

EUROSEAS LTD.
Form F-1/A
January 29, 2007

As filed with the Securities and Exchange Commission on January 26, 2007

File No. 333-138780

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
AMENDMENT NO. 4
TO
FORM F-1
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

EUROSEAS LTD.

(Exact Name of Registrant as Specified in Its Charter)

Republic of the Marshall Islands	4412	N/A
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

**Euroseas Ltd.
Aethrion Center
40 Ag. Konstantinou Street
151 24 Maroussi, Greece
011 30 211 1804005**
(Address and Telephone Number of
Registrant's Principal Executive Offices)

**Seward & Kissel LLP
Attn: Lawrence Rutkowski, Esq.
One Battery Park Plaza
New York, New York 10004
(212) 574-1200**
(Name, Address and Telephone
Number of Agent for Service)

Copies to:

**Lawrence Rutkowski, Esq.
Seward & Kissel LLP
One Battery Park Plaza
New York, New York 10004
(212) 574-1200 (telephone number)**

**Stephen P. Farrell, Esq.
Morgan, Lewis & Bockius LLP
101 Park Avenue
New York, New York 10178
(212) 309-6000 (telephone number)**

(212) 480-8421 (facsimile number)

(212) 309-6001 (facsimile number)

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION DATED JANUARY 26, 2007

Prospectus

5,000,000 Shares

Common Stock

We are offering 5,000,000 shares of our common stock. Our common stock is currently quoted on the Over the Counter Bulletin Board (OTCBB) under the symbol EUSEF.OB. On January 25, 2007, the closing price of our common stock was \$8.50 per share. We have made application to have our common stock listed on the NASDAQ Global Market upon completion of this offering.

Investing in our common stock involves a high degree of risk. See the section of this prospectus entitled Risk Factors beginning on page 12 to read about the risks you should consider before buying shares of our common stock.

	Per Share	Total
Public Offering Price	\$	\$
Underwriting Discounts and Commissions ⁽¹⁾	\$	\$
Proceeds, Before Expenses, To Us	\$	\$

(1)

Excludes: a financial advisory fee of 0.5% of the gross proceeds of this offering payable to Cantor Fitzgerald & Co. and includes \$50,000 non-accountable expense allowance payable to the underwriters for the reimbursement of certain out of pocket expenses.

The underwriters have a 30-day option to purchase up to 750,000 additional shares of our common stock from us to cover any over-allotments, if any, at the offering price, less underwriting discounts and commissions.

Delivery of shares will be made on or about , 2007.

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.

Oppenheimer & Co.

Ferris, Baker Watts
Incorporated

Cantor Fitzgerald & Co.

Fortis Securities LLC

The date of this prospectus is , 2007

TABLE OF CONTENTS

Page

Enforceability of Civil Liabilities	ii
International Drybulk and Container Shipping Industry Data	ii
Currency Translation	ii
Prospectus Summary	1
Forward-Looking Statements	11
Risk Factors	12
Price Range of Common Stock	29
Dividend Policy	30
Use of Proceeds	31
Capitalization	32
Dilution	33
Selected Historical Financial Information and Data	34
Management's Discussion and Analysis of Financial Condition and Results of Operations	37
The International Drybulk and Container Shipping Industry	54
Business	79
Management	91
Principal Shareholders	95
Certain Relationships and Related Party Transactions	97
Shares Eligible for Future Sale	99
Description of Capital Stock	100
Registrar and Transfer Agent	104
Marshall Islands Company Considerations	105
Tax Consequences	108
Other Expenses of Issuance and Distribution	115
Underwriting	116
Legal Matters	119
Experts	119
Where You Can Find Additional Information	119
Glossary of Shipping Terms	121
Index to Consolidated Financial Statements	F-1

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.

ENFORCEABILITY OF CIVIL LIABILITIES

We are a Marshall Islands company and our executive offices are located outside of the United States of America in Maroussi, Greece. Some of our directors and 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 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.

INTERNATIONAL DRYBULK AND CONTAINER SHIPPING INDUSTRY DATA

The discussions contained under the sections of this prospectus entitled *Prospectus Summary*, *Industry Trends*, *Business* and *The International Drybulk and Container Shipping Industry* have been reviewed by Maritime Strategies International Ltd. (MSI), which has confirmed to us that they accurately describe the international drybulk and container shipping industry, subject to the reliability of the data supporting the statistical and graphical information presented in this prospectus.

The statistical and graphical information we use in this prospectus has been compiled by MSI from its database. MSI compiles and publishes data for the benefit of its clients. Its methodologies for collecting data, and therefore the data collected, may differ from those of other sources, and its data does not reflect all or even necessarily a comprehensive set of the actual transactions occurring in the market.

CURRENCY TRANSLATION

All references in this prospectus to “Dollars” or “\$” are to the lawful currency of the United States of America and all references to “Euros” or “€” are to the single currency introduced on January 1, 1999 by those member states of the European Union who participate in the European Economic and Monetary Union. For the convenience of the reader, this prospectus contains translations of certain amounts from Euros into Dollars. Unless otherwise indicated, prior to September 30, 2006, such amounts are based on the U.S. Dollar exchange in effect at such time and, following September 30, 2006, such amounts are based on a U.S. Dollar exchange rate of €1.00 = U.S.\$1.308 as in effect on December 18, 2006.

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 Euroseas, Company, we, our, ours and us refer to Euroseas Ltd., 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. We use the term twenty foot equivalent unit, or teu, the international standard measure of containers, in describing the capacity of our container ships. For the definition of certain shipping terms used in this prospectus, see the Glossary of Shipping Terms on page 121 of this prospectus. Drybulk carriers are categorized as Capesize, Panamax, Handymax and Handysize. The carrying capacity of a Capesize drybulk carrier is 80,000 dwt and above. The carrying capacity of a Panamax drybulk carrier ranges from 60,000 to 79,999 dwt. The carrying capacity of a Handymax drybulk carrier ranges from 40,000 to 59,999 dwt and that of a Handysize drybulk carrier ranges from 10,000 to 39,999 dwt. Container ships are categorized as Deep Sea, Intermediate, Handysize and Feeder. The carrying capacity of a Deep Sea container ship is 3,000 teu and above. The carrying capacity of an Intermediate container ship ranges from 2,000 to 2,999 teu. The carrying capacity of a Handysize container ship ranges from 1,300 to 1,999 teu and that of a Feeder container ship is less than 1,300 teu. Unless otherwise indicated, all references to currency amounts in this prospectus are in U.S. dollars and all share numbers and per share data give effect to a 1-for-3 reverse stock split effected on October 6, 2006.

Our Company

We are a Marshall Islands company incorporated in May 2005. We are a provider of worldwide ocean-going transportation services. We own and operate drybulk carriers that transport major bulks such as iron ore, coal and grains, and minor bulks such as bauxite, phosphate and fertilizers. We also own and operate container ships and multipurpose vessels that transport dry and refrigerated containerized cargoes, mainly including manufactured products and perishables.

As of December 31, 2006, our fleet consisted of nine vessels, including two Panamax drybulk carriers, two Handysize drybulk carriers, four container ships and one multipurpose vessel. The total cargo carrying capacity of our four drybulk carriers and our four container ships is 207,464 dwt and 6,235 teu, respectively. Our multipurpose vessel can carry 22,568 dwt or 950 teu, or a combination thereof.

We intend to strategically employ our fleet with period and spot charters. We actively pursue period charters to obtain adequate cash flow to cover our fleet's fixed costs, consisting of vessel operating expenses, management fees, general and administrative expenses, interest expense and drydocking costs for the upcoming 12-month period. We look to employ the remainder of our fleet through period charters, spot charters, shipping pools or contracts of affreightment depending on our view of the direction of the markets and other tactical or strategic considerations. Six of the nine vessels in our fleet are currently employed under period charters and one participates in a shipping pool which provide us with both stable cash flow and high utilization rates that help us generate steady earnings and enhance our ability to pay dividends to our shareholders. We believe this balanced employment strategy provides us with more predictable operating cash flows and sufficient downside protection, while allowing us to participate in the potential upside of the spot market during periods of rising charter rates.

During the fiscal year ended December 31, 2005 and the nine month period ended September 30, 2006:

-

We had a fleet utilization of 98.5% and 98.7%, respectively;

-

We generated voyage revenues of \$44.5 million and \$29.7 million, respectively;

-

Our net income was \$25.2 million and \$15.3 million, respectively; and

-

Our Adjusted EBITDA was \$30.4 million and \$21.5 million, respectively.

Our operations generate significant cash flow, which provides us with flexibility in our growth, operating and financial strategy. Since August 2005, we have declared and paid dividends in a total amount of \$1.18 per common share. On January 8, 2007, we declared our sixth consecutive dividend on our common stock in the amount of \$0.22 per share, a 4.8% increase over our prior quarter's dividend of \$0.21 per share and a \$0.04 or 22% increase from the prior year's fourth quarter dividend of \$0.18 per share. We believe we will generate sufficient cash flow from operations to enable us to pay at least the full amount of our current quarterly dividend of \$0.22 for each quarter through December 31, 2007.

Our Fleet

Since August 2005, as part of our fleet growth and renewal strategy, we purchased four vessels with an average age of approximately 15 years for an aggregate purchase price of approximately \$82.5 million. During the same period of time, we sold two of our oldest drybulk carriers with an average age of 25 years, thus significantly reducing the average age of our fleet. We sold these two drybulk carriers for an aggregate sales price of approximately \$9.6 million, realizing a net gain of approximately \$4.4 million. In continuation of our fleet renewal strategy we have also signed a memorandum of agreement to sell our oldest vessel m/v *Ariel* for \$5.4 million, realizing a net gain of \$3.4 million. The m/v *Ariel* is expected to be delivered to the buyers on or about February 15, 2007 after which the average age of our fleet will be approximately 17 years.

Our objective is to expand our fleet with selective acquisitions of cargo carrying vessels while enhancing return on invested capital. The last vessel we acquired was a 1,599 teu, 1993-built handysize container ship, m/v *YM Xingang I*. The vessel was purchased with a charter to Yang Ming at a gross charter rate of \$26,650 per day. The charter will expire between July 2009 and September 2009. We took delivery of this container ship on November 15, 2006. We paid a portion of the purchase price for this vessel with \$20.0 million under a new credit facility and the remainder in cash. We expect to repay \$7.0 million of the debt under this new credit facility with a portion of the proceeds from this offering.

As of January 26, 2007, the profile and employment of our fleet was the following:

Vessel Name	Type	Size		Year Built	Employment	Charter Rate (\$ per day) (*)
		DWT	TEU			
Drybulk Carriers						
ARISTIDES N.P.	Panamax	69,268		1993	Period Charter until Jan. 2008	\$29,000
IRINI	Panamax	69,734		1988	Baumarine Pool until Dec. 2008	\$17,000 to \$20,000 (**)
NIKOLAOS P.	Handysize	34,750		1984	Spot Charter until Jan. 2007	\$18,500
ARIEL (***)	Handysize	33,712		1977	Spot Charter until Jan. 2007	\$16,500
Total Drybulk Carriers	4	207,464				
Container Ships						
YM XINGANG I	Handysize	23,596	1,599	1993	Period Charter until July 2009	\$26,650

KUO HSIUNG	Feeder	18,154	1,269	1993	Period Charter until Nov. 2007	\$12,000
YM QINGDAO I	Feeder	18,253	1,269	1990	Period Charter until Mar. 2007	\$11,900
ARTEMIS	Intermediate	29,693	2,098	1987	Period Charter until Dec. 2008	\$19,000
Total Container Ships	4	89,696	6,235			
<i>Multipurpose Vessels</i>						
TASMAN TRADER	Multipurpose	22,568	950	1990	Period Charter until Mar. 2012	\$8,850 until Dec. 2008; \$9,950 until Dec. 2010; \$9,000 until Mar. 2012
Total Multipurpose Vessels	1	22,568	950			
TOTAL FLEET	9	319,728	7,185			

(*)

Represents gross charter rates.

(**)

Our subsidiary that owns m/v *Irini*, participates in three short funds (contracts of affreightment to carry cargo) that provide an effective coverage of 77% in 2007 and 42% in 2008. The combination of the short funds and shipping pool employment secures the stated rate for the respective percentages for each year. For the remaining portion of 2007 and 2008, the vessel will effectively earn the spot rate through its employment in the shipping pool. See "Business Our Fleet" for more information.

(***)

The m/v *Ariel* has been contracted for sale with delivery expected to take place on or about February 15, 2007.

Management of Our Fleet

The operations of our vessels are managed by Eurobulk Ltd., or Eurobulk, an affiliated company, under a master management agreement with us and separate management agreements with each ship-owning company. Eurobulk was founded in 1994 by members of the Pittas family and is a reputable ship management company with strong industry relationships and experience in managing vessels. Under our master management agreement, Eurobulk is responsible for providing us with executive services and commercial management services, which include obtaining employment for our vessels and managing our relationships with charterers. Eurobulk also performs technical management services, which include managing day-to-day vessel operations, performing general vessel maintenance, ensuring regulatory and classification society compliance, supervising the maintenance and general efficiency of vessels, arranging our hire of qualified officers and crew, arranging and supervising drydocking and repairs, arranging insurance for vessels, purchasing stores, supplies, spares and new equipment for vessels, appointing supervisors and technical consultants and providing technical support and shoreside personnel who carry out the management functions described above and certain accounting services.

Our Competitive Strengths

We believe that we possess the following competitive strengths:

-

Experienced Management Team. Our management team has significant experience in all aspects of commercial, technical, operational and financial areas of our business. Aristides J. Pittas, our Chairman and Chief Executive Officer, holds a dual graduate degree in Naval Architecture and Marine Engineering and Ocean Systems Management from the Massachusetts Institute of Technology. He has worked in various technical, shipyard and ship management capacities and since 1991 has focused on the ownership and operation of vessels carrying dry cargoes. Dr. Anastasios Aslidis, our Chief Financial Officer, holds a Ph.D. in Ocean Systems Management also from Massachusetts Institute of Technology and has over 19 years of experience, primarily as a partner at a Boston based international consulting firm focusing on investment and risk management in the maritime industry.

-

Cost Effective Vessel Operations. We believe that because of the efficiencies afforded to us through Eurobulk, the strength of our management team and the quality of our fleet, we are, and will continue to be, a reliable, low cost vessel operator, without compromising our high standards of performance, reliability and safety. Despite the average age of our fleet being approximately 18.5 years, our total vessel operating expenses, including management fees and general and administrative expenses were \$4,632 per day for the nine month period ended September 30, 2006. We consider this amount to be among the lowest of the publicly listed drybulk shipping companies in the U.S. Our technical and operating expertise allows us to efficiently manage and transport a wide range of cargoes with a flexible trade route profile, which helps reduce ballast time between voyages and minimize off-hire days. Our professional, well-trained masters, officers and on board crews further help us to control costs and ensure consistent vessel operating performance. We actively manage our fleet and strive to maximize utilization and minimize maintenance expenditures. For the nine month period ended September 30, 2006, our fleet utilization was 98.7% and since 2002 our utilization rate has averaged in excess of 99.0%.

-

Strong Relationships with Customers and Financial Institutions. We believe Eurobulk and the Pittas family have developed strong industry relationships and have gained acceptance with charterers, lenders and insurers because of their long-standing reputation for safe and reliable service and financial responsibility through various shipping cycles. Through Eurobulk, we offer reliable service and cargo carrying flexibility that enables us to attract customers

and obtain repeat business. We also believe that the established customer base and reputation of Eurobulk and the Pittas family helps us to secure favorable employment for our vessels with well known charterers.

Our Business Strategy

Our business strategy is focused on providing consistent shareholder returns by carefully timing and structuring acquisitions of drybulk carriers and container ships and by reliably, safely and competitively operating our vessels through Eurobulk. We continuously evaluate purchase and sale opportunities, as well as long term employment opportunities for our vessels. Additionally, with the proceeds from this offering, we plan to expand our fleet to increase our revenues and earnings and make our drybulk carrier and container ship fleet more cost efficient and attractive to our customers. We believe the following describe our business strategy:

- *Renew and Expand our Fleet.* We expect to grow our fleet in a disciplined manner through timely and selective acquisitions of quality vessels. We perform in-depth technical review and financial analysis of each potential acquisition and only purchase vessels as market conditions and developments present themselves. We will be initially focused on purchasing well-maintained, secondhand vessels, which should provide a significant value proposition given the strong charter rates that exist currently. However, we will also consider purchasing younger vessels or newbuildings if the value proposition exists at the time. Furthermore, as part of our fleet renewal, we will continue to sell certain vessels when we believe it is in the best interests of the Company and our shareholders.

- *Maintain Balanced Employment.* We intend to strategically employ our fleet between period and spot charters. We actively pursue period charters to obtain adequate cash flow to cover our fleet's fixed costs, consisting of vessel operating expenses, management fees, general and administrative expenses, interest expense and drydocking costs for the upcoming 12-month period. We look to deploy the remainder of our fleet through period charters, spot charters, shipping pools or contracts of affreightment 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 market during periods of rising charter rates. On the basis of our existing contracts, our current period charter coverage for 2007 (assuming m/v *Ariel* is sold on February 15, 2007) is 75% and for 2008 is 42%, which will help protect us from market fluctuations, enable us to make significant principal and interest payments on our debt and pay dividends to our shareholders.

- *Operate a Fleet in Two Sectors.* While remaining focused on the dry cargo segment of the shipping industry, we intend to continue to develop a diversified fleet of drybulk carriers and container ships of up to Panamax size. A diversified drybulk fleet profile will allow us to better serve our customers in both major and minor bulk trades, as well as to reduce any dependency on any one cargo, trade route or customer. We will remain focused on the smaller size ship segment of the container market, which has not experienced the same level of expansion in vessel supply that has occurred with larger container ships. A diversified fleet, in addition to enhancing the stability of our cash flows, will also help us to reduce our exposure to unfavorable developments in any one shipping sector and to benefit from upswings in any one shipping sector experiencing rising charter rates.

- *Optimize Use of Financial Leverage.* We will use bank debt to partly fund our vessel acquisitions and increase financial returns for our shareholders. We actively assess the level of debt we incur in light of our ability to repay that debt based on the level of cash flow generated from our balanced chartering strategy and efficient operating cost structure. Our debt repayment schedule as of December 31, 2006 calls for a reduction of more than 40% of our then outstanding debt by the end of 2008. We expect this will increase our ability to borrow funds to make additional

vessel acquisitions in order to grow our fleet and pay consistent and possibly higher dividends to our shareholders.

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 Shipping Industry

Drybulk cargoes are used in many basic industries and in construction, and can be divided into major bulk commodities and minor bulk commodities. Major bulks consist of iron ore, coal and grains. Minor bulks cover 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 transportation. However after reaching a peak in mid-2005, both charter rates and vessel values decreased through mid-2005 before another peak in October to November of that year. Subsequently they trended lower before recovering significantly in August 2006.

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

Supply:

-

Shipyards where new ships are constructed are fully booked through 2008, limiting the number of new drybulk carriers that will enter the market in coming years. In 2006 the drybulk fleet was estimated to increase by 7% while in 2007 and 2008, it is expected to increase by 5% and 4.4%, respectively (assuming a low scrapping rate of 1% for those three years); and

-

Port congestion worldwide as a result of increased shipping activity and the implementation of stringent security measures has increased the number of days vessels are waiting to load or discharge their cargo, effectively reducing the supply 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 and India have helped drive demand for drybulk carriers as they continue to expand iron ore imports and steel production, become net importers of coal, and increase their grain inventories.

Container Shipping Industry

The container shipping industry is responsible for the movement of a wide range of goods from one part of the world to another in a unitized form by performing regular port calls. It represents an important and increasingly significant part of the global seaborne movement of finished goods and perishables. The performance of the container shipping industry is closely tied to the level of worldwide economic trade.

According to MSI, the container shipping industry had been on an upward trend from early 2002 through early 2005, bolstered by relatively rapid increases in demand. However, from mid-2005 into 2006, container freight rates out of Asia, and to Europe in particular, saw some downward movement.

For container shipping, recent developments in factors that affect the supply of container vessels and demand for transportation of containers include:

Supply:

-

Overall container ship capacity expanded at an annual average of 10% in the period 2003-2005. As of December 1, 2006, scheduled deliveries through the end of 2008 for large container ships (3,000 + teu) represented 43% of the existing fleet, while intermediate, handysize and feeder (500-2,999 teu) container ships represented 24% of the existing fleet; and

-

The greatest portion of the capacity growth has been and is expected to be provided by the large container ship sectors of the fleet operating in the transpacific and Europe to Far East routes. Capacity growth in intermediate and feeder container ships that operate in separate intermediate and intra-regional container trades has and is expected to be more restrained.

Demand:

•

In the last three years demand for container shipping has accelerated strongly. Estimated global container trade increased at a compound average annual growth rate of 12% in the period 2003-2005. This growth has been relatively rapid in comparison with other major shipping sectors, such as tankers and bulk carriers; and

•

In recent years, container volumes to, from and within Asia have driven most of the increase in container trade largely influenced by the growth of the Chinese economy. Other recent growth areas include trade out of Brazil, as well as trade in and out of Russia and the Baltic.

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.

Our Corporate History

The Pittas family, the principal owners of Eurobulk and the largest shareholder of Friends Investment Company Inc., or Friends, our largest shareholder, has operated vessels over the past 136 years. The vessels have been operated through various partnerships and different entities over these years. The Company's roots go back four generations to the 19th century when the first Pittas shipowner was Nikolaos F. Pittas. The first Pittas family shore office centralizing ship management was established by Nikolaos' younger son, Aristides, in 1926. Before the onset of World War II, the second generation of the Pittas family had acquired and disposed of a total of at least six vessels. In 1960, the sons of Aristides, Nikolaos and John, set up an office in London together with the Caroussis family. By the early 1990s, they had acquired, traded and sold 14 vessels. In late 1991, John Pittas' sons, Aristides, our Chief Executive Officer, and Nikos, together with their cousin Aristides P. Pittas, joined forces with Petros Pappas of Oceanbulk Maritime S.A., or Oceanbulk, and decided to gradually shift the Pittas family interests to Piraeus, Greece. This was the beginning of the active involvement of the fourth Pittas generation in shipping. From 1991, when the Pittas family joined Oceanbulk, to 1994, Oceanbulk dramatically expanded from a fleet of five vessels to a fleet of up to 15 vessels.

At the end of 1994, Aristides and Nikos Pittas, together with their brother Manolis Pittas, decided to separate the Pittas family interests from Oceanbulk and formed Eurobulk to continue the Pittas family presence in shipping. In June 2005, the Pittas family owned the majority of the shares in seven vessels and on June 28, 2005, the shareholders of these vessels transferred their shares in each of the vessel-owning companies in exchange for shares in Friends. On June 29, 2006, Friends exchanged all of the shares in the vessel-owning companies for shares in Euroseas, thus becoming the 100% owner of Euroseas at that time. Since the beginning of the Pittas family's involvement in shipping, they have owned and operated approximately 40 vessels. Since the inception of Eurobulk in 1995, all vessel acquisitions have been profitable and the group's results, on a consolidated basis, have been profitable for each of the last five years.

Formation of Euroseas Ltd.

Euroseas Ltd. was organized in May 2005 in the Marshall Islands to consolidate the ownership of the seven vessel-owning companies referred to above. On August 25, 2005, we raised a net amount of approximately \$17.5 million from a private placement transaction in which we issued securities to a number of institutional and accredited investors (the Private Placement). In the Private Placement, we issued 2,342,331 shares of common stock at a price of \$9.00 per share, as well as warrants to purchase 585,581 shares of common stock at an exercise price of \$10.80 per share. At the same time, a subsidiary of ours executed a merger agreement with Cove Apparel, Inc., or Cove, a public shell company. The merger of our subsidiary with Cove was consummated on March 27, 2006. At no time did

Euroseas Ltd., the parent company, merge with or into Cove.

On May 5, 2006, our common stock began trading on the OTCBB under the symbol ESEAF.OB. On October 6, 2006, we effected a 1-for-3 reverse stock split in order to increase our share price to satisfy the price per share listing requirements of the NASDAQ Global Market and our symbol was changed to EUSEF.OB. We have made application to have our shares listed on the NASDAQ Global Market upon completion of this offering.

Our executive offices are located at 40 Ag. Konstantinou Street, 151 24, Maroussi, Greece. Our telephone number is 011 30 211 1804005. The primary residence of our Chief Financial Officer, Dr. Anastasios Aslidis, is in the United States.

The Offering

Common stock offered by us	5,000,000 shares
Underwriters' over-allotment option	Up to 750,000 shares
Common stock outstanding after this offering ⁽¹⁾	17,620,114 shares
Use of proceeds	<p>We estimate that we will receive net proceeds of approximately \$38.5 million from this offering assuming an offering price of \$8.50 per share of common stock, after deducting underwriting discounts and commissions, offering expenses and the financial advisory fee payable to Cantor Fitzgerald and Co., and assuming the underwriters' over-allotment option is not exercised. We intend to use approximately \$7.0 million of the net proceeds to repay a portion of the debt that was used to acquire m/v <i>YM Xingang I</i>, with the remaining proceeds being used to acquire additional vessels. Any amounts not so used will be applied to general corporate purposes.</p>
Current OTCBB symbol listing	EUSEF.OB
Proposed NASDAQ Global Market symbol	ESEA
Current dividend rate	<p>\$0.22 per share on a quarterly basis. We expect to declare our next dividend in May 2007, subject to the approval of our Board of Directors.</p> <p>On January 8, 2007, we declared our quarterly dividend for the quarter ended December 31, 2006 in the amount of \$0.22 per share. The record date of our dividend attributable to the fourth quarter 2006 is expected to be January 29, 2007 and it will precede the closing of this offering. Accordingly, you will not be entitled to receive a dividend attributable to the fourth quarter 2006. We believe we will generate sufficient cash flow from operations to enable us to pay at least the full amount of the current quarterly dividend of \$0.22 on all shares for each quarter through December 31, 2007, or \$0.88 per share on an annualized basis.</p>

Risk factors

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 12. 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.

(1)

The number of shares of common stock outstanding after this offering excludes the following:

-

600,000 shares of common stock reserved for issuance upon the exercise of stock options or other stock awards that may be granted under our stock incentive plan;

-

585,581 shares of common stock reserved for issuance upon the exercise of outstanding warrants, with an exercise price of \$10.80 per share; and

-

750,000 shares that may be issued pursuant to the underwriters' over-allotment option.

Summary Financial Information and Data

The following summary financial information and data were derived from our audited financial statements for the years ended December 31, 2003, 2004 and 2005, and our unaudited financial statements for the nine months ended September 30, 2005 and 2006 included elsewhere in this prospectus or previously filed with the Securities and Exchange Commission. The information is only a summary and should be read in conjunction with our historical financial statements and related notes included in this prospectus and the section of this prospectus entitled 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.

	Year Ended December 31,			Nine-Months Ended September 30,	
	2003	2004	2005	2005	2006
Income Statement Data:					
Voyage revenues	\$ 25,951,023	\$ 45,718,006	\$ 44,523,401	\$ 34,091,505	\$ 29,701,945
Commissions	(906,017)	(2,215,197)	(2,388,349)	(1,847,900)	(1,280,405)
Voyage expenses	(436,935)	(370,345)	(670,551)	(136,224)	(1,014,383)
Vessel operating expenses (exclusive of depreciation and amortization expenses shown separately below)	(8,775,730)	(8,906,252)	(8,610,279)	(6,322,677)	(7,599,948)
Management fees	(1,722,800)	(1,972,252)	(1,911,856)	(1,430,464)	(1,643,142)
General and administrative expenses			(420,755)	(130,864)	(758,281)
Depreciation and amortization(1)	(4,757,933)	(3,461,678)	(4,208,252)	(2,806,348)	(4,989,757)
Net gain on sale of vessel		2,315,477			4,445,856
Interest and finance cost, net	(756,873)	(521,215)	(1,035,414)	(860,562)	(1,538,399)
Other income/(expenses), net	(690)	25,221	(99,491)	(99,490)	(1,064)
Equity in net gain (loss) of an associate	(167,433)				
Net income for period	\$ 8,426,612	\$ 30,611,765	\$ 25,178,454	\$ 20,456,976	\$ 15,322,422
Earnings per share, basic and diluted	\$ 0.85	\$ 3.09	\$ 2.34	\$ 1.99	\$ 1.23
Weighted average number of shares	9,918,056	9,918,056	10,739,476	10,273,853	12,506,793

outstanding during
period

Balance Sheet Data:

Total current assets	\$ 9,409,339	\$ 16,461,159	\$ 25,350,707	\$ 31,820,381	\$ 17,815,377
Vessels, net	41,096,067	34,171,164	52,334,897	32,382,377	79,955,698
Total assets	51,458,019	52,837,501	79,541,433	66,166,056	99,250,519
Total current liabilities, including current portion of long term debt	8,481,773	13,764,846	18,414,877	16,365,753	18,815,621
Long term debt, including current portion	20,595,000	13,990,000	48,560,000	37,230,000	58,910,000
Total liabilities	23,971,773	21,724,846	52,544,877	40,740,755	63,335,621
Total shareholders equity	\$ 27,486,246	\$ 31,112,655	\$ 26,996,556	\$ 25,425,301	\$ 35,914,898

Other Financial Data:

Adjusted EBITDA(2)	\$ 13,941,418	\$ 34,594,658	\$ 30,422,120	\$ 24,123,886	\$ 21,480,772
Net cash provided by (used in) operating activities	10,956,132	34,208,693	20,594,782	(7,390,892)	15,715,298
Net cash provided by (used in) investing activities	214,832	6,756,242	(21,833,616)	(1,097,848)	(25,549,210)
Net cash provided by (used in) financing activities	(4,778,000)	(33,567,500)	6,188,653	(1,765,130)	3,443,891
Cash paid for purchase of vessel			(20,821,647)		(34,427,573)
Drydocking expenses paid	(972,671)	(2,270,418)	(1,076,233)	(689,339)	(821,198)
Dividends declared	1,276,000	25,435,501	30,175,223	27,525,000	6,814,859
Cash paid for dividends/return of capital(3)	1,200,000	26,962,500	46,875,223	44,225,000	6,814,859
Cash paid for dividends/return of capital, per common share	0.12	2.72	4.36	4.30	0.54

	Year Ended December 31,			Nine-Months Ended September 30,	
	2003	2004	2005	2005	2006
Fleet Data:					
Average number of vessels	8.00	7.31	7.10	7.00	7.91
Calendar days	2,920	2,677	2,591	1,911	2,159
Available days	2,867	2,554	2,546	1,886	2,112
Voyage days	2,846	2,542	2,508	1,848	2,084
Utilization rate	99.3 %	99.5 %	98.5 %	98.0 %	98.7 %
Average Daily Statistics:					
Average TCE rate(4)	\$ 8,965	\$ 17,839	\$ 17,485	\$ 18,374	\$ 13,766
Operating expenses	3,005	3,327	3,323	3,309	3,520
Management fees	590	737	738	749	761
General and administrative expenses			162	68	351
Total vessel operating expenses	3,595	4,064	4,223	4,126	4,632

(1)

In 2004, the estimated scrap value of the vessels was increased from \$170 to \$300 per lightweight ton to better reflect market price developments in the scrap metal market. The effect of this change in estimate was to reduce 2004 depreciation expense by \$1,400,010 and increase 2004 net income by the same amount. The m/v *Widar* was sold in April 2004. Depreciation expenses for the m/v *Widar* for 2004 amounted to \$136,384 compared to \$409,149 for 2003. The m/v *Pantelis P* was sold in May 2006. Depreciation expenses for the m/v *Pantelis P* for the nine month period ended September 30, 2006 amounted to \$107,587 compared to \$193,656 in the same period in 2005. The m/v *John P* was sold in July 2006. Depreciation expenses for the m/v *John P* for the nine month period ended September 30, 2006 amounted to \$60,697 (the vessel was classified as an asset held for sale after March 31, 2006) compared to \$182,093 in the same period in 2005.

(2)

We consider Adjusted EBITDA to represent net earnings before interest, taxes, depreciation and amortization including the amortization of deferred revenue from below market period charters when we acquired m/v *Tasman Trader* and m/v *Aristides N.P.* Adjusted 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 Adjusted EBITDA may not be comparable to that reported by other companies. Adjusted EBITDA is included herein because it is a basis upon which we assess our liquidity position and because we believe that it presents useful information to investors regarding a company's ability to service and/or incur indebtedness. The Company's definition of Adjusted EBITDA may not be the same as that used by other companies in the shipping or other industries.

Adjusted EBITDA Reconciliation to Net Income:

		Year Ended December 31,		Nine-Months Ended September 30,	
	2003	2004	2005	2005	2006
Net income	\$ 8,426,612	\$ 30,611,765	\$ 25,178,454	\$ 20,456,976	\$ 15,322,420
Depreciation and amortization	4,757,933	3,461,678	4,208,252	2,806,348	4,989,750
Interest and finance cost, net	756,873	521,215	1,035,414	860,562	1,538,390
Deferred revenue amortization					(369,800)
Adjusted EBITDA	\$ 13,941,418	\$ 34,594,658	\$ 30,422,120	\$ 24,123,886	\$ 21,480,770

Adjusted EBITDA Reconciliation to Cash Flow from Operations:

	Year Ended December 31,			Nine-Months Ended September 30,	
	2003	2004	2005	2005	2006
Cash flow from operations	\$ 10,956,132	\$ 34,208,693	\$ 20,594,782	\$ (7,390,892)	\$ 15,715,298
Net increase/(decrease) in operating asset/liabilities	2,466,840	(2,427,953)	8,975,697	30,825,404	(159,999)
Loss on derivative			(100,029)	(100,029)	
Gain/(loss) from vessel sales		2,315,477			4,445,856
Investment in associate/provision for doubtful accounts	(171,025)	27,907			
Interest, net	689,471	470,534	951,670	789,403	1,479,617
Adjusted EBITDA	\$ 13,941,418	\$ 34,594,658	\$ 30,422,120	\$ 24,123,886	\$ 21,480,772

(3)

The dividend amounts for 2005 and, for the nine months ended September 30, 2005, reflect aggregate dividends of \$30,175,223 and \$27,525,000, respectively, and a return of capital in the amount of \$16,700,000. The total payment to shareholders made in 2005 is in excess of previously retained earnings because the Company decided to distribute to its original shareholders in advance of going public most of the profits relating to the Company's operations up to that time and to recapitalize the Company. This one-time dividend should not be considered indicative of future dividend payments and the Company refers you to the other sections in this prospectus for further information on the Company's dividend policy. The dividends declared for 2003 and 2004 include a \$76,000 and \$22,856 non-cash dividend from minority interest holdings. Cash paid for dividends/return of capital in 2004 includes a \$1,549,855 return of capital due to the sale of m/v *Widar*.

(4)

The average TCE rate calculation shown above is based on the actual number of available and voyage days. In the above table, the number of available voyage days was rounded to the nearest number of full days.

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 and container 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;
- availability of crew, number of off-hire days, drydocking requirements and insurance costs;
- our expectations about the availability of vessels to purchase or the useful lives of our vessels;
- our expectations relating to dividend payments and our ability to make such payments;
- our ability to leverage to our advantage our manager's relationships and reputations in the drybulk and container 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;
- 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.

RISK FACTORS

Any investment in our common stock involves a high degree of risk. You should consider carefully the following factors, as well as the other information set forth in this prospectus, before making an investment in our common stock. Some of the following risks relate principally to the industry in which we operate and our business in general. Other risks relate to the securities market for and ownership of our common stock. Any of the described risks could significantly and negatively affect our business, financial condition, operating results and price of our common stock. The following risk factors describe the material risks that are presently known to us.

Industry Risk Factors

The cyclical nature of the shipping industry may lead to volatile changes in freight rates which may reduce our revenues and net income.

We are an independent shipping company that operates in the drybulk and container shipping industry. Our profitability is dependent upon the freight rates we are able to charge. The supply of and demand for shipping capacity strongly influences freight rates. The demand for shipping capacity is determined primarily by the demand for the type of commodities carried and the distance that those commodities must be moved by sea. 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, and changes in seaborne and other transportation costs. The size of the existing fleet in a particular 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, drydocked, 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. The cyclical nature of the shipping industry may lead to volatile changes in freight rates which may reduce our revenues and net income.

In addition to the prevailing and anticipated freight rates, factors that affect the rate of newbuilding, scrapping and laying-up include newbuilding prices, secondhand vessel values in relation to scrap prices, costs of bunkers and other operating costs, costs associated with classification society surveys, 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 influencing the supply of and demand for shipping capacity are outside of our control, and we may not be able to correctly assess the nature, timing and degree of changes in industry conditions. Some of these factors may have a negative impact on our revenues and net income.

The value of our vessels may fluctuate, adversely affecting our earnings, liquidity and causing us to breach our secured credit agreements.

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

-

general economic and market conditions affecting the shipping industry;

-

supply of drybulk, container and multipurpose vessels;

-

demand for drybulk, container and multipurpose 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.

As vessels grow older, they generally decline in value. Due to the cyclical nature of the drybulk and container shipping industry, if for any reason we sell vessels at a time when prices have fallen, we could incur a loss and our business, results of operations, cash flow, financial condition and ability to pay dividends could be adversely affected.

In addition, we periodically re-evaluate the carrying amount and period over which long-lived assets are depreciated to determine if events have occurred which would require modification to their carrying values or their useful lives. A determination that a vessel's estimated remaining useful life or market value has declined could result in an impairment charge against our earnings and a reduction in our shareholders' equity. Any change in the assessed value of any of our vessels might also cause a violation of the covenants of each secured credit agreement which in turn might restrict our cash and affect our liquidity. All of our credit agreements provide for a minimum security maintenance ratio. If the assessed value of our vessels declines below certain thresholds, we will be deemed to have violated these covenants and may incur penalties for breach of our credit agreements. For example, these penalties could require us to prepay the shortfall between the assessed value of our vessels and the value such vessels are required to maintain pursuant to the secured credit agreement, or to provide additional security acceptable to the lenders in an amount at least equal to the amount of any shortfall. Further, future loans that we may agree to may include various other covenants, in addition to the vessel-related ones, that may ultimately depend on the assessed values of our vessels. Such covenants include, but are not limited to, maximum fleet leverage covenants and minimum fair net worth covenants.

Although charter rates in the international drybulk and container shipping industry reached historic highs recently, since then rates have fluctuated and future profitability will be dependent on the level of charter rates and commodity prices.

Charter rates for the international drybulk and container shipping industry have reached record highs during the past two years; however, by the beginning of 2006 rates declined and while drybulk rates have recovered since early 2006, container ship rates have remained flat for most of 2006 and further declined by the end of the year. We anticipate that the future demand for our drybulk, container and multipurpose vessels and the charter rates of the corresponding markets will be dependent upon continued economic growth in China, India and the world economy, seasonal and regional changes in demand, and changes to the capacity of the world fleet. The capacity of the world fleet seems likely to increase and economic growth may not continue. Adverse economic, political, social or other developments could also have a material adverse effect on our business and results of operations. If the number of new ships delivered exceeds the number of vessels being scrapped and lost, vessel capacity will increase. For instance, given that as of December 1, 2006 the capacity of the fully cellular worldwide container vessel fleet was approximately 9.3 million teu, with approximately 4.3 million teu of additional capacity on order, the growing supply of container vessels may exceed future demand, particularly in the short term. If the supply of vessel capacity increases but the demand for vessel capacity does not increase correspondingly, charter rates and vessel values could materially decline.

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

- supply and demand for drybulk and container ship commodities, and separately for containerized cargo;
- global and regional economic and political conditions;
- the distance drybulk and containerized commodities are to be moved by sea;
- environmental and other regulatory developments;

- currency exchange rates;
- changes in global production and manufacturing distribution patterns of finished goods that utilize drybulk and other containerized commodities; 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;
- the price of steel and other materials;
- port congestion;
- changes in environmental and other regulations that may limit the useful life of vessels; and
- the number of vessels that are out of service.

An economic slowdown in the Asia Pacific region 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, 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. Such growth may not be sustained and the Chinese economy may experience contraction in the future. Moreover, any slowdown in the economies of the United States of America, the European Union or certain Asian countries may adversely effect economic growth in China and elsewhere. Our business, financial position and results of operations, as well as our future prospects, will likely be materially and adversely affected by an economic downturn in any of these countries.

We may become dependent on spot charters in the volatile shipping markets, which may result in decreased revenues and/or profitability.

Although most of our vessels are currently under period charters, in the future, we may have more of these vessels and/or any newly acquired vessels on spot charters. The spot market is highly competitive and rates within this market are subject to volatile fluctuations, while period charters provide income at pre-determined rates over more extended periods of time. If we decide to spot charter our vessels, we may not be able to keep all our vessels fully employed in these short-term markets or that future spot rates will be sufficient to enable our vessels to be operated profitably. A significant decrease in charter rates could affect the value of our fleet and could adversely affect our profitability and cash flows with the result that our ability to pay debt service to our lenders and dividends to our shareholders could be impaired.

An over-supply of drybulk carrier and container ship capacity may lead to reductions in charter hire rates and profitability.

The market supply of drybulk carriers and especially container ships has been increasing, and the number of container ships on order have recently reached historic highs. These newbuildings are expected to begin being delivered in significant numbers at the beginning of 2007. An over-supply of drybulk carrier and container ship capacity may result in a reduction of charter hire rates. If such a reduction occurs upon the expiration or termination of our drybulk carriers and container ships current charters, such as during 2007, when the charters under which two of our container ships are currently deployed expire, we may only be able to recharter those drybulk carriers and container ships at reduced or unprofitable rates or we may not be able to charter these vessels at all.

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

Our business and the operation of our vessels are materially affected by government regulation in the form of international conventions, national, state and local laws and regulations in force in the jurisdictions in which the vessels operate, as well as in the country or countries of their registration. Because such conventions, laws, and regulations are often revised, we may not be able to predict the ultimate cost of complying with such conventions, laws and regulations or the impact thereof on the resale prices or useful lives of our vessels. Additional conventions, laws and regulations may be adopted which could limit our ability to do business or increase the cost of our doing business and which may materially adversely affect our operations. We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses, certificates and financial assurances with respect to our operations.

The operation of our vessels is affected by the requirements set forth in the International Maritime Organization's (IMO's) International Management Code for the Safe Operation of Ships and Pollution Prevention (ISM Code). The

ISM Code requires shipowners and bareboat charterers to develop and maintain an extensive Safety Management System that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. The failure of a shipowner or bareboat charterer to comply with the ISM Code may subject 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, each of our vessels and Eurobulk, our affiliated ship management company, are ISM Code-certified, but we may not be able to maintain such certification indefinitely.

Although the United States of America is not a party, many countries have ratified and follow the liability scheme adopted by the IMO and set out in the International Convention on Civil Liability for Oil Pollution Damage, 1969, as amended (the CLC), and the Convention for the Establishment of an International Fund for Oil Pollution of 1971, as amended. Under these conventions, a vessel's registered owner is strictly liable for pollution damage caused on the territorial waters of a contracting state by discharge of persistent oil, subject to certain complete defenses. Many of the countries that have ratified the CLC have increased the liability limits through a 1992 Protocol to the CLC. The right to limit liability is also forfeited under the CLC where the spill is caused by the owner's actual fault or privity and, under the 1992 Protocol, where the spill is caused by the owner's intentional or reckless conduct. Vessels trading to contracting states must provide evidence of insurance covering the limited liability of the owner. In jurisdictions where the CLC has not been adopted, various legislative schemes or common law govern, and liability is imposed either on the basis of fault or in a manner similar to the CLC.

The United States Oil Pollution Act of 1990 (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. OPA allows for potentially unlimited liability without regard to fault of vessel owners, operators and bareboat charterers for all containment and clean-up costs and other damages arising from discharges or threatened discharges of oil from their vessels, including bunkers (fuel), in the U.S. waters. OPA also expressly permits individual states to impose their own liability regimes with regard to hazardous materials and oil pollution materials occurring within their boundaries.

While we do not carry oil as cargo, we do carry fuel oil (bunkers) in our drybulk carriers. We currently maintain, for each of our vessels, pollution liability coverage insurance of \$1 billion per incident. If the damages from a catastrophic spill exceeded our insurance coverage, that would have a material adverse affect on our financial condition.

Capital expenditures and other costs necessary to operate and maintain our vessels may increase due to changes in governmental regulations, safety or other equipment standards.

Changes in governmental regulations, safety or other equipment standards, as well as compliance with standards imposed by maritime self-regulatory organizations and customer requirements or competition, may require us to make additional expenditures. In order to satisfy these requirements, we may, from time to time, be required to take our vessels out of service for extended periods of time, with corresponding losses of revenues. In the future, market conditions may not justify these expenditures or enable us to operate some or all of our vessels profitably during the remainder of their economic lives.

Increased inspection procedures and tighter import and export controls could increase costs and disrupt our business.

International shipping is subject to various security and customs inspection and related procedures in countries of origin and destination. Inspection procedures may result in the seizure of contents of our vessels, delays in the loading, offloading or delivery and the levying of customs duties, fines or other penalties against us.

It is possible that changes to inspection procedures could impose additional financial and legal obligations on us. Furthermore, changes to inspection procedures could also impose additional costs and obligations on our customers and may, in certain cases, render the shipment of certain types of cargo uneconomical or impractical. Any such changes or developments may have a material adverse effect on our business, financial condition and results of operations.

Rising fuel prices may adversely affect our profits.

Fuel (bunkers) is a significant, if not the largest, operating expense for many of our shipping operations when our vessels are under voyage charter. When a vessel is operating under a time charter, these costs are paid by the charterer. However fuel costs are taken into account by the charterer in determining the amount of time charter hire and therefore fuel costs also indirectly affect time charters. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by OPEC and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. Fuel prices have been at historically high levels recently, but shipowners have not really felt

the effect of these high prices because the shipping markets have also been at high levels. Any increase in the price of fuel may adversely affect our profitability. Further, fuel may become much more expensive in future, which may reduce the profitability and competitiveness of our business versus other forms of transportation, such as truck or rail.

If our vessels fail to maintain their class certification and/or fail any annual survey, intermediate survey, drydocking 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 (SOLAS). Our vessels are currently classed with Lloyd's Register of Shipping, Bureau Veritas and Nippon Kaiji Kyokai. ISM and International Ship and Port Facilities Security (ISPS) certification have been awarded by Bureau Veritas and the Panama Maritime Authority to our vessels and Eurobulk.

A vessel must undergo annual surveys, intermediate surveys, drydockings 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. Every vessel is also required to be drydocked 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, drydocking or special survey, the vessel will be unable to carry cargo between ports and will be unemployable and uninsurable which could cause us to be in violation of certain covenants in our loan agreements. Any such inability to carry cargo or be employed, or any such violation of covenants, could have a material adverse impact on our financial condition and results of operations. That status could cause us to be in violation of certain covenants in our loan agreements.

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

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

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

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

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

World events outside our control 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 the attacks on the United States of America on September 11, 2001, on London, England on July 7, 2005, and the response to these attacks, as well as the threat of future terrorist attacks, continue to cause uncertainty in the world financial markets and may affect our business, results of operations and financial condition. The continuing conflict in Iraq may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further economic instability in the global financial markets. These uncertainties could also have a material adverse effect on our ability to obtain additional financing on terms acceptable to us or at all.

Terrorist attacks may also negatively affect our operations and financial condition and directly impact its vessels or its customers. Future terrorist attacks could result in increased volatility of the financial markets in the United States of America and globally and could result in an economic recession in the United States of America or the world. Any of these occurrences could have a material adverse impact on our financial condition and costs.

Company Risk Factors

If we cannot use proceeds of this offering to acquire vessels and expand our fleet, we may use the proceeds of this offering for general corporate purposes with which you may not agree.

We intend to use proceeds of this offering to acquire vessels and expand our fleet. Our management will have the discretion to identify and acquire vessels with the proceeds of this offering. If our management is unable to identify and acquire vessels on terms acceptable to us, we may use the proceeds for general corporate purposes that you may not agree with. We will not escrow the proceeds from this offering and will not return the proceeds to you if we do not acquire one or more vessels. It may take a substantial period of time before we can locate and purchase suitable vessels. During this period, the proceeds of this offering may not be invested on a short-term basis and therefore may not yield returns at rates comparable to what a vessel might have earned.

We depend entirely on Eurobulk to manage and charter our fleet, which may adversely affect our operations if Eurobulk fails to perform its obligations.

We have no employees and we currently contract the commercial and technical management of our fleet, including crewing, maintenance and repair, to Eurobulk, our affiliated ship management company. We may lose Eurobulk's services or Eurobulk may fail to perform its obligations to us which could have a material adverse effect on our financial condition and results of our operations. Although we may have rights against Eurobulk if it defaults on its obligations to us, you will have no recourse against Eurobulk. Further, we expect that we will need to seek approval from our lenders to change Eurobulk as our ship manager.

Because Eurobulk is a privately held company, there is little or no publicly available information about it and there may be very little advance warning of operational or financial problems experienced by Eurobulk that may adversely affect us.

The ability of Eurobulk to continue providing services for our benefit will depend in part on its own financial strength. Circumstances beyond our control could impair Eurobulk's financial strength, and because Eurobulk is privately held it is unlikely that information about its financial strength would become public unless Eurobulk began to default on its obligations. As a result, there may be little advance warning of problems affecting Eurobulk, even though these problems could have a material adverse effect on us.

We will continue to be controlled by Friends after this offering, which may limit your ability to influence our actions.

Assuming that the underwriters do not exercise their over-allotment option, Friends, our largest shareholder, will own or control 56.3% of the outstanding shares of our common stock immediately following this offering or 54.0% if the underwriters exercise their over-allotment option in full. As a result of this share ownership and for so long as Friends owns a significant percentage of our outstanding common stock, Friends will be able to influence the outcome of any shareholder vote, including the election of directors, the adoption or amendment of provisions in our articles of incorporation or bylaws and possible mergers, corporate control contests and other significant corporate transactions. This concentration of ownership may have the effect of delaying, deferring or preventing a change in control, merger, consolidation, takeover or other business combination involving us. This concentration of ownership could also discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us, which could in turn have an adverse effect on the market price of our common stock.

We will be a controlled company under NASDAQ rules, and as such we are entitled to exemption from certain NASDAQ corporate governance standards, and you may not have the same protections afforded to stockholders of companies that are subject to all of the NASDAQ corporate governance requirements.

After the consummation of this offering, Friends will continue to control a majority of our outstanding voting stock. As a result, we will be a controlled company within the meaning of the NASDAQ corporate governance

standards. Under NASDAQ rules, a company of which more than 50% of its voting power is held by an individual, group or another company is a controlled company and may elect not to comply with certain NASDAQ corporate governance requirements, including (1) the requirement that a majority of the board of directors consist of independent directors and (2) the requirement to maintain independent compensation and nominating committees. Following this offering, we may utilize these exemptions. As a result, non-independent directors, including members of our management who also serve on our board of directors, will, among other things, fix the compensation of our management, make stock and option awards and resolve governance issues regarding our company. Accordingly, in the future you may not have the same protections afforded to stockholders of companies that are subject to all of the NASDAQ corporate governance requirements.

We and our principal officers have affiliations with Eurobulk that could create conflicts of interest detrimental to us.

Our principal officers are also principals, officers and employees of Eurobulk, which is our ship management company. These responsibilities and relationships could create conflicts of interest between us and Eurobulk. Conflicts may also arise in connection with the chartering, purchase, sale and operations of the vessels in our fleet versus other vessels that are or may be managed in the future by Eurobulk. Circumstances in any of these instances may make one decision advantageous to us but detrimental to Eurobulk and vice versa. Eurobulk is expected to manage at least one vessel other than those owned by Euroseas. In the past, Eurobulk has managed other vessels where the Pittas family was a minority shareholder but never any where there was no Pittas family participation at all. However, it is possible that in the future Eurobulk may manage additional vessels which will not belong to Euroseas and in which the Pittas family may have controlling, little or even no power or participation and where such conflicts may arise. Eurobulk may not be able to resolve all conflicts of interest in a manner beneficial to us.

Companies affiliated with Eurobulk or our officers and directors may acquire vessels that compete with our fleet.

Companies affiliated with Eurobulk or our officers and directors own drybulk carriers and may acquire additional drybulk carriers, container ships or multipurpose vessels in the future. These vessels could be in competition with our fleet and other companies affiliated with Eurobulk might be faced with conflicts of interest with respect to their own interests and their obligations to us. Eurobulk, Friends Investment Company Inc. and Aristides J. Pittas, our Chairman and Chief Executive Officer, have granted us a right of first refusal to acquire any drybulk vessel or container ship which any of them may consider for acquisition in the future. In addition, Mr. Pittas will use his best efforts to cause any entity with respect to which he directly or indirectly controls to grant us this right of first refusal. Were we, however, to decline any such opportunity offered to us or we do not have the resources or desire to accept any such opportunity, Eurobulk, Friends and Aristides J. Pittas, and any of their respective Affiliates, could acquire such vessels.

Our officers do not devote all of their time to our business.

Our officers are involved in other business activities that may result in their spending less time than is appropriate or necessary in order to manage our business successfully. Our Chief Executive Officer, Chief Financial Officer and Secretary are not employed directly by us, but rather their services are provided pursuant to our master management agreement with Eurobulk. These officers may spend a material portion of their time providing services to Eurobulk and its affiliates on matters unrelated to us.

We are a holding company, and we 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, 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 to you depends on our

subsidiaries and their ability to distribute funds to us. If we are unable to obtain funds from our subsidiaries, we may be unable or our Board of Directors may exercise its discretion not to pay dividends.

We may not be able to pay dividends.

Subject to the limitations discussed below, we currently intend to pay regular minimum quarterly dividends of \$0.22 per share to holders of our common stock, when, as and if declared by our Board of Directors. However, we

may not earn sufficient charterhire or we may incur expenses or liabilities that would reduce or eliminate the cash available for distribution as dividends. Our loan agreements may also limit the amount of dividends we can pay under some circumstances based on certain covenants included in the loan agreements.

If we are not successful in acquiring additional vessels, any unused net proceeds from this offering may be used for other corporate purposes or held pending investment in other vessels. Identifying and acquiring vessels may take a significant amount of time. The result may be that proceeds of this offering are not invested in additional vessels, or are so invested but only after some delay. In either case, we will not be able to earn charter hire consistent with our current anticipations, and our profitability and our ability to pay dividends will be affected.

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, restrictions in our loan agreements, growth strategy, charter rates in the drybulk and container shipping industry, 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 (retained earnings and the excess of consideration received for the sale of shares above the par value of the shares), but if there is no surplus, dividends may be declared out of the net profits (basically, the excess of our revenue over our expenses) for the fiscal year in which the dividend is declared or the preceding fiscal year. Marshall Islands law also prohibits the payment of dividends while a company is insolvent or if it would be rendered insolvent upon the payment of a dividend. As a result, we may not be able to pay dividends.

If we are unable to fund our capital expenditures, we may not be able to continue to operate some of our vessels, which would have a material adverse effect on our business and our ability to pay dividends.

In order to fund our capital expenditures, we may be required to incur borrowings or raise capital through the sale of debt or equity securities. Our ability to access the capital markets through future offerings may be limited by our financial condition at the time of any such offering as well as by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond our control. Our failure to obtain the funds for necessary future capital expenditures would limit our ability to continue to operate some of our vessels and could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends. Even if we are successful in obtaining such funds through financings, the terms of such financings could further limit our ability to pay dividends.

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 business successfully with our existing operations;
-

enhancing our customer base;

-

managing our expansion; and

-

obtaining required financing on acceptable terms.

During periods in which charter rates are high, vessel values generally are high as well, and it may be difficult to consummate vessel acquisitions at favorable prices. In addition, 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. We may not 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.

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 our vessels and currently expect to incur additional secured debt in connection with our acquisition of other 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.

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

Our existing 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;
- change the management of our vessels or terminate or materially amend the management agreement relating to each vessel; and
- sell our vessels.

Therefore, we may need to seek permission from our lenders in order to engage in some corporate actions. The lenders interests may be different from our interests, and we may not be able to obtain the lenders permission when needed. This may prevent us from taking actions that are in our best interest.

Servicing future debt would limit funds available for other purposes.

To finance our fleet, we have incurred secured debt under loan agreements for our vessels. We also currently expect to incur additional secured debt to finance the acquisition of additional vessels. We must dedicate a portion of our cash flow from operations to pay the principal and interest on our debt. These payments limit funds otherwise available for working capital expenditures and other purposes. As of December 31, 2006, we had total bank debt of approximately \$75.0 million. Our current repayment schedule requires us to repay \$18.0 million of this debt over the next 12 months. If we were unable to service our debt, it could have a material adverse effect on our financial condition and results of operations.

A rise in interest rates could cause an increase in our costs and have a material adverse effect on our financial condition and results of operations. To finance vessel purchases, we have borrowed, and may continue to borrow, under loan agreements that provide for periodic interest rate adjustments 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 have a material adverse effect on our financial condition and results of operations. Any increase in debt service would also reduce the funds available to us to purchase other vessels.

Our ability to obtain additional debt financing may be dependent on the performance of our then existing charters and the creditworthiness of our charterers.

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 purchase 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 affect our results of operation and our ability to implement our business strategy.

As we expand our business, we may need to upgrade our operations and financial systems, and add more staff and crew. If we cannot upgrade these systems or recruit suitable employees, our performance may be adversely affected.

Our current operating and financial systems may not be adequate if we expand the size of our fleet, and our attempts to improve those systems may be ineffective. In addition, if we expand our fleet, we will have to rely on

Eurobulk to recruit suitable additional seafarers and shoreside administrative and management personnel. Eurobulk may not be able to continue to hire suitable employees as we expand our fleet. If Eurobulk's unaffiliated crewing agent encounters business or financial difficulties, we may not be able to adequately staff our vessels. If we are unable to operate our financial and operations systems effectively or to recruit suitable employees, our performance may be materially adversely affected.

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

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

Labor interruptions could disrupt our business.

Our vessels are manned by masters, officers and crews that are employed by third parties. If not resolved in a timely and cost-effective manner, industrial action or other labor unrest could prevent or hinder our operations from being carried out normally and could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

In the highly competitive international drybulk and container 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 highly competitive markets that are capital intensive and highly fragmented. Competition arises primarily from other vessel owners, some of whom have substantially greater resources than us. Competition for the transportation of drybulk and container 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.

We will not be able to take advantage of favorable opportunities in the current spot market with respect to vessels employed on period charters.

Six of the nine vessels in our fleet are employed under period charters, or otherwise protected from market fluctuations with remaining terms ranging between three months and 63 months, and one of our vessels is partly protected from market fluctuations (77% of its capacity in 2007 and 42% in 2008) via its participation in a shipping pool and three short panamax funds (cargo funds). Although period charters provide relatively steady streams of revenue, vessels committed to period charters may not be available for spot charters during periods of increasing charter hire rates, when spot charters might be more profitable. If we cannot re-charter these vessels on period charters or trade them in the spot market profitably, our results of operations and operating cash flow may suffer. We may not be able to secure charter hire rates in the future that will enable us to operate our vessels profitably.

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

Our success depends to a significant extent upon the abilities and efforts of our management team. Our success will depend upon our ability to hire additional employees and to retain key members of our management team. The loss of any of these individuals could adversely affect our business prospects and financial condition. Difficulty in hiring and

retaining personnel could adversely affect our results of operations. We do not currently intend to maintain key man life insurance on any of our officers.

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 carries inherent risks. These risks include, among others, the possibility of:

- marine disaster;
- piracy;
- environmental accidents;
- grounding, fire, explosions and collisions;
- cargo and property losses or damage;
- business interruptions caused by mechanical failure, human error, war, terrorism, political action in various countries, labor strikes or adverse weather conditions; and
- work stoppages or other labor problems with crew members serving on our vessels, substantially all of whom are unionized and covered by collective bargaining agreements.

Such occurrences could result in death or injury to persons, loss of property or environmental damage, delays in the delivery of cargo, loss of revenues from or termination of charter contracts, governmental fines, penalties or restrictions on conducting business, higher insurance rates, and damage to our reputation and customer relationships generally. Any of these circumstances or events could increase our costs or lower our revenues, which could result in reduction in the market price of our shares of common stock. The involvement of our vessels in an environmental disaster may harm our reputation as a safe and reliable vessel owner and operator.

The operation of drybulk carriers has certain unique operational risks.

The operation of certain ship 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 vessels 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.

The operation of container ships has certain unique operational risks.

The operation of container ships has certain unique risks. Container ships operate at high speeds in order to move cargoes around the world quickly and minimize delivery delays. These high speeds can result in greater impact in collisions and groundings resulting in more damage to the vessel when compared to vessels operating at lower speeds. In addition, due to the placement of the containers on a container ship, there is a greater risk that containers carried on deck will be lost overboard if an accident does occur. Furthermore, with the highly varied cargo that can be carried on a single container ship, there can be additional difficulties with any clean-up operation following an accident. Also, we may not be able to correctly control the contents and condition of cargoes within the containers which may give rise to events such as customer complaints, accidents on-board the ships or problems with authorities due to carriage of illegal cargoes. 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.

Our vessels may suffer damage and it may face unexpected drydocking costs, which could affect our cash flow and financial condition.

If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs are unpredictable and may be substantial. We may have to pay drydocking 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.

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

Although we inspect the secondhand vessels 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 it 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 cost of maintaining a vessel in good operating condition increases with the age of the vessel. As of December 31, 2006, the average age of our fleet was approximately 18.5 years. As our fleet ages, we will incur increased costs. Older vessels are typically less fuel efficient and more costly to maintain than more recently constructed vessels. Cargo insurance rates also increase with the age of a vessel, making older vessels less desirable to charterers. Governmental regulations and safety or other equipment standards related to the age of a vessel may also require expenditures for alterations or the addition of new equipment to our vessels and may restrict the type of activities in which our vessels may engage.

Governmental regulations, safety or other equipment standards related to the age of vessels may require expenditures for alterations, or the addition of new equipment, to our vessels and may restrict the type of activities in which the vessels may engage. As our vessels age, market conditions may not justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives. If we sell vessels, we are not certain that the price for which we sell them will equal their carrying amount at that time.

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 and freight, demurrage and defense insurance for our fleet. We 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 risks. We may not be able to obtain adequate insurance coverage for our fleet in the future. The insurers may not pay particular claims. Our insurance policies contain deductibles for which we will be responsible and limitations and exclusions which may increase our costs or lower our revenue. Moreover, the insurers may default on any claims they are required to pay. If our insurance is not enough to cover claims that may arise, it may have a material adverse effect on our financial condition and results of operations.

Our international operations expose us to risks of terrorism and piracy that may interfere with the operation of our vessels.

We are an international company and primarily conducts our operations outside the United States of America. Changing economic, political and governmental conditions in the countries where we are engaged in business or where our vessels are registered affect our operations. In the past, political conflicts, particularly in the Arabian Gulf, resulted in attacks on vessels, mining of waterways and other efforts to disrupt shipping in the area. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea. The likelihood of future acts of terrorism may increase, and our vessels may face higher risks of being attacked. We are not fully insured against any

of these risks. In addition, future hostilities or other political instability in regions where our vessels trade could have a material adverse effect on our trade patterns and adversely affect our operations and performance.

Obligations associated with being a public company require significant company resources and management attention.

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), and the other rules and regulations of the SEC, including the Sarbanes-Oxley Act of 2002. Section

404 of the Sarbanes-Oxley Act requires that we evaluate and determine the effectiveness of our internal control over financial reporting. However, as a non-accelerated filer, we are not yet subject to this requirement. Currently, we would be subject to such requirement by the end of our fiscal year ending December 31, 2007. If we have a material weakness in our internal control over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. We have to dedicate a significant amount of time and resources to ensure compliance with these regulatory requirements.

We work with our legal, accounting and financial advisors to identify any areas in which changes should be made to our financial and management control systems to manage our growth and our obligations as a public company. We evaluate areas such as corporate governance, corporate control, internal audit, disclosure controls and procedures and financial reporting and accounting systems. We will make changes in any of these and other areas, including our internal control over financial reporting, which we believe are necessary. However, these and other measures we may take may not be sufficient to allow us to satisfy our obligations as a public company on a timely and reliable basis. In addition, compliance with reporting and other requirements applicable to public companies will create additional costs for us and will require the time and attention of management. Our limited management resources may exacerbate the difficulties in complying with these reporting and other requirements while focusing on executing our business strategy. We may not be able to predict or estimate the amount of the additional costs we may incur, the timing of such costs or the degree of impact that our management's attention to these matters will have on our business.

Our historical financial and operating data may not be representative of our future results because we are a recently formed company with a limited operating history as a stand-alone entity and as a publicly traded company.

Our historical financial and operating data may not be representative of our future results because we are a recently formed company with a limited operating history as a stand-alone entity and as a publicly traded company. Our consolidated financial statements include the financial position, results of operations and cash flows of shipowning companies managed by Eurobulk and majority owned by the Pittas family prior to their contribution to us. Although our results of operations, cash flows and financial condition reflected in the consolidated financial statements include all expenses allocable to our business, due to factors such as the additional administrative and financial obligations associated with operating as a publicly traded company, they may not be indicative of the results of operations that we would have achieved had we operated as a public entity for all periods presented or of future results that we may achieve as a publicly traded company with our current holding company structure.

Exposure to currency exchange rate fluctuations will result in fluctuations in our cash flows and operating results.

We generate all our revenues in U.S. dollars, but our ship manager, Eurobulk, incurs approximately 30% of vessel operating expenses and we incur general and administrative expenses in currencies other than the U.S. dollar. This difference could lead to fluctuations in our vessel operating expenses, which would affect our financial results. Expenses incurred in foreign currencies increase when the value of the U.S. dollar falls, which would reduce our profitability. We do not currently engage in hedging transactions to minimize our exposure to currency rate fluctuations, but we may do so in the future.

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 income from 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, the U.S. Internal Revenue Service, or IRS, or a court of law may not accept our position, and there is a risk that the IRS or a court of law could determine that we are a PFIC. Moreover, we may 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 United States Internal Revenue Code of 1986 (the Code) (which election could itself have adverse consequences for such shareholders, as discussed below under Tax Consequences United States Federal Income Taxation of U.S. Holders), such shareholders would be liable to pay U.S. federal income tax at the then prevailing income tax rates on ordinary income plus interest upon excess distributions and upon any gain from the disposition of our shares, as if the excess distribution or gain had been recognized ratably over the shareholder's holding period of our shares. See 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.

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

Under the Code, 50% of the gross shipping income of a vessel owning or chartering corporation, such as 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 promulgated thereunder.

We expect that we and each of our subsidiaries qualify for this statutory tax exemption and we will take this position for United States federal income tax return reporting purposes. However, there are factual circumstances beyond our control that could cause us to lose the benefit of this tax exemption after this offering and thereby become subject to United States federal income tax on our United States source income. Due to the factual nature of the issues involved, we may not be able to give any assurances on our tax-exempt status or that of any of our subsidiaries.

If we or our subsidiaries are not entitled to exemption under Section 883 for any taxable year, we or our subsidiaries could be subject for those years to an effective 2% United States 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.

It may be difficult to enforce service of process and enforcement of judgments against us and our officers and directors.

We are a Marshall Islands corporation, and our executive offices are located outside of the United States in Maroussi, Greece. A majority of our directors and officers reside outside of the United States, and a substantial portion of our assets and the assets of our officers and directors are located outside of the United States. As a result, you may have difficulty serving legal process within the United States upon us or any of these persons. You may also have difficulty enforcing, both in and outside of the United States, judgments you may obtain in the U.S. courts against us or these persons in any action, including actions based upon the civil liability provisions of U.S. federal or state securities laws.

There is also substantial doubt that the courts of the Marshall Islands or Greece would enter judgments in original actions brought in those courts predicated on U.S. federal or state securities laws.

Risk Factors Relating To Our Common Stock

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 OTCBB 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 \$4.28 per share, representing the difference between the public offering price and our pro forma as adjusted net tangible book value per share at September 30, 2006, after giving effect to this offering. In addition, purchasers of our common stock from us in this offering will have contributed approximately 54.2% of the aggregate price paid by all purchasers of our common stock from us, but will own only approximately 28.4% of the shares outstanding after this offering. For more information, please see Dilution.

Our stock price may fall below the minimum share price requirements of the NASDAQ Global Market.

We have made application to list our common stock on the NASDAQ Global Market. Although the offering price is currently above the \$5.00 minimum share price requirement to initially list our shares on the NASDAQ Global Market, we cannot predict what the price for our shares of our common stock will be following this offering. If our share price falls below \$5.00 after being listed, our common stock will not be marginable and this may reduce the liquidity of our of our common stock. If we are listed on the NASDAQ Global Market and our share price falls below the required \$1.00 minimum share price requirement for listed stock or we fail to maintain any other listing requirements, our stock could be delisted. Any of these events could result in an active trading market no longer existing for our shares.

The price of our shares may be volatile and less than you originally paid for such shares.

The price of our shares may be volatile, and may fluctuate due to factors such as:

- actual or anticipated fluctuations in quarterly and annual results;
- mergers and strategic alliances in the shipping industry;
- market conditions in the industry;
- changes in government regulation;
- fluctuations in our quarterly revenues and earnings and those of our publicly held competitors;
- payment of dividends;
- shortfalls in our operating results from levels forecasted by securities analysts;
- announcements concerning us or our competitors; and
- the general state of the securities markets.

The international drybulk and container shipping industry has been highly unpredictable and volatile. The market for stock of companies in this industry may be equally volatile. Our shares may trade at prices lower than you originally paid for such shares.

Our Articles of Incorporation and Bylaws contain anti-takeover provisions that may discourage, delay or prevent (1) our merger or acquisition and/or (2) the removal of incumbent directors and officers.

Our current Articles of Incorporation and Bylaws contain certain anti-takeover provisions. These provisions include blank check preferred stock, the prohibition of cumulative voting in the election of directors, a classified board of directors, advance written notice for shareholder nominations for directors, removal of directors only for cause, advance written notice of shareholder proposals for the removal of directors and limitations on action by shareholders.

These provisions, either individually or in the aggregate, may discourage, delay or prevent (1) our merger or acquisition by means of a tender offer, a proxy contest or otherwise, that a shareholder may consider in its best interest and (2) the removal of incumbent directors and officers.

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.

Pursuant to our prior Form F-1 registration statement, we registered for resale 2,342,331 shares of common stock issued in our Private Placement, 585,581 shares of our common stock issuable upon the exercise of warrants issued in the Private Placement and 272,868 shares of our common stock issued to certain affiliates of Cove, in connection with the merger of Cove with our wholly-owned subsidiary, Euroseas Acquisition Company Inc. At no time did Euroseas Ltd., the parent company, merge with or into Cove. Registration of such shares has, except for any shares purchased by affiliates, resulted in such shares becoming freely tradable without restriction under the Securities Act of 1933, as amended (the Securities Act).

In addition, we have entered into a registration rights agreement with Friends, our largest shareholder, pursuant to which we have granted Friends the right to require us to register under the Securities Act, shares of our common stock held by it. Under the registration rights agreement, Friends has the right to request that we register the sale of shares held by it on its behalf and may require us to make available shelf registration statements permitting sales of shares into the market from time to time over an extended period. In addition, Friends has the ability to exercise certain piggyback registration rights in connection with registered offerings requested by stockholders or initiated by us. Friends has agreed to waive its rights under the registration rights agreement, including the right to have any of its shares of our common stock registered in this offering, for a period beginning on the date of this prospectus and ending 180 days from the later of the effective date of the Registration Statement or the pricing of this offering. Registration of such shares under the Securities Act would, except for shares purchased by affiliates, result in such shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of such registration. Shares not registered pursuant to the registration rights agreement may, subject to the lock-up agreement to which Friends is a party, be resold pursuant to an exemption from the registration requirements of the Securities Act, including the exemptions provided by Rule 144 and Regulation S under the Securities Act. We refer

you to the sections of this prospectus entitled Certain Relationships and Related Party Transactions, Shares Eligible for Future Sale and Underwriting for further information regarding the circumstances under which additional shares of our common stock may be sold.

We may issue additional shares of our stock in the future and our stockholders 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 100,000,000 shares of common stock and 20,000,000 shares of preferred stock, of which 17,620,114 shares of common stock will be outstanding immediately after this offering, assuming that the underwriters do not exercise their over-allotment option. Immediately after this offering, assuming that the underwriters do not exercise their over-allotment option, entities affiliated with our President and Chief Executive Officer and certain other large affiliated shareholders will own or control 10,251,390 shares (assuming no exercise of 83,334 warrants owned by Eurobulk Marine Holdings, Inc.), or approximately 58.1%, of our outstanding common stock assuming no exercise of the underwriters over-allotment option. The number of shares of stock available for sale in the public market will be limited by restrictions applicable under securities laws and agreements that we and our executive officers, directors and principal shareholders have entered into with the underwriters of this offering. Subject to certain exceptions, these agreements generally restrict us and our executive officers, directors and certain shareholders from directly or indirectly offering, selling, pledging, hedging or otherwise disposing of our equity securities or any security that is convertible into or exercisable or exchangeable for our equity securities and from engaging in certain other transactions relating to such securities for a period of 180 days (with respect to our officers, directors, Friends and Eurobulk Marine) and 90 days (with respect to certain other large, non-affiliated shareholders) from the later of the effective date of this Registration Statement or the pricing of this offering without the prior written consent of Oppenheimer & Co. Inc.

Dividends paid on the common stock to U.S. individuals, trusts and estates may be taxed as ordinary income.

Although we have made application to list our common stock on the NASDAQ Global Market, if our common stock fails to meet or maintain the requirements of the NASDAQ Global Market or another established securities market in the United States, such shares will trade over the counter and any dividends paid on the shares will be treated for U.S. tax purposes as ordinary income rather than qualified dividend income which would otherwise be taxed to U.S. individuals, trusts and estates at preferential tax rates. There is no assurance that we will be able to maintain the listing of our common stock on the NASDAQ Global Market or another established securities market in the United States. Therefore there is no assurance that any dividends paid on the common stock will be treated as qualified dividend income and subject to tax at preferential rates.

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 our Articles of Incorporation and Bylaws and by the Marshall Islands Business Corporations Act (the BCA). The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. However, there have been few judicial cases in the Republic of the Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors under the 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.

PRICE RANGE OF COMMON STOCK

The trading market for shares of our common stock is the OTCBB, on which our shares trade under the symbol EUSEF.OB. Our common stock began trading on the OTCBB on May 5, 2006. We have made application to have our common stock listed on the NASDAQ Global Market under the symbol ESEA upon completion of this offering. The following table sets forth the high and low closing prices for shares of our common stock as reported by the OTCBB, after giving effect to our 1-for-3 reverse stock split that was effected on October 6, 2006:

For the Period:	Low	High
Quarterly for 2006:		
Second Quarter (from May 5, 2006)	\$ 8.82	\$ 18.24
Third Quarter	\$ 8.55	\$ 9.15
Fourth Quarter		
Monthly for 2006:		
May (from May 5, 2006)	\$ 9.39	\$ 18.24
June	\$ 8.82	\$ 10.14
July	\$ 8.97	\$ 9.12
August	\$ 8.82	\$ 9.00
September	\$ 8.55	\$ 9.15
October	\$ 8.37	\$ 9.00
November	\$ 5.60	\$ 9.00
December	\$ 6.70	\$ 7.50
Quarterly for 2007:		
First Quarter (through January 25, 2007)	\$ 7.00	\$ 8.50
Monthly for 2007:		
January (through January 25, 2007)	\$ 7.00	\$ 8.50

DIVIDEND POLICY

Our Board of Directors has adopted a policy to declare a regular minimum quarterly dividend of \$0.22 per share to shareholders each May, August, November and February provided there are sufficient funds. Any excess cash flow may be used to pay additional dividends, fund our growth or repay Company debt, as determined by our Board of Directors.

Since our Private Placement in August 25, 2005, we have declared dividends on our common stock in the amount of \$0.21, \$0.18, \$0.18, \$0.18 and \$0.21 per common share for the fiscal periods ended on September 30, 2005, December 31, 2005, March 31, 2006, June 30, 2006 and September 30, 2006 respectively for a total of \$0.96 per common share. The aggregate amount of such dividends for the twelve month period ended September 30, 2006 was \$9,465,082. On January 8, 2007 we declared a dividend on our common stock in the amount of \$0.22 per share for the results of operations for the three-month period ended December 31, 2006, which is payable on or about February 15, 2007 to all common shareholders of record as of January 29, 2007. We expect to declare our next dividend in May 2007.

We paid \$687,500, \$1,200,000, \$26,962,500, \$46,875,223 (consisting of \$30,175,223 of dividends and \$16,700,000 as return of capital) and \$6,814,859 in 2002, 2003, 2004, 2005 and in the first nine months of 2006, respectively. Over the period January 1, 2002 to June 30, 2005, we paid substantially all of our net income as dividends.

The exact amount of dividend payments will be dependent upon our earnings, financial condition, cash requirements and availability, restrictions in our loan agreements, growth strategy, charter rates in the drybulk and container shipping industry, the provisions of Marshall Islands law affecting the payment of distributions to shareholders and other factors, such as the acquisition of additional vessels. However, we do not believe that the addition of vessels to our fleet will adversely impact our dividend policy of paying quarterly dividends to our shareholders out of our net profits. We believe that the addition of vessels to our fleet in the future should enable us to pay a higher dividend per share than we would otherwise be able to pay without additional vessels since such additional vessels should increase our earnings. However, we cannot give any current estimate of what dividends may be in the future since any such dividend amounts will depend upon the amount of revenues those vessels are able to generate and the costs incurred in operating such vessels.

In addition, Marshall Islands law generally prohibits the payment of dividends other than from surplus (retained earnings and the excess of consideration received for the sale of shares above the par value of the shares), but if there is no surplus, dividends may be declared out of the net profits (basically, the excess of our revenue over our expenses) for the fiscal year in which the dividend is declared or the preceding fiscal year. Marshall Islands law also prohibits the payment of dividends while a company is insolvent or if it would be rendered insolvent upon the payment of a dividend.

Dividends may be declared in conformity with applicable law by, and at the discretion of, our Board of Directors at any regular or special meeting. Dividends may be declared and paid in cash, stock or other property of the Company. The payment of dividends is not guaranteed or assured, and may be discontinued at any time at the discretion of our Board of Directors.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately \$38.5 million from this offering assuming that the underwriters' over-allotment option is not exercised and after deducting underwriting discounts and commissions, offering expenses and the financial advisory fee payable to Cantor Fitzgerald & Co. We intend to use approximately \$7.0 million of the net proceeds to repay a portion of the debt that was used to finance our acquisition of m/v *YM Xingang I*. The loan used to acquire this vessel has a final maturity date of December 2013 and bears interest at a rate of LIBOR plus 0.935%, which rate shall be reduced to LIBOR plus 0.900% following the pre-payment. We expect to use the remaining proceeds to acquire additional vessels in the sectors in which we currently operate. Any amounts not so used will be applied to general corporate purposes.

CAPITALIZATION

The following table sets forth our consolidated capitalization at September 30, 2006:

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

- as adjusted for certain subsequent events:

(a) cash dividend of \$2,650,232 declared on November 9, 2006 and paid on or about December 15, 2006;

(b) new loan to finance the acquisition of m/v *YM Xingang I*, \$20,000,000 of which was drawn on November 15, 2006 and repayments for loans outstanding at September 30, 2006 amounting to \$3,960,000;

(c) cash dividend of \$2,776,433 declared on January 8, 2007 to be paid on or about February 15, 2007;

- on an as further adjusted basis for the sale of 5,000,000 shares at an offering price of \$8.50 per share after the underwriters' discounts and commissions, offering expenses, payment of a financial advisory fee and after receipt and application of net proceeds as outlined in Use of Proceeds.

There has been no material change in our capitalization between September 30, 2006 and the date of this prospectus as adjusted as described above. Current portion of long term debt in the As Adjusted column represents current portion of the new and existing debt as of December 31, 2006; in the As Further Adjusted column part of the proceeds of the offering are used to repay a portion of the debt outstanding as of December 31, 2006.

	Actual As of September 30, 2006	As Adjusted	As Further Adjusted
Debt:			
Current portion of long term debt	\$ 14,390,000	\$ 18,040,000	\$ 16,640,000
Total long term debt, net of current portion	44,520,000	56,910,000	51,310,000
Total debt	58,910,000	74,950,000	67,950,000
Shareholders' equity			
Common stock, \$.03 par value; 100,000,000 shares authorized on an actual and as adjusted basis; 12,620,114 shares issued and outstanding on an actual and as adjusted basis; 17,620,114	378,603	378,603	528,603

shares issued and outstanding on an as further
adjusted basis

Preferred stock, \$0.01 par value; 20,000,000
shares authorized on an actual and adjusted basis;
0 shares issued and outstanding

Additional paid-in capital	18,283,769	18,283,769	56,633,769
Retained earnings	17,252,526	17,252,526	17,252,526
Dividends declared on November 9, 2006 and January 8, 2007		(5,426,665)	(5,426,665)
Total shareholders equity	35,914,898	30,488,233	68,988,233
Total capitalization	\$ 94,824,898	\$ 105,438,233	\$ 136,938,233

As of September 30, 2006, we had \$14.1 million in cash and cash equivalents and on an as further adjusted basis cash and cash equivalents are \$28.9 million excluding restricted cash.

DILUTION

At September 30, 2006, we had net tangible book value of \$35.9 million, or \$2.85 per share. After giving effect to the issuance of 5,000,000 shares of common stock as part of this offering at an offering price of \$8.50 per share, the pro forma net tangible book value at September 30, 2006 would have been \$78.4 million or \$4.22 per share. This represents an immediate appreciation in net tangible book value of \$1.38 per share to existing shareholders and an immediate dilution of net tangible book value of \$4.28 per share to new investors. The following table illustrates the pro forma per share dilution and appreciation at September 30, 2006:

Initial offering price per share in this offering	\$ 8.50
Net tangible book value per share as of September 30, 2006	2.85
Increase in net tangible book value attributable to the existing shareholders	1.38
Proforma net tangible book value per share after giving effect to this offering	4.22
Dilution per share to the new investors	\$ 4.28

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.

The following table summarizes, on a pro forma basis as at September 30, 2006, 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 based upon the share price of \$8.50 per share as per the closing price on January 25, 2007.

	Pro Forma Shares Outstanding		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing shareholders	12,620,114	71.6 %	\$ 35,914,898	45.8 %	\$ 2.85
New investors	5,000,000	28.4 %	\$ 42,500,000	54.2 %	\$ 8.50
Total	17,620,114	100.0 %	\$ 78,414,898	100.0 %	\$ 4.45

SELECTED HISTORICAL FINANCIAL INFORMATION AND DATA

The following historical financial information and data were derived from our audited financial statements for the years ended December 31, 2003, 2004 and 2005 and our unaudited financial statements for the nine months ended September 30, 2005 and 2006 included elsewhere in this prospectus or previously filed with the Securities and Exchange Commission. We derived the information for the year ended December 31, 2002 from our audited financial statements not included in this prospectus. The information is only a summary and should be read in conjunction with our historical financial statements and related notes included in this prospectus, and the section of this prospectus entitled 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.

	Year Ended December 31,				Nine-Months Ended September 30,	
	2002(1)	2003	2004	2005	2005	2006
Income Statement Data:						
Freight revenues	\$ 15,291,761	\$ 25,951,023	\$ 45,718,006	\$ 44,523,401	\$ 34,091,505	\$ 29,701,940
Commissions	(420,959)	(906,017)	(2,215,197)	(2,388,349)	(1,847,900)	(1,280,400)
Freight expenses	(531,936)	(436,935)	(370,345)	(670,551)	(136,224)	(1,014,380)
Vessel operating expenses exclusive of depreciation and amortization expenses shown separately below)	(7,164,271)	(8,775,730)	(8,906,252)	(8,610,279)	(6,322,677)	(7,599,940)
Management fees	(1,469,690)	(1,722,800)	(1,972,252)	(1,911,856)	(1,430,464)	(1,643,140)
General and administrative expenses				(420,755)	(130,864)	(758,280)
Depreciation and amortization(2)	(4,053,049)	(4,757,933)	(3,461,678)	(4,208,252)	(2,806,348)	(4,989,750)
Net gain on sale of vessel			2,315,477			4,445,850
Interest and finance cost, net	(793,732)	(756,873)	(521,215)	(1,035,414)	(860,562)	(1,538,390)
Other income/(expenses), net	2,849	(690)	25,221	(99,491)	(99,490)	(1,060)
Net change in net gain (loss) of an associate	30,655	(167,433)				
Net income for period	\$ 891,628	\$ 8,426,612	\$ 30,611,765	\$ 25,178,454	\$ 20,456,976	\$ 15,322,420
Earnings per share, basic and diluted	\$ 0.09	\$ 0.85	\$ 3.09	\$ 2.34	\$ 1.99	\$ 1.20
Weighted average number of shares outstanding during period	9,918,056	9,918,056	9,918,056	10,739,476	10,273,853	12,506,790
Balance Sheet Data:						
Total current assets	\$ 3,192,345	\$ 9,409,339	\$ 16,461,159	\$ 25,350,707	\$ 31,820,381	\$ 17,815,370
Assets, net	45,254,226	41,096,067	34,171,164	52,334,897	32,382,377	79,955,690
Total assets	50,259,121	51,458,019	52,837,501	79,541,433	66,166,056	99,250,510
Total current liabilities, including current portion of long term debt	10,878,488	8,481,773	13,764,846	18,414,877	16,365,753	18,815,620
	23,845,000	20,595,000	13,990,000	48,560,000	37,230,000	58,910,000

ing term debt, including current
tion

al liabilities	28,973,488	23,971,773	21,724,846	52,544,877	40,740,755	63,335,62
al Shareholders Equity	\$ 21,285,634	\$ 27,486,246	\$ 31,112,655	\$ 26,996,556	\$ 25,425,301	\$ 35,914,89

Other Financial Data:

Adjusted EBITDA(3)	\$ 5,738,409	\$ 13,941,418	\$ 34,594,658	\$ 30,422,120	\$ 24,123,886	\$ 21,480,77
cash provided by (used operating activities	5,631,343	10,956,132	34,208,693	20,594,782	(7,390,892)	15,715,29
cash provided by (used in) investing activities	(17,036,079)	214,832	6,756,242	(21,833,616)	(1,097,848)	(25,549,21
cash provided by (used in) financing activities	12,247,355	(4,778,000)	(33,567,500)	6,188,653	(1,765,130)	3,443,89
cash paid for purchase of vessel	(16,993,811)			(20,821,647)		(34,427,57
docking expenses paid		(972,671)	(2,270,418)	(1,076,233)	(689,339)	(821,19
dividends declared	687,500	1,276,000	25,435,501	30,175,223	27,525,000	6,814,85
cash paid for dividends/return of capital(4)	687,500	1,200,000	26,962,500	46,875,223	44,225,000	6,814,85
cash paid for dividends/return of capital, per common share	0.07	0.12	2.72	4.36	4.30	0.5

	Year Ended December 31,			Nine-Months Ended September 30,		
	2002(1)	2003	2004	2005	2005	2006
Fleet Data:						
Average number of vessels	6.82	8.00	7.31	7.10	7.00	7.91
Calendar days	2,490	2,920	2,677	2,591	1,911	2,159
Available days	2,448	2,867	2,554	2,546	1,886	2,112
Voyage days	2,440	2,846	2,542	2,508	1,848	2,084
Utilization rate	99.7 %	99.3 %	99.5 %	98.5 %	98.0 %	98.7 %
Average Daily Statistics:						
Average TCE rate(5)	6,049	\$ 8,965	\$ 17,839	\$ 17,485	\$ 18,374	\$ 13,766
Operating expenses	2,877	3,005	3,327	3,323	3,309	3,520
Management fees	590	590	737	738	749	761
General and administrative expenses				162	68	351
Total vessel operating expenses	3,467	3,595	4,064	4,223	4,126	4,632

(1)

We have not included financial data for the year ended 2001 since we were only formed in May 2005 and incurred significant expense in the preparation of our consolidated financial statements for 2002, 2003, 2004 and 2005 in connection with the filing of registration statements with the SEC for our public offering. We believe that it would constitute unreasonable effort or expense for us to include 2001 financials. The Company's predecessors (which are the separate shipowning entities that became wholly-owned by the Company subsequent to its formation) prepared financial statements for the year ended December 31, 2001 on a basis different from the financial statements included in this prospectus and the effort and cost involved in converting such financial statements into a basis similar to those financial statements included herein would be unreasonably burdensome.

(2)

In 2004, the estimated scrap value of the vessels was increased from \$170 to \$300 per lightweight ton to better reflect market price developments in the scrap metal market. The effect of this change in estimate was to reduce 2004 depreciation expense by \$1,400,010 and increase 2004 net income by the same amount. The m/v *Widar* was sold in April 2004. Depreciation expenses for the m/v *Widar* for 2004 amounted to \$136,384 compared to \$409,149 for 2003. The m/v *Pantelis P* was sold in May 2006. Depreciation expenses for the m/v *Pantelis P* for the nine month period ended September 30, 2006 amounted to \$107,587 compared to \$193,656 in the same period in 2005. The m/v *John P* was sold in July 2006. Depreciation expenses for the m/v *John P* for the nine month period ended September 30, 2006 amounted to \$60,697 (the vessel was classified as an asset held for sale after March 31, 2006) compared to \$182,093 in the same period in 2005.

(3)

We consider Adjusted EBITDA to represent net earnings before interest, taxes, depreciation and amortization including the amortization of deferred revenue from below market period charters when we acquired m/v *Tasman Trader* and m/v *Aristides N.P.* Adjusted 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 Adjusted EBITDA may not be comparable to that reported by other companies. Adjusted EBITDA is included herein because it is a basis upon which we assess our liquidity position and because we believe that it presents useful information to investors regarding a company's ability to service and/or incur indebtedness. The Company's definition of Adjusted EBITDA may not be the same as that used by other companies in the shipping or other industries.

Adjusted EBITDA Reconciliation to Net Income:

	Year Ended December 31,				Nine-Months Ended September 30,	
	2002	2003	2004	2005	2005	2006
Net income	\$ 891,628	\$ 8,426,612	\$ 30,611,765	\$ 25,178,454	\$ 20,456,976	\$ 15,322,422
Depreciation and amortization	4,053,049	4,757,933	3,461,678	4,208,252	2,806,348	4,989,757
Interest and finance cost	793,732	756,873	521,215	1,035,414	860,562	1,538,399
Deferred revenue amortization						(369,806)
Adjusted EBITDA	\$ 5,738,409	\$ 13,941,418	\$ 34,594,658	\$ 30,422,120	\$ 24,123,886	\$ 21,480,772

Adjusted EBITDA Reconciliation to Cash Flow from Operations:

	Year Ended December 31,				Nine-Months Ended September 30,	
	2002	2003	2004	2005	2005	2006
Cash flow from operations	\$ 5,631,343	\$ 10,956,132	\$ 34,208,693	\$ 20,594,782	\$ (7,390,892)	\$ 15,715,298
Net increase/(decrease) in operating asset/liabilities	(661,824)	2,466,840	(2,427,953)	8,975,697	30,825,404	(159,999)
Loss on derivative				(100,029)	(100,029)	
Gain/(loss) from vessel sales			2,315,477			4,445,856
Investment in associate / provision for doubtful accounts	30,655	(171,025)	27,907			
Interest, net	738,235	689,471	470,534	951,670	789,403	1,479,617
Adjusted EBITDA	\$ 5,738,409	\$ 13,941,418	\$ 34,594,658	\$ 30,422,120	\$ 24,123,886	\$ 21,480,772

(4)

The dividend amounts for 2005 and for the nine months ended September 30, 2005 reflect aggregate dividends of \$30,175,223 an