect to enter into with Credit Suisse to refinance a portion of our existing indebtedness and for other purposes. See Use of Proceeds.</p>
Dividend policy	<p>Following the closing of this offering, we intend to distribute a portion of our available cash from operations as quarterly cash dividends to our shareholders in February, May, August and November of each year. We currently expect that we will pay a dividend in February 2008 of \$0.175 per share for the 2007 fiscal year followed by a quarterly dividend of \$0.175 per share in each of the following three quarters, assuming we complete this offering. The declaration and payment of any dividend is subject to the discretion of our board of directors. See Dividend Policy.</p>
NASDAQ Capital Market symbols	<p>Common stock FREE Class W warrants FREEW Class Z warrants FREEZ</p> <p>We have applied to have our common stock and warrants listed on the NASDAQ Global Market under the same symbols upon completion of this offering. We believe that upon the completion of this offering, we will satisfy the listing requirements of the NASDAQ Global Market for our common stock and warrants. We can provide no assurances, however, as to the time or likelihood of such approval.</p>
Risk factors	<p>Investing in our common stock involves substantial risk. You should carefully consider all the information in this prospectus prior to investing in our common stock. In particular, we urge you to consider carefully the factors set forth in the section of this prospectus entitled Risk Factors beginning on page 13. Some of these risk factors relate principally to the industry in which we operate and our business in general. Other risks relate to the securities market for and ownership of our common stock. Any of these risk factors could significantly and negatively affect our business, financial condition, operating results and common stock price.</p>

- (1) The number of shares of common stock outstanding after this offering is based on 7,298,031 shares of our common stock outstanding on October 23, 2007 and excludes the following:
- A. up to 250,000 shares reserved for issuance upon the exercise of stock options currently outstanding (of which, as of June 30, 2007, options to purchase 166,667 shares had vested), which have an

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exercise price of \$5.00 per share and expire on December 16, 2010, and up to 1,250,000 shares issuable upon exercise of stock options that may be granted in the future under our stock incentive plan;

- B. 3,564,569 shares of common stock reserved for issuance upon the exercise of outstanding warrants, as follows:

200,000 Class A warrants held by our founding shareholders exercisable at \$5.00 per share and expiring July 29, 2011;

700,000 Class B warrants held by FS Holdings Limited exercisable at \$5.00 per share of which 275,000 expire on May 8, 2012 and 425,000 expire on June 22, 2012;

996,974 Class W warrants exercisable at \$5.00 per share and expiring July 29, 2009; and

1,667,595 Class Z warrants exercisable at \$5.00 per share and expiring July 29, 2011;

- C. 410,000 shares of common stock reserved for issuance upon the exercise of the unit purchase option sold to the lead underwriter in the initial public offering of our predecessor, which unit purchase option expires July 29, 2009, as follows:

25,000 shares of common stock included in the 12,500 Series A units purchasable upon exercise of the unit purchase option, at an exercise price of \$17.325 per Series A unit;

62,500 shares of common stock issuable for \$5.50 per share upon exercise of 62,500 Class W warrants included in the 12,500 Series A units;

62,500 shares of common stock issuable for \$5.50 per share upon exercise of 62,500 Class Z warrants included in the 12,500 Series A units;

130,000 shares of common stock included in the 65,000 Series B units purchasable upon exercise of the unit purchase option, at an exercise price of \$16.665 per Series B unit;

65,000 shares of common stock issuable for \$5.50 per share upon exercise of 65,000 Class W warrants included in the 65,000 Series B units;

65,000 shares of common stock issuable for \$5.50 per share upon exercise of 65,000 Class Z warrants included in the 65,000 Series B units; and

- D. shares that may be issued pursuant to the underwriters' over-allotment option.

Assuming all outstanding stock options, all outstanding warrants and the unit purchase option sold to the lead underwriter in the initial public offering of our predecessor (and all warrants subject to such unit purchase option) were exercised for cash, we would receive gross proceeds of \$21,775,133.

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The following summary financial information and data were derived from our audited consolidated financial statements for the period from April 23, 2004 (date of inception) to December 31, 2004 and for the years ended December 31, 2005 and 2006, and our unaudited condensed consolidated financial statements for the three and six months ended June 30, 2006 and 2007, included elsewhere in this prospectus. The information is only a summary and should be read in conjunction with our historical consolidated financial statements and related notes included in this prospectus and the section of this prospectus titled Management's Discussion and Analysis of Financial Condition and Results of Operations. The historical data included below and elsewhere in this prospectus are not necessarily indicative of our future performance.

All amounts in the tables below are in thousands of U.S. dollars, except for share data, fleet data and average daily results.

	Three Months Ended		Six Months Ended		Year Ended		From
	June 30,		June 30,		December 31,		Inception
	2007	2006	2007	2006	2006	2005	(April 23,
							2004) to
							December 31,
							2004
Statement of							
Operations Data:							
Operating revenues	\$ 3,562	\$ 2,986	\$ 7,830	\$ 5,430	\$ 11,727	\$ 10,326	\$ 2,830
Commissions	(225)	(185)	(482)	(349)	(799)	(553)	(127)
Voyage expenses	(37)	(49)	(39)	(686)	(689)	(55)	(16)
Vessel operating expenses (exclusive of depreciation and amortization expenses shown separately below)	(899)	(1,033)	(2,313)	(2,065)	(4,483)	(3,596)	(786)
Depreciation expense	(655)	(1,081)	(1,467)	(2,221)	(4,479)	(3,553)	(872)
Amortization of deferred dry-docking and special survey costs	(123)	(112)	(318)	(222)	(442)	(355)	(109)
Management fees to a related party	(225)	(135)	(360)	(270)	(540)	(488)	(180)
Stock-based compensation expense	(25)	(216)	(50)	(379)	(651)	(200)	
General and administrative expenses	(640)	(390)	(982)	(822)	(1,925)	(321)	(34)
Gain on sale of vessel	1,369		1,369				
Finance costs	(414)	(265)	(633)	(511)	(1,004)	(1,076)	(240)
Interest income	39	2	39	13	19	8	4
Other	(17)	(125)	29	(176)	(58)	15	

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Net income (loss) for period	1,710	(603)	2,623	(2,258)	(3,324)	152	470
Earnings Per Share Data:							
Net income (loss) per share:							
Basic earnings (loss) per share	\$ 0.27	\$ (0.10)	\$ 0.42	\$ (0.36)	\$ (0.53)	\$ 0.03	\$ 0.10
Diluted earnings (loss) per share	\$ 0.25	\$ (0.10)	\$ 0.41	\$ (0.36)	\$ (0.53)	\$ 0.03	\$ 0.10
Weighted average number of shares:							
Basic weighted average number of shares	6,290,100	6,290,100	6,290,100	6,290,100	6,290,100	4,574,588	4,500,000
Diluted weighted average number of shares	6,921,050	6,290,100	6,476,315	6,290,100	6,290,100	4,600,444	4,500,000

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	June 30, 2007	2006	December 31, 2005	2004
Balance Sheet Data:				
Total current assets	\$ 9,106	\$ 1,417	\$ 5,286	\$ 1,443
Fixed assets, net	10,268	19,369	23,848	16,188
Total assets	32,804	23,086	29,840	18,335
Total current liabilities, including current portion of long-term debt	6,572	10,260	10,231	4,971
Long-term debt, including shareholders loans net of current portion	14,693	5,819	9,750	9,978
Total liabilities	21,265	16,079	20,135	14,949
Total shareholders equity	11,539	7,007	9,705	3,386

PERFORMANCE INDICATORS	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,		From Inception (April 23, 2004) to December 31, 2004
	2007	2006	2007	2006	2006	2005	2004
EBITDA (1)	\$ 2,863	\$ 853	\$ 5,002	\$ 683	\$ 2,582	\$ 5,128	\$ 1,687
Fleet Data:							
Average number of vessels (2)	2.29	3.00	2.64	3.00	3.00	2.55	0.67
Ownership days (3)	208	273	478	543	1,095	931	244
Available days (4)	208	253	478	523	1,005	931	244
Operating days (5)	203	250	461	490	941	893	244
Fleet utilization (6)	97.6%	91.6%	96.4%	90.2%	85.9%	95.9%	100.0%
Average Daily Results:							
Average TCE rate (7)	\$ 16,256	\$ 11,008	\$ 15,856	\$ 8,969	\$ 10,881	\$ 10,882	\$ 11,012
Vessel operating expenses (8)	4,322	3,784	4,839	3,803	4,094	3,863	3,221
Management fees (9)	505	495	502	497	493	524	738
Total vessel operating expenses (10)	\$ 4,827	\$ 4,278	\$ 5,341	\$ 4,300	\$ 4,587	\$ 4,387	\$ 3,959

(1) We consider EBITDA to represent net earnings before interest, taxes, depreciation and amortization. Under the laws of the Marshall Islands, we are not subject to tax on international shipping income. However, we are subject to registration and tonnage taxes, which have been included in vessel operating expenses. Accordingly, no adjustment for taxes has been made for purposes of calculating EBITDA. EBITDA does not represent and should not be considered as an alternative to net income or cash flow from operations, as determined by United States generally accepted accounting principles, or U.S. GAAP, and our calculation of EBITDA may not be comparable to that reported by other companies. EBITDA is included herein because it is an alternative measure of our liquidity, performance and indebtedness.

EBITDA reconciliation to net income:

	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,		From Inception (April 23,
	2007	2006	2007	2006	2006	2005	2004) to December 31, 2004
Net income (loss)	\$ 1,710	\$ (603)	\$ 2,623	\$ (2,258)	\$ (3,324)	\$ 152	\$ 470
Depreciation and amortization	778	1,193	1,785	2,443	4,921	3,908	981
Interest and finance cost	\$ 375	\$ 263	\$ 594	\$ 498	\$ 985	\$ 1,068	\$ 236
EBITDA	\$ 2,863	\$ 853	\$ 5,002	\$ 683	\$ 2,582	\$ 5,128	\$ 1,687

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- (2) Average number of vessels is the number of vessels that constituted our fleet for the relevant period, as measured by the sum of the number of days each vessel was a part of our fleet during the period divided by the number of calendar days in the period.
- (3) Ownership days are the total number of days in a period during which the vessels in our fleet have been owned by us. Ownership days are an indicator of the size of our fleet over a period and affect both the amount of revenues and the amount of expenses that we record during a period.
- (4) 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.
- (5) Operating days are the number of available days less the aggregate number of days that our 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.
- (6) We calculate fleet utilization by dividing the number of our fleet's operating days during a period by the number of ownership days during the 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 reasons such as scheduled repairs, vessel upgrades, or dry-dockings or other surveys.
- (7) Time charter equivalent, or TCE, is a measure of the average daily revenue performance of a vessel on a per voyage basis. Our method of calculating TCE is consistent with industry standards and is determined by dividing operating revenues (net of voyage expenses) by operating days for the relevant time period. Voyage expenses primarily consist of port, canal and fuel costs that are unique to a particular voyage, which would otherwise be paid by the charterer under a time charter contract. TCE is a standard shipping industry performance measure used primarily to compare period-to-period changes in a shipping company's performance despite changes in the mix of charter types (i.e., spot charters, time charters and bareboat charters) under which the vessels may be employed between the periods:

	Three Months Ended		Six Months Ended		Year Ended		From
	June 30,		June 30,		December 31,		Inception
	2007	2006	2007	2006	2006	2005	(April 23,
							2004) to
							December 31,
							2004
Operating revenues	\$ 3,562	\$ 2,986	\$ 7,830	\$ 5,430	\$ 11,727	\$ 10,326	\$ 2,830
Voyage expenses and commissions	(262)	(234)	(521)	(1,035)	(1,488)	(608)	(143)
Net operating revenues	\$ 3,300	\$ 2,752	\$ 7,309	\$ 4,395	\$ 10,239	\$ 9,718	\$ 2,687
Operating days	203	250	461	490	941	893	244
	\$ 16,256	\$ 11,008	\$ 15,856	\$ 8,969	\$ 10,881	\$ 10,882	\$ 11,012

Time charter
equivalent rates

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

	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,		From Inception (April 23, 2004) to December 31, 2004
	2007	2006	2007	2006	2006	2005	
Vessel operating expenses	\$ 899	\$ 1,033	\$ 2,313	\$ 2,065	\$ 4,483	\$ 3,596	\$ 786
Ownership days	208	273	478	543	1,095	931	244
Daily vessel operating expense	\$ 4,322	\$ 3,784	\$ 4,839	\$ 3,803	\$ 4,094	\$ 3,863	\$ 3,221

- (9) Daily management fees are calculated by dividing total management fees paid on ships owned by ownership days for the relevant time period.
- (10) Total vessel operating expenses, or TVOE, is a measurement of our total expenses associated with operating our vessels. TVOE is the sum of daily vessel operating expense and daily management fees. Daily TVOE is calculated by dividing TVOE by fleet ownership days for the relevant time period.

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RISK FACTORS

Our business faces certain risks. The risks described below may not be the only risks we face. Additional risks that we do not yet know of or that we currently think are immaterial may also impair our business. If any of the events or circumstances described as risks below or elsewhere in this prospectus actually occurs, our business, results of operations or financial condition could be materially and adversely affected.

Industry-Specific Risk Factors

The cyclical nature of the international shipping industry may lead to volatile changes in charter rates and vessel values, which may reduce our revenues and net income.

We are an independent shipping company that operates in the international drybulk shipping market. Our profitability is dependent upon the charter rates we are able to charge. The supply of and demand for shipping capacity strongly influences charter rates. The demand for shipping capacity is determined primarily by the demand for the type of commodities carried, the distance that those commodities must be moved by sea, and the demand for vessels of a particular size. The demand for commodities is affected by, among other things, world and regional economic and political conditions (including developments in international trade, fluctuations in industrial and agricultural production and armed conflicts), environmental concerns, weather patterns, port congestion, and changes in seaborne and other transportation costs. The size of the existing fleet per size category (i.e., Handysize, Handymax, Panamax or Capesize) in any particular drybulk market, the number of new vessel deliveries, the scrapping of older vessels and the number of vessels out of active service (i.e., laid-up, dry-docked, awaiting repairs or otherwise not available for hire), determines the supply of shipping capacity, which is measured by the amount of suitable tonnage available to carry cargo.

In addition to the prevailing and anticipated charter rates, factors that affect the supply and demand for shipping capacity include the rate of newbuilding, scrapping and laying-up, newbuilding prices, secondhand vessel values in relation to scrap prices, costs of bunkers and other operating costs, costs associated with classification society surveys, normal maintenance and insurance coverage, the efficiency and age profile of the existing fleet in the market, and government and industry regulation of maritime transportation practices, particularly environmental protection laws and regulations. These factors are outside of our control, and we cannot predict the nature, timing and degree of changes in industry conditions. Some of these factors may have a negative impact on our revenues and net income.

The market value of our vessels can fluctuate significantly. The market value of our vessels may increase or decrease depending on the following factors:

economic and market conditions affecting the shipping industry in general;

supply of drybulk vessels, including secondhand vessels;

demand for drybulk vessels;

types and sizes of vessels;

other modes of transportation;

cost of newbuildings;

new regulatory requirements from governments or self-regulated organizations; and
prevailing level of charter rates.

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, any determination that a vessel's remaining useful life and earnings requires an impairment of its value on our financial statements could result in a charge against our earnings and a reduction in our shareholders' equity. If for any reason we sell our vessels at a time when prices have fallen, the sale may be less than that vessel's carrying amount on our financial statements, and we would incur a loss and a reduction in earnings.

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Charter rates, which in the international drybulk shipping industry approached historic highs in the second quarter of 2007, may decline as a result of increased capacity and slowing worldwide economic growth, thereby reducing our future profitability.

After reaching a peak in mid-2005, charter rates and vessel values decreased during the remainder of 2005 and the first half of 2006. Since July 2006, charter rates and the value of secondhand vessels have risen sharply, approaching historical record high levels in August 2007. We cannot give any assurance as to how long these rate levels may be maintained and, if they begin to decline, to what levels they might fall. We anticipate that the future demand for our drybulk carriers and drybulk charter rates will be dependent upon continued economic growth particularly in China and India and elsewhere in the world generally, seasonal and regional changes in demand, and changes to the capacity of the world fleet. Adverse industry, economic, political, social or other developments could also decrease the amount and/or profitability of our business and materially reduce our revenues and net income.

The nature, timing and degree of changes in industry conditions are unpredictable and outside of our control. Some of the factors that influence demand for vessel capacity include:

- supply and demand for drybulk commodities;
- global and regional economic conditions;
- the distance drybulk commodities are to be moved by sea; and
- changes in seaborne and other transportation patterns.

Some of the factors that influence the supply of vessel capacity include:

- the number of newbuilding deliveries;
- the scrapping rate of older vessels;
- changes in environmental and other regulations that may limit the useful life of vessels;
- the number of vessels that are laid-up; and
- changes in global drybulk commodity production.

An oversupply of drybulk carrier capacity may lead to reductions in charter rates and our profitability.

The market supply of drybulk carriers, primarily Capesize and Panamax vessels, has been increasing, and the number of such drybulk carriers on order are near historic highs. Newbuildings were delivered in significant numbers starting at the beginning of 2006 and are expected to continue to be delivered in significant numbers through 2007. As of June 2007, newbuilding orders had been placed for an aggregate of more than 34% of the current global drybulk fleet, with deliveries expected during the next three to four years. An oversupply of drybulk carrier capacity may result in a reduction of our charter rates. If such a reduction occurs, when our vessels' current charters expire or terminate, we may only be able to recharter our vessels at reduced or unprofitable rates or we may not be able to charter these vessels at all.

An economic slowdown in the Asia Pacific region or elsewhere could materially reduce the amount and/or profitability of our business.

A significant number of the port calls made by our vessels involve the loading or discharging of raw materials and semi-finished products in ports in the Asia Pacific region. As a result, a negative change in economic conditions in any Asia Pacific country, but particularly in China or India, may have an adverse effect on our business, financial position and results of operations, as well as our future prospects. In particular, in recent years, China has been one of the world's fastest growing economies in terms of gross domestic product. We cannot assure you that such growth will be sustained or that the Chinese economy will not experience contraction in the future. Moreover, any slowdown in the economies of the United States, the European Union or certain other Asian countries may adversely effect economic growth in China and

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elsewhere. Our revenues and net income, as well as our future prospects, would likely be materially reduced by an economic downturn in any of these countries.

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. 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. Although limited price reforms were undertaken, with the result that prices for certain commodities are principally determined by market forces, many of the reforms are experimental and may be subject to change or abolition. We cannot assure you that the Chinese government will 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, 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, financial condition and operating results.

Charter rates are subject to seasonal fluctuations, which may adversely affect our operating results.

Our fleet consists of Handysize and Handymax drybulk carriers that operate in markets that have historically exhibited seasonal variations in demand and, as a result, in charter rates. This seasonality may result in quarter-to-quarter volatility in our operating results. 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. Grain shipments are driven by the harvest within a climate zone. Because three of the five largest grain producers (the United States, 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 drybulk shipping accordingly. As a result of these and other factors, the drybulk shipping industry is typically stronger in the fall and winter months. Therefore, we expect our revenues from our drybulk carriers to be typically weaker during the fiscal quarters ended June 30 and September 30 and, conversely, we expect our revenues from our drybulk carriers to be typically stronger in fiscal quarters ended December 31 and March 31. Seasonality in the drybulk industry could materially affect our operating results.

The operation of drybulk carriers has certain unique operational risks.

The operation of certain vessel types, such as drybulk carriers, has certain unique risks. With a drybulk carrier, the cargo itself and its interaction with the ship can be a risk factor. By their nature, drybulk cargoes are often heavy, dense, easily shifted, and react badly to water exposure. In addition, drybulk carriers are often subjected to battering treatment during unloading 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 unloading procedures may be more susceptible to breach to the sea. Hull breaches in drybulk carriers may lead to the flooding of the vessels' holds. If a drybulk carrier suffers flooding in its 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 ability to pay dividends. In addition, the loss of any of our vessels could harm our reputation as a safe and reliable vessel owner and operator.

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We are subject to regulation and liability under environmental laws that could require significant expenditures and reduce 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 and 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. We are also required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to our operations. Because such conventions, laws, regulations and permit requirements are often revised, we cannot predict the ultimate cost of complying with such conventions, laws, regulations or permit requirements, or the impact thereof on the resale prices or useful lives of our vessels. Additional conventions, laws and regulations may be adopted that could limit our ability to do business and thereby reduce our revenue or increase our cost of doing business, thereby materially decreasing our net income.

The operation of our vessels is affected by the requirements set forth in the International Safety Management, or ISM, Code. The ISM Code requires shipowners and bareboat charterers to develop and maintain an extensive Safety Management System. The system includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and dealing with emergencies. The failure of a shipowner 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/or may result in a denial of access to, or detention in, certain ports. Currently, Lloyd's Register of Shipping has awarded ISM and International Ship and Port Facilities Security, or ISPS, certification to all of our vessels and to Free Bulkera, our ship management company. There can be no assurance, however, that such certification will be maintained indefinitely.

The European Union is considering legislation that will affect the operation of vessels and the liability of owners for oil pollution. It is difficult to predict what legislation, if any, may be promulgated by the European Union or any other country or authority.

We currently maintain, for each of our vessels, protection and indemnity insurance, which includes pollution liability coverage, in the amount of one billion dollars per incident. If the damages from a catastrophic incident exceeded our insurance coverage, the payment of these damages may materially decrease our net income.

The International Maritime Organization, or IMO, or other regulatory bodies may adopt further regulations in the future that could adversely affect the useful lives of our vessels as well as our ability to generate income from them. These requirements can also affect the resale value of our vessels.

The United States Oil Pollution Act of 1990, or OPA, established an extensive regulatory and liability regime for the protection and clean-up of the environment from oil spills. OPA affects all owners and operators whose vessels trade in the United States of America or any of its territories and possessions or whose vessels operate in waters of the United States of America, which includes the territorial sea of the United States of America and its 200 nautical mile exclusive economic zone.

Under OPA, vessel owners, operators and bareboat charterers 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, including bunkers (fuel).

If any of our vessels fail to maintain their class certification and/or fail any annual survey, intermediate survey, dry-docking or special survey, that vessel would be unable to carry cargo, thereby reducing our revenues and profitability and violating certain loan covenants of our third-party indebtedness.

The hull and machinery of every commercial vessel must be classed by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and the Safety of Life at Sea Convention, or SOLAS. Our vessels are currently classed with Lloyd's Register of Shipping, Korean Register of Shipping, Nippon Kaiji Kyokai, and Germanischer Lloyd.

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A vessel must undergo annual surveys, intermediate surveys, dry-dockings and special surveys. In lieu of a special survey, a 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 are on special survey cycles for hull inspection and continuous survey cycles for machinery inspection. Every vessel is also required to be dry-docked every two to three years for inspection of the underwater parts of such vessel.

If any vessel does not maintain its class and/or fails any annual survey, intermediate survey, dry-docking or special survey, the vessel will be unable to carry cargo between ports and will be unemployable and uninsurable, thereby reducing our revenues and profitability. That could also cause us to be in violation of certain covenants in our loan agreements. In addition, the cost of maintaining our vessels' classifications may be substantial at times and could result in reduced revenues.

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

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lienholder may enforce its lien by arresting a vessel through foreclosure proceedings. The arresting or attachment of one or more of our vessels could interrupt our cash flow and require us to pay large sums of funds to have the arrest lifted.

In addition, in some jurisdictions, such as South Africa, under the sister ship theory of liability, a claimant may arrest both the vessel which is subject to the claimant's maritime lien and any associated vessel, which is any vessel owned or controlled by the same owner or managed by the same manager. Claimants could try to assert sister ship liability against one of our vessels for claims relating to another of our vessels or a vessel managed by our manager.

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. A government could also requisition our vessels for hire, which 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 reduce our revenues and net income.

World events outside our control such as terrorism and international and regional hostilities may negatively affect our ability to operate, thereby reducing our revenues and net income or our ability to obtain additional financing, thereby restricting the implementation of our business strategy.

Terrorist attacks such as those in New York on September 11, 2001, the bombings in Spain on March 11, 2004 and in London on July 7, 2005, and the continuing response of the United States and other countries to these attacks, as well as the threat of future terrorist attacks in the United States or elsewhere continue to cause uncertainty in the world financial markets and may adversely affect our business and operating results by increasing security costs and creating delays because of heightened security measures. 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.

Terrorist attacks and international and regional hostilities may also negatively impact our vessels or our customers directly. The continuing conflict in Iraq and Afghanistan may lead to additional acts of terrorism and armed conflict around the world, which may contribute to economic instability and could result in increased volatility of the financial markets in the United States of America and globally, an economic recession in the United States of America or the world and a corresponding reduction in our business and future prospects. Any of these occurrences could prevent us

from obtaining additional financing on terms acceptable to us or at all and have a material adverse impact on our operating results, revenues and costs which would impair our implementation of our business strategy.

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Risks involved with operating ocean-going vessels could affect our business and reputation, which may reduce our revenues.

The operation of an ocean-going vessel has 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, labor strikes or adverse weather conditions.

The involvement of any of our vessels in an environmental disaster may harm our reputation as a safe and reliable vessel operator. Any of these circumstances or events could increase our costs or lower our revenues.

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 OPEC and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns and regulations.

Company-Specific Risk Factors

We have a limited operating history and have cumulative deficits.

Our company was formed in April 2004, and we did not own or operate any vessels prior to June 2004. We therefore have a limited operating history and limited historical financial data on which to evaluate our operations or our ability to implement and achieve our business strategy. As of December 31, 2006 and June 30, 2007, we had cumulative deficits of \$2,702,000 and \$79,000, respectively, which reflects the impact of cumulative losses during 2006 and prior years. Although we achieved net income of \$2,623,000 for the six months ended June 30, 2007, there can be no assurances that we will achieve net income for the remainder of the year or that our net income will be sufficient to offset our cumulative deficit.

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

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

locating and acquiring suitable vessels;

identifying and consummating acquisitions or joint ventures;

integrating any acquired vessel successfully with our existing operations;

enhancing our customer base;

managing our expansion; and

obtaining the required financing.

Growing any business by acquisition presents numerous risks, such as undisclosed liabilities and obligations and difficulty experienced in (1) obtaining additional qualified personnel, (2) managing relationships with customers and suppliers and (3) integrating newly acquired operations into existing infrastructures.

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We cannot give any assurance that we will be successful in executing our growth plans or that we will not incur significant expenses and losses in connection with the execution of those growth plans.

The recent grounding of the M/V Free Jupiter will negatively impact our financial condition, results of operations and ability to pay dividends.

On September 21, 2007, the M/V *Free Jupiter* ran aground off the coast of the Philippines. See Summary Our Company and Business Vessel Employment for more information about this event. The M/V *Free Jupiter* sustained damage and will be undergoing repairs until approximately November 30, 2007, although there can be no assurances the repairs may not require longer to complete. While we believe that our hull and machinery insurance and our P&I insurance should cover the repair of the vessel and liability claims from the current charterer, subject to deductibles of at least \$75,000 in the aggregate, we do not currently have loss of hire or business interruption insurance, and accordingly, we will suffer a loss of revenues for the period that the vessel is off-hire while she was aground and during repairs. In addition, our protection and indemnity insurance would not cover claims made by our charterers for damages that they may incur as a result of the delays caused by the incident, although our insurance may cover our fees and expenses incurred in defending claims for damages brought by our charterers. Furthermore, we are scheduled to deliver the M/V *Free Jupiter* to its subsequent charterer by November 30, 2007 for a three-year time charter. If the vessel's repairs take longer to complete, we will request a further extension from the charterer. There can be no assurances a further extension will be granted. If a further extension is not granted, we may face claims that our insurance would not cover. We may also face increased insurance premiums as a result of the grounding incident. As a result, this grounding incident and its consequences will negatively impact our financial condition, results of operations and ability to pay dividends.

Our charterers may terminate or default on their charters, which could adversely affect our results of operations and cash flow.

Our charters may terminate earlier than the dates indicated in this prospectus. The terms of our charters vary as to which events or occurrences will cause a charter to terminate or give the charterer the option to terminate the charter, but these 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, if we fail to deliver a vessel within the time specified in its charter, the charterer may have the right to terminate the charter. Please see Summary Our Company and Business Vessel Employment for information regarding a potential delay in the delivery of the M/V *Free Jupiter* to its charterer.

The ability of each of our charterers 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 drybulk shipping industry, the charter rates received for specific types of vessels, and various operating expenses. The costs and delays associated with the termination of a charter or the default by a charterer of a vessel may be considerable and may adversely affect our business, results of operations, cash flows and financial condition.

We cannot predict whether our charterers will, upon the expiration of their charters, recharter our vessels on favorable terms or at all. If our charterers decide not to recharter our vessels, we may not be able to recharter them on terms similar to the terms of our current charters or at all. If we receive lower charter rates under replacement charters or are unable to recharter all of our vessels, our business, operating results and financial condition may be adversely affected.

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

We intend to employ our vessels in fixed-rate period charters and spot charters. While current charter rates are high relative to historical rates, the charter market is volatile, and at times in the past charter rates for vessels have declined

below operating costs of vessels. If our vessels become available for employment in the spot market or under new period charters during periods when charter rates have fallen, we may have to

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employ our vessels at depressed charter rates that would lead to reduced or volatile earnings. We cannot assure you that future charter rates will be at a level that will enable us to operate our vessels profitably or to repay our debt.

We will not be able to take advantage of favorable opportunities in the current spot market with respect to vessels employed on medium- to long-term time charters.

Following the delivery of the M/V *Free Goddess*, four of the five vessels in our fleet will be employed under medium- to long-term time charters (following the expiration of the M/V *Free Jupiter*'s initial time charter and unscheduled dry-docking and the M/V *Free Goddess*' two-month time charter), with expiration dates ranging from April 2008 to September 2010. Although medium- and long-term time charters provide relatively steady streams of revenue, vessels committed to medium- and long-term charters may not be available for spot voyages during periods of increasing charter hire rates, when spot voyages might be more profitable.

We previously relied on spot charters and may spot charter certain of our vessels in the future. The rates on spot charters are very competitive and volatile, which can result in decreased revenues if spot charter rates decline.

Our vessels have previously been spot chartered, which made our historical revenues subject to greater fluctuation. In the future, we may continue to spot charter certain of our vessels. 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 pre-determined rates over more extended periods of time. If we decide to continue to spot charter certain of our vessels, there can be no assurance that we will be successful in keeping those vessels fully employed in these short-term markets or that future spot rates will be sufficient to enable those vessels to be operated profitably.

If vessels that we acquire for our fleet are not delivered on time or delivered with significant defects, our business, results of operations, financial condition and ability to pay dividends could be adversely affected.

We took delivery of the M/V *Free Hero* on July 3, 2007 and of the M/V *Free Jupiter* on September 5, 2007. We expect to take delivery of the M/V *Free Goddess* in late October 2007. A prolonged delay in the delivery to us of the M/V *Free Goddess* or of any additional vessels we may contract to purchase, 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 business, results of operations, financial condition and the ability to pay dividends. The delivery of any of these vessels with substantial defects could have similar consequences.

If we cannot complete the purchase of the M/V *Free Goddess* or other vessels we may use the proceeds of this offering for general corporate purposes with which you may not agree.

Certain events may arise that could result in us not taking delivery of the M/V *Free Goddess* or any other vessel we may contract to purchase, such as seller's default, a total loss of a vessel, a constructive total loss of a vessel, or substantial damage to a vessel prior to its delivery. If the sellers of the M/V *Free Goddess* or any other vessels fail to deliver the vessels to us as agreed, or if we cancel a purchase agreement because a seller has not met its obligations, our management will have the discretion to apply the proceeds of this offering that we would have used to repay debt incurred for the purchase of those vessels to acquire other vessels or for general corporate purposes with which you may not agree. We will not escrow the proceeds from this offering and will not return the proceeds to you if we do not take delivery of the M/V *Free Goddess* or any other vessel we may contract to purchase. It may take a substantial period of time before we can locate and purchase other suitable vessels. During this period, the portion of the proceeds of this offering originally planned for the acquisition of the M/V *Free Goddess* or other vessels may be invested in other instruments and therefore may not yield returns at rates comparable to those that vessels might have earned, which would have a material adverse effect on our business and results of operations.

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We depend entirely on Free Bulkers and Safbulk to manage and charter our fleet.

Our executive management team consists of only two individuals, our chief executive officer and our chief financial officer. We currently contract the management of our fleet, including crewing, maintenance and repair, as well as our financial reporting and internal controls, to Free Bulkers, an affiliated company. Free Bulkers has entered into a sub-management agreement with Safbulk, a company controlled by the Restis family, for the commercial management of our fleet, including negotiating and obtaining charters, relations with charter brokers and performance of post-charter activities. We are dependent upon Free Bulkers for technical management of our fleet and upon Safbulk for our ability to attract charterers and charter brokers. The loss of either of their services or their failure to perform their obligations could reduce our revenues and net income and adversely affect our operations and business. Generally, Free Bulkers is not liable to us for any losses or damages, if any, that may result from its management of our fleet unless Free Bulkers or its employees act with negligence or gross negligence or commit a willful default with respect to one of our vessels. Pursuant to its agreement with us, Free Bulkers' liability for such acts, except in certain limited circumstances, may not exceed ten times the annual management fee payable by the applicable subsidiary to Free Bulkers. Although we may have rights against Free Bulkers, if Free Bulkers defaults on its obligations to us, you may have no recourse against Free Bulkers. In addition, if Safbulk defaults on its obligations to Free Bulkers, we may have no recourse against Safbulk. Further, we expect that we will need approval from our lenders if we intend to replace Free Bulkers as our fleet manager.

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

All of the seafarers employed on the vessels in our fleet are covered by 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.

If Free Bulkers is unable to perform under its vessel management agreements with us, our results of operations may be adversely affected.

As we expand our fleet, we will rely on Free Bulkers to recruit suitable additional seafarers and to meet other demands imposed on Free Bulkers. We cannot assure you that Free Bulkers will be able to meet these demands as we expand our fleet. If Free Bulkers' crewing agents encounter business or financial difficulties, they may not be able to adequately staff our vessels. If Free Bulkers is unable to provide the commercial and technical management service for our vessels, our business, results of operations, cash flows and financial position and our ability to pay dividends may be adversely affected.

We, and one of our executive officers, have affiliations with Free Bulkers that could create conflicts of interest detrimental to us.

Our chairman, chief executive officer and president, Ion G. Varouxakis, is also the controlling shareholder and officer of Free Bulkers, which is our ship management company. These dual responsibilities of our officer and the relationships between the two companies could create conflicts of interest between Free Bulkers and us. Each of our operating subsidiaries has a nonexclusive management agreement with Free Bulkers. Free Bulkers has subcontracted the charter and post-charter management of our fleet to Safbulk, which is controlled by FS Holdings Limited, one of our principal shareholders. Although Free Bulkers currently serves as manager for vessels owned by us, neither Free Bulkers nor Safbulk is restricted from entering into management agreements with other competing shipping companies, and Safbulk provides management services to other international shipping companies, including the Restis group, which owns and operates vessels in the drybulk sector. Free Bulkers or Safbulk could also allocate charter and/or vessel purchase and sale opportunities to others. There can be no assurance that Free Bulkers or Safbulk would

resolve any conflicts of interest in a manner beneficial to us.

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Operational or financial problems experienced by Free Bulkers, our affiliate, may adversely impact us.

The ability of Free Bulkers to continue providing services for us will depend in part on Free Bulkers' own financial strength. Circumstances beyond our control could impair Free Bulkers' financial strength and, as a result, Free Bulkers' ability to fulfill its obligations to us which could have a material adverse effect on us.

If Free Bulkers is unable to recruit suitable seafarers for our fleet or as we expand our fleet, our results of operations may be adversely affected.

We will rely on Free Bulkers to recruit suitable senior officers and crews as we expand our fleet. In addition, as we expand our fleet, we will have to rely on Free Bulkers to recruit suitable additional seafarers. We cannot assure you that Free Bulkers will be able to continue to hire suitable employees as we expand our fleet. If Free Bulkers' crewing agents encounter business or financial difficulties, they may not be able to adequately staff our vessels. We expect that all or part of the seafarers who will be employed on the ships in our fleet will be covered by industry-wide collective bargaining agreements that set basic standards. We cannot assure you that these agreements will prevent labor interruptions. If Free Bulkers is unable to recruit suitable seafarers as we expand our fleet, our business, results of operations, cash flows and financial condition and our ability to pay dividends may be materially adversely affected.

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

We employ our vessels in a highly competitive market that is capital intensive and highly fragmented. Competition arises primarily from other vessel owners, some of whom have substantially greater resources than we have. Competition for the transportation of drybulk cargoes can be intense and depends on price, location, size, 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.

A decline in the market value of our vessels could lead to a default under our loan agreements and the loss of our vessels.

We have incurred secured debt under loan agreements for all of our vessels. See "See Business - Loans for Vessels." If the market value of our fleet declines, we may not be in compliance with certain provisions of our existing loan agreements and we may not be able to refinance our debt or obtain additional financing. If we are unable to pledge additional collateral, our lenders could accelerate our debt and foreclose on our fleet.

Servicing debt may limit funds available for other purposes and inability to service debt may lead to acceleration of debt and foreclosure on our fleet.

To finance our original fleet of vessels, one of which was sold in April 2007, we incurred secured debt under loan agreements with Hollandsche Bank Unie N.V. that are guaranteed by us and unsecured, non-interest-bearing shareholder loans. As of June 30, 2007, we had total debt consisting of loans from shareholders of \$15.9 million and a ratio of bank debt to total capital of approximately 39%. The long-term debt requires quarterly payments of principal and interest and the shareholder loans require quarterly payments of principal. See "Business - Loans for Vessels."

On May 1, 2007, we entered into memoranda of agreement pursuant to which we agreed to purchase two secondhand drybulk carriers, the M/V *Free Hero* and the M/V *Free Jupiter*, from non-affiliated parties for a total of approximately \$72.25 million. On August 20, 2007, we entered into a memorandum of agreement to purchase the M/V *Free Goddess*, a secondhand Handysize vessel for a total purchase price of \$25.2 million. We took delivery of the

M/V *Free Hero* on July 3, 2007 and of the M/V *Free Jupiter* on September 5, 2007 and we expect to take delivery of the M/V *Free Goddess* in October 2007. To finance the acquisition of these vessels and other vessels we may acquire, we have obtained loan commitments from HSH Nordbank AG and BTMU Capital Corporation for an aggregate of \$89.5 million in the form of a secured senior loan and a junior secured loan, as well as a \$14.0 million unsecured loan from FS Holdings Limited, one of our principal shareholders. We have also entered into a credit agreement with Hollandsche Bank Unie N.V. increasing the

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amount available on an existing facility from \$5.0 million to \$9.0 million. Our ability to borrow any undrawn portion of the aggregate \$89.5 million commitment amount under the HSH Nordbank AG and BTMU Capital Corporation loans will terminate on January 15, 2008.

The drawings under these facilities have materially increased our long-term debt, our shareholder debt, and our ratio of debt to total capital.

If we are not able to repay a portion of our borrowings using the proceeds of this offering, we will be required to dedicate a significant portion of our cash flow from operations to pay the principal and interest on our debt. These requirements will increase as we draw additional funds available for the acquisition of new vessels. These payments will limit funds otherwise available for working capital, capital expenditures and other purposes. We will need to incur additional indebtedness as we further expand our fleet, which would increase our ratio of debt to equity. The need to service our debt may limit funds available for other purposes, including distributing cash to our shareholders, and our inability to service debt could lead to acceleration of our debt and foreclosure on our fleet.

We have negotiated an offer letter contingent upon, among other things, the execution of formal loan agreements, for a senior secured credit facility from Credit Suisse, the lead underwriter of this offering, in the aggregate amount of \$87.0 million, consisting of a \$48.7 million loan to finance or refinance, as appropriate, up to 50% of the purchase price of the M/V *Free Hero*, the M/V *Free Jupiter* and the M/V *Free Goddess* and a \$38.3 million facility to finance up to 75% of the purchase price of additional vessels. The repayment and interest terms contained in this offer letter are more favorable than those contained in our debt facilities that were used to acquire the M/V *Free Hero* and the M/V *Free Jupiter*, and will be used to acquire the M/V *Free Goddess* and would increase our cash flow and should result in funds available for vessel acquisitions and payment of dividends to our shareholders. We intend to enter into this senior credit facility only if we successfully complete this offering. We cannot assure you that we will enter into a formal agreement with Credit Suisse. See **Business Loans for Vessels** for a description of this Credit Suisse offer letter.

Continued increase in interest rates would reduce funds available to purchase vessels and service debt.

The rise in interest rates since 2005 has caused our interest cost to increase and has had a material adverse effect on our net income. Any further interest rate increases could further reduce our revenues and net income. We have purchased, and may purchase in the future, vessels with loans that provide for periodic interest payments based on indices that fluctuate with changes in market interest rates. If interest rates increase significantly, it would increase our costs of financing our acquisition of vessels, which could decrease the number of additional vessels that we could acquire and adversely affect our financial condition and results of operations and may adversely affect our ability to service debt.

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

Our loan agreements impose operating and financial restrictions on us. These restrictions may limit our ability to:

- incur additional indebtedness;
- create liens on our assets;
- sell capital stock of our subsidiaries;
- make investments;

engage in mergers or acquisitions;

pay dividends;

make capital expenditures; and

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

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In addition, our credit facilities contain a number of financial covenants and general covenants that require us to, among other things, maintain minimum vessel values, minimum cash balances on deposit, minimum working capital and adequate insurance. Therefore, we may need to seek permission from our lenders in order to undertake certain corporate actions. Our lenders' interests may be different from ours, and we cannot guarantee that we will be able to obtain our lenders' permission when needed. This may prevent us from taking actions that are in our best interest.

We cannot assure you that we will pay dividends.

There can be no assurance that dividends will be paid in the anticipated amounts and frequency set forth in this prospectus or at all. Following the closing of this offering, we intend to declare and distribute a portion of our available cash from operations as quarterly cash dividends to our shareholders in February, May, August and November of each year. We currently expect, assuming we complete this offering, that we will pay in February 2008 a dividend of \$0.175 per share for the 2007 fiscal year followed by a quarterly dividend of \$0.175 per share in each of the following three quarters as described in Dividend Policy. However, we may incur other expenses or liabilities that would reduce or eliminate the cash available for distribution as dividends, including as a result of the risks described in this section of the prospectus. Our credit agreements may also prohibit our declaration and payment of dividends under some circumstances. For example, our offer letter for a senior secured credit facility from Credit Suisse, the lead underwriter of this offering, permits payments of dividends to our shareholders provided we are in compliance with certain loan covenants. See Business Loans for Vessels. We may also enter into new financing or other agreements that will restrict our ability to pay dividends.

In addition, the declaration and payment of dividends will be subject at all times to the discretion of our board of directors. The timing and amount of dividends will depend on our earnings, financial condition, cash requirements and availability, fleet renewal and expansion, restrictions in our credit agreements, the provisions of Marshall Islands law affecting the payment of dividends and other factors. Marshall Islands law generally prohibits the payment of dividends other than from surplus or while a company is insolvent or would be rendered insolvent upon the payment of such dividends; but in case there is no 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.

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

We are a holding company and our subsidiaries, which are all wholly-owned by us either directly or indirectly, will 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. If we are unable to obtain funds from our subsidiaries, our board of directors may exercise its discretion not to pay dividends. We and our subsidiaries will be permitted to pay dividends under our senior secured term loan only for so long as we are in compliance with all applicable financial covenants, terms and conditions. In addition, we and our subsidiaries are subject to limitations on the payment of dividends under Marshall Islands laws discussed above.

The performance of our existing charters and the creditworthiness of our charterers may hinder our ability to implement our business strategy by making additional debt financing unavailable or available only at higher than anticipated cost.

The actual or perceived credit quality of our charterers, and any defaults by them, may materially affect our ability to obtain the additional debt financing that we will require to acquire additional vessels or may significantly increase our costs of obtaining such financing. Our inability to obtain additional financing at all, or at a higher than anticipated

cost, may materially impair our ability to implement our business strategy.

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As we expand our business, we will need to upgrade our operational and financial systems, and add more staff. If we cannot upgrade these systems or recruit suitable additional employees, our performance may suffer.

Our current operating and financial systems may not be adequate if we expand the size of our fleet, and our attempt to improve those systems may be ineffective. In addition, if we expand our fleet, we will have to rely on Free Bulkers to recruit additional shoreside administrative and management personnel. We cannot assure you that Free Bulkers will be able to continue to hire suitable additional employees as we expand our fleet. If we cannot upgrade our operational and financial systems effectively or recruit suitable additional employees our performance may suffer and our ability to expand our business further will be restricted.

We will be required to evaluate our controls, as required by Section 404 of the Sarbanes-Oxley Act of 2002, which will require substantial resources. If these evaluations result in the identification of material weaknesses, we may be adversely affected until these weaknesses can be corrected.

We are required to comply with a variety of laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002 (which we refer to as the Sarbanes-Oxley Act), SEC regulations and the NASDAQ Stock Market rules. In particular, Section 404 of the Sarbanes-Oxley Act requires management's annual review and evaluation of our internal control systems, and attestations as to the effectiveness of these systems by our independent public accounting firm. We anticipate that we will have to dedicate additional resources and accelerate progress on the required assessments in order to complete documenting and testing our internal control systems and procedures in the time to enable us to timely file our annual report on Form 20-F for the year ended December 31, 2007. If we determine that we will require additional employees to complete this process, we may have difficulty in identifying and employing individuals with the necessary knowledge and experience. During the course of testing, deficiencies may be identified that we may not be able to remediate to meet the deadline imposed by the Sarbanes-Oxley Act for compliance with the requirements of Section 404. If we fail to maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. In addition, if we fail to correct any deficiencies we identify, we may not obtain an unqualified attestation report from our independent public accounting firm, which will be required for the fiscal year ended December 31, 2008. Failure to achieve and maintain an effective internal control environment or obtain an unqualified report could have a material adverse effect on the market price of our common stock.

We may be unable to attract and retain key management personnel and other employees in the shipping industry, which may reduce the effectiveness of our management and lower our results of operations.

Our success depends to a significant extent upon the abilities and efforts of our existing management team. The loss of any of these individuals could adversely affect our business prospects and financial condition. We have entered into employment agreements with our chairman, chief executive officer and president, Ion G. Varouxakis, and our chief financial officer, Dimitris D. Papadopoulos. Our success will depend on retaining key members of our management team. Difficulty in hiring and retaining personnel could adversely affect our results of operations and ability to pay dividends. We do not maintain key man life insurance on any of our officers.

Our vessels may suffer damage and may face unexpected dry-docking costs, which could reduce our cash flow and impair our financial condition.

If our vessels suffer damage, they may need to be repaired at a dry-docking facility. The costs of dry-dock repairs are unpredictable and can be substantial. We may have to pay dry-docking costs that our insurance does not cover. The loss of earnings while these vessels are being repaired and reconditioned, as well as the actual cost of these repairs,

would decrease our earnings.

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Since our fleet is currently small, the loss of service of any vessels could have a material adverse effect on our earnings.

During the year ended December 31, 2006, we had three vessels in our fleet. In April 2007, we sold one of our vessels and we took delivery of two other vessels, the M/V *Free Hero* and the M/V *Free Jupiter*, in July 2007 and September 2007, respectively. Although we have entered into a memorandum of agreement to acquire an additional vessel, this acquisition is not expected to occur until late October 2007. Please also see Summary Our Company and Business Vessel Employment for information regarding the M/V *Free Jupiter*'s anticipated off-hire period due to a grounding incident. We do not currently maintain insurance for loss of hire. Since our fleet is currently small, the loss of service of any of our vessels, especially our four current vessels, could have a material adverse effect on our earnings.

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

We took delivery of two secondhand vessels, the M/V *Free Hero* and the M/V *Free Jupiter*, on July 3, 2007 and September 5, 2007, respectively, and we have entered into a memorandum of agreement to acquire an additional secondhand vessel, the M/V *Free Goddess*. Although we inspect the secondhand vessels that we acquire prior to purchase, this inspection 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. Generally, we do not receive the benefit of warranties on secondhand vessels.

In general, the costs to maintain a vessel in good operating condition increase with the age of the vessel. Upon acquisition of the M/V *Free Goddess*, the average age of our drybulk carriers at the time of this offering will be approximately 16 years. 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 or 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. We cannot assure you that, as our vessels age, market conditions will justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives. If we sell vessels, it is not certain that the price for which we sell them will equal their carrying amount at that time.

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

Unless we maintain reserves or are able to borrow or raise funds for vessel replacement we will be unable to replace the vessels in our fleet upon the expiration of their useful lives, which we expect to range from 25 years to 30 years, depending on the type of vessel. Our cash flows and income are dependent on the revenues earned by the chartering of our vessels to customers. If we are unable to replace the vessels in our fleet upon the expiration of their useful lives, our business, results of operations, financial condition and ability to pay dividends will be materially and adversely affected. Any reserves set aside for vessel replacement may not be available for dividends.

Because we will generate all of our revenues in U.S. dollars but will incur a portion of our expenses in other currencies, exchange rate fluctuations could have an adverse impact on our results of operations.

We will generate all of our revenues in U.S. dollars, but we expect that portions of our future expenses will be incurred in currencies other than the U.S. dollar. This difference could lead to fluctuations in net income due to changes in the value of the dollar relative to the other currencies, in particular the Euro. Expenses incurred in foreign

currencies against which the dollar falls in value can increase, decreasing our revenues. For example, during 2006, the value of the dollar declined by approximately 11% as compared to

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the Euro and declined approximately 1.8% further during the first six months of 2007. Further declines in the value of the dollar could lead to higher expenses payable by us.

Investment in derivative instruments such as freight forward agreements could result in losses.

From time to time in the future, we may take positions in derivative instruments including freight forward agreements, or FFAs. FFAs and other derivative instruments may be used to hedge a vessel owner's exposure to the charter market by providing for the sale of a contracted charter rate along a specified route and period of time. Upon settlement, if the contracted charter rate is less than the average of the rates, as reported by an identified index, for the specified route and time period, the seller of the FFA is required to pay the buyer an amount equal to the difference between the contracted rate and the settlement rate, multiplied by the number of days in the specified period. Conversely, if the contracted rate is greater than the settlement rate, the buyer is required to pay the seller the settlement sum. If we take positions in FFAs or other derivative instruments and do not correctly anticipate charter rate movements over the specified route and time period, we could suffer losses in the settling or termination of the FFA. This could adversely affect our results of operation and cash flow.

We may not have adequate insurance to compensate us adequately for damage to, or loss of, our vessels.

We procure hull and machinery insurance, protection and indemnity insurance, which includes environmental damage and pollution insurance and war risk insurance for our fleet. We currently do not maintain insurance against loss of hire, which covers business interruptions that result in the loss of use of a vessel. We can give no assurance that we are adequately insured against all other risks. We may not be able to obtain adequate insurance coverage for our fleet in the future. Our insurance policies contain deductibles for which we will be responsible and limitations and exclusions which may increase our costs. Moreover, we cannot assure that the insurers will not default on any claims they are required to pay. If our insurance is not enough to cover claims that may arise, we may not be able to repair any damage to our vessels or replace any vessel that is lost or may have to use our own funds for those purposes, thereby reducing our funds available to implement our business strategy.

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

Under the United States Internal Revenue Code of 1986, or the Code, 50% of the gross shipping income of a vessel owning or chartering corporation, such as ourselves and our subsidiaries, that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States may be subject to a 4% United States 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 expect that we and each of our subsidiaries will qualify for this statutory tax exemption for 2008 and subsequent years. However, there are factual circumstances beyond our control that could cause us to fail to qualify for this tax exemption and thereby be subject to United States federal income tax on our United States 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 do 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 our direct and indirect individual shareholders as residents of qualifying jurisdictions and whether they own shares through bearer share arrangements and will require compliance with ownership certification procedures by individual shareholders that are residents of qualifying jurisdictions and by each

intermediary or other person in the chain of ownership between us and such individuals. See, Tax Considerations
United States Federal Income Tax Consequences United States Federal Income Taxation

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of Our Company Exemption of Operating Income from United States Federal Income Taxation, for more information regarding this exemption. Due to the factual nature of the issues involved, we can give no assurances on our tax-exempt status or that of any of our subsidiaries.

It is not clear whether we will be entitled to the benefits of Section 883 for 2006 and 2007. We do not anticipate, however, that a material amount of United States federal tax would be owed in the event that we do not qualify for the benefits of Section 883 for such years.

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 these companies derive during the year that are 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.

U.S. tax authorities could treat us as a passive foreign investment company, which could have adverse U.S. federal income tax consequences to U.S. holders.

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.

Based on our proposed method of operation, we do not believe that we will be a PFIC with respect to any taxable year. In this regard, we intend to treat the gross income we derive or are deemed to derive from our time chartering activities as services income, rather than rental income. Accordingly, we believe that our time chartering activities does not constitute passive income, and the assets that we own and operate in connection with the production of that income do not constitute passive assets.

There is, however, no direct legal authority under the PFIC rules addressing our proposed method of operation. Accordingly, no assurance can be given that the U.S. Internal Revenue Service, or IRS, or a court of law will accept our 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 there were to be changes in the nature and extent of our operations.

If the IRS were to find that we are or have been a PFIC for any taxable year, our U.S. shareholders will face adverse U.S. tax consequences. Under the PFIC rules, unless those shareholders make an election available under the Code (which election could itself have adverse consequences for such shareholders, as discussed below under Tax Considerations United States Federal Income Taxation of U.S. Holders), such shareholders would be liable to pay United States 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 our common shares, as if the excess distribution or gain had been recognized ratably over the shareholder's holding period of our common shares. See Tax Considerations United States Federal Income Tax Consequences United States 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.

Legislation has been proposed in the United States which would prevent dividends on our shares from qualifying for certain preferential rates for U.S. federal income tax purposes.

Qualified dividend income derived by noncorporate shareholders that are subject to U.S. federal income tax is currently subject to U.S. federal income taxation at reduced rates. We expect that under current law, so

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long as our shares are traded on the NASDAQ Capital Market or the NASDAQ Global Market and we do not and have not qualified as a passive foreign investment company for U.S. federal income tax purposes, distributions treated as dividends for U.S. tax purposes on our shares will potentially be eligible (that is, eligible if certain conditions relating to the shareholder are satisfied) for treatment as qualified dividend income. Proposed legislation in the United States would, however, if enacted, make it unlikely that such distributions on our shares would be eligible for such treatment. As of the date hereof, no assurance can be given regarding whether or not such legislation will be enacted.

Offering-Specific Risk Factors

There may not be a liquid market for our common stock, which may cause our common stock to trade at lower prices and make it difficult to sell your common stock.

Although we have made application to list our shares on the NASDAQ Global Market, until now our shares have traded on the NASDAQ Capital Market and the trading volume has been low. We cannot predict at this time how actively our shares will trade in the public market or whether the price of our shares in the public market will reflect our actual financial performance.

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;

changes in sales or earnings estimates or publication of research reports by analysts;

speculation in the press or investment community about our business or the shipping industry generally;

changes in market valuations of similar companies and stock market price and volume fluctuations generally;

strategic actions by us or our competitors such as acquisitions or restructurings;

regulatory developments;

additions or departures of key personnel;

general market conditions; and

domestic and international economic, market and currency factors unrelated to our performance.

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

You will experience immediate and substantial dilution as a result of this offering and may experience additional dilution in the future.

If you purchase common stock in this offering, you will pay more for your shares of common stock than the amounts paid on average by our existing shareholders for their shares. As a result, you will incur immediate and substantial dilution of \$2.81 per share, representing the difference between the public offering price and our pro forma as adjusted net tangible book value per share as of June 30, 2007, after giving effect to this offering and the exercise of Class W and Class Z warrants through October 23, 2007. In addition, purchasers of our common stock from us in this offering will have contributed approximately 85% of the aggregate price paid by all purchasers of our common stock from us, but will own only approximately 60% of the shares outstanding after this offering. For more information, please see Dilution.

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If holders of our warrants exercise their right to purchase shares of our common stock, you will experience immediate dilution.

As of October 23, 2007, we have outstanding 200,000 Class A warrants issued to our initial shareholders, and 700,000 Class B warrants issued to FS Holdings Limited. Of our publicly traded classes of warrants, we have outstanding as of October 23, 2007 996,974 Class W warrants and 1,667,595 Class Z warrants. Each of these warrants is exercisable to purchase one share of our common stock at an exercise price of \$5.00 per share, and our Class A, Class W and Class Z warrants must be exercised for cash. Our Class A warrants expire July 29, 2011, our Class B warrants expire on May 8, 2012 as to 275,000 shares and on June 22, 2012 as to 425,000 shares, our Class W warrants expire July 29, 2009, and our Class Z warrants expire July 29, 2011. As a result, if holders of our warrants exercise their right to purchase shares of our common stock, we may issue up to 3,564,569 additional shares of our common stock at \$5.00 per share, which will cause you immediate dilution.

In addition, we are obligated under the unit purchase option sold to the lead underwriter in the initial public offering of our predecessor to issue up to an additional 410,000 shares of common stock. See Description of Capital Stock Underwriter's Unit Purchase Option.

Upon the consummation of this offering, two of our principal shareholders may effectively control the outcome of matters on which our shareholders are entitled to vote, including the election of directors and other significant corporate actions.

Two of our principal shareholders, The Mida's Touch S.A. and FS Holdings Limited, controlled by Mr. Varouxakis and members of the Restis family, respectively, currently own (not including shares of common stock subject to options and warrants) approximately 61.4% of our outstanding common stock. Upon consummation of this offering they will own approximately 26.3% of our outstanding common stock. While our principal shareholders have no agreement, arrangement or understanding relating to the voting of their shares, they may effectively control the outcome of matters on which our shareholders are entitled to vote, including the election of directors and other significant corporate actions. The interests of these shareholders may be different from your interests.

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

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales could occur, may depress the market price for our common stock. These sales could also impair our ability to raise additional capital through the sale of our equity securities in the future. We have registered for resale an aggregate of 840,834 shares of common stock beneficially owned by certain of our shareholders, 3,672,500 shares of our common stock issuable upon the exercise of our Class W and Class Z warrants (including 151,250 shares of FreeSeas common stock issuable upon exercise of Class W and Class Z warrants owned by certain shareholders), and 410,000 shares issuable upon the exercise of a unit purchase option held by the lead underwriter in the initial public offering of our predecessor.

We may issue additional shares of our stock in the future and our shareholders may elect to sell large numbers of shares held by them from time to time. Our amended and restated articles of incorporation authorize us to issue up to 40,000,000 shares of common stock and 5,000,000 shares of preferred stock, of which 18,298,031 shares of common stock will be outstanding immediately after this offering, assuming that the underwriters do not exercise their over-allotment option. See Prospectus Summary The Offering with respect to the calculation of the number of shares outstanding immediately following this offering.

Because the Republic of the Marshall Islands, where we are incorporated, does not have a well-developed body of corporate law, shareholders may have fewer rights and protections than under typical United States law, such as

Delaware, and shareholders may have difficulty in protecting their interest with regard to actions taken by our Board of Directors.

Our corporate affairs are governed by amended and restated articles of incorporation and by-laws and by the Marshall Islands Business Corporations Act, or BCA. The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. However, there have been few judicial cases in

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the Republic of the Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors under the law of the Republic of the Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in certain U.S. jurisdictions. Stockholder rights may differ as well. For example, under Marshall Islands law, a copy of the notice of any meeting of the shareholders must be given not less than 15 days before the meeting, whereas in Delaware such notice must be given not less than 10 days before the meeting. Therefore, if immediate shareholder action is required, a meeting may not be able to be convened as quickly as it can be convened under Delaware law. Also, under Marshall Islands law, any action required to be taken by a meeting of shareholders may only be taken without a meeting if consent is in writing and is signed by all of the shareholders entitled to vote, whereas under Delaware law action may be taken by consent if approved by the number of shareholders that would be required to approve such action at a meeting. Therefore, under Marshall Islands law, it may be more difficult for a company to take certain actions without a meeting even if a majority of the shareholders approve of such action. While the BCA does specifically incorporate the non-statutory law, or judicial case law, of the State of Delaware and other states with substantially similar legislative provisions, public shareholders may have more difficulty in protecting their interests in the face of actions by the management, directors or controlling shareholders than would shareholders of a corporation incorporated in a U.S. jurisdiction. For more information with respect to how stockholder rights under Marshall Islands law compare with stockholder rights under Delaware law, please read [Marshall Islands Company Considerations](#).

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

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

Anti-takeover provisions in our organizational documents, and under Marshall Islands corporate law, could make it difficult for our shareholders to replace or remove our current board of directors or have the effect of discouraging, delaying or preventing a merger or acquisition, which could adversely affect the market price of our common stock.

Several provisions of our amended and restated articles of incorporation and by-laws, and certain provisions of the Marshall Islands corporate law, could make it difficult for our shareholders to change the composition of our board of directors in any one year, preventing them from changing the composition of management. In addition, these provisions may discourage, delay or prevent a merger or acquisition that shareholders may consider favorable. These provisions include:

- authorizing our board of directors to issue blank check preferred stock without shareholder approval;
- providing for a classified board of directors with staggered, three year terms;
- prohibiting cumulative voting in the election of directors;

authorizing the removal of directors only for cause and only upon the affirmative vote of the holders of a two-thirds majority of the outstanding shares of our common shares, voting as a single class, entitled to vote for the directors;

limiting the persons who may call special meetings of shareholders;

establishing advance notice requirements for election to our board of directors or proposing matters that can be acted on by shareholders at shareholder meetings; and

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limiting our ability to enter into business combination transactions with certain shareholders.

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

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. These forward-looking statements include information about possible or assumed future results of our operations or our performance. Words such as expects, intends, plans, believes, anticipates, estimates, and variations of such words and similar expressions are intended to identify the forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. These statements involve known and unknown risks and are based upon a number of assumptions and estimates which are inherently subject to significant uncertainties and contingencies, many of which are beyond our control. Actual results may differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements include, but are not limited to, statements regarding:

our future operating or financial results;

future, pending or recent acquisitions, business strategy, areas of possible expansion, and expected capital spending or operating expenses;

drybulk shipping industry trends, including charter rates and factors affecting vessel supply and demand;

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;

availability of crew, number of off-hire days, dry-docking requirements and insurance costs;

our expectations about the availability of vessels to purchase or the useful lives of our vessels;

our ability to leverage to our advantage our manager's relationships and reputations in the drybulk shipping industry;

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;

global and regional political conditions;

acts of terrorism and other hostilities; and

other factors discussed in the section titled Risk Factors.

We undertake no obligation to publicly update or revise any forward-looking statements contained in this prospectus, or the documents to which we refer you in this prospectus, to reflect any change in our expectations with respect to such statements or any change in events, conditions or circumstances on which any statement is based.

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Our common stock began trading on the NASDAQ Capital Market on December 16, 2005 under the trading symbol **FREE** upon completion of our merger with Trinity Partners Acquisition Company Inc. Our Class W and Class Z warrants also are traded on the NASDAQ Capital Market under the symbols **FREEW** and **FREEZ**, respectively. We have applied to have our common stock and warrants listed on the NASDAQ Global Market under the same symbols upon completion of this offering.

The closing high and low sales prices of our common stock as reported by the NASDAQ Capital Market, for the periods indicated, are as follows:

For the Period:	Low	High
Year ended December 31, 2005(1)	\$ 5.33	\$ 5.40
Quarterly for 2005:		
Fourth quarter(1)	\$ 5.33	\$ 5.40
Year ended December 31, 2006	\$ 2.62	\$ 5.45
Quarterly for 2006:		
First quarter	\$ 4.50	\$ 5.45
Second quarter	\$ 3.65	\$ 4.85
Third quarter	\$ 3.70	\$ 5.07
Fourth quarter	\$ 2.62	\$ 4.90
Quarterly for 2007:		
First quarter	\$ 2.76	\$ 5.15
Second quarter	\$ 4.55	\$ 7.63
Third quarter	\$ 6.77	\$ 9.35
Fourth quarter (through October 23, 2007)	\$ 7.52	\$ 10.24
Monthly for 2007:		
January	\$ 2.76	\$ 5.11
February	\$ 4.53	\$ 4.77
March	\$ 4.40	\$ 5.15
April	\$ 4.55	\$ 5.00
May	\$ 4.75	\$ 6.45
June	\$ 6.09	\$ 7.63
July	\$ 7.42	\$ 9.35
August	\$ 6.77	\$ 8.65
September	\$ 7.14	\$ 7.84
October (through October 23, 2007)	\$ 7.52	\$ 10.24

(1) Includes the high and low information from December 16, 2005, the date on which our securities began trading on the NASDAQ Capital Market. Prior to our merger with Trinity, Trinity's securities traded on the OTC Bulletin Board.

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DIVIDEND POLICY

Following the closing of this offering, we intend to pay quarterly cash dividends to our shareholders equal to a portion of our available cash from operations during the previous quarter after expenses and reserves for scheduled dry-dockings, intermediate and special surveys and other purposes as our board of directors may determine from time to time are required, and after taking into account any other cash needs. We expect that we will pay a dividend in February 2008 of \$0.175 per share for the 2007 fiscal year followed by a quarterly dividend of \$0.175 per share in each of the subsequent three quarters following the closing of the offering at the annual rate of \$0.70 per share (or the pro rata portion thereof if the dividend period is less than a full quarter), assuming we complete this offering.

We cannot assure you that we will pay dividends. We may not have sufficient funds with which to pay dividends at all or at the anticipated frequency or amount set forth in this prospectus. Declaration and payment of any dividend is subject to the discretion of our board of directors. The timing and amount of dividend payments will be dependent upon our earnings, financial position, cash requirements and availability, fleet renewal and expansion, and restrictions in our loan agreements, as well as the provisions of Marshall Islands law affecting the payment of distributions to shareholders and other factors. Our board of directors will specifically consider our available cash flow from operations during the previous quarter, less cash expenses for that quarter (primarily vessel operating expenses and interest expense) and any reserves our board of directors determines we should maintain for reinvestment in our business before declaring a quarterly dividend to our shareholders. These reserves may cover, among other things, dry-docking, intermediate and special surveys, liabilities and other obligations, interest expense and debt amortization, acquisitions of additional assets and working capital. Further, we cannot assure you that, after the expiration or earlier termination of our charters, we will have any sources of income from which dividends may be paid. We refer you to the disclosures under the headings *Forward-Looking Statements* and *Tax Considerations* included elsewhere in this prospectus. In addition, see *Risk Factors* for a discussion of certain risks related to our ability to pay dividends.

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USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately \$83,197,500 from this offering, assuming that the underwriters' over-allotment option is not exercised and after deducting underwriting discounts and commissions and offering expenses.

We expect to enter into an \$87.0 million credit agreement with Credit Suisse following completion of this offering as described further under **Business Loans for Vessels**. We intend to use the net proceeds of this offering and a \$48.7 million draw under the Credit Suisse credit agreement to refinance an aggregate of \$71.5 million of our existing indebtedness and for other purposes.

We intend to use the remaining proceeds for general corporate purposes, including future vessel acquisitions.

As of the date of this prospectus, we intend to use the net proceeds of this offering and the amount drawn under the Credit Suisse credit agreement to pay the following:

\$14.0 million outstanding as of June 30, 2007 under a \$14.0 million unsecured shareholder loan which bears interest at an annual rate of 12% and has a maturity date of the earlier of (i) May 7, 2009, (ii) the date of a Capital Event, which is defined as any event in which we raise gross proceeds of not less than \$40 million in an offering of our common stock or other equity securities or securities convertible into or exchangeable for our equity securities, or (iii) the date of acceleration of the amounts due under the loan;

\$42.7 million of our \$68.0 million senior secured loan from HSH Nordbank A.G. which has a maturity date of August 31, 2015 and bears interest at an annual rate of LIBOR plus 1.5%, which amount was drawn subsequent to June 30, 2007;

\$12.9 million of our \$21.5 million junior loan from BTMU Capital Corporation which has a maturity date of August 31, 2010 and bears interest at an annual rate of LIBOR plus 2.75%, which amount was drawn subsequent to June 30, 2007;

\$1.9 million as of June 30, 2007 under preexisting interest-free shareholder loans used to finance the acquisition of our original three vessels which mature on the earlier of January 1, 2008 or the date that we raise additional capital of at least \$12.5 million; and

The unpaid portion of the purchase price of the *M/V Free Goddess* or, if the purchase of the *M/V Free Goddess* occurs prior to the closing of this offering, the \$20.8 million that will be drawn down under our senior and junior loans to finance in part the purchase of this vessel.

If we do not purchase the *M/V Free Goddess*, we may use the proceeds of this offering to purchase other vessels or for general corporate purposes. In particular, certain events may arise that could result in us not taking delivery of the *M/V Free Goddess*, such as its total loss, a constructive total loss, or if it suffers substantial damage prior to its delivery.

See **Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources** and **Business Loans for Vessels** for more information about our Acquisition Debt Facilities and our other borrowings.

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The following table sets forth our consolidated capitalization as of June 30, 2007:

on a historical basis without any adjustment to reflect subsequent events;

as adjusted to reflect certain changes in our debt outstanding, and the exercise of 831,776 Class W warrants and 176,155 Class Z warrants, as of October 23, 2007, but without giving effect to the payment of \$250,000 due on September 30, 2007 on our shareholders' loan, which payment due date has been extended; and

on an as further adjusted basis for the sale of 11,000,000 shares at an offering price of \$8.25 per share net of underwriters' discounts and commissions, offering expenses, and after receipt and application of net proceeds together with the new secured credit facility from Credit Suisse that we intend to enter into following the completion of this offering. See Business Loans for Vessels.

Other than as set forth in the As Adjusted column, there have been no material changes in our capitalization between June 30, 2007 and the date of this prospectus. Current portion of long-term debt in the As Adjusted column represents the current portion of the existing debt as of June 30, 2007; in the As Further Adjusted column, part of the proceeds of the offering will be used to repay a portion of the debt outstanding as of June 30, 2007.

	Historical	As Adjusted	As Further Adjusted
	(Unaudited; dollars in thousands)		
Debt:			
Shareholders' loans, current portion(1)	\$ 1,864	\$ 1,864	\$ 0
Shareholders' loans, net of current portion(1)(2)	12,193	12,193	0
Long-term debt, current portion	2,000	7,530(3)	5,750(6)
Long-term debt, net of current portion	2,500	52,070(3)	46,950(6)
Total debt	\$ 18,557	\$ 73,657	\$ 52,700(6)
Shareholders' equity:			
Preferred stock, \$0.001 par value; 5,000,000 shares authorized, none issued			
Common stock, \$0.001 par value; 40,000,000 shares authorized; 6,290,100 and 6,908,905 shares issued and outstanding, actual and as adjusted	6	7(4)	18(7)
Additional paid-in capital	11,612	16,398(5)	99,585(8)
Accumulated deficit	(79)	(79)	(79)
Total shareholders' equity	\$ 11,539	\$ 16,326	\$ 99,524
Total capitalization	\$ 30,096	\$ 89,983	\$ 152,224

(1) Shareholders' loans are unsecured and unguaranteed as of October 23, 2007.

(2)

Reflects the \$14.0 million outstanding balance of the loan from FS Holdings net of the discount relating to the 700,000 warrants issued to FS Holdings in connection with this loan. See Note 9 to the condensed consolidated financial statements included elsewhere in this prospectus.

- (3) Reflects our borrowings of \$55.6 million under our senior and junior financing sources used to pay the remaining balance of the purchase price of each of the M/V *Free Hero* and the M/V *Free Jupiter* and the remaining \$4.0 million outstanding as of October 23, 2007 on the loans relating to the M/V *Free Envoy* and the M/V *Free Destiny*.
- (4) Reflects an increase of \$1,000 in common stock resulting from the issuance of 1,007,931 shares upon exercise of Class W and Class Z warrants.
- (5) Reflects the addition of \$4.78 million of net proceeds received in connection with the exercise of Class W and Class Z warrants.
- (6) Reflects the repayment of the shareholders' loans and the outstanding borrowings under our senior and junior loans used to finance in part the purchase price of the M/V *Free Hero* and the M/V *Free Jupiter* with the net

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proceeds of this offering and with a draw down of \$48.7 million under the facility that we expect to enter into with Credit Suisse, of which \$3.75 million would be current. In addition, the amount includes \$4 million outstanding as of October 23, 2007 on the loans relating to the *M/V Free Destiny* and the *M/V Free Envoy*, of which \$2.0 million is current. Does not reflect the drawdown, and repayment of, \$20.8 million under our senior and junior loans, which we anticipate will be necessary in connection with the purchase of the *M/V Free Goddess* prior to the closing of this offering. See Use of Proceeds.

- (7) Reflects an increase of \$11,000 in common stock resulting from the issuance of 11,000,000 shares in this offering.
- (8) Reflects the addition of \$4.78 million of net proceeds received in connection with the exercise of Class W and Class Z warrants and of \$83.18 million of net proceeds from this offering.

As of June 30, 2007, our actual cash and cash equivalents totaled \$7.7 million, and on an as further adjusted basis, cash and cash equivalents would total \$41.9 million, including restricted cash of \$1.1 million. Our cash on an as further adjusted basis also assumes that we have paid the remaining purchase price of \$22.7 million for the *M/V Free Goddess*. If we purchase the *M/V Free Goddess* after we close this offering, we will use the net proceeds of this offering and a draw under the credit facility we expect to enter into with Credit Suisse to fund the remaining purchase price. If we purchase the *M/V Free Goddess* before we close this offering, we will borrow \$20.8 million from our existing facilities and use our available cash to pay the \$1.9 million balance. We expect to subsequently refinance the \$20.8 million borrowed once we complete this offering. See Use of Proceeds.

Table of Contents**DILUTION**

If you invest in our common stock, your interest will be diluted to the extent of the difference between the public offering price per share of our common stock and the pro forma net tangible book value per share of our common stock after this offering. Dilution results from the fact that the per-share offering price of the common stock is greater than the net tangible book value per share for the common stock outstanding before this offering.

At June 30, 2007, we had net tangible book value of \$11,539,000, or \$1.83 per share. As of October 23, 2007, we have received an aggregate of \$5,039,655 in gross proceeds, which resulted in net proceeds of \$4,787,672 after deducting fees due to a financial advisor, from exercises of Class W and Class Z warrants. We issued 1,007,931 shares of common stock in accordance with the terms of these warrants in connection with the exercises. As a result of such exercises and without giving effect to any other changes in our total tangible asset and total liabilities, at June 30, 2007, we had an adjusted net tangible book value of \$16,326,672, or \$2.24 per share. After giving effect to the issuance of 11,000,000 shares of common stock in this offering at an offering price of \$8.25 per share, the pro forma net tangible book value and adjusted net tangible book value at June 30, 2007 would have been \$94,736,500 and \$99,524,172, respectively, or \$5.48 per share and \$5.44 per share, respectively. This represents an immediate appreciation in net tangible book value and adjusted net tangible book value at June 30, 2007 of \$3.64 per share and \$3.20 per share, respectively, to existing shareholders and an immediate dilution of net tangible book value of \$2.77 per share and \$2.81 per share, respectively, to new investors. The following table illustrates the pro forma per share dilution and appreciation at June 30, 2007:

	June 30, 2007	June 30, 2007 As Adjusted(1)
Initial offering price per share in this offering	\$ 8.25	\$ 8.25
Net tangible book value per share	\$ 1.83	\$ 2.24
Increase in net tangible book value per share attributable to new investors in this offering	\$ 3.64	\$ 3.20
Pro forma net tangible book value per share after giving effect to this offering	\$ 5.48	\$ 5.44
Dilution per share to the new investors	\$ 2.77	\$ 2.81

(1) Reflects the dilution and appreciation as of June 30, 2007 after giving effect to the exercise of 831,776 Class W warrants and 176,155 Class Z warrants through October 23, 2007.

Net tangible book value per share of our common stock is determined by dividing our tangible net worth, which consists of tangible assets less liabilities, by the number of shares of our common stock outstanding. Dilution is determined by subtracting the net tangible book value per share of common stock after this offering from the public offering price per share. Dilution per share to new investors would be \$2.63 if the underwriters exercise in full their over-allotment option.

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The following table summarizes, on a pro forma basis as of June 30, 2007, and as adjusted to give effect to the exercise of 831,776 Class W warrants and 176,155 Class Z warrants through October 23, 2007, the differences between the number of shares of common stock acquired from us, the total amount paid and the average price per share paid by the existing holders of shares of common stock and by the investors in this offering.

	Pro Forma Shares		Total		Average Price per Share
	Outstanding Number	Percentage	Consideration Amount	Percentage	
Existing shareholders	6,290,100	34%	\$ 11,539,000	11%	\$ 1.83
Shareholders exercising warrants through October 23, 2007	1,007,931	6%	\$ 5,039,655(1)	5%	\$ 5.00
New investors	11,000,000	60%	\$ 90,750,000	84%	\$ 8.25
Total	18,298,031	100%	\$ 107,328,655	100%	\$ 5.87

(1) Gross proceeds received from the exercise of Class W and Class Z warrants.

If the underwriters exercise their over-allotment option in full, the following will occur:

the pro forma percentage of shares of our common stock held by existing shareholders and shareholders exercising warrants between June 30, 2007 and October 23, 2007 will decrease to approximately 37% of the total number of pro forma shares of our common stock outstanding after this offering; and

the number of shares of our common stock held by new investors will increase to 12,650,000, or approximately 63% of the total number of shares of our common stock outstanding after this offering.

The information in the table above excludes (as of October 23, 2007):

A. up to 250,000 shares reserved for issuance upon the exercise of stock options currently outstanding (of which, as of June 30, 2007, options to purchase 166,667 shares had vested), which have an exercise price of \$5.00 per share and expire on December 16, 2010, and up to 1,250,000 shares issuable upon the exercise of stock options that may be granted in the future under our stock incentive plan;

B. 3,564,569 shares of common stock reserved for issuance upon the exercise of outstanding warrants as follows:

200,000 Class A warrants held by our initial shareholders exercisable at \$5.00 per share and expiring July 29, 2011;

700,000 Class B warrants held by FS Holdings Limited exercisable at \$5.00 per share of which 275,000 expire on May 8, 2012 and 425,000 expire on June 22, 2012;

996,974 Class W warrants exercisable at \$5.00 per share and expiring July 29, 2009;

1,667,595 Class Z warrants exercisable at \$5.00 per share and expiring July 29, 2011;

C. 410,000 shares of common stock reserved for issuance upon the exercise of the unit purchase option sold to the lead underwriter in the initial public offering of our predecessor, which unit purchase option expires July 29, 2009, as follows:

25,000 shares of common stock included in the 12,500 Series A units purchasable upon exercise of the unit purchase option, at an exercise price of \$17.325 per Series A unit;

62,500 shares of common stock issuable for \$5.50 per share upon exercise of 62,500 Class W warrants included in the 12,500 Series A units;

62,500 shares of common stock issuable for \$5.50 per share upon exercise of 62,500 Class Z warrants included in the 12,500 Series A units;

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130,000 shares of common stock included in the 65,000 Series B units purchasable upon exercise of the unit purchase option, at an exercise price of \$16.665 per Series B unit;

65,000 shares of common stock issuable for \$5.50 per share upon exercise of 65,000 Class W warrants included in the 65,000 Series B units;

65,000 shares of common stock issuable for \$5.50 per share upon exercise of 65,000 Class Z warrants included in the 65,000 Series B units; and

D. shares that may be issued pursuant to the underwriters' over-allotment option.

To the extent that any options or warrants are exercised or new options or shares of common stock are issued under our amended and restated 2005 stock incentive plan, there will be further dilution to investors in this offering.

The following table assumes the exercise of all options and warrants outstanding as of October 23, 2007:

	Shares Purchased		Total Consideration		Average
	Number	Percentage	Amount	Percentage	Price
					per
					Share
Existing shareholders(1)	6,290,100	28%	\$ 11,539,000	9%	\$ 1.83
Shareholders exercising warrants through October 23, 2007	1,007,931	5%	\$ 5,039,655(2)	4%	\$ 5.00
Shares subject to options and warrants(3)	4,224,569	19%	\$ 21,775,133	17%	\$ 5.15
New investors	11,000,000	48%	\$ 90,750,000	70%	\$ 8.25
Total	22,522,600	100%	\$ 129,103,788	100%	\$ 5.73

(1) Excluding shares subject to options and warrants.

(2) Gross proceeds received from the exercise of Class W and Class Z warrants.

(3) Includes an aggregate of 700,000 warrants issued on May 8, 2007 and June 22, 2007.

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AND OTHER DATA**

The following selected historical financial information and other data were derived from our audited consolidated financial statements for the years ended December 31, 2004 (from inception), 2005 and 2006 and our unaudited condensed consolidated financial statements for the three and six months ended June 30, 2006 and 2007 included elsewhere in this prospectus. The information is only a summary and should be read in conjunction with our historical consolidated financial statements and related notes included in this prospectus and the section of this prospectus titled Management's Discussion and Analysis of Financial Condition and Results of Operations. The historical data included below and elsewhere in this prospectus are not necessarily indicative of our future performance.

All amounts in the tables below are in thousands of U.S. dollars, except for share data, fleet data and average daily results.

	Three Months Ended		Six Months Ended		Year Ended		From
	June 30,		June 30,		December 31,		Inception
	2007	2006	2007	2006	2006	2005	(April 23,
							2004) to
							December 31,
							2004
Statement of							
Operations Data:							
Operating revenues	\$ 3,562	\$ 2,986	\$ 7,830	\$ 5,430	\$ 11,727	\$ 10,326	\$ 2,830
Commissions	(225)	(185)	(482)	(349)	(799)	(553)	(127)
Voyage expenses	(37)	(49)	(39)	(686)	(689)	(55)	(16)
Vessel operating expenses (exclusive of depreciation and amortization expenses shown separately below)	(899)	(1,033)	(2,313)	(2,065)	(4,483)	(3,596)	(786)
Depreciation expense	(655)	(1,081)	(1,467)	(2,221)	(4,479)	(3,553)	(872)
Amortization of deferred dry-docking and special survey costs	(123)	(112)	(318)	(222)	(442)	(355)	(109)
Management fees to a related party	(225)	(135)	(360)	(270)	(540)	(488)	(180)
Stock-based compensation expense	(25)	(216)	(50)	(379)	(651)	(200)	
General and administrative expenses	(640)	(390)	(982)	(822)	(1,925)	(321)	(34)
Gain on sale of vessel	1,369		1,369				
Finance costs	(414)	(265)	(633)	(511)	(1,004)	(1,076)	(240)
Interest income	39	2	39	13	19	8	4

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Other	(17)	(125)	29	(176)	(58)	15	
Net income (loss) for period	1,710	(603)	2,623	(2,258)	(3,324)	152	470
Earnings Per Share Data:							
Net income (loss) per share:							
Basic earnings (loss) per share	\$ 0.27	\$ (0.10)	\$ 0.42	\$ (0.36)	\$ (0.53)	\$ 0.03	\$ 0.10
Diluted earnings (loss) per share	\$ 0.25	\$ (0.10)	\$ 0.41	\$ (0.36)	\$ (0.53)	\$ 0.03	\$ 0.10
Weighted average number of shares:							
Basic weighted average number of shares	6,290,100	6,290,100	6,290,100	6,290,100	6,290,100	4,574,588	4,500,000
Diluted weighted average number of shares	6,921,050	6,290,100	6,476,315	6,290,100	6,290,100	4,600,444	4,500,000

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	June 30, 2007	2006	December 31, 2005	2004			
Balance Sheet Data:							
Total current assets	\$ 9,106	\$ 1,417	\$ 5,286	\$ 1,443			
Fixed assets, net	10,268	19,369	23,848	16,188			
Total assets	32,804	23,086	29,840	18,335			
Total current liabilities, including current portion of long-term debt	6,572	10,260	10,231	4,971			
Long-term debt, including shareholder's loans, net of current portion	14,693	5,819	9,750	9,978			
Total liabilities	21,265	16,079	20,135	14,949			
Total shareholders' equity	11,539	7,007	9,705	3,386			
							From Inception (April 23, 2004) to December 31, 2004
	Three Months Ended June 30,	2006	Six Months Ended June 30,	2006	Year Ended December 31,	2005	
PERFORMANCE INDICATORS	2007	2006	2007	2006	2006	2005	2004
EBITDA (1)	\$ 2,863	\$ 853	\$ 5,002	\$ 683	\$ 2,582	\$ 5,128	\$ 1,687
Fleet Data:							
Average number of vessels (2)	2.29	3.00	2.64	3.00	3.00	2.55	0.67
Ownership days (3)	208	273	478	543	1,095	931	244
Available days (4)	208	253	478	523	1,005	931	244
Operating days (5)	203	250	461	490	941	893	244
Fleet utilization (6)	97.6%	91.6%	96.4%	90.2%	85.9%	95.9%	100.0%
Average Daily Results:							
Average TCE rate (7)	\$ 16,256	\$ 11,008	\$ 15,856	\$ 8,969	\$ 10,881	\$ 10,882	\$ 11,012
Vessel operating expenses (8)	4,322	3,784	4,839	3,803	4,094	3,863	3,221
Management fees (9)	505	495	502	497	493	524	738
Total vessel operating expenses (10)	\$ 4,827	\$ 4,278	\$ 5,341	\$ 4,300	\$ 4,587	\$ 4,387	\$ 3,959

(1) We consider EBITDA to represent net earnings before interest, taxes, depreciation and amortization. Under the laws of the Marshall Islands, we are not subject to tax on international shipping income. However, we are subject to registration and tonnage taxes, which have been included in vessel operating expenses. Accordingly, no adjustment for taxes has been made for purposes of calculating EBITDA. EBITDA does not represent and should not be considered as an alternative to net income or cash flow from operations, as determined by United States generally accepted accounting principles, or U.S. GAAP, and our calculation of EBITDA may not be comparable to that reported by other companies. EBITDA is included herein because it is an alternative measure of our liquidity, performance and indebtedness.

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EBITDA reconciliation to net income:

	Three Months		Six Months Ended		Year Ended		From
	Ended		June 30,		December 31,		Inception
	June 30,		June 30,		December 31,		(April 23,
	2007	2006	2007	2006	2006	2005	2004) to
							December 31,
							2004
Net income (loss)	\$ 1,710	\$ (603)	\$ 2,623	\$ (2,258)	\$ (3,324)	\$ 152	\$ 470
Depreciation and amortization	778	1,193	1,785	2,443	4,921	3,908	981
Interest and finance cost	375	263	594	498	985	1,068	236
EBITDA	\$ 2,863	\$ 853	\$ 5,002	\$ 683	\$ 2,582	\$ 5,128	\$ 1,687

- (2) Average number of vessels is the number of vessels that constituted our fleet for the relevant period, as measured by the sum of the number of days each vessel was a part of our fleet during the period divided by the number of calendar days in the period.
- (3) Ownership days are the total number of days in a period during which the vessels in our fleet have been owned by us. Ownership days are an indicator of the size of our fleet over a period and affect both the amount of revenues and the amount of expenses that we record during a period.
- (4) 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.
- (5) Operating days are the number of available days less the aggregate number of days that our 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.
- (6) We calculate fleet utilization by dividing the number of our fleet's operating days during a period by the number of ownership days during the 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 reasons such as scheduled repairs, vessel upgrades, or dry-dockings or other surveys.
- (7) Time charter equivalent, or TCE, is a measure of the average daily revenue performance of a vessel on a per voyage basis. Our method of calculating TCE is consistent with industry standards and is determined by dividing operating revenues (net of voyage expenses) by operating days for the relevant time period. Voyage expenses primarily consist of port, canal and fuel costs that are unique to a particular voyage, which would otherwise be paid by the charterer under a time charter contract. TCE is a standard shipping industry performance measure used primarily to compare period-to-period changes in a shipping company's performance

despite changes in the mix of charter types (i.e., spot charters, time charters and bareboat charters) under which the vessels may be employed between the periods:

	Three Months Ended		Six Months Ended		Year Ended		From
	June 30,		June 30,		December 31,		Inception
	2007	2006	2007	2006	2006	2005	(April 23,
							2004) to
							December 31,
							2004
Operating revenues	\$ 3,562	\$ 2,986	\$ 7,830	\$ 5,430	\$ 11,727	\$ 10,326	\$ 2,830
Voyage expenses and commissions	(262)	(234)	(521)	(1,035)	(1,488)	(608)	(143)
Net operating revenues	\$ 3,300	\$ 2,752	\$ 7,309	\$ 4,395	\$ 10,239	\$ 9,718	\$ 2,687
Operating days	203	250	461	490	941	893	244
Time charter equivalent rates	\$ 16,256	\$ 11,008	\$ 15,856	\$ 8,969	\$ 10,881	\$ 10,882	\$ 11,012

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

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	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,		From Inception (April 23, 2004) to December 31, 2004
	2007	2006	2007	2006	2006	2005	
Vessel operating expenses	\$ 899	\$ 1,033	\$ 2,313	\$ 2,065	\$ 4,483	\$ 3,596	\$ 786
Ownership days	208	273	478	543	1,095	931	244
Daily vessel operating expense	\$ 4,322	\$ 3,784	\$ 4,839	\$ 3,803	\$ 4,094	\$ 3,863	\$ 3,221

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

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

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

The following management's discussion and analysis should be read in conjunction with our historical consolidated financial statements and accompanying notes included elsewhere in this prospectus. This discussion contains forward-looking statements that reflect our current views with respect to future events and financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, such as those set forth in the section entitled "Risk Factors" and elsewhere in this prospectus.

General

We are a shipping company that currently operates four vessels in the drybulk shipping market through our wholly owned subsidiaries. We were formed on April 23, 2004 under the name Adventure Holdings S.A. pursuant to the laws of the Republic of the Marshall Islands to serve as the parent holding company of the ship-owning entities. On April 27, 2005, we changed our name to FreeSeas Inc.

On December 15, 2005, we completed a merger with Trinity Partners Acquisition Company Inc., a blank check corporation organized under the laws of the State of Delaware. Under the terms of the merger, we were the surviving corporation. Each outstanding share of Trinity's common stock and Class B common stock was converted into the right to receive an equal number of shares of our common stock, and each Trinity Class W warrant and Class Z warrant was converted into the right to receive an equal number of our Class W warrants and Class Z warrants.

Our common stock, Class W warrants and Class Z warrants began trading on the NASDAQ Capital Market on December 16, 2005 under the trading symbols FREE, FREEW and FREEZ, respectively. As a result of the merger, Trinity's former securities, including the Trinity Class A Units and the Class B Units, ceased trading on the OTC Bulletin Board.

The operations of our vessels are managed by Free Bulkers, an affiliated Marshall Islands corporation. Free Bulkers provides us with a wide range of shipping services. These services include, at a monthly fee per vessel, the required technical management, such as managing day-to-day vessel operations including supervising the crewing, supplying, maintaining and dry-docking of vessels. Also for a fee, Free Bulkers covers the commercial management of our fleet, such as identifying suitable vessel charter opportunities, which are provided by Safbulk Pty, Ltd., a company controlled by one of our affiliates, under a subcontract agreement from Free Bulkers. In addition, Free Bulkers provides us with all the necessary accounting services and, effective July 1, 2007, all the necessary financial reporting services for a fixed quarterly fee.

During the six-month period ended June 30, 2007, our fleet consisted of three Handysize vessels that carried a variety of drybulk commodities, including coal, iron ore, and grains, or major bulks, as well as bauxite, phosphate, fertilizers and steel products, or minor bulks. We sold one of the three vessels, the M/V *Free Fighter*, on April 27, 2007 for gross proceeds of \$11,075,000, and net proceeds of \$10,606,000 after deducting selling costs. Therefore, as of June 30, 2007, our fleet consisted of two Handysize vessels, the M/V *Free Destiny* built in 1982 with a carrying capacity of 25,240 dwt and the M/V *Free Envoy* built in 1984 with a carrying capacity of 26,318 dwt.

Subsequent to the quarter ended June 30, 2007, we acquired the M/V *Free Hero* built in 1995 with a carrying capacity of 24,318 dwt, and the M/V *Free Jupiter* built in 2002 with a carrying capacity of 47,777 dwt, for \$25,250,000 and \$47,000,000, respectively. In addition, we entered into a memorandum of agreement to acquire the M/V *Free Goddess* built in 1995 with a carrying capacity of 22,051 dwt for \$25,200,000. See Note 16 to our interim financial statements for additional details on the acquisition, of the M/V *Free Hero*, the M/V *Free Jupiter* and the M/V *Free*

Goddess.

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The following table details the vessels owned or to be acquired.

Name	Class	Dwt	Built	Flag	Purchase Price	Delivery Date	Employment
Free Envoy	Handysize	26,318	1984	Marshall Islands	\$9.50 million	September 20, 2004	One-year time charter through April 2008 at \$17,000 per day
Free Destiny	Handysize	25,240	1982	Marshall Islands	\$7.60 million	August 3, 2004	70-day time charter at \$28,000 per day
Free Hero	Handysize	24,318	1995	Marshall Islands	\$25.25 million	July 3, 2007	Balance of time charter through December 2008/February 2009 at \$14,500 per day
Free Jupiter	Handymax	47,777	2002	Marshall Islands	\$47.00 million	September 5, 2007	Initial one-trip time charter with approximately seven days remaining at \$43,000 per day followed by an unscheduled dry-docking to complete repairs; thereafter to be delivered to a new charterer under a three-year time charter at \$32,000 per day for the first year, \$28,000 per day for the second year, and \$24,000 per day for the

Free Goddess	Handysize	22,051	1995	Marshall Islands	\$25.20 million	Expected late October 2007	third year Two-month time charter at \$13,000 per day; thereafter a two-year time charter at \$19,250 per day
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Acquisition of Vessels

From time to time as opportunities arise, we intend to acquire additional secondhand drybulk carriers. We recently accepted delivery of the *M/V Free Hero* and the *M/V Free Jupiter*, and are currently under contract to acquire the *M/V Free Goddess*, as described in Note 16 to our interim financial statements. Vessels are generally acquired free of charter. The *M/V Free Hero* was acquired subject to a novation, or assumption, of its existing charter, and the *M/V Free Jupiter* was acquired free of charter. If no charter is in place when a vessel is acquired, we usually enter into a new charter contract. The shipping industry uses income days (also referred to as voyage or operating days) to measure the number of days in a period during which vessels actually generate revenues.

Consistent with shipping industry practice, we treat the acquisition of a vessel (whether acquired with or without a charter) as the acquisition of an asset rather than a business. When we acquire a vessel, we conduct, also consistent with shipping industry practice, an inspection of the physical condition of the vessel, unless practical considerations do not allow such an inspection. We also examine the vessel's classification society records. We do not obtain any historical operating data for the vessel from the seller. We do not consider that information material to our decision on acquiring the vessel.

Prior to the delivery of a purchased vessel, the seller typically removes from the vessel all records and log books, including past financial records and accounts related to the vessel. Upon the change in ownership, the technical management agreement between the seller's technical manager and the seller is automatically terminated and the vessel's trading certificates are revoked by its flag state, in the event the buyer determines to change the vessel's flag state.

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It is rare in the shipping industry for the last charterer of a vessel from a seller to continue as the first charterer of the vessel from the buyer. Where a vessel has been under a voyage charter, the seller delivers the vessel free of charter to the buyer. When a vessel is under time charter and the buyer wishes to assume that charter, the buyer cannot acquire the vessel without the charterer's consent and an agreement between the buyer and the charterer for the buyer to assume the charter. The purchase of a vessel does not in itself transfer the charter because the charter is a separate service agreement between the former vessel owner and the charterer.

When we acquire a vessel and want to assume or renegotiate a related time charter, we must take the following steps:

Obtain the charterer's consent to us as the new owner;

Obtain the charterer's consent to a new technical manager;

Obtain the charterer's consent to a new flag for the vessel, if applicable;

Arrange for a new crew for the vessel;

Replace all hired equipment on board the vessel, such as gas cylinders and communication equipment;

Negotiate and enter into new insurance contracts for the vessel through our own insurance brokers;

Register the vessel under a flag state and perform the related inspections in order to obtain new trading certificates from the flag state, if we change the flag state;

Implement a new planned maintenance program for the vessel; and

Ensure that the new technical manager obtains new certificates of compliance with the safety and vessel security regulations of the flag state.

Our business comprises the following primary components:

Employment and operation of our drybulk carriers; and

Management of the financial, general and administrative elements involved in the ownership and operation of our drybulk vessels.

The employment and operation of our vessels involve the following activities:

Vessel maintenance and repair;

Planning and undergoing dry-docking, special surveys and other major repairs;

Organizing and undergoing regular classification society surveys;

Crew selection and training;

Vessel spares and stores supply;

Vessel bunkering;

Contingency response planning;

Onboard safety procedures auditing;

Accounting;

Vessel insurance arrangements;

Vessel chartering;

Vessel hire management; and

Vessel performance monitoring.