TOP SHIPS INC.

FORM 20-F
(Annual and Transition Report (foreign private issuer))

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Sector	Transportation
Fiscal Year	12/31

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

[ ] **REPORT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

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

For the fiscal year ended **December 31, 2009**

OR

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

For the transition period from _________________ to _________________

OR

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

Date of event requiring this shell company report _________________

Commission file number 000-50859

TOP SHIPS INC.

(Exact name of Registrant as specified in its charter)

(Translation of Registrant's name into English)

Republic of the Marshall Islands

(Jurisdiction of incorporation or organization)

1 Vas. Sofias and Meg. Alexandrou Str, 15124 Maroussi, Greece

(Address of principal executive offices)

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

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

Title of each class	Name of each exchange on which registered
Common Stock par value $0.01 per share	NASDAQ Global Select Market

Securities registered or to be registered pursuant to Section 12(g) of the Act.

NONE

(Title of class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

NONE

(Title of class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2009, 32,894,696 shares of Common Stock, par value $0.01 per share.

Indicate by check mark if the registrant is well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ______ No __X__

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ______ No __X__

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes __X__ No ______

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of

Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ________ No ________

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

Large accelerated filer ☐ Accelerated filer ☐

Non-accelerated filer ☒

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

X U.S. GAAP

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

________ Other

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

________ Item 17 ________ Item 18

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

Yes ________ No X

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Matters discussed in this report may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts.

TOP SHIPS INC. desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. This report and any other written or oral statements made by us or on our behalf may include forward-looking statements, which reflect our current views with respect to future events and financial performance. When used in this report, the words "anticipate," "believe," "expect," "intend," "estimate," "forecast," "project," "plan," "potential," "may," "should," and similar expressions identify forward-looking statements.

The forward-looking statements in this report are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections.

In addition to these assumptions and matters discussed elsewhere herein and in the documents incorporated by reference herein, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of world economies and currencies, general market conditions, including fluctuations in charterhire rates and vessel values, changes in demand in the shipping market, including the effect of changes in OPEC's petroleum production levels and worldwide oil consumption and storage, changes in regulatory requirements affecting vessel operating including requirements for double hull tankers, changes in TOP SHIPS INC.'s operating expenses, including bunker prices, dry-docking and insurance costs, changes in governmental rules and regulations or actions taken by regulatory authorities, changes in the price of our capital investments, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents, political events or acts by terrorists, and other important factors described from time to time in the reports filed by us with the Securities and Exchange Commission, or the SEC.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3. KEY INFORMATION

Unless the context otherwise requires, as used in this report, the terms "Company," "we," "us," and "our" refer to TOP SHIPS INC. and all of its subsidiaries, and "TOP SHIPS INC." refers only to TOP SHIPS INC. and not to its subsidiaries. We use the term deadweight ton or dwt, in describing the size of vessels. Dwt, expressed in metric tons each of which is equivalent to 1,000 kilograms, refers to the maximum weight of cargo and supplies that a vessel can carry.

A. Selected Financial Data

The following table sets forth the selected historical consolidated financial data and other operating data of TOP SHIPS INC. for the years ended December 31, 2005, 2006, 2007, 2008 and 2009. The following information should be read in conjunction with Item 5 "Operating and Financial Review and Prospects" and the consolidated financial statements and related notes included herein. The following selected historical consolidated financial data of TOP SHIPS INC. are derived from our consolidated financial statements and notes thereto which have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP, and have been audited for the year ended December 31, 2005 by Ernst & Young (Hellas) Certified Auditors Accountants S.A, or Ernst and Young, and for the years ended December 31, 2006, 2007, 2008 and 2009 by Deloitte, Hadjipavlou, Sofianos & Cambanis S.A., or Deloitte, both independent registered public accounting firms.

	Year Ended December 31,				
U.S.Dollars in thousands, except per share data and average daily results	**2005**	**2006**	**2007**	**2008**	**2009**
STATEMENT OF OPERATIONS DATA					
Revenues	$ 244,215	$ 310,043	$ 252,259	$ 257,380	$ 107,979
Voyage expenses	36,889	55,351	59,414	38,656	3,372
Charter hire expense	7,206	96,302	94,118	53,684	10,827
Amortization of deferred gain on sale and leaseback of vessels and write-off of seller's credit	(837)	(8,110)	(15,610)	(18,707)	(7,799)
Lease termination expense					15,391
Vessel operating expenses	47,315	66,082	67,914	67,114	23,739
Dry-docking costs	10,478	39,333	25,094	10,036	4,602
General and administrative expenses	23,750	23,271	25,000	31,388	23,835
Gain on sale of vessels	(10,831)	(12,667)	(1,961)	(19,178)	-
Vessel Depreciation	47,055	35,266	27,408	32,664	31,585
Impairment on vessels	-	-	-	-	36,638
Total operating expenses	161,025	294,828	281,377	195,657	142,190
Operating income (loss)	83,190	15,215	(29,118)	61,723	(34,211)
Interest and finance costs	(19,430)	(27,030)	(19,518)	(25,764)	(13,969)
Loss on financial instruments	(747)	(2,145)	(3,704)	(12,024)	(2,081)
Interest income	1,774	3,022	3,248	1,831	235
Other income (expense), net	134	(67)	16	(127)	(170)
Net income (loss)	$ 64,921	$ (11,005)	$ (49,076)	$ 25,639	$ (50,196)
Earnings (loss) per share, basic and diluted	$ 6.96	$ (1.16)	$ (4.09)	$ 0.97	$ (1.78)
Weighted average common shares outstanding, basic	9,308,923	10,183,424	11,986,857	25,445,031	28,230,585
Weighted average common shares outstanding, diluted	9,310,670	10,183,424	11,986,857	25,445,031	28,230,585
Dividends declared per share	$ 2.64	$ 23.13	-	-	-

On January 1, 2009 the Company adopted ASC 260-10-45-61A "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities" (formerly known as FSP FASB 03-6-1). Upon adoption of the new guidance, unvested share-based payment awards that contain rights to receive non-forfeitable dividends or dividend equivalents (whether paid or unpaid) are participating securities and, thus, should be included in the two-class method of computing earnings per share (EPS). This standard was applied retroactively to all periods presented and reduced basic EPS by $0.01 and $0.04 for the twelve months ended December 31, 2005 and 2008, respectively. When it was retroactively applied to the years ended December 31, 2006 and 2007, EPS data was not affected due to the fact that the Company incurred a net loss and non-vested shares do not participate in losses.

U.S. Dollars in thousands, except per share data and average daily results	Year Ended December 31, 2005	2006	2007	2008	2009
BALANCE SHEET DATA					
Current assets	$ 67,574	$ 72,799	$ 102,161	$ 57,088	$ 3,787
Total assets	970,386	490,885	776,917	698,375	675,149
Current liabilities, including current portion of long-term debt	76,143	45,416	153,290	386,934	427,953
Total long-term debt, including current portion	564,103	218,052	438,884	342,479	399,087
Common Stock	280	108	205	283	311
Stockholders' equity	359,147	161,198	211,408	292,051	247,196
FLEET DATA					
Total number of vessels at end of period	27.0	24.0	23.0	12.0	13.0
Average number of vessels (1)	21.7	26.7	22.4	18.8	13.7
Total calendar days for fleet (2)	7,905	9,747	8,176	6,875	5,008
Total available days for fleet (3)	7,635	8,837	7,562	6,610	4,813
Total operating days for fleet (4)	7,436	8,634	7,032	6,099	4,775
Total time charter days for fleet	5,567	6,223	4,720	4,729	2,841
Total bareboat charter days for fleet	-	-	-	335	1,934
Total spot market days for fleet	1,869	2,411	2,312	1,035	-
Fleet utilization (5)	97.4%	97.7%	93.0%	92.3%	99.2%
AVERAGE DAILY RESULTS					
Time charter equivalent (6)	$ 27,881	$ 29,499	$ 27,424	$ 35,862	21,907
Vessel operating expenses (7)	5,985	6,780	8,307	9,762	4,740
General and administrative expenses (8)	3,004	2,388	3,058	4,566	4,759

(1) Average number of vessels is the number of vessels that constituted our fleet (including leased vessels) for the relevant period, as measured by the sum of the number of days each vessel was a part of our fleet during the period divided by the number of calendar days in that period.

(2) Calendar days are the total days the vessels were in our possession for the relevant period. Calendar days are an indicator of the size of our fleet over the relevant period and affect both the amount of revenues and expenses that we record during that period.

(3) Available days are the number of calendar days less the aggregate number of days that our vessels are off-hire due to scheduled repairs or scheduled guarantee inspections in the case of newbuildings, vessel upgrades or special surveys and the aggregate amount of time that we spend positioning our vessels. Companies in the shipping industry generally use available days to measure the number of days in a period during which vessels should be capable of generating revenues. We determined to use available days as a performance metric, for the first time, in the second quarter and first half of 2009. We have determined to adjust the calculation method of utilization to include available days in order to be comparable with shipping companies that calculate utilization using operating days divided by available days.

(4) Operating days are the number of available days in a period less the aggregate number of days that our vessels are off-hire due to unforeseen circumstances. The shipping industry uses operating days to measure the aggregate number of days in a period during which the vessels actually generate revenue.

(5) Fleet utilization is calculated by dividing the number of operating days during a period by the number of available days during that period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the number of days that its vessels are off-hire for reasons other than scheduled repairs or scheduled guarantee inspections in the case of newbuildings, vessel upgrades, special or intermediate surveys and vessel positioning. We used a new calculation method for fleet utilization, for the first time, in the second quarter and first half of 2009. In all prior filings and reports, utilization was calculated by dividing operating days by calendar days. We have determined to adjust the calculation method in order to be comparable with most shipping companies, which calculate utilization using operating days divided by available days.

(6) Time charter equivalent rate, or TCE rate, is a measure of the average daily revenue performance of a vessel on a per voyage basis. Our method of calculating TCE rate is consistent with industry standards and is determined by dividing time charter equivalent revenues or TCE revenues by operating days for the relevant time period. TCE revenues are revenues minus voyage expenses. Voyage expenses primarily consist of port, canal and fuel costs that are unique to a particular voyage, which would otherwise be paid by the charterer under a time charter contract, as well as commissions. TCE revenues and TCE rate, which are non-GAAP measures, provide additional meaningful information in conjunction with shipping revenues, the most directly comparable GAAP measure, because it assists the Company's management in making decisions regarding the deployment and use of its vessels and in evaluating their financial performance.

(7) Daily vessel operating expenses, which include crew costs, provisions, deck and engine stores, lubricating oil, insurance, maintenance and repairs are calculated by dividing vessel operating expenses by fleet calendar days for the relevant time period.

(8) Daily general and administrative expenses are calculated by dividing general and administrative expenses by fleet calendar days for the relevant time period.

The following table reflects reconciliation of TCE revenues to revenues as reflected in the consolidated statements of operations and calculation of the TCE rate (all amounts are expressed in thousands of U.S. Dollars, except for Average Daily Time Charter Equivalent amounts and Total Operating Days):

	2005	2006	2007	2008	2009
On a consolidated basis					
Revenues	$ 244,215	$ 310,043	$ 252,259	$ 257,380	$ 107,979
Less:					
Voyage expenses	(36,889)	(55,351)	(59,414)	(38,656)	(3,372)
Time charter equivalent revenues	$ 207,326	$ 254,692	$ 192,845	$ 218,724	$ 104,607
Total Operating days	7,436	8,634	7,032	6,099	4,775
Average Daily Time Charter Equivalent	$ 27,881	$ 29,499	$ 27,424	$ 35,862	$ 21,907

	2005	2006	2007	2008	2009
Tanker Fleet					
Revenues	$ 244,215	$ 310,043	$ 248,944	$ 163,995	$ 47,353
Less:					
Voyage expenses	(36,889)	(55,351)	(59,253)	(34,215)	(1,118)
Time charter equivalent revenues	$ 207,326	$ 254,692	$ 189,691	$ 129,780	$ 46,235
Total Operating days	7,436	8,634	6,991	4,357	2,989
Average Daily Time Charter Equivalent	$ 27,881	$ 29,499	$ 27,134	$ 29,786	$ 15,468

	2007	2008	2009
Drybulk Fleet			
Revenues	$ 1,902	$ 71,590	$ 56,715
Less:			
Voyage expenses	(161)	(4,441)	(2,254)
Time charter equivalent revenues	$ 1,741	$ 67,149	$ 54,461
Total Operating days	41	1,742	1,786
Average Daily Time Charter Equivalent	$ 42,463	$ 38,547	$ 30,493

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

The following risks relate principally to the industries in which we operate and our business in general. Any of the risk factors could materially and adversely affect our business, financial condition or operating results and the trading price of our common stock.

Risks Related to Our Industries

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

Although the world economy is currently recovering from the second-worst downturn in the last 100 years, the future of this recovery still remains fragile. The effects of the downturn are still lingering as credit remains tight, demand for goods and services has not yet fully recovered and unemployment is high. Most major economies have been backing up this recovery via fiscal stimulus packages, liquidity injections and by decreasing interest rates. The credit markets in the United States and worldwide have experienced significant contraction, de-leveraging and reduced liquidity, and the United States federal government, state governments and foreign governments have implemented a broad variety of governmental action and/or new regulation of the financial markets. Securities and futures markets and the credit markets are subject to comprehensive statutes, regulations and other requirements. The Commission, other regulators, self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies, and may effect further changes in law or interpretations of existing laws.

A number of financial institutions have experienced financial difficulties and, in some cases, have entered bankruptcy proceedings or are in regulatory enforcement actions. The uncertainty surrounding the recovery of the credit markets in the United States and the rest of the world has resulted in reduced access to credit worldwide that is especially evident in our industry, the banking institutions of which have recently been forced to record heavy losses from troubled shipping loans. These difficulties may adversely affect the financial institutions that provide our credit facilities and may impair their ability to continue to perform under their financing obligations to us, which could have an impact on our ability to fund current and future obligations.

We face risks attendant to changes in economic environments, changes in interest rates, and instability in certain securities markets, among other factors. Major market disruptions and the current adverse changes in market conditions and regulatory climate in the United States and worldwide may adversely affect our business. The current market conditions may last longer than we anticipate. These recent and developing economic and governmental factors may have a material adverse effect on our results of operations, financial condition or cash flows and could cause the price of our common shares to further decline.

The international tanker and drybulk industries are both cyclical and volatile and this may lead to reductions and volatility in our charter rates when we re-charter our vessels, vessel values and our results of operations.

The international tanker and drybulk industries in which we operate are cyclical with attendant volatility in charter hire rates, vessel values and industry profitability. For both tankers and drybulk vessels, the degree of charter rate volatility among different types of vessels has varied widely. If we enter into a charter when charter rates are low, our revenues and earnings will be adversely affected. In addition, a decline in charter hire rates likely will cause the value of our vessels to decline. In the case of two of our tanker vessels, following the expiration of their charters in 2010 we anticipated that future hires would be at lower rates due to the adverse market conditions that have been prevailing in the product tanker market for most of 2009 and the first quarter of 2010. More specifically in March 2010, one of these vessels commenced a new two-year time charter agreement at a lower gross daily rate. We do not anticipate an improvement in product tanker hire rates in the immediate future and to this end we concluded that there was a need to write down the carrying value of these two vessels to their fair values. See "Item 5 – Operating and Financial Review and Prospects – Critical Accounting Policies-Impairment of long-lived assets" for more information on impairment.

Our current fleet deployment consists mainly of long term time charters and long term bareboat charters which significantly limits our exposure to charter rate volatility and its effect on our result of operations. Additionally, changes in spot rates in the tanker sector and the drybulk sector can affect the value of respective vessels at any given time despite the existence of long term employment contracts. Our ability to re-charter our vessels on the expiration or termination of their current time and bareboat charters and the charter rates payable under any renewal or replacement charters will depend upon, among other things, economic conditions in the tanker and drybulk market.

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

- demand for refined petroleum products and crude oil for tankers and drybulk commodities for drybulk vessels;
- changes in crude oil production and refining capacity as well as drybulk commodity production and resulting shifts in trade flows for crude oil, petroleum product and drybulk commodities;
- the location of regional and global crude oil refining facilities and drybulk commodities markets that affect the distance refined petroleum products and crude oil or drybulk commodities are to be moved by sea;
- global and regional economic and political conditions;
- the location of regional and global crude oil refining facilities and drybulk commodities markets that affect the distance refined petroleum products and crude oil or drybulk commodities are to be moved by sea;
- environmental and other regulatory developments;
- currency exchange rates; and
- weather.

The factors that influence the supply of oceangoing vessel capacity include:

- the number of newbuilding deliveries;
- the scrapping rate of older vessels;
- the price of steel;
- vessel casualties;
- potential conversion of vessels to alternative use;
- changes in environmental and other regulations that may limit the useful lives of vessels;
- port or canal congestion;
- the number of vessels that are out of service at a given time; and
- changes in global crude oil and drybulk commodity production.

The international tanker and drybulk shipping industries have experienced drastic downturns after experiencing historically high charter rates and vessel values in the recent past, and a continued downturn in these markets may have an adverse effect on our earnings, impair the carrying value of our vessels and affect compliance with our loan covenants.

The Baltic Drybulk Index, or BDI, a U.S. Dollar daily average of charter rates issued by the London-based Baltic Exchange (an organization providing maritime market information for the trading and settlement of physical and derivative contracts) that takes into account input from brokers around the world regarding fixtures for various routes, dry cargoes and various drybulk vessel sizes, steeply declined in 2008 but then rebounded in 2009, although not to pre-crisis levels. The BDI declined from a high of 11,793 in May 2008 to a low of 663 in December 2008, which represents a decline of 94%, but has since risen to 3,933 as of June 3, 2010. The decline in charter rates was due to various factors, including the lack of trade financing for purchases of commodities carried by sea, which resulted in a significant decline in cargo shipments, and the excess supply of iron ore in China, which resulted in falling iron ore prices and increased stockpiles in Chinese ports. The decline in charter rates in the drybulk market also affected the value of our drybulk vessels, which followed the trends of drybulk charter rates, and earnings on our charters, and similarly, affected our cash flows, liquidity and compliance with the covenants contained in our loan agreements. During 2009 and the beginning of 2010, the abovementioned factors affecting the BDI partially subsided, allowing for the recovery of rates and a recovery in drybulk vessel values.

The Baltic Dirty Tanker Index, a U.S. Dollar daily average of charter rates issued by the London based Baltic Exchange that takes into account input from brokers around the world regarding crude oil fixtures for various routes various tanker vessel sizes, after a steep decline that started in mid-2008 and lasted until the end of the third quarter 2009, has rebounded in the fourth quarter of 2009, although not to pre-crisis levels. The Baltic Dirty Tanker Index declined from a high of 2,347 in July 2008 to a low of 453 in mid-April 2009, which represents a decline of 80%, but has since risen to 911 as of June 3, 2010.

The Baltic Clean Tanker Index fell from 1, 509 points as of June 19, 2008, to 345 points as of April 4, 2009, but has rebounded to 644 points as of June 3, 2010. The dramatic decline in charter rates was due to various factors, including the significant fall in demand for crude oil and petroleum products, the consequent rising inventories of crude oil and petroleum products in the United States and in other industrialized nations and the corresponding reduction in oil refining, the dramatic fall in the price of oil in 2008, and the restrictions on crude oil production that the Organization of Petroleum Exporting Countries (OPEC) and other non-OPEC oil producing countries have imposed in an effort to stabilize the price of oil. During 2009, the abovementioned factors affecting the Baltic Dirty and Clean Tanker Indices partially subsided, allowing for the recovery of rates and a stabilization of tanker vessel values.

If the charter rates in the tanker and drybulk market decline from their current levels, our future earnings may be adversely affected and we may have to record impairment adjustments to the carrying values of our fleet, and we may not be able to maintain compliance with the financial covenants in our loan agreements. We realized impairment charges of $36.6 million during the fourth quarter of 2009. See "Item 5 – Operating and Financial Review and Prospects – Critical Accounting Policies – Impairment of long-lived assets". We are currently in discussions with our lenders in relation to covenant breaches. Our lenders' interests may be different from ours, and we may not be able to obtain our lenders' permission or waivers when needed. This may limit our ability to continue to conduct our operations, finance our future operations, make acquisitions or pursue business opportunities. A decline in charter rates could have a material adverse effect on our business, financial condition and results of operations. See "Item 5 – Operating and Financial Review and Prospects - Tabular Disclosure of Contractual Obligations – Long term debt" for relevant discussion of debt and respective covenants.

Rising fuel prices may adversely affect our business.

Fuel is a significant, if not the largest, operating expense for many of our shipping operations when our vessels are not under period charter. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by OPEC and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. Further, fuel may become much more expensive in future, which may reduce the profitability and competitiveness of our business versus other forms of transportation, such as truck or rail. Currently, all of our vessels are under period employment whereby the fuel cost is taken up by the charterer except for periods when the vessel is off-hire.

Compliance with environmental laws or regulations may adversely affect our operations.

The shipping industry in general and our business and the operation of tankers and drybulk vessels in particular, are affected by a variety of governmental regulations in the form of numerous international conventions, national, state and local laws and international, national and local regulations in force in the jurisdictions in which such tankers and drybulk vessels operate, as well as in the country or countries in which such tankers and drybulk vessels are registered. These regulations include:

- the United States Oil Pollution Act of 1990, or OPA, which imposes strict liability for the discharge of oil into the 200-mile United States exclusive economic zone, the obligation to obtain certificates of financial responsibility for vessels trading in United States waters and the requirement that newly constructed tankers that trade in United States waters be constructed with double-hulls;

- the International Convention on Civil Liability for Oil Pollution Damage of 1969, as amended in 2000, or the CLC, entered into by many countries (other than the United States) relating to strict liability for pollution damage caused by the discharge of oil;

- the International Maritime Organization, or IMO (the United Nations agency for maritime safety and the prevention of pollution by ships), International Convention for the Prevention of Pollution from Ships, 1973, as modified by the related Protocol of 1978 relating thereto, or the MARPOL Convention, which has been updated through various amendments, with respect to strict technical and operational requirements for tankers;

- the IMO International Convention for the Safety of Life at Sea, or SOLAS Convention, with respect to crew and passenger safety;

- the International Convention on Load Lines, 1966, or LL Convention, with respect to the safeguarding of life and property through limitations on load capability for vessels on international voyages;

- the United States Marine Transportation Security Act of 2002, or MTSA; and

- The European Union Directive 1999/32/EC of 1999 as amended by Directive 2005/33/EC of 2005, regarding reductions in emissions of sulphur dioxide resulting from the combustion of petroleum-derived liquid fuels within Member States' territory, territorial seas and exclusive economic zones or pollution control zones.

Additional laws and regulations may also be adopted that could limit our ability to do business or increase the cost of our doing business and that could have a material adverse effect on our operations. In addition, we are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses, certificates and financial assurances with respect to our vessel operations. In the event of war or national emergency, our tankers and drybulk vessels may be subject to requisition by the government of the flag flown by the tanker or drybulk vessel without any guarantee of compensation for lost profits. We believe our vessels are maintained in good condition in compliance with present regulatory requirements, are operated in compliance with applicable safety/environmental laws and regulations and are insured against usual risks for such amounts as our management deems appropriate. In relation to EU and US low-sulphur requirements our vessels are currently in the process of being in full compliance. Our vessels' operating certificates and licenses are renewed periodically during each vessel's required annual survey. However, government regulation of tankers and drybulk vessels, particularly in the areas of safety and environmental impact, may change in the future and require us to incur significant capital expenditures on our ships to keep them in compliance.

Under local, national and foreign laws, as well as international treaties and conventions, we could incur material liabilities, including cleanup obligations, natural resource damages and third-party claims for personal injury or property damages, in the event that there is a release of petroleum or other hazardous substances from our vessels or otherwise in connection with our current or historic operations. We could also incur substantial penalties, fines and other civil or criminal sanctions, including in certain instances seizure or detention of our vessels, as a result of violations of or liabilities under environmental laws, regulations and other requirements.

For example, OPA affects all vessel owners shipping oil to, from or within the United States. OPA allows for potentially unlimited liability for owners, operators and bareboat charterers of vessels without regard to fault for oil pollution in United States waters. Similarly, the CLC, which has been adopted by most countries outside of the United States, imposes liability for oil pollution in international waters. OPA expressly permits individual states to impose their own liability regimes with regard to hazardous materials and oil pollution incidents occurring within their boundaries. Coastal states in the United States have enacted pollution prevention liability and response laws, many providing for unlimited liability.

Future accidents may be expected in the shipping industry, and such accidents or other events may be expected to result in the adoption of even stricter laws and regulations, which could limit our operations or our ability to do business and which could have a material adverse effect on our business and financial results.

We are subject to international safety regulations and the failure to comply with these regulations may subject us to increased liability, may adversely affect our insurance coverage and may result in a denial of access to, or detention in, certain ports.

The operation of our vessels is affected by the requirements set forth in the IMO's International Management Code for the Safe Operation of Ships and Pollution Prevention, or ISM Code. The ISM Code requires shipowners, ship managers and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. The failure of a shipowner or bareboat charterer to comply with the ISM Code may subject it to increased liability, may invalidate existing insurance or decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports. As of the date of this Annual Report, each of our vessels is ISM code-certified.

Compliance with safety and other vessel requirements imposed by classification societies may be very costly and may adversely affect our business.

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. Our vessels are currently enrolled with Lloyd's Register of Shipping, Det Norske Veritas and Bureau Veritas each of which is a member of the International Association of Classification Societies.

A vessel must undergo annual surveys, intermediate surveys and special surveys. In lieu of a special survey, a vessel's machinery may be placed on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. Our vessels are on special survey cycles for hull inspection and continuous survey cycles for machinery inspection.

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

If a vessel does not maintain its class and/or fails any annual survey, intermediate survey or special survey, the vessel will be unable to trade between ports and will be unemployable, which will negatively impact our revenues and results from operations.

Climate change and greenhouse gas restrictions may adversely impact our operations and markets.

Due to concern over the risk of climate change, a number of countries and the IMO have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emissions. These regulatory measures may include, among others, adoption of cap and trade regimes, carbon taxes, increased efficiency standards, and incentives or mandates for renewable energy. In addition, although the emissions of greenhouse gases from international shipping currently are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which required adopting countries to implement national programs to reduce emissions of certain gases, a new treaty may be adopted in the future that includes restrictions on shipping emissions. Compliance with changes in laws, regulations and obligations relating to climate change could increase our costs related to operating and maintaining our vessels and require us to install new emission controls, acquire allowances or pay taxes related to our greenhouse gas emissions, or administer and manage a greenhouse gas emissions program. Revenue generation and strategic growth opportunities may also be adversely affected.

Adverse effects upon the oil and gas industry relating to climate change, including growing public concern about the environmental impact of climate change, may also adversely affect demand for our services. For example, increased regulation of greenhouse gases or other concerns relating to climate change may reduce the demand for oil and gas in the future or create greater incentives for use of alternative energy sources. Any long-term material adverse effect on the oil and gas industry could have a significant financial and operational adverse impact on our business that we cannot predict with certainty at this time.

Our vessels may suffer damage due to the inherent operational risks of the seaborne transportation industry and we may experience unexpected dry-docking costs, which may adversely affect our business and financial condition.

Our vessels and their cargoes will be at risk of being damaged or lost because of events such as marine disasters, bad weather, business interruptions caused by mechanical failures, grounding, fire, explosions and collisions, human error, war, terrorism, piracy and other circumstances or events. These hazards may result in death or injury to persons, loss of revenues or property, environmental damage, higher insurance rates, damage to our customer relationships, delay or rerouting. If our vessels suffer damage, they may need to be repaired at a dry-docking facility. The costs of dry-dock repairs are unpredictable and may be substantial. We may have to pay dry-docking costs that our insurance does not cover in full. The loss of earnings while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, would decrease our earnings. In addition, space at dry-docking facilities is sometimes limited and not all dry-docking facilities are conveniently located. We may be unable to find space at a suitable dry-docking facility or our vessels may be forced to travel to a dry-docking facility that is not conveniently located to our vessels' positions. The loss of earnings while these vessels are forced to wait for space or to steam to more distant dry-docking facilities would decrease our earnings.

Because the market value of our vessels may fluctuate significantly, we may incur losses when we sell vessels or we may be required to write down their carrying value, which will adversely affect our earnings.

Current market conditions have caused a decrease in the fair market value of our vessels. The fair market value of our vessels may increase and decrease depending on the following factors:

- general economic and market conditions affecting the international tanker and drybulk shipping industries;
- prevailing level of charter rates;
- competition from other shipping companies;
- types, sizes and ages of vessels;
- other modes of transportation;
- cost of newbuildings;
- price of steel;
- governmental or other regulations; and
- technological advances.

If we sell vessels at a time when vessel prices have fallen, the sale may be at less than the vessel's carrying amount in our financial statements in which case we will realize a loss. Vessel prices can fluctuate significantly, and in the case where the market value falls below the carrying amount we evaluate the asset for a potential impairment and may be required to write down the carrying amount of the vessels on our financial statements and incur a loss and a reduction in earnings, if the estimate of undiscounted cash flows, excluding interest charges, expected to be generated by the use of the asset is less than its carrying amount. Such was the case for our two oldest tankers, which resulted in an impairment charge of $36.6 million during the fourth quarter of 2009. See "Item 5 – Operating and Financial Review and Prospects - Critical Accounting Policies" for relevant discussion and analysis.

An over-supply of drybulk carrier and/or tanker capacity may lead to reductions in charter hire rates and profitability .

The market supply of drybulk carriers has been increasing, and the number of drybulk carriers on order is near historic highs. These newbuildings were delivered in significant numbers starting at the beginning of 2006 and continuing through 2010. As of December 31, 2009, newbuilding orders had been placed for an aggregate of approximately 57% of the existing global drybulk fleet, with deliveries expected during the next 36 months.

The market supply of tankers is affected by a number of factors such as demand for energy resources, oil and petroleum products, as well as strong overall economic growth in part of the world economy, including Asia. As of December 31, 2009, newbuilding orders have been placed for an aggregate of approximately 30% of the existing global tanker fleet.

An over-supply of drybulk carrier and/or tanker capacity may result in a reduction of charter hire rates. If such a reduction occurs, we may only be able to re-charter our vessels at reduced or unprofitable rates or we may not be able to charter these vessels at all upon the expiration or termination of our vessels' current charters.

Operating results from our tankers are subject to seasonal fluctuations, which may adversely affect our operating results.

Eight of the vessels in our combined fleet are tankers. We operate our tankers in markets that have historically exhibited seasonal variations in demand and, therefore, charter rates. This seasonality may result in quarter-to-quarter volatility in our operating results. The tanker sector is typically stronger in the fall and winter months in anticipation of increased consumption of oil and petroleum products in the northern hemisphere during the winter months. As a result, our revenues from our tankers may be weaker during the fiscal quarters ended June 30 and September 30, and, conversely, revenues may be stronger in fiscal quarters ended December 31 and March 31. This seasonality could materially affect our results of operations.

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

Given current market conditions, we seek to deploy our vessels on time and bareboat charters in a manner that will help us achieve a steady flow of earnings. As of the date of this annual report, two of our tanker vessels and four of our drybulk vessels were contractually committed to time charters, and six of our tanker vessels and one of our drybulk vessels were contractually committed to bareboat charters. Although these period charters provide relatively steady streams of revenue as well as a portion of the revenues generated by the charterer's deployment of the vessels in the spot market or otherwise, our vessels committed to period charters may not be available for spot voyages during an upturn in the tanker or drybulk industry cycle, as the case may be, when spot voyages might be more profitable. The spot market is highly competitive, and spot market charter rates may fluctuate dramatically based on the supply and demand for the major commodities carried internationally by water as well as other factors. As of the date of this annual report, we did not have any vessels that were trading in the spot market. If we cannot continue to employ our vessels on profitable time charters or trade them in the spot market profitably, our results of operations and operating cash flow may suffer if rates achieved are not sufficient to cover respective vessel operating and financial expenses.

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

Terrorist attacks such as the attacks on the United States on September 11, 2001, the bombings in Spain on March 11, 2004 and in London on July 7, 2005 and the continuing response of the United States to these attacks, as well as the threat of future terrorist attacks in the United States or elsewhere, continue to cause uncertainty in the world financial markets and may affect our business, operating results and financial condition. The continuing conflict in Afghanistan may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further economic instability in the global financial markets. These uncertainties could also adversely affect our ability to obtain any additional financing or, if we are able to obtain additional financing, to do so on terms unfavorable to us. In the past, political conflicts have also resulted in attacks on vessels, mining of waterways and other efforts to disrupt international shipping, particularly in the Arabian Gulf region. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea. Any of these occurrences could have a material adverse impact on our business, financial condition and results of operations.

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

Acts of piracy have historically affected oceangoing vessels trading in regions of the world such as the South China Sea and the Gulf of Aden off the coast of Somalia. Throughout 2008, 2009 and 2010, the frequency of piracy incidents against commercial shipping vessels increased significantly, particularly in the Gulf of Aden. Since the beginning of 2009, numerous tanker and drybulk vessels have fallen victim to piracy attacks off the coast of Somalia. For example, on December 28, 2009, the M/V Navios Apollon, a drybulk vessel not affiliated with us, was seized by pirates while transporting fertilizers 800 miles off the Somali coast.

If these piracy attacks result in regions in which our vessels are deployed being characterized by insurers as "war risk" zones, as the Gulf of Aden has been since May 2008, or Joint War Committee "war and strikes" listed areas, premiums payable for such insurance coverage could increase significantly and such insurance coverage may be more difficult to obtain. Crew costs, including those due to employing onboard security guards, could increase in such circumstances. In addition, while we believe the charterer remains liable for charter payments when a vessel is seized by pirates, the charterer may dispute this and withhold charter hire until the vessel is released. A charterer may also claim that a vessel seized by pirates was not "on-hire" for a certain number of days and it is therefore entitled to cancel the charter party, a claim that we would dispute. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, detention hijacking as a result of an act of piracy against our vessels, or an increase in cost, or unavailability of insurance for our vessels, could have a material adverse impact on our business, financial condition, results of operations and cash flows.

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

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

A further economic slowdown in the Asia Pacific region could exacerbate the effect of recent slowdowns in the economies of the United States and the European Union and may have a material adverse effect on our business, financial condition and results of operations.

We anticipate a significant number of the port calls made mainly by our drybulk vessels will continue to involve the loading or discharging of drybulk commodities in ports in the Asia Pacific region. As a result, negative changes in economic conditions in any Asia Pacific country, particularly in China, may exacerbate the effect of recent slowdowns in the economies of the United States and the European Union and may have a material adverse effect on our business, financial position and results of operations, as well as our future prospects.

Before the global economic financial crisis that began in 2008, China had one of the world's fastest growing economies in terms of gross domestic product, or GDP, which had a significant impact on shipping demand. The economic crisis affected China as well, though to a much lesser extent, as was evidenced by the slowdown in GDP growth in the last quarter of 2008 and the first half of 2009. In 2009, the successful implementation of a $586.0 billion stimulus package aimed in part at increasing investment and consumer spending and maintaining export growth helped propel China to pre-crisis levels of growth, as was evidenced by the fourth quarter GDP growth of 10.7% that helped raise the annual GDP growth for 2009 to 8.7%. However, fears of an overheated economy led the Chinese government to adopt restraining monetary measures, increasing the required deposits for commercial banks, in an effort to deflate a potential asset bubble. If the Chinese government keeps pursuing such restraining measures, that could impact the demand for shipping services and slow down the world recovery from the economic crisis. Our business, financial condition and, results of operations as well as our future prospects, will likely be materially and adversely affected by a further economic downturn in any of these countries.

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

International shipping is subject to various security and customs inspection and related procedures in countries of origin and destination. Inspection procedures can result in the seizure of, delay in the loading, offloading or delivery of, the contents of our vessels or the levying of customs duties, fines or other penalties against us. It is possible that changes to inspection procedures could impose additional financial and legal obligations on us. Furthermore, changes to inspection procedures could also impose additional costs and obligations on our customers and may, in certain cases, render the shipment of certain types of cargo uneconomical or impractical. Any such changes or developments may have a material adverse effect on our business, financial condition, and results of operations.

If our vessels call on ports located in countries that are subject to restrictions imposed by the U.S. government, that could adversely affect our reputation and the market for our common stock.

From time to time, vessels in our fleet may call on ports located in countries subject to sanctions and embargoes imposed by the U.S. government and countries identified by the U.S. government as state sponsors of terrorism. Although these sanctions and embargoes do not prevent our vessels from making calls to ports in these countries, potential investors could view such port calls negatively, which could adversely affect our reputation and the market for our common stock. In addition, certain institutional investors may have investment policies or restrictions that prevent them from holding securities of companies that have contracts with countries identified by the U.S. government as state sponsors of terrorism. The determination by these investors not to invest in or to divest our common shares may adversely affect the price at which our common shares trade. Investor perception of the value of our common stock may be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and surrounding countries.

Risks Related to Our Company

We are in breach of certain loan covenants contained in our loan agreements. If we are not successful in obtaining waivers and amendments with respect to covenants breached, our lenders may declare an event of default and accelerate our outstanding indebtedness under the relevant agreement, which would impair our ability to continue to conduct our business.

Our loan agreements require that we comply with certain financial and other covenants. As a result of the significant drop of drybulk asset values beginning in the fourth quarter of 2008 and the continuous fall of tanker asset values during 2009, especially product tankers, we were not in compliance with covenants relating to vessel values such as asset cover ratio for our product tankers, adjusted net worth and net asset value covenants as of December 31, 2009. In addition, we were in breach of EBITDA and minimum liquidity covenants with certain banks. A violation of these covenants constitutes an event of default under our credit facilities, which would, unless waived by our lenders, provide our lenders with the right to require us to post additional collateral, enhance our equity and liquidity, increase our interest payments, pay down our indebtedness to a level where we are in compliance with our loan covenants, sell vessels in our fleet, reclassify our indebtedness as current liabilities and accelerate our indebtedness and foreclose their liens on our vessels, which impairs our ability to continue to conduct our business. As a result of these breaches, our total indebtedness of $404.3 million (excluding unamortized deferred financing fees of $5.2 million) and financial instruments of $13.8 million are presented within current liabilities in the accompanying December 31, 2009 consolidated balance sheet. The amounts of long term debt and financial instruments that have been reclassified and presented together with current liabilities amount to $351.2 million and $9.9 million, respectively.

As of the date of this annual report, we have no waivers for any of these covenant breaches. We are currently in discussion with our banks in relation to these covenant breaches. For more details on loans and relevant breaches see "Item 5 – Operating and Financial Review and Prospects – Tabular Disclosure of Contractual Obligations – Long term debt".

Breach of our loan covenants, without applicable waiver, entitles our lenders to accelerate our debt. If our indebtedness is accelerated, it would be very difficult in the current financing environment for us to refinance our debt or obtain additional financing and we could lose our vessels if our lenders foreclose their liens.

Our inability to comply with loan covenants under our loan agreements raises substantial doubt about our ability to continue as a going concern.

As discussed above, we are in breach of certain loan covenants contained in our loan agreements. As a result of these loan covenant breaches, our lenders may choose to accelerate our indebtedness. We believe that as long as we are able to meet our obligations as they fall due, our lenders will not accelerate our indebtedness.

Therefore, our ability to continue as a going concern is dependent on management's ability to successfully generate revenue to meet our obligations as they become due and have the continued support of our lenders. Our independent registered public accounting firm has issued its opinion, similar to its opinion included in our 2008 annual report, with an explanatory paragraph emphasizing that we have prepared our financial statements under the going concern assumption despite our covenants breaches and working capital deficit. Our financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of our inability to continue as a going concern. However, there is a material uncertainty related to events or conditions which raises significant doubt on our ability to continue as a going concern and, therefore, we may be unable to realize our assets and discharge our liabilities in the normal course of business.

If we need to receive waivers and/or amendments to our loan agreements in the future, our lenders may impose additional operating and financial restrictions on us and/or modify the terms of our existing loan agreements.

In connection with future waivers or amendments with our lenders, we may agree to additional restrictions on us. See "Item 5. Operating and Financial Review and Prospects – Liquidity and Capital Resources – Breach of Loan Covenants." Therefore, we may need to seek permission from our lenders in order to engage in some corporate actions. Our lenders' interests may be different from ours and we may not be able to obtain our lender's permission when needed, which could prevent us from pursuing a course of action that we deem necessary. In addition to the above restrictions, our lenders may require the payment of additional fees, require additional increase in margins, require prepayment of a portion of our indebtedness to them, or impose other conditions on the issuance of waivers, which could adversely affect our financial results and hinder our ability to raise capital.

Servicing current and future debt will limit funds available for other purposes and impair our ability to react to changes in our business.

To finance our fleet expansion program, we incurred secured indebtedness. We must dedicate a portion of our cash flow from operations to pay the principal and interest on our indebtedness. These payments limit funds otherwise available for working capital, capital expenditures and other purposes. As of December 31, 2009, we had total indebtedness of $404.3 million (excluding unamortized deferred financing fees of $5.2 million), and a ratio of indebtedness to total capital of approximately 62%. Our substantial level of indebtedness increases the possibility that we may be unable to generate cash sufficient to pay, when due, the principal of, interest on or other amounts due in respect of, our indebtedness. Our substantial debt could also have other significant consequences. For example, it could:

- increase our vulnerability to general economic downturns and adverse competitive and industry conditions;
- require us to dedicate a substantial portion, if not all, of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to competitors that have less debt or better access to capital;
- limit our ability to raise additional financing on satisfactory terms or at all; and
- adversely impact our ability to comply with the financial and other restrictive covenants in the indenture governing the notes and the credit agreements governing the debts of our subsidiaries, which could result in an event of default under such agreements.

Furthermore, our interest expense could increase if interest rates increase because most of our debt and all the debt under the credit facilities of our subsidiaries is variable rate debt. If we do not have sufficient earnings, we may be required to refinance all or part of our existing debt, sell assets, borrow more money or sell more securities, none of which we can guarantee we will be able to do.

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

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

- incur additional indebtedness;
- create liens on our assets;
- sell capital stock of our subsidiaries;
- engage in mergers or acquisitions;
- pay dividends;
- make capital expenditures or other investments;
- charter our vessels;
- change the management of our vessels or terminate or materially amend the management agreement relating to each vessel; and;
- sell our vessels.

Therefore, we may need to seek permission from our lenders in order to engage in some corporate actions. This may prevent us from taking actions that are in our best interest.

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

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

- our ability to generate excess cash flow so that we can invest without jeopardizing our ability to cover current and foreseeable working capital needs (including debt service);
- obtaining required financing;
- locating and acquiring suitable vessels;
- identifying and consummating acquisitions or joint ventures;
- integrating any acquired business successfully with our existing operations;
- enhancing our customer base; and
- managing expansion.

Growing any business by acquisition presents numerous risks such as undisclosed liabilities and obligations, difficulty in obtaining additional qualified personnel, managing relationships with customers and suppliers and integrating newly acquired operations into existing infrastructures. We may not be successful in executing our growth plans and we may incur significant additional expenses and losses in connection therewith.

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

As of December 31, 2009, we have twelve interest rate swaps for purposes of managing our exposure to fluctuations in interest rates applicable to indebtedness under our credit facilities. Our hedging strategies, however, may not be effective and we may incur substantial losses if interest rates move materially differently from our expectations. Since our existing interest rate swaps do not, and future derivative contracts may not, qualify for treatment as hedges for accounting purposes, we recognize fluctuations in the fair value of such contracts in our statement of operations. In addition, our financial condition could be materially adversely affected to the extent we do not fully hedge our exposure to interest rate fluctuations under our financing arrangements.

Any hedging activities we engage in may not effectively manage our interest rate exposure or have the desired impact on our financial conditions or results of operations. During the year ended December 31, 2009, the change in fair value of our interest rate swaps was an unrealized gain of $2.6 million. See Note 21 to our December 31, 2009 consolidated financial statements included herein.

Due to the decline in interest rates since December 31, 2009, the fair value of our interest rate swaps as of March 31, 2010, which is the most recent date for which the Company has received a fair value estimate, was an unrealized gain of $0.04 million.

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 capital resources that we will require to purchase additional vessels or may significantly increase our costs of obtaining such capital. Our inability to obtain additional financing at all or at a higher than anticipated cost may materially affect our results of operation and our ability to implement our business strategy.

We may not be able to renew our time charters when they expire.

We might not be able to renew our existing time charters or, if renewed, they might not be at favorable rates. If, upon expiration of the existing time charters, we are unable to obtain time charters or voyage charters at desirable rates, our profitability may be adversely affected.

In the case of two of our tanker vessels, we anticipated that future hires would be at lower rates following the expiration of their charters in 2010, due to the adverse market conditions that have been prevailing in the product tanker market for most of 2009 and the first quarter of 2010. More specifically, in March 2010, one of these vessels commenced a new two-year time charter agreement, at a lower gross daily rate. We do not anticipate an improvement in product tanker hire rates in the immediate future and to this end we concluded that there was a need to write down the carrying value of these two vessels to their fair values. See "Item 5 – Operating and Financial Review and Prospects – Critical Accounting Policies – Impairment of long-lived assets" for more information on impairment.

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

We employ our vessels in a highly competitive market that is capital intensive and highly fragmented. The operation of tanker and drybulk vessels and the transportation of cargoes shipped in these vessels, as well as the shipping industry in general, is extremely competitive. Competition arises primarily from other vessel owners, including major oil companies as well as independent tanker and drybulk shipping companies, some of whom have substantially greater resources than we do. Competition for the transportation of oil and refined petroleum products and drybulk cargoes can be intense and depends on price, location, size, age, condition and the acceptability of the vessel and its operators to the charterers. Due in part to the highly fragmented market, competitors with greater resources could enter and operate larger fleets through consolidations or acquisitions that may be able to offer better prices and fleets than us.

We depend upon a few significant customers for a large part of our revenues. The loss of one or more of these customers could adversely affect our financial performance.

We have historically derived a significant part of our revenue from a small number of charterers. In 2008, approximately 26% of our revenue was derived from two charterers. These two charterers, Glencore and PDVSA, respectively provided 17% and 9% of our revenues in 2008. In 2009, approximately 54% of our revenue was derived from three charterers. These three charterers, Glencore, Hanjin and Cosco, provided 22%, 18% and 14% of our revenues in 2009, respectively. If one or more of these customers is unable to perform under one or more charters with us and we are not able to find a replacement charter, or if a customer exercises certain rights to terminate the charter, we could suffer a loss of revenues that could materially adversely affect our business, financial condition and results of operations.

We could lose a customer or the benefits of a charter if, among other things:

- the customer fails to make charter payments because of its financial inability, disagreements with us or otherwise;
- the customer terminates the charter because we fail to deliver the vessel within a fixed period of time, the vessel is lost or damaged beyond repair, there are serious deficiencies in the vessel or prolonged periods of off-hire, or if we are otherwise in default under the charter; or
- the customer terminates the charter because the vessel has been subject to seizure for more than a specified number of days.

If we lose a key customer, we may be unable to obtain charters on comparable terms or may become subject to the volatile spot market, which is highly competitive and subject to significant price fluctuations. The charters on which we deploy 10 of our vessels as of May 21, 2010, provide for charter rates that are significantly above current market rates, particularly spot market rates that most directly reflect the current levels of the drybulk and product tanker charter markets. If it were necessary to secure substitute employment, in the spot market or on charters, for any of these vessels due to the loss of a customer in these market conditions, such employment would be at a significantly lower charter rate than currently generated by such vessel, resulting in a significant reduction in revenues. The loss of any of our customers, charters or vessels, or a decline in payments under our charters, could have a material adverse effect on our business, results of operations and financial condition.

We may be unable to attract and retain key management personnel and other employees in the international tanker and drybulk shipping industries, which may negatively impact the effectiveness of our management and our results of operations.

Our success depends to a significant extent upon the abilities and efforts of our management team. We have entered into employment contracts with our President, Chief Executive Officer, and Director, Evangelos Pistiolis, our Chief Financial Officer and Director, Alexandros Tsirikos, our Executive Vice President, Chairman and Director, Vangelis Ikonomou and our Vice President Demetris Souroullas. Our success will depend upon our ability to hire and 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 maintain "key man" life insurance on any of our officers.

As we expand our business, we will need to improve our operations and financial systems and staff; if we cannot improve these systems or recruit suitable employees, our performance may be adversely affected.

Our current operating and financial systems may not be adequate as we implement our plan to expand the size of our fleet, and our attempts to improve those systems may be ineffective. If we are unable to operate our financial and operations systems effectively or to recruit suitable employees as we expand our fleet, our performance may be adversely affected.

Risks involved with operating oceangoing vessels could affect our business and reputation, which would adversely affect our revenues and stock price.

The operation of an oceangoing vessel carries inherent risks. These risks include the possibility of:

- marine disaster;
- piracy;
- environmental accidents;
- cargo and property losses or damage; and
- mechanical failure, human error, war, terrorism, political action in various countries, labor strikes or adverse weather conditions.

Any of these circumstances or events could result in death or injury to persons, loss of revenues or property, environmental damage, higher insurance rates, damage to our customer relationships, delay or rerouting, and could increase our costs or lower our revenues. The involvement of our vessels in an oil spill or other environmental disaster may harm our reputation as a safe and reliable vessel operator. If one of our vessels were involved in an accident with the potential risk of environmental contamination, the resulting media coverage could have a material adverse effect on our business, results of operations, cash flows and financial condition.

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

If our vessels suffer damage, they may need to be repaired at a dry-docking facility, resulting in vessel downtime. The costs of dry-dock repairs are unpredictable and can be substantial. We may have to pay dry-docking costs that our insurance does not cover. The inactivity of these vessels while they are being repaired and repositioned, as well as the actual cost of these repairs, would decrease our earnings. In addition, space at dry-docking facilities is sometimes limited and not all dry-docking facilities are conveniently located. We may be unable to find space at a suitable dry-docking facility or we may be forced to move to a dry-docking facility that is not conveniently located to our vessels' positions. The loss of earnings while our vessels are forced to wait for space or the cost to relocate the vessel to dry-docking facilities that are farther away from the routes on which our vessels trade would have a negative effect on our results of operations.

The operation of drybulk carriers and tankers each involve certain unique operational risks.

The operation of drybulk carriers has certain unique operational 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 drybulk carrier. Drybulk carriers damaged due to treatment during unloading procedures may be more susceptible to a breach to the sea. Hull breaches in drybulk carriers may lead to the flooding of their 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 drybulk carrier's bulkheads leading to the loss of the drybulk carrier.

The operation of tankers has unique operational risks associated with the transportation of oil. An oil spill may cause significant environmental damage, and a catastrophic spill could exceed the insurance coverage available. Compared to other types of vessels, tankers are exposed to a higher risk of damage and loss by fire, whether ignited by a terrorist attack, collision, or other cause, due to the high flammability and high volume of the oil transported in tankers.

If we are unable to adequately maintain or safeguard our vessels we may be unable to prevent these events. Any of these circumstances or events could negatively impact our business, results of operations and financial condition. In addition, the loss of any of our vessels could harm our reputation as a safe and reliable vessel owner and operator.

A drop in spot charter rates may provide an incentive for some charterers to default on their charters, which could affect our cash flow and financial condition.

During August 2009, we announced that the bareboat charterer of the M/V Papillon (ex VOC Gallant) had notified us of its intention to pay a reduced charterhire rate of $18,000 per day for the month of August rather than $24,000 per day on a bareboat basis as is set forth in the charterparty. The dispute was resolved and the charterer has paid the full amount of chaterhire as required under the charter agreements.

On January 11, 2010, we announced that we had received from the bareboat charterer of the M/T Ionian Wave and the M/T Tyrrhenian Wave a reduced charter hire rate of $10,000 per day rather than the $14,300 per day on a bareboat basis that is set forth in the charter agreement. We have been examining this unilateral reduction and intend to take all necessary steps to recover the amounts owed since the said charterer is considered to be in breach of the charter. We may not be able to recover these amounts, which would result in lower-than-expected cash flows.

When we enter into a time or bareboat charter, charter rates under that charter are fixed for the term of the charter. If the spot charter rates in the tanker or drybulk shipping industry, as applicable, become significantly lower than the time charter equivalent rates that some of our charterers are obligated to pay us under our existing charters, the charterers may have incentive to default under that charter or attempt to renegotiate the charter. If our charterers fail to pay their obligations, we would have to attempt to re-charter our vessels at lower charter rates, and as a result we could sustain significant losses which could have a material adverse effect on our cash flow and financial condition, which would affect our ability to meet our loan repayment obligations in which case our lenders could choose to accelerate our indebtedness and foreclose their liens, and we could be required to sell vessels in our fleet and our ability to continue to conduct our business would be impaired.

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

In general, the cost of maintaining a vessel in good operating condition increases with the age of the vessel. Our current operating fleet has an average age of approximately five 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 due to improvements in engine technology. Cargo insurance rates also increase with the age of a vessel, making older vessels less desirable to charterers. Governmental regulations, including environmental regulations, safety or other equipment standards related to the age of vessels may require expenditures for alterations, or the addition of new equipment, to our vessels and may restrict the type of activities in which our vessels may engage. As our vessels age, market conditions might not justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives.

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

Unless we maintain reserves or are able to borrow or raise funds for vessel replacement we will be unable to replace the vessels in our fleet upon the expiration of their remaining useful lives, which we estimate to be 25 years from the date of initial delivery from the shipyard. Our cash flows and income are dependent on the revenues earned by the chartering of our vessels to customers. If we are unable to replace the vessels in our fleet upon the expiration of their useful lives, our business, results of operations and financial condition will be materially and adversely affected.

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

While we rigorously inspect previously owned, or secondhand vessels prior to purchase, this does not normally provide us with the same knowledge about their condition and cost of any required (or anticipated) repairs that we would have had if these vessels had been built for and operated exclusively by us. Also, we do not receive the benefit of warranties from the builders if the vessels we buy are older than one year. In general, the costs to maintain a vessel in good operating condition increase with the age of the vessel.

We may not have adequate insurance to compensate us if we lose our vessels.

We procure insurance for our fleet against those types of risks commonly insured against by vessel owners and operators. These insurances include hull and machinery insurance, protection and indemnity insurance, which includes environmental damage and pollution insurance coverage, war risk insurance and insurance against loss of hire, which covers business interruptions that result in the loss of use of a vessel. In addition, we currently have loss of hire insurance that covers, subject to annual coverage limits, vessels M/V Cyclades, M/V Pepito, M/T Ioannis P, M/T Ionian Wave and M/T Hongbo. In the future, we may not be able to obtain adequate insurance coverage at reasonable rates for our fleet. The insurers may not pay particular claims. Our insurance policies contain deductibles for which we will be responsible as well as, limitations and exclusions which may nevertheless increase our costs or lower our revenue.

We may be subject to calls because we obtain some of our insurance through protection and indemnity associations.

We may be subject to increased premium payments, or calls, in amounts based on our claim records and the claim records of our fleet managers as well as the claim records of other members of the protection and indemnity associations through which we receive insurance coverage for tort liability, including pollution-related liability. In addition, our protection and indemnity associations may not have enough resources to cover claims made against them. Our payment of these calls could result in significant expense to us, which could have a material adverse effect on our business, results of operations and financial condition.

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

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against that vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lienholder may enforce its lien by arresting a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could interrupt our cash flow and require us to pay large sums of money to have the arrest lifted. In addition, in some jurisdictions, such as South Africa, under the "sister ship" theory of liability, a claimant may arrest both the vessel which is subject to the claimant's maritime lien and any "associated" vessel, which is any vessel owned or controlled by the same owner. Claimants could try to assert "sister ship" liability against one vessel in our fleet for claims relating to another of our ships.

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 her 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 her charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency. Government requisition of one or more of our vessels could negatively impact our revenues should we not receive adequate compensation.

Certain existing stockholders, who hold approximately 32.38% of our common stock, may have the power to exert control over us, which may limit your ability to influence our actions.

As of June 15, 2010, Sovereign Holdings Inc., or Sovereign Holdings, a company that is wholly owned by our President, Chief Executive Officer and Director, Evangelos J. Pistiolis, and Kingdom Holdings Inc., or Kingdom Holdings, a company owned primarily by adult relatives of Mr. Pistiolis, own, directly or indirectly, approximately 13.34% of the outstanding shares of our common stock. In addition, Sphinx Investment Corp., Maryport Navigation Corp. and Mr. George Economou through Sphinx Investment Corp. and Maryport Navigation Corp. beneficially owns 12.56% of the outstanding shares of our common stock. QVT Financial LP, QVT Financial GP LLC and QVT Associates GP LLC own 6.48% of the outstanding shares of our common stock. Sphinx Investment Corp., Maryport Navigation Corp., QVT Financial LP, QVT Financial GP LLC and QVT Associates GP LLC are entities owned and controlled by unaffiliated third parties. Together, these existing shareholders own 32.38% of our common stock. While these shareholders have no agreement, arrangement or understanding relating to the voting of their shares of common stock, due to the number of shares of our common stock they own, they have the power to exert considerable influence over our actions.

Our President, Chief Executive Officer, and Director, Mr. Evangelos Pistiolis, has affiliations with a private shipping company which could create conflicts of interest.

The family of our President, Chief Executive Officer, and Director, Mr. Evangelos Pistiolis, owns a private shipping company. This relationship could create conflicts of interest between us, on the one hand, and this private shipping company, on the other hand. These conflicts may arise in connection with the chartering, purchase, sale and operations of the vessels in our fleet versus tankers and drybulk vessels managed by this private shipping company. For example, Mr. Pistiolis may give preferential treatment to vessels that are beneficially owned by this private shipping company because Mr. Pistiolis and members of his family may receive greater economic benefits.

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

Under the U.S. Internal Revenue Code of 1986, or the Code, 50% of the gross shipping income of a vessel owning or chartering corporation, such as ourselves and our subsidiaries, that is attributable to transportation that begins or ends, but that does not begin and end, in the U.S. is characterized as United States source shipping income and such income is subject to a 4% U.S. federal income tax without allowance for deduction, unless that corporation qualifies for exemption from tax under Section 883 of the Code. We expect that we and each of our subsidiaries will qualify for this statutory tax exemption and we have taken this position for U.S. federal income tax return reporting purposes. However, there are factual circumstances beyond our control that could cause us to lose the benefit of this tax exemption and thereby become subject to U.S. federal income tax on our U.S. source income. Therefore, we can give no assurances on our tax-exempt status or that of any of our subsidiaries. If we or our subsidiaries are not entitled to this exemption under Section 883 for any taxable year, we or our subsidiaries would be subject for those years to a 4% U.S. federal income tax on our U.S. source shipping income. The imposition of this taxation could have a negative effect on our business.

We are likely to be treated as a "passive foreign investment company," which could have adverse U.S. federal income tax consequences to U.S. 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 ; income derived from the performance of services does not constitute "passive income." U.S. shareholders of a PFIC are subject to a disadvantageous United States federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

In general, income derived from the bareboat charter of a vessel will be treated as "passive income" for this purpose and such vessels will be treated as assets which produce "passive income." On the other hand, income derived from the time charter of a vessel will not be treated as "passive income" for this purpose, but rather will be treated as services income; likewise, time chartered vessels will generally not be treated as assets which produce "passive income."

For our 2009 taxable year, we believe that at least 50% of the average value of our assets consisted of vessels which are bareboat chartered. Therefore, we expect to be treated as a PFIC for our 2009 taxable year. We intend to take necessary steps in order to avoid being classified as a PFIC for 2010 and future taxable years, such as expanding our fleet through the purchase of non-passive income producing assets. However, there can be no assurance that such remedial measures will be effective to avoid PFIC status for 2010 or any future taxable year.

Our U.S. shareholders may face adverse U.S. federal income tax consequences and certain information reporting obligations as a result of us being treated as a PFIC. Under the PFIC rules, unless those shareholders make an election available under the Code (which election could itself have adverse consequences for such shareholders, as discussed below under "Taxation– U.S. Federal Income Taxation – U.S. Federal Income Taxation of U.S. Holders"), such shareholders would be liable to pay U.S. federal income tax at the then prevailing income tax rates on ordinary income plus interest upon excess distributions and upon any gain from the disposition of their common shares, as if the excess distribution or gain had been recognized ratably over the shareholder's holding period of the common shares. See "Taxation – U.S. Federal Income Taxation – U.S. Federal Income Taxation of U.S. Holders" for a more comprehensive discussion of the U.S. federal income tax consequences to U.S. shareholders as a result of our status as a PFIC. In addition, as a result of being treated as a PFIC for the 2009 taxable year, any dividends paid by us during 2009 and 2010 will not be eligible to be treated as "qualified dividend income," which may otherwise be eligible for preferential tax rates in the hands of non-corporate U.S. shareholders.

Because we generate all of our revenues in U.S. Dollars but incur a portion of our expenses in other currencies, exchange rate fluctuations could hurt our results of operations.

We generate all of our revenues in U.S. Dollars but incur certain expenses in currencies other than U.S. Dollars, mainly Euros. During 2009, approximately 2% of our expenses were in other currencies and 19% were in Euros. This difference could lead to fluctuations in net income due to changes in the value of the U.S. Dollar relative to the other currencies, in particular, the Euro. Should the Euro further appreciate relative to the U.S. Dollar in future periods, our expenses will increase in U.S. Dollar terms, thereby decreasing our net income. Specifically, during 2009, the average exchange rate was 1.3912 U.S. Dollars to 1 Euro. We have not hedged these risks. Our operating results could suffer as a result.

Risks Relating to Our Common Shares

Our share price may continue to be highly volatile, which could lead to a further loss of all or part of an investor's investment.

The market price of our common shares has fluctuated widely since our common shares began trading in July of 2004 on the Nasdaq National Market, now the Nasdaq Global Select Market. Over the last year and a half, the stock market has experienced extreme price and volume fluctuations. This volatility has sometimes been unrelated to the operating performance of particular companies. During 2009, the closing price of our common shares experienced a high of $3.52 and a low of $0.77. In addition, because the market price of our common shares has dropped below $5.00 per share, brokers generally prohibit shareholders from using such shares as collateral for borrowing in margin accounts. This inability to continue to use our common shares as collateral may lead to sales of such shares creating downward pressure on and increased volatility in the market price of our common shares. Furthermore, if the volatility in the market continues or worsens, it could have a further adverse affect on the market price of our common shares, regardless of our operating performance.

The market price of our common shares is due to a variety of factors, including:

- fluctuations in interest rates;
- fluctuations in the availability or the price of oil;
- fluctuations in foreign currency exchange rates;
- announcements by us or our competitors;
- changes in our relationships with customers or suppliers;

- actual or anticipated fluctuations in our quarterly and annual results and those of other public companies in our industry;
- changes in United States or foreign tax laws;
- actual or anticipated fluctuations in our operating results from period to period;
- shortfalls in our operating results from levels forecast by securities analysts;
- market conditions in the drybulk shipping industry and the general state of the securities markets;
- mergers and strategic alliances in the drybulk shipping industry;
- changes in government regulation;
- a general or industry-specific decline in the demand for, and price of, shares of our common stock resulting from capital market conditions independent of our operating performance;
- the loss of any of our key management personnel; and
- our failure to successfully implement our business plan.

There may not be a continuing public market for you to resell our common shares.

Our common shares and warrants began trading in July of 2004 on the Nasdaq National Market, now the Nasdaq Global Select Market. An active and liquid public market for our common shares may not continue. You may not be able to sell your common shares in the future at the price that you paid for them or at all. In addition, if the price of our common shares remains below $1.00 for a period of 30 consecutive business days and we are unable to comply with the minimum bid price requirements of the Nasdaq Global Select Market, including any applicable cure period, we may be involuntarily delisted from the Nasdaq Global Select Market.

Investors may experience significant dilution as a result of the offering pursuant to our Standby Equity Distribution Agreement, or SEDA, future offerings and any other future issuances of shares if sold at prices significantly below the price at which they invested.

On July 1, 2009, we entered into the SEDA with Yorkville Advisors Master SPV Ltd, or YA Global. Pursuant to the SEDA, we may offer and sell such number of common shares the proceeds of which equal to $200 million. See also Note 15 to our consolidated financial statements included herein. On July 1, 2009, we filed a shelf registration statement on Form F-3, which was declared effective on August 13, 2009. Under this registration statement, we registered 57,949,900 shares for resale by YA Global as part of the SEDA limited by our then authorized share capital. As of the date of this Annual Report, we have issued and sold an aggregate of 2,230,000 common shares pursuant to the SEDA resulting in net proceeds of $2.9 million. The last share sales under the SEDA took place on October 21, 2009. If we sell the remaining U.S. Dollar amount of our common shares offered pursuant to the SEDA of $197.1 million at an average price equal to $1.11 per share, which was the last reported closing sale price for our common shares on The Nasdaq Global Select Market on June 3 , 2010, we would have approximately 88,613,930 million common shares outstanding, which would represent an increase of 169.39% in our issued and outstanding common shares from December 31, 2009.

Under our registration statement filed on Form F-3, we may also sell up to $500 million of an undeterminable number of common shares, preferred shares and warrants; provided that we meet all eligibility requirements for sales of securities pursuant to the From F-3 registration statement. Due to the fact that sales pursuant to related prospectus supplements will be made at market prices or prices related to such market prices, the prices at which we sell these shares will vary and these variations may be significant. Purchasers of the shares we sell, as well as our existing shareholders, will experience significant dilution if we sell shares at prices significantly below the price at which they invested. We may have to attempt to sell additional shares in the future in order to satisfy our capital needs. Lenders may be unwilling to provide future financing or will provide future financing at significantly increased rates. If we are able to sell shares in the future, the prices at which we sell these future shares will vary, and these variations may be significant.

In addition, we may issue additional shares pursuant to our loan facility with DVB. On July 31, 2009, we entered into a bridge loan facility of $12.5 million with DVB in order to take delivery of our last newbuilding vessel, the M/T Hongbo . In connection with this loan, we issued 12,512,400 common shares to Hongbo Shipping Company Limited, our wholly owned subsidiary, who pledged these shares in favor of DVB as security in case our subsidiary is not able to repay the bridge loan as of the due date of July 31, 2010. This pledge must remain in an amount equal to 180% of the outstanding bridge loan, which amount will be tested at the end of each quarter. We also agreed to file a registration statement for the resale of such shares and use our best efforts to keep the registration statement effective during the security period under the loan documentation. As of the date of this annual report, and based on fair value of our common stock and outstanding balance of the loan measured at March 31, 2010, we are required to issue and pledge 9,756,488 additional shares of common stock. If our subsidiary is not able to repay the bridge loan to DVB bank, the lender may enforce its right to take possession of the pledged shares.

Furthermore, we may issue additional shares pursuant to our equity incentive plan. As of the date of this annual report, we have issued a total of 4,135,604 common shares under our equity incentive plan out of a total of 12,000,000 reserved for issuance thereunder.

Our existing shareholders will experience significant dilution if we issue shares in the future, including the potential issuances described above, at prices significantly below the price at which previous shareholders invested.

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

Sales of a substantial number of our common shares in the public market, or the perception that these sales could occur, may depress the market price for our common shares. These sales could also impair our ability to raise additional capital through the sale of our equity securities in the future.

Lack of volume in our stock may affect investors' ability to sell their shares.

Our common shares have been experiencing low daily trading volumes in the market. As a result, an investor may be unable to sell all of such investor's shares in the desired time period, or may only be able to sell such shares at a significant discount to the previous closing price.

We are incorporated in the Republic of the Marshall Islands, which does not have a well-developed body of corporate law and as a result, shareholders may have fewer rights and protections under Marshall Islands law than under a typical jurisdiction in the United States.

Our corporate affairs are governed by our Amended and Restated Articles of Incorporation and By-laws and by the Marshall Islands Business Corporations Act, or BCA. The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. However, there have been few judicial cases in the Republic of the Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors under the law of the Republic of the Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in certain United States jurisdictions. Shareholder rights may differ as well. While the BCA does specifically incorporate the non-statutory law, or judicial case law, of the State of Delaware and other states with substantially similar legislative provisions, our public shareholders may have more difficulty in protecting their interests in the face of actions by the management, directors or controlling shareholders than would shareholders of a corporation incorporated in a United States jurisdiction.

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

We and all of our subsidiaries are incorporated in jurisdictions outside the U.S. and substantially all of our assets and those of our subsidiaries are located outside the U.S. In addition, most of our directors and officers are non-residents of the U.S., and all or a substantial portion of the assets of these non-residents are located outside the U.S. As a result, it may be difficult or impossible for U.S. investors to serve process within the U.S. upon us, our subsidiaries or our directors and officers or to enforce a judgment against us for civil liabilities in U.S. courts. In addition, you should not assume that courts in the countries in which we or our subsidiaries are incorporated or where our assets or the assets of our subsidiaries are located (1) would enforce judgments of U.S. courts obtained in actions against us or our subsidiaries based upon the civil liability provisions of applicable U.S. federal and state securities laws or (2) would enforce, in original actions, liabilities against us or our subsidiaries based on those laws.

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

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

A small number of our stockholders effectively control the outcome of matters on which our stockholders are entitled to vote.

Entities affiliated with Mr. Evangelos Pistiolis, our Chief Executive Officer, currently own, directly or indirectly, approximately 10.11% of our outstanding common stock as of June 15, 2010. In addition, entities affiliated with Mr. George Economou currently own, directly or indirectly, approximately 12.56% of our outstanding common stock as of June 15, 2010. While, as far as we are aware, those stockholders have no agreement, arrangement or understanding relating to the voting of their shares of our common stock, they will effectively control the outcome of matters on which our stockholders are entitled to vote, including the election of directors and other significant corporate actions. The interests of these stockholders may be different from your interests.

Anti-takeover provisions in our organizational documents could have the effect of discouraging, delaying or preventing a merger, amalgamation or acquisition, which could reduce the market price of our common shares.

Several provisions of our Amended and Restated Articles of Incorporation and our Amended and Restated Bylaws could make it difficult for our shareholders to change the composition of our Board of Directors in any one year, preventing them from changing the composition of management. In addition, the same provisions may discourage, delay or prevent a merger or acquisition that shareholders may consider favorable.

These provisions include:

- authorizing our Board of Directors to issue "blank check" preferred stock without shareholder approval;

- providing for a classified Board of Directors with staggered, three-year terms;
- prohibiting cumulative voting in the election of directors;
- authorizing the removal of directors only for cause and only upon the affirmative vote of the holders of at least 80% of the outstanding shares of our capital stock entitled to vote for the directors;
- prohibiting shareholder action by written consent unless the written consent is signed by all shareholders entitled to vote on the action;
- limiting the persons who may call special meetings of shareholders; and
- establishing advance notice requirements for nominations for election to our Board of Directors or for proposing matters that can be acted on by shareholders at shareholder meetings.

In addition, we have entered into a Stockholder Rights Agreement that will make it more difficult for a third party to acquire us without the support of our Board of Directors and principal shareholders. These anti-takeover provisions could substantially impede the ability of public shareholders to benefit from a change in control and, as a result, may reduce the market price of our common stock and your ability to realize any potential change of control premium.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Our predecessor, Ocean Holdings Inc., was formed as a corporation in January 2000 under the laws of the Republic of the Marshall Islands and renamed TOP TANKERS INC. in May 2004. In December 2007, TOP TANKERS INC. was renamed TOP SHIPS INC. Our common stock is currently listed on the NASDAQ Global Select Market under the symbol "TOPS". The current address of our principal executive office is 1 Vas. Sofias and Meg. Alexandrou Str, 15124 Maroussi, Greece. The telephone number of our registered office is +30 210 812 8000.

On July 23, 2004, we completed our initial public offering. The net proceeds of our initial public offering, approximately $124.6 million, were primarily used to finance the acquisition of 10 vessels, comprising of eight Ice-class double-hull Handymax tankers and two double-hull Suezmax tankers. The total cost of the acquisition was approximately $251.3 million.

On November 5, 2004, we completed a follow-on offering of our common stock. The net proceeds of our follow-on offering, approximately $139.5 million, were used primarily to finance the acquisition of five double-hull Suezmax tankers. The total cost of the acquisition was approximately $249.3 million.

During 2005, we acquired five double-hull Handymax and four double-hull Suezmax tankers at a total cost of $453.4 million and sold one double-hull Handymax and our last single-hull Handysize tanker. We sold and leased-back five double-hull Handymax tankers for a period of seven years.

From April 2006, until July 2006, we issued through a "controlled equity offering" 1,302,454 shares of common stock, par value $0.01. The net proceeds totaled $26.9 million.

During 2006, we sold and leased-back on a fixed charter basis four double-hull Handymax, four double-hull Suezmax and five double-hull Suezmax tankers for periods of five years, five years and seven years, respectively. Additionally, we sold three double-hull Handymax tankers, and we entered into an agreement with SPP Shipbuilding Co., Ltd. of the Republic of Korea, or SPP, for the construction of six product/chemical tankers.

In May 2007, we re-acquired four Suezmax tankers that we sold in 2006 in an earlier sale and leaseback transaction and terminated the respective bareboat charters. The re-acquisition price was $208.0 million and was partially financed by the early redemption of the seller's credit of $20.6 million associated with the 2006 sales and leaseback transactions, along with secured debt financing and cash from operations.

From June 2007 until July 2007, we issued through a "controlled equity offering" 1,435,874 shares of common stock, par value $0.01. The net proceeds totaled $29.4 million.

During July and August 2007, we agreed to acquire one Supramax, one Handymax and four Panamax drybulk vessels at a total cost of $370.1 million. The Handymax and two of the four Panamax drybulk vessels were delivered to us during the fourth quarter of 2007. The Supramax and the remaining two Panamax drybulk vessels were delivered to us during the first two quarters of 2008.

In December 2007, we completed a follow-on offering of our common stock. The net proceeds of this follow-on offering, approximately $68.9 million, were used primarily to repay outstanding secured debt and to partially finance the acquisition of the six drybulk vessels mentioned above, one of which we have since sold.

During 2007 we sold one Suezmax tanker, we agreed to sell one Suezmax tanker that we later delivered in January 2008 to its new owners, and we terminated the bareboat charters on three Handymax tankers that we sold in 2006 in sale and leaseback transactions, due to the sale of the vessels by their owners to third parties.

During 2008, we took delivery of one Supramax drybulk vessel and two Panamax drybulk vessels, which we had agreed to acquire in 2007 as mentioned above. Additionally, during 2008, we sold seven owned Suezmax tankers and one Panamax drybulk vessel and we arranged the sale of six chartered-in vessels, under bareboat charters, and terminated the respective charters.

On March 20, 2008, we effected a three-for-one reverse stock split of our common stock. There was no change in the number of authorized common shares. As a result of the reverse stock split, the number of outstanding shares as of March 20, 2008 decreased to 20,705,380, while the par value of our common shares remained unchanged at $0.01 per share.

In April 2008, we privately placed with various investors 7.3 million unregistered shares of common stock, par value $0.01, for aggregate proceeds of approximately $51.0 million. The 7.3 million shares were sold for $7.00 per share, which represents a discount of 15.5 percent based on the closing share price of $8.28 on April 23, 2008. In July 2008, we filed a registration statement on Form F-3, with respect to these 7.3 million shares.

During the fourth quarter of 2008, the Board of Directors authorized a share repurchase program up to $20 million for a share price of not more than $2.50 per share for the duration of one year. We began the share repurchases during the fourth quarter of 2008 and the transactions were made in the open market on NASDAQ under Rule 10b-18 of the Exchange Act. As at December 31, 2008, we repurchased and cancelled an amount of 396,949 shares from the open market. We continued our repurchase program until February 3, 2009. During the first two months of 2009, we repurchased an amount of 358,601 shares from the open market. All the outstanding shares that have been repurchased under this program were held initially as treasury stock and were subsequently cancelled. Consequently, the outstanding amount of 358,601 shares was cancelled effective as of February 25, 2009.

In February 2009, we took delivery of M/T Miss Marilena and M/T Lichtenstein from SPP. M/T Miss Marilena and M/T Lichtenstein are two out of six 50,000 dwt product / chemical tankers delivered in 2009. M/T Miss Marilena and M/T Lichtenstein entered into bareboat time-charter employment for a period of 10 years at a daily rate of $14,400 and $14,550, respectively.

In March 2009, we took delivery of M/T Ionian Wave and M/T Tyrrhenian Wave from SPP. M/T Ionian Wave and M/T Tyrrhenian Wave are the third and fourth out of the six 50,000 dwt product / chemical tankers discussed above. M/T Ionian Wave and M/T Tyrrhenian Wave entered into bareboat time-charter employment for a period of seven years at a daily rate of $14,300, with three successive one-year options at a higher daily rate.

In April 2009, we agreed with the owners of the M/T Relentless to terminate the bareboat charter initially entered into as part of the sale and leaseback deal in 2005. Under this agreement, we redelivered the vessel to its owners and paid a termination fee of $2.5 million during the third quarter of 2009. The bareboat charter would have expired in 2012.

On May 22, 2009, we took delivery of M/T Britto from SPP. M/T Britto is the fifth out of the six 50,000 dwt newbuilding product / chemical tankers delivered in 2009. M/T Britto entered into bareboat time-charter employment for a period of ten years at a daily rate of $14,550.

On June 24, 2009, we terminated the bareboat charters, initially entered into as part of the sale and leaseback deal in 2006, and redelivered the vessels M/T Faithful, the M/T Doubtless, the M/T Spotless and the M/T Vanguard to their owners after paying $11.8 million in termination fees and expenses. In addition to the termination fees and expenses, we forfeited our right to receive the seller's credit of $10.0 million from the initial sale of the vessels, which would have been received upon the expiration of the bareboat charters, and we paid for the dry-dock of the M/T Spotless which was completed during July 2009. The bareboat charters were set to expire in 2011. We remained the managers of M/T Faithful until April 30, 2010, which was shortly after the expiration of its time charter, and we were reimbursed by the owners for all expenses incurred.

On July 3, 2009, we redelivered the M/T Relentless to its owners and paid the termination fee of $2.5 million as part of a termination agreement signed in April 2009 to terminate the bareboat charter initially entered into as part of the sale and leaseback deal in 2005. In addition to the termination fee, we had undertaken to perform certain works on the vessel prior to its redelivery which involved additional costs. From the date of the agreement until the date of redelivery, the bareboat hire had been set at $7,000 per day. This was the last leased vessel in our fleet.

On July 1, 2009, we entered into a Standby Equity Distribution Agreement, or the SEDA, with YA Global Master SPV LTD., or YA Global, pursuant to which we may offer and sell up to $200 million worth of our common shares to YA Global. The SEDA has a duration of three years. We made initial sales under the SEDA on August 13, 2009 and as of December 31, 2009, 2,230,000 shares had been sold with net proceeds amounting to approximately $2.9 million. During the period from October 21, 2009 to the date of this report, no shares have been sold to YA Global under the SEDA.

On August 3, 2009, we took delivery of M/T Hongbo from SSP. M/T Hongbo is the last out of the six 50,000 dwt newbuilding product / chemical tankers delivered in 2009. M/T Hongbo entered into bareboat time-charter employment for a period of ten years at a daily rate of $14,550.

As of December 31, 2009, our fleet consisted of thirteen owned vessels – eight Handymax tankers, one Supramax drybulk vessel, one Handymax drybulk vessel, and three Panamax drybulk vessels, with total carrying capacity of 0.7 million dwt, as compared to twelve vessels, with total carrying capacity of 0.7 million dwt (including five tankers sold and leased back), as of December 31, 2008.

B. Business Overview

Business Strategy

We are a provider of international seaborne transportation services, carrying petroleum products, crude oil for the oil industry and drybulk commodities for the steel, electric utility, construction and agriculture-food industries. As of the date of this annual report, our fleet consists of thirteen owned vessels (eight tankers and five drybulk vessels).

Two of our tankers and four of our drybulk vessels are currently employed on time charters and six of our tankers and one of our drybulk vessels are employed on bareboat charters. We actively manage the deployment of our fleet between time charters and bareboat charters, which last from several months to several years. 63% of our fleet by dwt are sister ships, which enhances the revenue generating potential of our fleet by providing us with operational and scheduling flexibility. Sister ships also increase our operating efficiencies because technical knowledge can be applied to all vessels in a series and create cost efficiencies and economies of scale when ordering spare parts, supplying and crewing these vessels.

During 2006, we ordered six newbuilding product tankers in the SPP shipyard in the Republic of Korea in order to modernize our tanker fleet. All of these tankers were delivered to us during 2009.

In addition, during 2007 we diversified our fleet portfolio by acquiring drybulk vessels, beginning with the acquisition of six drybulk vessels, one of which we subsequently sold.

We intend to continue to review the market for tanker and drybulk vessels to continue our program of acquiring suitable vessels on accretive terms.

We believe we have established a reputation in the international ocean transport industry for operating and maintaining our fleet with high standards of performance, reliability and safety. We have assembled a management team comprised of executives who have extensive experience operating large and diversified fleets of tankers and drybulk vessels, and who have strong ties to a number of national, regional and international oil companies, charterers and traders.

Our Fleet

The following table presents our fleet list and employment as of the date of this annual report:

	Dwt	Year Built	Charter Type	Expiry	Daily Base Rate	Profit Sharing Above Base Rate (2009)
Eight Tanker Vessels						
Dauntless	46,168	1999	Time Charter	Q1-2/2012	$10,500	50%
Ioannis P	46,346	2003	Time Charter	Q4/2010	$18,000	100% first $1,000 + 50% thereafter
Miss Marilena	50,000	2009	Bareboat Charter	Q1-2/2019	$14,400	None
Lichtenstein	50,000	2009	Bareboat Charter	Q1-2/2019	$14,550	None
Ionian Wave	50,000	2009	Bareboat Charter	Q1-2/2016	$14,300 [A]	None
Thyrrhenian Wave	50,000	2009	Bareboat Charter	Q1-2/2016	$14,300 [A]	None
Britto	50,000	2009	Bareboat Charter	Q1-2/2019	$14,550	None
Hongbo	50,000	2009	Bareboat Charter	Q1-2/2019	$14,550	None
Total Tanker dwt	**392,514**					
Five Drybulk Vessels						
Cyclades	75,681	2000	Time Charter	Q2/2011	$54,250	None
Amalfi	45,526	2000	Time Charter	Q4/2011-Q1/2012	$14,000	None
Papillon (ex Voc Gallant))	51,200	2002	Bareboat Charter	Q1-3/2012	$24,000	None
Pepito	75,928	2001	Time Charter	Q1-2/2013	$41,000	None
Astrale	75,933	2000	Time Charter	Q3-4/2011	$18,000	None
Total Drybulk dwt	**324,268**					
TOTAL DWT	**716,782**					

A. On January 11, 2010, we announced that we received from the bareboat charterer of the M/T Ionian Wave and the M/T Tyrrhenian Wave, a reduced charter hire rate of $10,000 per day rather than the $14,300 per day on a bareboat basis that is set forth in the charter agreement. We are currently examining this unilateral reduction and intend to take all necessary steps to recover the amounts owed since the said charterer is considered to be in breach of the charter.

Management of the Fleet

Since July 1, 2004, TOP Tanker Management Inc., or TOP Tanker Management, our wholly-owned subsidiary, has been responsible for all of the chartering, operational and technical management of our fleet, including crewing, maintenance, repair, capital expenditures, dry-docking, vessel taxes, maintaining insurance and vessel operating expenses under management agreements with our vessel owning subsidiaries. TOP Tanker Management has built a management team with significant experience in operating large and diversified fleets of tankers and drybulk vessels and has expertise in all aspects of commercial, technical, management and financial areas of our business. Prior to July 1, 2004, the operations of our fleet were managed by Primal Tankers Inc., which was wholly-owned by the father of our Chief Executive Officer.

From January 1, 2009 to December 31, 2009, TOP Tanker Management subcontracted the technical management and crewing of one Handymax tanker and the crewing of another Handymax tanker to V. Ships Management Limited, or V. Ships, for monthly fees of $12,400 and $3,550, respectively. For the period from January 2010 to the date of this annual report, the monthly fee to V. Ships for the technical management and crewing of the one Handymax tanker increased to $12,900. In January 2010, we transferred the crewing of the other Handymax tanker to Interorient Maritime Enterprises Inc., or Interorient, for a fee of $1,700 per month.

From January 1, 2009 to December 31, 2009, TOP Tanker Management subcontracted the crewing of four drybulk carriers to Interorient for a monthly fee of $1,700 per vessel.

On April 6, 2010, we provided V. Ships approximately two months' notice of termination of our agreement with it for the technical management and crewing of the one Handymax tanker. The change of both crew and technical Management is to take place during the last week of June 2010, always subject to the vessel's schedule.

On May 12, 2010, our Board of Directors agreed to outsource all of the commercial and technical management of the Company's vessels to Central Mare Inc., or Central Mare, a related party controlled by the family of the Company's Chief Executive Officer, on a timeline to be determined by its executive officers in consideration of the vessels' schedule.

Crewing and Employees

During 2007, 2008 and 2009, TOP SHIPS INC. had four employees, while our wholly-owned subsidiary, TOP Tanker Management, employed on average 82, 88 and 55 employees respectively, all of whom are shore-based. During 2009, V. Ships Management Limited and Interorient Maritime Enterprises Inc, were responsible for the crewing of the fleet. Such responsibilities include training, transportation, compensation and insurance of the crew.

TOP Tanker Management ensures that all seamen have the qualifications and licenses required to comply with international regulations and shipping conventions, and that our vessels employ experienced and competent personnel.

All of the employees of TOP Tanker Management are subject to a general collective bargaining agreement covering employees of shipping agents in Greece. These agreements set industry-wide minimum standards. We have not had any labor problems with our employees under this collective bargaining agreement and consider our workplace and labor union relations to be good.

The Industry - Tankers

The international tanker industry represents, we believe, the most efficient and safest method of transporting large volumes of crude oil and refined petroleum products such as gasoline, diesel, fuel oil, gas oil and jet fuel, as well as edible oils and chemicals.

Freight rates in the tanker shipping industry are determined by the supply of product tankers and the demand for crude oil and refined petroleum products transportation. Factors that affect the supply of product tankers and the demand for transportation of crude oil and refined petroleum products include:

Demand

- general economic conditions, including increases and decreases in industrial production and transportation, in which China has played a significant role since it joined the World Trade Organization.
- oil prices;
- environmental issues or concerns;
- climate;
- competition from alternative energy sources; and
- regulatory environment.

Supply

- the number of combined carriers, or vessels capable of carrying oil or drybulk cargoes, carrying oil cargoes;
- the number of newbuildings on order and being delivered;
- the number of tankers in lay-up, which refers to vessels that are in storage, dry-docked, awaiting repairs or otherwise not available or out of commission; and
- the number of tankers scrapped for obsolescence or subject to casualties;
- prevailing and expected future charterhire rates;
- costs of bunkers, fuel oil, and other operating costs;
- the efficiency and age of the world tanker fleet;
- current shipyard capacity; and
- government and industry regulation of maritime transportation practices, particularly environmental protection laws and regulations.

Developments in the International Tanker Market

The Baltic Dirty Tanker Index, a U.S. Dollar daily average of charter rates issued by the London based Baltic Exchange (an organization providing maritime market information for the trading and settlement of physical and derivative contracts) which takes into account input from brokers around the world regarding crude oil fixtures for various routes various tanker vessel sizes, after a steep decline that started in mid-2008 and lasted until the end of the third quarter of 2009, has rebounded in the fourth quarter of 2009, although not to pre-crisis levels. The Baltic Dirty Tanker Index declined from a high of 2,347 in July 2008 to a low of 453 in mid-April 2009, which represents a decline of 80%, but has since rebounded to 911 as of June 3, 2010. The Baltic Clean Tanker Index fell from 1,509 points as of June 19, 2008, to 345 points as of April 4, 2009, but has rebounded to 644 points as of June 3, 2010. The dramatic decline in charter rates was due to various factors, including the significant fall in demand for crude oil and petroleum products, the consequent rising inventories of crude oil and petroleum products in the United States and in other industrialized nations and the corresponding reduction in oil refining, the dramatic fall in the price of oil in 2008, and the restrictions on crude oil production that the Organization of Petroleum Exporting Countries (OPEC) and other non-OPEC oil producing countries have imposed in an effort to stabilize the price of oil. During 2009, the above factors affecting the Baltic Dirty and Clean Tanker Indices have partially subsided, allowing for the recovery of rates and a stabilization of tanker vessel values.

The price of crude oil after reaching historical highs in the summer of 2008 declined sharply as a result of the deterioration in the world economy, the collapse of financial markets, declining oil demand and bearish market sentiment. In 2009, oil prices started rising again amidst a growing demand for oil leading to a price of approximately $72.88 per barrel as of June 3, 2010.

The Industry – Drybulk Vessels

Drybulk cargo is cargo that is shipped in quantities and can be easily stowed in a single hold with little risk of cargo damage. The demand for drybulk vessel capacity is determined by the underlying demand for commodities transported in drybulk vessels, which in turn is influenced by trends in the global economy. Between 2000 and 2009, trade in all drybulk commodities increased from 2.3 billion tons to 3.03 billion tons, representing a CAGR (compound average growth rate) of 4.7 %). One of the main reasons for that increase in drybulk trade was the growth in imports by China of iron ore, coal and steel products since 2000. Chinese imports of iron ore alone increased from 92.2 million tons in 2001 to approximately 630 million tons in 2009.

The supply of drybulk vessels is dependent on the delivery of new vessels and the removal of vessels from the global fleet, either through scrapping or loss. The orderbook of new drybulk vessels scheduled to be delivered until 2012 represents approximately 57% of the world drybulk fleet. The level of scrapping activity is generally a function of scrapping prices in relation to current and prospective charter market conditions, as well as operating, repair and survey costs. Drybulk vessels at or over 25 years old are considered to be scrapping candidate vessels.

Developments in the International Drybulk Shipping Industry

The Baltic Drybulk Index, or BDI, a U.S. Dollar daily average of charter rates issued by the London based Baltic Exchange which takes into account input from brokers around the world regarding fixtures for various routes, dry cargoes and various drybulk vessel sizes, declined from a high of 11,793 in May 2008 to a low of 663 in December 2008, which represents a decline of 94%, but has since risen to 3,933 as of June 3, 2010. The decline in charter rates was due to various factors, including the lack of trade financing for purchases of commodities carried by sea, which has resulted in a significant decline in cargo shipments, and the excess supply of iron ore in China, which has resulted in falling iron ore prices and increased stockpiles in Chinese ports. The decline in charter rates in the drybulk market also affected the value of our drybulk vessels, which followed the trends of drybulk charter rates, and earnings on our charters, and similarly, affected our cash flows, liquidity and compliance with the covenants contained in our loan agreements. During 2009, the abovementioned factors affecting the BDI have partially subsided, allowing for the recovery of rates and a recovery in drybulk vessel values.

Environmental and Other Regulations

Government regulations and laws significantly affect the ownership and operation of our vessels. We are subject to international conventions, national, state and local laws and regulations in force in the countries in which our vessels may operate or are registered and compliance with such laws, regulations and other requirements may entail significant expense.

Our vessels are subject to both scheduled and unscheduled inspections by a variety of government, quasi-governmental and private organizations including the local port authorities, national authorities, harbor masters or equivalent, classification societies, flag state administrations (countries of registry) and charterers. Our failure to maintain permits, licenses, certificates or other approvals required by some of these entities could require us to incur substantial costs or temporarily suspend operation of one or more of our vessels.

We believe that the heightened levels of environmental and quality concerns among insurance underwriters, regulators and charterers have led to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the industry. Increasing environmental concerns have created a demand for vessels that conform to stricter environmental standards.

We believe that the operation of our vessels is in substantial compliance with applicable environmental laws and regulations and that our vessels have all material permits, licenses, certificates or other authorizations necessary for the conduct of our operations; however, because such laws and regulations are frequently changed and may impose increasingly stricter requirements, we cannot predict the ultimate cost of complying with these requirements, or the impact of these requirements on the resale value or useful lives of our vessels. In addition, additional legislation or regulation applicable to the operation of our vessels that may be implemented in the future could negatively affect our profitability.

International Maritime Organization

The International Maritime Organization, or the IMO, the United Nations agency for maritime safety and the prevention of pollution by ships, has adopted several international conventions that regulate the international shipping industry, including the International Convention on Civil Liability for Oil Pollution Damage, the International Convention on Civil Liability for Bunker Oil Pollution Damage, and the International Convention for the Prevention of Pollution from Ships, or the MARPOL Convention. The MARPOL Convention establishes environmental standards relating to oil leakage or spilling, garbage management, sewage, air emissions, handling and disposal of noxious liquids and the handling of harmful substances in packaged form.

In September 1997, the IMO adopted Annex VI to MARPOL to address air pollution from ships. Annex VI came into force on May 19, 2005. It sets limits on sulfur oxide and nitrogen oxide emissions from ship exhausts and prohibits deliberate emissions of ozone depleting substances, such as chlorofluorocarbons. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions. Annex VI has been ratified by some, but not all IMO member states. In October 2008, the Marine Environment Protection Committee, or MEPC, of the IMO approved amendments to Annex VI regarding particulate matter, nitrogen oxide and sulfur oxide emissions standards. These amendments will enter into force in July 2010. They seek to reduce air pollution from vessels by establishing a series of progressive standards to further limit the sulfur content in fuel oil, which would be phased in by 2020, and by establishing new tiers of nitrogen oxide emission standards for new marine diesel engines, depending on their date of installation. Additionally, more stringent emission standards could apply in coastal areas designated as Emission Control Areas ("ECAs"). Please see "United States – the U.S. Clean Air Act" below for information on the ECA designated in North America and the Hawaiian Islands. We have obtained International Air Pollution Prevention certificates evidencing compliance with Annex VI requirements for all of our vessels.

Although the United States is not a party, many countries have ratified the International Convention on Civil Liability for Oil Pollution Damage of 1969, as amended in 2000, or the CLC. Under this convention and depending on whether the country in which the damage results is a party to the 1992 Protocol to the CLC, a vessel's registered owner is strictly liable for pollution damage caused in the territorial waters of a contracting state by discharge of persistent oil, subject under certain circumstances to certain defenses and limitations. Vessels trading to states that are parties to these conventions must provide evidence of insurance covering the 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 IMO also has adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage, or the Bunker Convention, which imposes strict liability on ship owners for pollution damage in jurisdictional waters of ratifying states caused by discharges of bunker fuel and requires registered owners of ships over 1,000 gross tons to maintain insurance for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime.

The operation of our vessels is also affected by the requirements contained in the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention, or ISM Code, promulgated by the IMO under the International Convention for the Safety of Life at Sea, or SOLAS. The ISM Code requires the party with operational control of a vessel to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. We intend to rely upon the safety management system that our appointed ship managers have developed.

Noncompliance with the ISM Code or with other IMO regulations may subject a shipowner or bareboat charterer to increased liability, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports including United States and European Union ports.

United States

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

The U.S. Oil Pollution Act of 1990, or OPA, is an extensive regulatory and liability regime for environmental protection and cleanup of oil spills. OPA affects all owners and operators whose vessels trade with the United States or its territories or possessions, or whose vessels operate in the waters of the United States, which include the U.S. territorial sea and the 200 nautical mile exclusive economic zone around the United States. The Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, imposes liability for cleanup and natural resource damage from the release of hazardous substances (other than oil) whether on land or at sea. Both OPA and CERCLA impact our operations.

Under OPA, vessel owners, operators and bareboat charterers are responsible parties who are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from oil spills from their vessels. OPA limits the liability of responsible parties with respect to tankers over 3,000 gross tons to the greater of $3,200 per gross tons or $23,496,000 per single hull tanker, $2,000 per gross ton or $17,088,000 per double hull tanker, and $1,000 per gross ton or $854,400 for any non-tank vessel respectively, and permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries. Some states have enacted legislation providing for unlimited liability for discharge of pollutants within their waters, however, in some cases, states which have enacted this type of legislation have not yet issued implementing regulations defining tanker owners' responsibilities under these laws. CERCLA, which applies to owners and operators of vessels, contains a similar liability regime and provides for cleanup, removal and natural resource damages. Liability under CERCLA is limited to the greater of $300 per gross ton or $5.0 million for vessels carrying a hazardous substance as cargo and the greater of $300 per gross ton or $0.5 million for any other vessel.

These limits of liability do not apply, however, where the incident is caused by violation of applicable U.S. federal safety, construction or operating regulations, or by the responsible party's gross negligence or willful misconduct. These limits also do not apply if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with the substance removal activities. OPA and CERCLA each preserve the right to recover damages under existing law, including maritime tort law. We believe that we are in substantial compliance with OPA, CERCLA and all applicable state regulations in the ports where our vessels call.

OPA also requires owners and operators of vessels to establish and maintain with the U.S. Coast Guard evidence of financial responsibility sufficient to meet the limit of their potential strict liability under the act. Under the regulations, evidence of financial responsibility may be demonstrated by insurance, surety bond, self-insurance or guaranty. Under OPA regulations, an owner or operator of more than one tanker is required to demonstrate evidence of financial responsibility for the entire fleet in an amount equal only to the financial responsibility requirement of the tanker having the greatest maximum strict liability under OPA and CERCLA. We have provided such evidence and received certificates of financial responsibility from the U.S. Coast Guard for each of our vessels required to have one.

OPA specifically permits individual U.S. coastal states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, and some states have enacted legislation providing for unlimited liability for oil spills.

The U.S. Clean Water Act

The U.S. Clean Water Act of 1972, or CWA, prohibits the discharge of oil, hazardous substances, and ballast water in U.S. navigable waters unless authorized by a duly-issued permit or exemption, and imposes strict liability in the form of penalties for any unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under OPA and CERCLA. Furthermore, most U.S. states that border a navigable waterway have enacted environmental pollution laws that impose strict liability on a person for removal costs and damages resulting from a discharge of oil or a release of a hazardous substance. These laws may be more stringent than U.S. federal law.

The United States Environmental Protection Agency, or EPA, has enacted rules requiring a permit regulating ballast water discharges and other discharges incidental to the normal operation of certain vessels within United States waters under the Vessel General Permit for Discharges Incidental to the Normal Operation of Vessels, or VGP. To be covered by the VGP, owners of certain vessels must submit a Notice of Intent, or NOI, at least 30 days before the vessel operates in United States waters. Compliance with the VGP could require the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other disposal arrangements, and/or otherwise restrict our vessels from entering United States waters. In addition, certain states have enacted more stringent discharge standards as conditions to their required certification of the VGP. We have submitted NOIs for our vessels where required and do not believe that the costs associated with obtaining and complying with the VGP will have a material impact on our operations.

The U.S. Clean Air Act

The U.S. Clean Air Act of 1970, as amended by the Clean Air Act Amendments of 1977 and 1990, or the CAA, requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. Our vessels are subject to vapor control and recovery requirements for certain cargoes when loading, unloading, ballasting, cleaning and conducting other operations in regulated port areas and emission standards for so-called "Category 3" marine diesel engines operating in U.S. waters. The marine diesel engine emission standards are currently limited to new engines beginning with the 2004 model year. On December 22, 2009, the EPA announced final emission standards for Category 3 marine diesel engines equivalent to those adopted in the amendments to Annex VI to MARPOL. The emission standards apply in two stages: near-term standards for newly-built engines will apply from 2011, and long-term standards requiring an 80% reduction in nitrogen dioxides (NOx) will apply from 2016. Compliance with these standards may cause us to incur costs to install control equipment on our vessels.

The CAA also requires states to draft State Implementation Plans, or SIPs, designed to attain national health-based air quality standards in primarily major metropolitan and/or industrial areas. Several SIPs regulate emissions resulting from vessel loading and unloading operations by requiring the installation of vapor control equipment. As indicated above, our vessels operating in covered port areas are already equipped with vapor recovery systems that satisfy these existing requirements. Vessels sailing within 24 miles of the California coastline whose itineraries call for them to enter any California ports, terminal facilities, or internal or estuarine waters must use marine gas oil at or below 1.5% sulfur and marine diesel oil at or below 0.5% sulfur and, effective January 1, 2012, marine fuels with a sulfur content at or below 0.1% (1,000 ppm) sulfur.

The MEPC has designated the area extending 200 miles from the territorial sea baseline adjacent to the Atlantic/Gulf and Pacific coasts and the eight main Hawaiian Islands as an ECA under the Annex VI amendments. The new ECA will enter into force in August 2012, whereupon fuel used by all vessels operating in the ECA cannot exceed 1.0% sulfur, dropping to 0.1% sulfur in 2015. From 2016, NOx after-treatment requirements will also apply. If other ECAs are approved by the IMO or other new or more stringent requirements relating to emissions from marine diesel engines or port operations by vessels are adopted by the EPA or the states where we operate, compliance with these regulations could entail significant capital expenditures or otherwise increase the costs of our operations.

European Union

The European Union has adopted legislation that would: (1) ban manifestly sub-standard vessels (defined as those over 15 years old that have been detained by port authorities at least twice in a six month period) from European waters and create an obligation of port states to inspect vessels posing a high risk to maritime safety or the marine environment; and (2) provide the European Union with greater authority and control over classification societies, including the ability to seek to suspend or revoke the authority of negligent societies. In addition, European Union regulations enacted in 2003 now prohibit all single hull tankers from entering into its ports or offshore terminals.

In October 2009, the European Union amended a previously adopted Directive to impose criminal sanctions for illicit ship-source discharges of polluting substances, including minor discharges, if committed with intent, recklessly or with serious negligence and the discharges individually or in the aggregate result in deterioration of the quality of water. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims.

The European Union has also adopted a Directive to limit the sulphur content of marine fuels in order to reduce sulphur dioxide emissions from ships.

The sinking of the oil tanker Prestige in 2002 has led to the adoption of other environmental regulations by certain European Union Member States. It is difficult to predict what legislation or additional regulations, if any, may be promulgated by the European Union in the future.

Other Environmental Initiatives

U.S. Coast Guard regulations adopted and proposed for adoption under the U.S. National Invasive Species Act, or NISA, impose mandatory ballast water management practices for all vessels equipped with ballast water tanks entering U.S. waters, which could require the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures, and/or otherwise restrict our vessels from entering U.S. waters.

At the international level, the IMO adopted an International Convention for the Control and Management of Ships' Ballast Water and Sediments in February 2004 (the "BWM Convention"). The Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits. The BWM Convention will not enter into force until 12 months after it has been adopted by 30 states, the combined merchant fleets of which represent not less than 35% of the gross tonnage of the world's merchant shipping. As of April 30, 2010 the BWM Convention has been adopted by 24 states, representing 23.29% of world tonnage.

If mid-ocean ballast exchange is made mandatory throughout the United States or at the international level, or if ballast water treatment requirements or options are instituted, the cost of compliance could increase for ocean carriers. Although we do not believe that the costs of compliance with a mandatory mid-ocean ballast exchange would be material, it is difficult to predict the overall impact of such a requirement on our operations.

Greenhouse Gas Regulation

The IMO is evaluating mandatory measures to reduce greenhouse gas emissions from international shipping, which may include market-based instruments or a carbon tax. The European Union has indicated that it intends to propose an expansion of the existing European Union emissions trading scheme to include emissions of greenhouse gases from marine vessel. In the United States, the EPA has issued a proposed finding that greenhouse gases threaten the public health and safety. In addition, climate change initiatives are being considered in the U.S. Congress. Any passage of climate control legislation or other regulatory initiatives by the IMO, EU, the U.S. or other countries where we operate, or any treaty adopted at the international level to succeed the Kyoto Protocol, that restrict emissions of greenhouse gases could require us to make significant financial expenditures that we cannot predict with certainty at this time.

Vessel Security Regulations

Since the terrorist attacks of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. On November 25, 2002, the U.S. Maritime Transportation Security Act of 2002, or the MTSA, came into effect. To implement certain portions of the MTSA, in July 2003, the U.S. Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. Similarly, in December 2002, amendments to SOLAS created a new chapter of the convention dealing specifically with maritime security. The new chapter became effective in July 2004 and imposes various detailed security obligations on vessels and port authorities, most of which are contained in the International Ship and Port Facilities Security Code, or the ISPS Code. The ISPS Code is designed to protect ports and international shipping against terrorism. After July 1, 2004, to trade internationally, a vessel must attain an International Ship Security Certificate from a recognized security organization approved by the vessel's flag state. Among the various requirements are:

- on-board installation of automatic identification systems to provide a means for the automatic transmission of safety-related information from among similarly equipped ships and shore stations, including information on a ship's identity, position, course, speed and navigational status;

- on-board installation of ship security alert systems, which do not sound on the vessel but only alert the authorities on shore;
- the development of vessel security plans;
- ship identification number to be permanently marked on a vessel's hull;
- a continuous synopsis record kept onboard showing a vessel's history including, the name of the ship and of the state whose flag the ship is entitled to fly, the date on which the ship was registered with that state, the ship's identification number, the port at which the ship is registered and the name of the registered owner(s) and their registered address; and
- compliance with flag state security certification requirements.

The U.S. Coast Guard regulations, intended to align with international maritime security standards, exempt from MTSA vessel security measures non-U.S. vessels that have on board, as of July 1, 2004, a valid International Ship Security Certificate attesting to the vessel's compliance with SOLAS security requirements and the ISPS Code. We have implemented the various security measures addressed by the MTSA, SOLAS and the ISPS Code, and our fleet is in compliance with applicable security requirements.

Inspection by Classification Societies

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

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

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

Annual Surveys: For seagoing ships, annual surveys are conducted for the hull and the machinery, including the electrical plant, and where applicable for special equipment classed, at intervals of 12 months from the date of commencement of the class period indicated in the certificate.

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

Class Renewal Surveys: Class renewal surveys, also known as special surveys, are carried out for the ship's hull, machinery, including the electrical plant, and for any special equipment classed, at the intervals indicated by the character of classification for the hull. At the special survey, the vessel is thoroughly examined, including audio-gauging to determine the thickness of the steel structures. Should the thickness be found to be less than class requirements, the classification society would prescribe steel renewals. The classification society may grant a one-year grace period for completion of the special survey. Substantial amounts of money may have to be spent for steel renewals to pass a special survey if the vessel experiences excessive wear and tear. In lieu of the special survey every four or five years, depending on whether a grace period was granted, a shipowner has the option of arranging with the classification society for the vessel's hull or machinery to be on a continuous survey cycle, in which every part of the vessel would be surveyed within a five-year cycle.

At an owner's application, the surveys required for class renewal may be split according to an agreed schedule to extend over the entire period of class. This process is referred to as continuous class renewal.

All areas subject to survey as defined by the classification society are required to be surveyed at least once per class period, unless shorter intervals between surveys are prescribed elsewhere. The period between two subsequent surveys of each area must not exceed five years.

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

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

Risk of Loss and Liability Insurance Generally

The operation of any cargo vessel includes risks such as mechanical failure, collision, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, hostilities and labor strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. OPA, which imposes virtually unlimited liability upon owners, operators and demise charterers of any vessel trading in the United States exclusive economic zone for certain oil pollution accidents in the United States, has made liability insurance more expensive for ship owners and operators trading in the United States market. While we carry loss of hire insurance to cover 100% of our fleet, we may not be able to maintain this level of coverage. Furthermore, while we believe that our present insurance coverage is adequate, not all risks can be insured, and there can be no guarantee that any specific claim will be paid, or that we will always be able to obtain adequate insurance coverage at reasonable rates.

Hull and Machinery Insurance

We have obtained marine hull and machinery, marine interests and war risk insurance, which includes the risk of actual or constructive total loss, general average, particular average, salvage, salvage charges, sue and labor, damage received in collision or contact with fixed or floating objects for all of the vessels in our fleet. In 2009, the vessels in our fleet were each covered up to at least fair market value, with deductibles of $100,000 per vessel per incident, for the non-bareboat vessels in our fleet. In 2010, deductibles changed to include an additional machinery deductible of $100,000 per vessel per incident for the non-bareboat vessels in our fleet. For the vessels that are under bareboat charters, the charterer is responsible for arranging and paying the hull and machinery insurance. We have also arranged increased value coverage for one of our bareboat chartered vessels, M/V Papillon, in order to conform with relevant loan covenants. Under this increased value coverage, in the event of total loss of a vessel, we will recover for amounts not recoverable under the hull and machinery policy by reason of any under-insurance by the charterers, in relation to values dictated by loan covenants.

Loss of Hire Insurance

During 2009, we obtained Loss of Hire Insurance to cover the loss of hire of each non-bareboat vessel and two of the bareboat chartered vessels, M/T Ionian Wave and M/T Hongbo, as required by the relevant loan agreements, for 90 days in excess of 30 days in case of an incident that is coverable by our Hull and Machinery policy. In 2010, we have obtained Loss of Hire Insurance to cover the loss of hire for M/V Cyclades, M/V Pepito, M/T Ioannis P, M/T Ionian Wave and M/T Hongbo for 90 days in excess of 30 days in case of an incident that is coverable by our Hull and Machinery policy.

Protection and Indemnity Insurance

Protection and indemnity insurance is provided by mutual protection and indemnity associations, or P&I Associations, which covers our third party liabilities in connection with our shipping activities. This includes third party liability and other related expenses of injury or death of crew, passengers and other third parties, loss or damage to cargo, claims arising from collisions with other vessels, damage to other third party property, pollution arising from oil or other substances, including wreck removal. Protection and indemnity insurance is a form of mutual indemnity insurance, extended by protection and indemnity mutual associations, or "clubs." Subject to the "capping" discussed below, our coverage, except for pollution, is unlimited.

Our current protection and indemnity insurance coverage for pollution remains at $1.0 billion per vessel per incident. The 13 P&I Associations that comprise the International Group insure approximately 90% of the world's commercial tonnage and have entered into a pooling agreement to reinsure each association's liabilities. Each P&I Association has capped its exposure to this pooling agreement at approximately $5.5 billion. As a member of a P&I Association, which is a member of the International Group, we are subject to calls payable to the associations based on its claim records as well as the claim records of all other members of the individual associations, and members of the pool of P&I Associations comprising the International Group.

Competition

We operate in markets that are highly competitive and based primarily on supply and demand. We compete for charters on the basis of price, vessel location, size, age and condition of the vessel, as well as on our reputation as an operator. We arrange our time charters, bareboat charters and voyage charters in the spot market through the use of brokers, who negotiate the terms of the charters based on market conditions. We compete primarily with owners of tankers in the Handymax class sizes and also with owners of drybulk vessels in the Handymax, Supramax and Panamax class sizes. Ownership of tankers is highly fragmented and is divided among major oil companies and independent vessel owners. The drybulk market is less fragmented with more small operators.

Seasonality

We operate our vessels in markets that have historically exhibited seasonal variations in demand and, therefore, charter rates. This seasonality may affect operating results.

C. Organizational Structure

The following are the wholly-owned subsidiaries of TOP SHIPS INC. as of December 31, 2009.

	Shipowning Companies with vessels in operations at December 31, 2009	***Date of Incorporation***	***Country of Incorporation***	***Vessel***
1	*Lefka Shipping Company Limited ("Lefka")*	March 2005	Marshall Islands	Dauntless (acquired March 2005)
2	*Ilisos Shipping Company Limited ("Ilisos")*	April 2005	Marshall Islands	Ioannis P (acquired November 2005)
3	*Amalfi Shipping Company Limited ("Amalfi")*	July 2007	Marshall Islands	Amalfi (acquired December 2007)
4	*Jeke Shipping Company Limited ("Jeke")*	July 2007	Liberia	Voc Gallant (acquired February 2008)
5	*Japan I Shipping Company Limited ("Japan I")*	August 2007	Liberia	Pepito (acquired March 2008)
6	*Japan II Shipping Company Limited ("Japan II")*	August 2007	Liberia	Astrale (acquired May 2008)
7	*Japan III Shipping Company Limited ("Japan III")*	August 2007	Liberia	Cyclades (acquired December 2007)
8	*Warhol Shipping Company Limited ("Warhol")*	July 2008	Liberia	Miss Marilena (delivered February 2009)
9	*Lichtenstein Shipping Company Limited ("Lichtenstein")*	July 2008	Liberia	Lichtenstein (delivered February 2009)
10	*Banksy Shipping Company Limited ("Banksy")*	July 2008	Liberia	Ionian Wave (delivered March 2009)
11	*Indiana R Shipping Company Limited ("Indiana R")*	July 2008	Liberia	Tyrrhenian Wave (delivered March 2009)
12	*Britto Shipping Company Limited ("Britto")*	July 2008	Liberia	Britto (delivered May 2009)
13	*Hongbo Shipping Company Limited ("Hongbo")*	July 2008	Liberia	Hongbo (delivered August 2009)
	Other Companies			
14	*Top Tankers (U.K.) Limited*	January 2005	England and Wales	Representative office in London
15	*Top Bulker Management Inc.*	April 2005	Marshall Islands	Inactive Management Company
16	*TOP Tanker Management Inc. ((the "Manager")*	May 2004	Marshall Islands	Management Company
17	*Ierissos Shipping Inc.*	November 2008	Marshall Islands	Cash Manager

It should be noted that Ierissos Shipping Inc was dissolved in April 2010.

	Shipowning Companies with vessels sold	*Date of Incorporation*	*Country of Incorporation*	*Vessel*
18	*Olympos Shipping Company Limited*	December 1999	British Cayman Islands	Med Prologue (sold to "Olympos Shipping Company Limited")
19	*Vermio Shipping Company Limited ("Faithful")*	December 2001	Marshall Islands	Faithful (sold to "Gramos Shipping Company Inc" July 2003)
20	*Kalidromo Shipping Company Limited ("Kalidromo")*	May 2003	Marshall Islands	Tireless (sold September 2004)
21	*Olympos Shipping Company Limited ("Olympos")*	May 2003	Marshall Islands	Med Prologue (sold December 2004)
22	*Rupel Shipping Company Inc. ("Rupel")*	January 2003	Marshall Islands	Fearless (sold July 2005)
23	*Helidona Shipping Company Limited ("Helidona")*	May 2003	Marshall Islands	Yapi (sold September 2005)
24	*Mytikas Shipping Company Limited ("Mytikas")*	February 2004	Marshall Islands	Limitless (sold September 2008)
25	*Litochoro Shipping Company Limited ("Litochoro")*	March 2004	Marshall Islands	Endless (sold September 2008)
26	*Vardousia Shipping Company Limited ("Vardousia")*	July 2004	Cyprus	Invincible (sold by its new owners July 2007)
27	*Psiloritis Shipping Company Limited ("Psiloritis")*	July 2004	Liberia	Victorious (sold by its new owners August 2007)
28	*Menalo Shipping Company Limited ("Menalo")*	July 2004	Cyprus	Restless (sold by its new owners September 2007)
29	*Pintos Shipping Company Limited ("Pintos")*	July 2004	Cyprus	Sovereign (sold by its new owners August 2008)
30	*Pylio Shipping Company Limited ("Pylio")*	July 2004	Liberia	Flawless (sold by its new owners September 2008)
31	*Taygetus Shipping Company Limited ("Taygetus")*	July 2004	Liberia	Timeless (sold by its new owners September 2008)
32	*Imitos Shipping Company Limited ("Imitos")*	November 2004	Marshall Islands	Noiseless (sold January 2008)
33	*Parnis Shipping Company Limited ("Parnis")*	November 2004	Marshall Islands	Stainless (sold January 2008)
34	*Parnasos Shipping Company Limited ("Parnasos")*	November 2004	Liberia	Faultless (sold by its new owners March 2008)
35	*Vitsi Shipping Company Limited ("Vitsi")*	November 2004	Liberia	Stopless (sold by its new owners September 2008)
36	*Kisavos Shipping Company Limited ("Kisavos")*	November 2004	Marshall Islands	Priceless (sold by its new owners September 2008)
37	*Agion Oros Shipping Company Limited ("Agion Oros")*	February 2005	Marshall Islands	Topless (sold December 2006)

	Shipowning Companies with vessels sold	*Date of Incorporation*	*Country of Incorporation*	*Vessel*
38	*Giona Shipping Company Limited ("Giona")*	March 2005	Marshall Islands	Taintless (sold November 2006)
39	*Agrafa Shipping Company Limited ("Agrafa")*	March 2005	Marshall Islands	Soundless (sold November 2006)
40	*Ardas Shipping Company Limited ("Ardas")*	April 2005	Marshall Islands	Errorless (sold April 2007)
41	*Nedas Shipping Company Limited ("Nedas")*	April 2005	Marshall Islands	Stormless (sold June 2008)
42	*Kifisos Shipping Company Limited ("Kifisos")*	April 2005	Marshall Islands	Edgeless (sold July 2008)
43	*Sperhios Shipping Company Limited ("Sperhios")*	April 2005	Marshall Islands	Ellen P (sold September 2008)
44	*Noir Shipping S.A. ("Noir")*	June 2007	Marshall Islands	Bertram (sold April 2008)
45	Gramos Shipping Company Inc. ("Gramos")	January 2003	Marshall Islands	Faithful (sold and leased back March 2006)
46	Falakro Shipping Company Limited ("Falakro")	July 2004	Liberia	Doubtless (sold and leased back March 2006)
47	Pageon Shipping Company Limited ("Pageon")	July 2004	Cyprus	Vanguard (sold and leased back March 2006)
48	Idi Shipping Company Limited ("Idi")	July 2004	Liberia	Spotless (sold and leased back March 2006)
49	Parnon Shipping Company Limited ("Parnon")	July 2004	Cyprus	Relentless (sold and leased back September 2005)

D. Properties, Plants and Equipment

For a list of our fleet see "Business Overview – Our Fleet" above.

In January 2006, we entered into an agreement with an unrelated party to lease office space in Athens, Greece. The office is located at 1, Vasilisis Sofias & Megalou Alexandrou Street, 151 24 Maroussi, Athens, Greece. The agreement is for a duration of 12 years beginning May 2006 with a lessee's option for an extension of 10 years. The current monthly rental is $0.2 million (based on the U.S. Dollar/Euro exchange rate as of December 31, 2009) adjusted annually for inflation increase plus 1.0%.

In addition, our subsidiary TOP TANKERS (U.K.) LIMITED, a representative office in London, leases office space in London from an unrelated third party. The agreement is valid from June 2007 and shall continue until either party shall give to the other one calendar month written notice. The annual lease is $0.03 million (based on the U.S. Dollar/GBP exchange rate as of December 31, 2009) payable quarterly in advance.

In November 2009, TOP SHIPS INC. entered into a lease agreement for office space in London. The agreement is for a duration of one year from and including November 15, 2009 to and including November 14, 2010. The current monthly rent is $0.04 million (based on the U.S. Dollar/GBP exchange rate as of December 31, 2009).

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following management's discussion and analysis is intended to discuss our financial condition, changes in financial condition and results of operations, and should be read in conjunction with our historical consolidated financial statements and their notes included in this report.

This discussion contains forward-looking statements that reflect our current views with respect to future events and financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, such as those set forth in the section entitled "Risk Factors" and elsewhere in this report.

A. Operating results

Overview

We are an international provider of seaborne transportation services, carrying petroleum products, crude oil and drybulk commodities for the steel, electric utility, construction and agriculture-food industries.

As of December 31, 2009, our fleet consisted of thirteen owned vessels (five drybulk vessels and eight tankers), with total carrying capacity of approximately 0.7 million dwt as compared to twelve vessels (five drybulk vessels and seven tankers), with total carrying capacity of approximately 0.7 million dwt (including seven owned and five vessels sold and leased back for a period of five to seven years) on December 31, 2008.

Segments

Since the acquisition of drybulk vessels in the fourth quarter of 2007, we have been analyzing and reporting our results of operations in two segments: tanker segment and drybulk segment.

Tanker segment : For the year ended December 31, 2009, revenues for this segment were $47.4 million and operating loss was $56.2 million.

Drybulk segment : For the year ended December 31, 2009, revenues for this segment were $56.7 million and operating income was $18.2 million.

Factors affecting our results of operations – all segments

We believe that the important measures for analyzing trends in the results of our operations for both tankers and drybulk vessels consist of the following:

• Calendar days. We define calendar days as the total number of days the vessels were in our possession for the relevant period. Calendar days are an indicator of the size of our fleet during the relevant period and affect both the amount of revenues and expenses that we record during that period.

• Available days. We define available days as the number of calendar days less the aggregate number of days that our vessels are off-hire due to scheduled repairs or scheduled guarantee inspections in the case of newbuildings, vessel upgrades or special surveys and the aggregate amount of time that we spend positioning our vessels. Companies in the shipping industry generally use available days to measure the number of days in a period during which vessels should be capable of generating revenues. We determined to use available days as a performance metric for the first time, in the second quarter and first half of 2009. We have determined to adjust the calculation method of utilization to include available days in order to be comparable with shipping companies that calculate utilization using operating days divided by available days.

• Operating days. We define operating days as the number of available days in a period less the aggregate number of days that our vessels are off-hire due to unforeseen circumstances. The shipping industry uses operating days to measure the aggregate number of days in a period during which the vessels actually generate revenues.

• Fleet utilization. We calculate fleet utilization by dividing the number of operating days during a period by the number of available days during that period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the number of days that its vessels are off-hire for reasons other than scheduled repairs or scheduled guarantee inspections in the case of newbuildings, vessel upgrades, special or intermediate surveys and vessel positioning. We used a new calculation method for fleet utilization for the first time, in the second quarter and first half of 2009. In all prior filings and reports, utilization was calculated by dividing operating days by calendar days. We have determined to adjust the calculation method in order to be comparable with most shipping companies, which calculate utilization using operating days divided by available days.

• Spot Charter Rates. Spot charter rates are volatile and fluctuate on a seasonal and year-to-year basis. Fluctuations derive from imbalances in the availability of cargoes for shipment and the number of vessels available at any given time to transport these cargoes.

• Bareboat Charter Rates. Under a bareboat charter party, all operating costs, voyage costs and cargo-related costs are covered by the charterer, who takes both the operational and the shipping market risk.

• TCE Revenues / TCE Rates. We define TCE revenues as revenues minus voyage expenses. Voyage expenses primarily consist of port, canal and fuel costs that are unique to a particular voyage, which would otherwise be paid by a charterer under a time charter, as well as commissions. We believe that presenting revenues net of voyage expenses neutralizes the variability created by unique costs associated with particular voyages or the deployment of vessels on the spot market and facilitates comparisons between periods on a consistent basis. We calculate daily TCE rates by dividing TCE revenues by operating days for the relevant time period. TCE revenues include demurrage revenue, which represents fees charged to charterers associated with our spot market voyages when the charterer exceeds the agreed upon time required to load or discharge a cargo. We calculate daily direct vessel operating expenses and daily general and administrative expenses for the relevant period by dividing the total expenses by the aggregate number of calendar days that we owned each vessel for the period.

In accordance with GAAP measures, we report revenues in our income statements and include voyage expenses among our expenses. However, in the shipping industry the economic decisions are based on vessels' deployment upon anticipated TCE rates, and industry analysts typically measure shipping freight rates in terms of TCE rates. This is because under time-charter and bareboat contracts the customer usually pays the voyage expenses, while under voyage charters the ship-owner usually pays the voyage expenses, which typically are added to the hire rate at an approximate cost. Consistent with industry practice, management uses TCE as it provides a means of comparison between different types of vessel employment and, therefore, assists decision making process.

Voyage Revenues

Tanker segment

Our voyage revenues are driven primarily by the number of vessels in our fleet, the number of operating days during which our vessels generate revenues and the amount of daily charterhire that our vessels earn under charters, which, in turn, are affected by a number of factors, including our decisions relating to vessel acquisitions and disposals, the amount of time that we spend positioning our vessels, the amount of time that our vessels spend in dry-dock undergoing repairs, maintenance and upgrade work, the duration of the charter, the age, condition and specifications of our vessels, levels of supply and demand in the global transportation market for oil products or bulk cargo and other factors affecting spot market charter rates such as vessel supply and demand imbalances.

Vessels operating on period charters, time charters or bareboat charters, provide more predictable cash flows, but can yield lower profit margins than vessels operating in the short-term, or spot, charter market during periods characterized by favorable market conditions. Vessels operating in the spot charter market generate revenues that are less predictable, but may enable us to capture increased profit margins during periods of improvements in charter rates, although we are exposed to the risk of declining charter rates, which may have a materially adverse impact on our financial performance. If we employ vessels on period charters, future spot market rates may be higher or lower than the rates at which we have employed our vessels on period time charters.

Under a time charter, the charterer typically pays us a fixed daily charter hire rate and bears all voyage expenses, including the cost of bunkers (fuel oil) and port and canal charges. We remain responsible for paying the chartered vessel's operating expenses, including the cost of crewing, insuring, repairing and maintaining the vessel, the costs of spares and consumable stores, tonnage taxes and other miscellaneous expenses, and we also pay commissions to one or more unaffiliated ship brokers and to in-house brokers associated with the charterer for the arrangement of the relevant charter.

Under a bareboat charter, the vessel is chartered for a stipulated period of time which gives the charterer possession and control of the vessel, including the right to appoint the master and the crew. Under bareboat charters all voyage and operating costs are paid by the charterer. During 2009, we took delivery of six newbuilding product tankers all of which are on bareboat charters for a period between 7 and 10 years.

During 2007 and 2008, we also employed vessels in the spot market and we may do so again in the future depending on prevailing market conditions at the time our period charters expire. Such might be the case for one of our tankers, the time charter of which expires during 2010. Given the market conditions prevailing in the product tanker market as of the date of this annual report, we intend to seek to enter into period charters for periods ranging from one to three years at market rates. Nevertheless, if we are not able to secure such employment we might need to operate these vessels in the spot market.

In 2007, approximately 33% of our revenues in the tanker segment were derived from two charterers. These two charterers, Glencore and PDVSA, provided 23% and 10%, respectively, of our revenues in 2007. In 2008 and 2009, approximately 17% and 22%, respectively, of our total revenues was derived from one charterer, Glencore.

Drybulk segment

The factors affecting voyage revenues discussed also apply to the drybulk segment with the only difference being the different economics that apply in the global markets for oil versus the global market for dry products shipped in bulk.

As of the date of this annual report, four of our drybulk vessels were operating under time charters and one under a bareboat charter.

Revenues related to drybulk vessels include amortization of fair value of below market acquired time charter liability. However, relevant revenues are considered unallocated for the purposes of analyzing and reporting our results of operations in two segments: tanker segment and drybulk segment. Specifically, when vessels are acquired with period charters attached and the rates on such charters are below market on the acquisition date, we allocate the total cost between the vessel and the fair value of below market time charter based on the relative fair values of the vessel and the liability acquired. The fair value of the attached period charter is computed as the present value of the difference between the contractual amount to be received over the term of the period charter and management's estimates of the market period charter rate at the time of acquisition. The fair value of below market period charter is amortized over the remaining period of the period charter as an increase to revenues.

In November and December 2007 and February 2008, we acquired the drybulk vessels M/V Bertram, M/V Amalfi and M/V Papillon (ex Voc Gallant), respectively, with attached time charter contracts. As a result, the purchase price of the vessels was allocated between vessel cost and the fair value of the time charter contracts, totaling in aggregate $43.3 million. Following the sale of the M/V Bertram, on April 16, 2008, the then unamortized fair value of its below market time charter of $16.1 million was written-off to the loss from the sale of the vessel. For the years ended December 31, 2008 and 2009, the amortization of the fair value of the time charter contracts totaled $21.8 million and $3.9 million, respectively. The fair value of the time charter contracts was fully amortized up to the second quarter of 2009.

In 2009, approximately 32% of our revenues in the drybulk segment were derived from two charterers. These two charterers, Hanjin and Cosco provided 18% and 14%, respectively, of our total revenues in 2009.

Voyage Expenses

Tanker segment

Voyage expenses primarily consist of port charges, including canal dues, bunkers (fuel costs) and commissions. All these expenses, except commissions, are paid by the charterer under a time charter or bareboat charter contract. The amount of voyage expenses are mainly driven by the routes that the vessels travel, the amount of ports called on, the canals crossed and the price of bunker fuels paid. This category was less significant in 2009 when compared to 2008 since all our tanker vessels were either on time charters or bareboat charters, as compared to 2008 when up to 11 vessels operated in the spot market.

Drybulk segment

Our drybulk vessels are operating under time charter or bareboat charter contracts and hence voyage expenses primarily consist of commissions on the time charters.

Charter Hire Expenses

Tanker segment

Charter hire expenses consist of lease payments for vessels sold and leased-back during 2005 and 2006 for periods between five to seven years. After the termination of the last five lease agreements, during 2009, we are no longer obligated to pay lease payments (see "Item 4-Information on the Company-History and Development of the Company").

Drybulk segment

Not applicable.

Vessel Operating Expenses

Tanker and Drybulk segment

Vessel operating expenses include crew wages and related costs, the cost of insurance, expenses relating to repairs and maintenance, the costs of spares and consumable stores, tonnage taxes and other miscellaneous expenses for vessels that we own and vessels that we lease under our operating leases. Our vessel operating expenses, which generally represent fixed costs, have historically increased as a result of the increase in the size of our fleet. We analyze vessel operating expenses on a U.S. Dollar / per day basis. Additionally, vessel operating expenses can fluctuate due to factors beyond our control, such as unplanned repairs and maintenance which can be attributed to damages, regulatory compliance or market forces and can be quite significant, or factors which may affect the shipping industry in general, such as developments relating to insurance premiums, or developments relating to the availability of crew, may also cause these expenses to increase.

Dry-docking Costs

Tanker segment

Dry-docking costs relate to the regularly scheduled intermediate survey or special survey dry-docking necessary to preserve the quality of our vessels as well as to comply with international shipping standards and environmental laws and regulations. Dry-docking costs can vary according to the age of the vessel, the location where the dry-dock takes place, shipyard availability, local availability of manpower and material, the billing currency of the yard, the days the vessel is off hire in order to complete its survey and the diversion necessary in order to get from the last port of employment to the yard and back to a position for the next employment. Please see "Item 18 – Financial Statements: Note 2 – Significant Accounting Policies." In the case of tankers, dry-docking costs may also be affected by new rules and regulations (see "Item 4 – Information on the Company – B. Business Overview – Environmental Regulations").

Drybulk segment

The above discussion for the Tanker Segment also applies to the drybulk segment. The effect of new rules and regulations on cost is lower in the drybulk segment due to the lower pollution risk this segment has as compared to tankers.

General and Administrative Expenses

Tanker and Drybulk segments

General and administrative expenses include the salaries and other related costs of senior management, directors and other on-shore employees, our office rent, legal and auditing costs, regulatory compliance costs, other miscellaneous office expenses, long-term compensation costs, non cash stock compensation, corporate overhead and sub-manager fees. General and administrative expenses are Euro denominated except for some legal fees and are therefore affected by the conversion rate of the U.S. Dollar versus the Euro.

General and administrative expenses are allocated to different segments based on calendar days of vessels operated.

Interest and Finance Costs

Tanker and Drybulk segments

We have historically incurred interest expense and financing costs in connection with vessel-specific debt. Interest expense is directly related with the repayment schedule of our loans, the prevailing LIBOR and the relevant margin.

Since the fourth quarter of 2008, however, lenders have required provisions that entitle the lenders, in their discretion, to replace published LIBOR as the base for the interest calculation with their cost-of-funds rate which in all cases is higher than LIBOR. Additionally, as part of our discussions with banks with regards to loan covenant breaches, we have agreed to increase the margins to certain of our loans (see " – B. Liquidity and Capital Resources").

Inflation

Tanker and Drybulk segments

Inflation has not had a material effect on our expenses given current economic conditions. In the event that significant global inflationary pressures appear, these pressures would increase our operating, voyage, administrative and financing costs.

In evaluating our financial condition, we focus on the above measures to assess our historical operating performance and we use future estimates of the same measures to assess our future financial performance. In assessing the future performance of our fleet, the greatest uncertainty relates to future charter rates which affect those of our vessels that come out from their present period employment whether under a time charter or a bareboat charter. Decisions about future purchases and sales of vessels are based on the availability of excess internal funds, the availability of financing, the financial and operational evaluation of such actions and depend on the overall state of the drybulk and tanker markets, the availability of relevant purchase candidates, and our general assessment of the prospects for the segments that we operate in.

Lack of Historical Operating Data for Vessels Before Their Acquisition

Although vessels are generally acquired free of charter, we have acquired (and may in the future acquire) some vessels with time charters. Where a vessel has been under a voyage charter, the vessel is usually delivered to the buyer free of charter. It is rare in the shipping industry for the last charterer of the vessel in the hands of the seller to continue as the first charterer of the vessel in the hands of the buyer. In most cases, when a vessel is under time charter and the buyer wishes to assume that charter, the vessel cannot be acquired without the charterer's consent and the buyer entering into a separate direct agreement (a "novation agreement") with the charterer to assume the charter. The purchase of a vessel itself does not transfer the charter because it is a separate service agreement between the vessel owner and the charterer.

Where we identify any intangible assets or liabilities associated with the acquisition of a vessel, we allocate the purchase price to identified tangible and intangible assets or liabilities based on their relative fair values. Fair value is determined by reference to market data and the discounted amount of expected future cash flows. Where we have assumed an existing charter obligation or entered into a time charter with the existing charterer in connection with the purchase of a vessel at charter rates that are less than market charter rates, we record a liability, based on the difference between the assumed charter rate and the market charter rate for an equivalent vessel. Conversely, where we assume an existing charter obligation or enter into a time charter with the existing charterer in connection with the purchase of a vessel at charter rates that are above market charter rates, we record an asset, based on the difference between the market charter rate for an equivalent vessel and the contracted charter rate. This determination is made at the time the vessel is delivered to us, and such assets and liabilities are amortized as a reduction or increase to revenue over the remaining period of the charter.

In November and December 2007 and February 2008, we acquired the drybulk vessels M/V Bertram, M/V Amalfi and M/V Papillon (ex Voc Gallant), respectively, with attached time charter contracts. As a result, the purchase price of the vessels was allocated between vessel cost and the fair value of the time charter contracts, totaling in aggregate $43.3 million. The fair value of the time charter contracts was fully amortized up to the second quarter of 2009.

During 2009, we did not acquire any vessels with existing period charter arrangements.

When we purchase a vessel and assume or renegotiate a related time charter, we must take the following steps before the vessel will be ready to commence operations:

- obtain the charterer's consent to us as the new owner;
- obtain the charterer's consent to a new technical manager;
- in some cases, obtain the charterer's consent to a new flag for the vessel;
- arrange for a new crew for the vessel, and where the vessel is on charter, in some cases, the crew must be approved by the charterer;
- replace all hired equipment on board, such as gas cylinders and communication equipment;
- negotiate and enter into new insurance contracts for the vessel through our own insurance brokers; and
- register the vessel under a flag state and perform the related inspections in order to obtain new trading certificates from the flag state.

The following discussion is intended to help you understand how acquisitions of vessels affect our business and results of operations. Our business is comprised of the following main elements:

- employment and operation of our tanker and drybulk vessels; and
- management of the financial, general and administrative elements involved in the conduct of our business and ownership of our tanker and drybulk vessels.

The employment and operation of our vessels require the following main components:

- vessel maintenance and repair;
- crew selection and training;
- vessel spares and stores supply;
- contingency response planning;
- onboard safety procedures auditing;
- accounting;
- vessel insurance arrangement;
- vessel chartering;
- vessel security training and security response plans (ISPS);
- obtain ISM certification and audit for each vessel within the six months of taking over a vessel;
- vessel hire management;
- vessel surveying; and
- vessel performance monitoring.

The management of financial, general and administrative elements involved in the conduct of our business and ownership of our vessels requires the following main components:

- management of our financial resources, including banking relationships, i.e., administration of bank loans and bank accounts;
- management of our accounting system and records and financial reporting;
- administration of the legal and regulatory requirements affecting our business and assets; and
- management of the relationships with our service providers and customers.

The principal factors that affect our profitability, cash flows and shareholders' return on investment include:

- Charter rates and periods of charter hire for our tanker and drybulk vessels;
- Utilization of our tanker and drybulk vessels (earnings efficiency);
- levels of our tanker and drybulk vessels' operating expenses and dry-docking costs;
- depreciation and amortization expenses;
- financing costs; and
- fluctuations in foreign exchange rates.

Results of operations for the fiscal years ended December 31, 2007, 2008 and 2009

The following table depicts changes in the results of operations for 2009 compared to 2008 and 2008 compared to 2007.

	Year Ended December 31,			change			
	2007	**2008**	**2009**	***YEO8 v YEO7***		***YEO9 v YEO8***	
		($ in thousands)		$	%	$	%
Voyage Revenues	**252,259**	**257,380**	**107,979**	**5,121**	***2.0 %***	**(149,401)**	***-58.0 %***
Voyage expenses	59,414	38,656	3,372	(20,758)	*-34.9 %*	(35,284)	*-91.3 %*
Charter hire expense	94,118	53,684	10,827	(40,434)	*-43.0 %*	(42,857)	*-79.8 %*
Amortization of deferred gain on sale and leaseback of vessels and write-off of seller's credit	(15,610)	(18,707)	(7,799)	(3,097)	*19.8 %*	10,908	*-58.3 %*
Lease termination Expense	-	-	15,391	-	-	15,391	-
Vessel operating expenses	67,914	67,114	23,739	(800)	*-1.2 %*	(43,375)	*-64.6 %*
Dry-docking costs	25,094	10,036	4,602	(15,058)	*-60.0 %*	(5,434)	*-54.1 %*
Depreciation	27,408	32,664	31,585	5,256	*19.2 %*	(1,079)	*-3.3 %*
General and administrative expenses	25,000	31,388	23,835	6,388	*25.6 %*	(7,553)	*-24.1 %*
Gain on sale of vessels	(1,961)	(19,178)	-	(17,217)	*878.0 %*	19,178	*-100.0 %*
Impairment on vessels	-	-	36,638	-	-	36,638	-
Expenses	**281,377**	**195,657**	**142,190**	**(85,720)**	***-30.5 %***	**(53,467)**	***-27.3 %***
Operating (loss) income	**(29,118)**	**61,723**	**(34,211)**	**90,841**	***-312.0 %***	**(95,934)**	***-155.4 %***
Interest and finance costs	(19,518)	(25,764)	(13,969)	(6,246)	*32.0 %*	11,795	*-45.8 %*
Gain / (loss) on financial instruments	(3,704)	(12,024)	(2,081)	(8,320)	*224.6 %*	9,943	*-82.7 %.*
Interest income	3,248	1,831	235	(1,417)	*-43.6 %*	(1,596)	*-87.2 %*
Other, net	16	(127)	(170)	(143)	*-893.8 %*	(43)	*33.9 %*
Total other expenses, net	**(19,958)**	**(36,084)**	**(15,985)**	**(16,126)**	***80.8 %***	**20,099**	***-55.7 %***
Net (loss) Income	**(49,076)**	**25,639**	**(50,196)**	**74,715**	***-152.2 %***	**(75,835)**	***-295.8 %***

The table below presents the key measures of each of our segments for the each of the years 2007, 2008 and 2009 (also see "Item 18 — Financial Statements: Note 4 — Segment Reporting"). Please see "Item 3.A. — Selected Financial Data" for a reconciliation of Average Daily TCE to revenues.

	12-months Ended December 31,			*change*	
	2007	**2008**	**2009**	***YEO8 v YEO7***	***YEO9 v YEO8***
		($ in thousands)		%	%
TANKER FLEET **					
Total number of vessels at end of period	20.0	7 0	8.0	-65.0%	14.3%
Average number of vessels	22.2	13.9	8.7	-37.3%	-37.4%
Total operating days for fleet under spot charters	2,312	1,035	0	-55.2%	-100.0%
Total operating days for fleet under time charters	4,679	3,322	1,420	-29.0%	-57.3%
Total operating days for fleet under bareboat charters	0	0	1,569	-	-
Average TCE ($/day)	27,134	29,786	15,468	9.8%	-48.1%
DRYBULK FLEET					
Total number of vessels at end of period	3.0	5.0	5.0	66.7%	0.0%
Average number of vessels	0.2	4.9	5.0	2589.6%	2.5%
Total operating days for fleet under time charters	41	1,407	1,421	3331.7%	1.0%
Total operating days for fleet under bareboat charters	0	335	365		9.0%
Average TCE ($/day)*	42,463	38,547	30,493	-9.2%	-20.9%
TOTAL FLEET					
Total number of vessels at end of period	23.0	12.0	13.0	-47.8%	8.3%
Average number of vessels	22.4	18.8	13.7	-16.1%	-27.0%
Total operating days for fleet under spot charters	2 ,312	1,035	0	-55.2%	-100.0%
Total operating days for fleet under time charters	4,720	4,729	2,841	0.2%	-39.9%
Total operating days for fleet under bareboat charters	0	335	1,934	-	477.3%
Average TCE ($/day)*	27,424	35,862	21,907	30.8%	-38.9%

* Amortization of Time Charter Fair Value is not included in the calculation of the Average TCE ($/day) of the drybulk fleet, but it is included in the total fleet consistent with our segment presentation.
** Includes owned and leased back vessels for 2007 and 2008.

Year On Year Comparison Of Operating Results

Revenues

	Year Ended December 31,			change			
	2007	**2008**	**2009**	***YEO8 v YEO7***		***YEO9 v YEO8***	
Revenues by Segment	*($ in thousands)*			*$*	*%*	*$*	*%*
Tanker Fleet	248,944	163,995	47,353	(84,949)	*-34.1%*	(116,642)	*-71.1%*
Drybulk Fleet	1,902	71,590	56,715	69,688	*3663.9%*	(14,875)	*-20.8%*
Unallocated	1,413	21,795	3,911	20,382	*1442.5%*	(17,884)	*-82.1%*
Consolidated Revenues	**252,259**	**257,380**	**107,979**	**5,121**	***2.0%***	**(149,401)**	***-58.0%***

Tanker segment

2009 Vs 2008

During 2009, tanker revenues decreased by $116.6 million or 71.1% compared to 2008. This was mainly due to the decrease in the average number of tanker vessels that we operated, from 13.9 in 2008 to 8.7 in 2009, as a result of our lease unwinding strategy, which resulted in the termination of six leases and the sale of seven owned vessels during 2008, and the termination of five leases during 2009. The decrease in the revenues relating to the vessels sold and leases terminated in 2008 amounted to $117.7 million. The decrease in the revenues relating to the leases terminated in 2009 amounted to $21.0 million. This decrease was partially offset by an increase in revenues in 2009, which amounted to $22.4 million related to the newbuilding vessels delivered during 2009.

2008 Vs 2007

During 2008, tanker revenues decreased by $84.9 million or 34.1% compared to 2007. This was mainly due to the decrease in the average number of tanker vessels that we operated, from 22.2 in 2007 to 13.9 in 2008, as a result of our lease unwinding strategy, which resulted in the termination of six leases during 2008, and the sale of seven owned vessels during 2008. The decrease in the revenues relating to the vessels sold in 2008 amounted to $ 66.4 million. In addition, during 2008 total days operating in the spot market decreased by 55.2% which was partially offset by an increase in average TCE by 9.8%. Utilization during 2008 was lower than 2007 by 0.8% as a result of increased downtime due to repairs and maintenance.

Drybulk segment

2009 Vs 2008

During 2009, drybulk vessel revenues decreased by $14.9 million or 20.8% compared to 2008. This was mainly due to the lower rates achieved for vessels M/V Amalfi and M/V Astrale in 2009 and the fact that the vessel M/V Bertram was sold in 2008, and, therefore did not contribute to 2009 results.

2008 Vs 2007

During 2008, drybulk vessel revenues increased by $69.7 million or 3,663.9% compared to 2007. This was due to the fact that the drybulk fleet had its first full year of operation during 2008. Our first three drybulk vessels were delivered during the fourth quarter of 2007, and the remaining three during the first two quarters of 2008 (M/V Bertram which was delivered during 2007 was sold in 2008).

Unallocated revenues

This amount refers to the amortization of the fair value of the time charter contracts of the drybulk vessels M/V Bertram, M/V Amalfi and M/V Papillon (ex Voc Gallant). This amount is included in the total Revenues but is excluded from segment revenue to be consistent with the way management evaluates segment performance and allocates resources.

Expenses

1. **Voyage expenses**

	Year Ended December 31,			change			
	2007	**2008**	**2009**	***YEO8 v YEO7***		***YEO9 v YEO8***	
Voyage Expenses by Segment	*($ in thousands)*			$	%	$	%
Tanker Fleet	59,253	34,215	1,118	(25,038)	*-42.3%*	(33,097)	*-96.7%*
Drybulk Fleet	161	4,441	2,254	4,280	*2658.4%*	(2,187)	*-49.2%*
Consolidated Voyage Expenses	**59,414**	**38,656**	**3,372**	**(20,758)**	***-34.9%***	**(35,284)**	***-91.3%***

Voyage expenses primarily consist of port charges, including bunkers (fuel costs), canal dues and commissions.

Tanker segment

2009 Vs 2008

During 2009, voyage expenses decreased by $33.1 million or 96.7% compared to 2008 mainly due to the decrease of the average number of our tanker vessels by 37.4% and the fact that during the year none of our vessels operated in the spot market. The decrease was a result of our lease unwinding strategy which resulted in the termination of six leases and the sale of seven owned vessels during 2008 and the termination of five leases during 2009. Voyage expenses incurred during 2009 relate entirely to charter commissions.

2008 Vs 2007

During 2008, voyage expenses decreased by $25.0 million or 42.3% compared to 2007 mainly due to the decrease of the average number of our tanker vessels by 37.3% and the decrease in operating days for vessels operating in the spot market by 55.2%. The decrease was a result of our lease unwinding strategy which resulted in the termination of six leases during 2008 and the sale of seven owned vessels. The decrease in the voyage expenses relating to the vessels sold in 2008 amounted to $ 22.7 million.

Drybulk segment

2009 Vs 2008

During 2009, voyage expenses decreased by $2.2 million or 49.2% compared to 2008 mainly due to a decrease in commissions on the time charters in the amount of $1.7 million, which mainly resulted from the decrease in revenues under time charters of the respective vessels.

2008 Vs 2007

We are unable to provide a meaningful year to year comparison due to the fact that our entrance into the drybulk sector began in the fourth quarter of 2007.

2. Charter hire expenses

	Year Ended December 31,			change			
	2007	**2008**	**2009**	***YEO8 v YEO7***		***YEO9 v YEO8***	
Charter Hire Expenses by Segment	*($ in thousands)*			$	%	$	%
Tanker Fleet	94,118	53.684	10,827	(40,434)	-43.0%	(42,857)	*-79.8%*
Drybulk Fleet	-	-	-	-	-	-	-
Consolidated Charter Hire Expenses	**94,118**	**53.684**	**10,827**	**(40,434)**	**-43.0%**	**(42,857)**	***-79.8%***

Tanker segment

2009 Vs 2008

During 2009, charter hire expense decreased by $42.9 million or 79.8% compared to 2008. An amount of $30.5 was due to the termination of the six leases during 2008 and an amount of $12.4 million was due to the termination of the remaining five leases during the first half of 2009.

2008 Vs 2007

During 2008, charter hire expense decreased by $40.4 million or 43.0% compared to 2007. This was mainly due to the termination of six leases during 2008.

Drybulk segment

Not applicable.

3. Lease Termination Expense

	Year Ended December 31,			change			
	2007	**2008**	**2009**	***YEO8 v YEO7***		***YEO9 v YEO8***	
Lease Termination Expense by Segment	*($ in thousands)*			*$*	*%*	*$*	*%*
Tanker Fleet			15,391	-	-	15,391	-
Drybulk Fleet	-	-	-	-	-	-	-
Consolidated Lease Termination Expenses	-	-	**15,391**	**-**	**-**	**15,391**	-

Tanker segment

2009 Vs 2008

On June 24, 2009, we terminated the bareboat charters, initially entered into as part of the sale and leaseback deal in 2006, and redelivered the vessels M/T Faithful, the M/T Doubtless, the M/T Spotless and the M/T Vanguard to their owners after paying $11.8 million in termination fees and expenses. In addition to the termination fee and expenses, we also paid bareboat hire up to July 15, 2009 in the amount of $1.1 million. Furthermore, on July 3, 2009 we redelivered the M/T Relentless to its owners and paid a termination fee of $2.5 million as part of a termination agreement entered into on April 3, 2009 to terminate the bareboat charter initially entered into as part of the sale and leaseback deal in 2005.

Drybulk segment

Not applicable.

4. Amortization of deferred gain on sale and leaseback of vessels and write-off of seller's credit

	Year Ended December 31,			change			
	2007	2008	2009	*YEO8 v YEO7*		*YEO9 v YEO8*	
Amortization of Deferred Gain on Sale and Leaseback of Vessels by Segment	*($ in thousands)*			*$*	*%*	*$*	*%*
Tanker Fleet	(15,610)	(18,707)	(7,799)	(3,097)	*19.8%*	10,908	*-58.3%*
Drybulk Fleet	-	-	-	-	-	-	-
Consolidated Amortization of Deferred Gain on Sale and Leaseback of Vessels	**(15,610)**	**(18,707)**	**(7,799)**	**(3,097)**	***19.8%***	**10,908**	***-58.3%***

Tanker segment

2009 Vs 2008

During 2009, amortization of deferred gain decreased by $10.9 million or 58.3% compared to 2008. During 2009, amortization of deferred gain on sale and leaseback of vessels included $14.1 million accelerated recognition of unamortized gain offset by the write off of $7.9 million of seller's credit, due to the termination of the remaining five leases. The 2009 amount also includes the annual deferred gain amortization of $1.6 million. During 2008, amortization of deferred gain on sale and leaseback of vessels included $4.4 million of annual amortization and $27.2 million of accelerated amortization representing unamortized gain resulting from the unwinding of six leases in 2008, offset by the $14.3 million of vessel sale related expenses.

2008 Vs 2007

During 2008, amortization of deferred gain was higher by $3.1 million or 19.8% compared to 2007 due to the unwinding of six leases in 2008 which resulted in the immediate recognition of the unamortized gain of $27.2 from the initial sale and leaseback transaction, offset by vessel sale related expenses of $14.3 million. The 2008 amount also includes the annual deferred gain amortization of $4.4 million, which is decreased due to the termination of seven leases in 2007 and the termination of six leases in 2008. During 2007, the amount includes accelerated amortization of deferred gain for vessels M/T Restless, M/T Victorious and M/T Invincible of $8.3 million. The amount also includes $7.4 million scheduled amortization of deferred gain on sale and leaseback of the vessels.

Drybulk segment

Not applicable.

5. Vessel Operating Expenses

	Year Ended December 31,			change			
	2007	2008	2009	*YEO8 v YEO7*		*YEO9 v YEO8*	
Vessel Operating Expenses by Segment	*($ in thousands)*			*$*	*%*	*$*	*%*
Tanker Fleet	67,225	56,272	15,032	(10,953)	-16.3%	(41,240)	-73.3%
Drybulk Fleet	689	10,842	8,707	10,153	1473.6%	(2,135)	-19.7%
Consolidated Vessel Operating Expenses	**67,914**	**67,114**	**23,739**	**(800)**	**-1.2%**	**(43,375)**	**-64.6%**

Vessel operating expenses include:

- crew wages and related costs,
- insurance,
- repairs and maintenance,
- spares and consumable stores,
- tonnage taxes and VAT.

Vessel operating expenses, which generally represent fixed costs, have historically increased as a result of the increase in the size of our fleet.

Tanker segment

2009 Vs 2008

During 2009, vessel operating expenses decreased by $41.2 million or 73.3% compared to 2008 mainly as a result of a 37.4% reduction in the average number of tanker vessels that we operated from 13.9 in 2008 to 8.7 in 2009.

On a daily basis, vessel operating expenses decreased in 2009 by $6,322 per day, or 57.2%, from 2008. The decrease was partly a result of lower crew wages and related costs during 2009 representing $2,091 per day, or 47.9%, compared to 2008. Crew wages decreased due to a change in the mix of our crew during the second half of 2009. More specifically, all of our Greek crew was replaced with other nationalities during the second half of 2009. During 2009, repairs and maintenance decreased by $2,414 per day, or 73.0%, from 2008, mainly as a result of a decrease in unplanned repairs due to damages of $1,116 per day and decreased costs related to other repairs and maintenance of $728 per day mainly resulting from the decrease in the average age and capacity of vessels. Also, during 2009, spares and consumable stores decreased by $1,225 per day, or 54.8% compared to 2008 as a result of the decreased repairs and maintenance. Finally, during 2009 the daily insurance cost decreased by $638 per day, or 52.4% compared to 2008 as a result of the decrease in the average number of vessels that we operated in 2009 relative to 2008, which offset the increased insurance premiums imposed.

2008 Vs 2007

During 2008, vessel operating expenses decreased overall by $11.0 million or 16.3% compared to 2007 mainly as a result of a 37.3% reduction in the average number of tanker vessels that we operated from 22.2 in 2007 to 13.9 in 2008.

On a daily basis, vessel operating expenses increased in 2008 by $2,755 per day, or 33.2%, from 2007. The increase was partly a result of higher crew wages and related costs which were higher during 2008 by $985 per day, or 29.1%, from 2007. Crew wages increased due to a change in the mix of our crew during the latter part of 2007. Other factors that lead to higher crew wages were the appreciation of the Euro in respect of the U.S. Dollar, indemnities paid to seafarers of ships sold and changeover costs related to a change of crewing sub-managers. Repairs and maintenance during 2008 increased by $1,012 per day or 44.1%, from 2007. Also, during 2008 the daily insurance cost increased by $458 per day, or 60.4%, from 2007 as a result of additional P&I insurance premiums imposed. Finally, spares and consumable stores increased by $280 per day, or 14.4%, during 2008 compared to 2007 as a result of the increased repairs and maintenance.

Drybulk segment

2009 Vs 2008

During 2009, vessel operating expenses decreased by $2.1 million or 19.7% compared to 2008.

On a daily basis, vessel operating expenses decreased in 2009 by $1,320 per day, or 21.7%, from 2008. The decrease was partly a result of lower crew wages and related costs which decreased in 2009 by $186 per day, or 7.5%, from 2008. During 2009, repairs and maintenance decreased by $841 per day, or 50.9%, from 2008, mainly as a result of the sale of M/V Bertram during the second half of 2008. Also, during 2009, spares and consumable stores decreased by $406 per day, or 27.6% compared to 2008, mainly due to the sale of M/V Bertram and the fact that 2008 was the first year of operation of the drybulk vessels, which was characterized by an increased need for spares and consumable stores. Finally, during 2009 the daily insurance cost increased by $77 per day, or 13.6%, from 2008 as a result of increased insurance premiums imposed.

2008 Vs 2007

During 2008, vessel operating expenses increased by $10.2 million or 1,473.6% compared to 2007. This is mainly a result of the increase in the average number of vessels that we operated in 2008 to 4.9 compared to 0.2 in 2007.

6. **Dry-docking costs**

	Year Ended December 31,			change			
	2007	**2008**	**2009**	***YEO8 v YEO7***		***YEO9 v YEO8***	
Dry-docking Costs by Segment		*($ in thousands)*		*$*	*%*	*$*	*%*
Tanker Fleet	25,094	9,450	4,543	(15,644)	*-62.3%*	(4,907)	*-51.9%*
Drybulk Fleet	-	586	59	586	-	(527)	*-89.9%*
Consolidated Dry-docking Costs	**25,094**	**10,036**	**4,602**	**(15,058)**	***-60.0%***	**(5,434)**	***-54.1%***

Tanker segment

During 2009, dry-docking costs decreased 51.9% to $4.5 million. 2009 dry-docking costs mainly relate to the special surveys of two Handymax tankers that were completed in 2009.

During 2008, dry-docking costs decreased 62.3% to $9.4 million. 2008 dry-docking costs mainly relate to the special surveys of two Suezmax tankers and two Handymax tankers and the intermediate survey of one Suezmax tanker that was completed in 2008.

During 2007, dry-docking costs were $25 million. 2007 dry-docking costs mainly relate to the special surveys of three Suezmax tankers and three Handymax tankers that were completed in 2007.

Drybulk segment

During 2009, no drybulk vessels underwent any dry-docking.

During 2008, we completed the intermediate survey of one Panamax drybulk vessel.

7. **Vessel Depreciation**

	Year Ended December 31,			change			
	2007	**2008**	**2009**	***YEO8 v YEO7***		***YEO9 v YEO8***	
Vessel Depreciation by Segment		*($ in thousands)*		*$*	*%*	*$*	*%*
Tanker Fleet	26,560	13,867	12,580	(12,693)	*-47.8%*	(1,287)	*-9.3%*
Drybulk Fleet	848	18,797	19,005	17,949	*2116.6%*	208	*1.1%*
Consolidated Vessel Depreciation	**27,408**	**32,664**	**31,585**	**5,256**	***19.2%***	**(1,079)**	***-3.3%***

Tanker segment

2009 Vs 2008

During 2009, vessel depreciation decreased by $1.3 million or 9.3% compared to 2008. This is due to a decrease of $9.5 million related to the seven owned Suezmax tankers that were sold during 2008, and an offsetting increase of $8.2 million related to the newbuilding vessels delivered during 2009.

2008 Vs 2007

During 2008, vessel depreciation decreased by $12.7 million or 47.8% compared to 2007 due to the sale of seven owned Suezmax tankers which decreased the number of owned vessels from nine as of December 31, 2007 to two as of December 31, 2008. As of December 31, 2008 our owned fleet consisted of two Handymax tankers.

Drybulk segment

2009 Vs 2008

During 2009, vessel depreciation increased by $0.2 million or 1.1% compared to 2008. This is due to the increase of $1.7 million related to M/V Papillon (ex. Voc Gallant), M/V Astrale and M/V Pepito that were operating for the full year in 2009, which is offset by the decrease of $1.5 million, related to the sale of the M/V Bertram during 2008.

2008 Vs 2007

Vessel depreciation during 2008 increased by $17.9 million, or 2,116.6%, from 2007, due to the acquisition of six drybulk vessels. Our first three drybulk vessels were delivered during the fourth quarter of 2007, and the remaining three during the first two quarters of 2008 including the M/V Bertram which was delivered during 2007 and then sold in 2008.

8. General and Administrative Expenses

General and administrative expenses include the salaries and other related costs of senior management, directors and other on shore employees, our office rent, legal and auditing costs, regulatory compliance costs, other miscellaneous office expenses, long-term compensation costs, corporate overhead and sub-manager fees. General and administrative expenses are allocated to either tanker or drybulk vessel segments based on the calendar days that the specific vessels were operating. The below analysis combines tanker and drybulk vessel segments.

	Year Ended December 31,			**change**			
	2007	**2008**	**2009**	***YEO8 v YEO7***		***YEO9 v YEO8***	
General and Administrative Expenses by Segment	*($ in thousands)*			*$*	*%*	*$*	*%*
Tanker Fleet	24,550	23,554	15,252	(996)	*-4.1%*	(8,302)	*-35.2%*
Drybulk Fleet	274	7,935	8,518	7,661	*2796.0%*	583	*7.3%*
Unallocated	176	(101)	65	(277)	*-157.4%*	166	*-164.4%*
Consolidated General and Administrative Expenses	**25,000**	**31,388**	**23,835**	**6,388**	***25.6%***	**(7,553)**	***-24.1%***

2009 Vs 2008

During 2009, our general and administrative expenses decreased by $7.6 million or 24.1%, compared to 2008. This decrease was attributed primarily to a decrease in salaries and related costs of $3.6 million during 2009 due to a decrease in the average number of employees from 92 in 2008 to 59 in 2009. Also, during 2009, stock based compensation expense decreased by $1.6 million from $5.1 million in 2008 to $3.5 million in 2009, mainly related to the difference in grant date fair value of awards granted to the senior management and directors, offset by the accelerated vesting due to board member resignations in 2009 (See "Item 6 – Directors, Senior Management and Employees – Compensation"). Finally, during 2009, our audit expenses decreased by $1.5 million from 2008.

2008 Vs 2007

During 2008, our general and administrative expenses increased by $6.4 million or 25.6%, compared to 2007. This increase was attributed primarily to an increase in stock based compensation expense of $4.2 million, from $0.9 million in 2007 to $5.1 million in 2008, granted to the senior management and directors pursuant to our equity incentive plan (See "Item 6 – Directors, Senior Management and Employees – Compensation"). Additionally, salaries and related costs increased by $2.6 million during 2008 as a result of the shift of technical management from sub managers to TOP Tanker Management which began during the last two quarters of 2007 but affected salaries mainly during 2008. The increase in salaries during 2008 is also attributed to severance payments relating to layoffs relevant to the tanker segment due to sale of tanker vessels or unwinding of leases and also to the increase in employees supporting the drybulk segment which we entered in late 2007 but which affected our results mainly in 2008. Also, during 2008, our audit fees were higher by $0.7 million compared to 2007. Finally, general and administrative expenses are Euro denominated except for certain legal fees and during 2008, the Euro/U.S. Dollar exchange rate was the highest ever recorded reaching almost $1.6 to 1 Euro during the summer of 2008. During 2008, the average exchange rate was $1.4709 to 1 Euro. During 2007, the average exchange rate was $1.3708 to 1 Euro.

9. Gain on sale of vessels

	Year Ended December 31,			**change**			
	2007	**2008**	**2009**	***YEO8 v YEO7***		***YEO9 v YEO8***	
Gain on Sale of Vessels by Segment	*($ in thousands)*			*$*	*%*	*$*	*%*
Tanker Fleet	(1,961)	(21,347)	-	(19,386)	*988.6%*	21,347	*-100.0%*
Drybulk Fleet	-	2,169	-	2,169	-	(2,169)	*-100.0%*
Consolidated Gain on Sale of Vessels	**(1,961)**	**(19,178)**	**-**	**(17,217)**	***878.0%***	**(19,178)**	***-100.0%***

Tanker segment

During 2009, we did not sell any tanker vessels.

During 2008 we recognized a total gain of $19.4 million from the sale of M/T Edgeless, M/T Ellen P, M/T Limitless and M/T Endless, a gain of $1.8 from the sale of M/T Stormless, and a gain of $0.6 from the sale of M/T Noiseless.

During 2007, we realized a gain of $2.0 million from the sale of M/T Errorless.

Drybulk segment

During 2009, we did not sell any drybulk vessels.

During 2008 we recognized a loss of $2.2 million from the sale of M/V Bertram in April 2008.

10. Interest and Finance Costs

	Year Ended December 31,			**change**			
	2007	**2008**	**2009**	***YEO8 v YEO7***		***YEO9 v YEO8***	
Interest and Finance Costs by Segment	*($ in thousands)*			*$*	*%*	*$*	*%*
Tanker Fleet	(17,464)	(11,888)	(7,692)	5,576	*-31.9%*	4,196	*-35.3%*
Drybulk Fleet	(2,054)	(13,876)	(5,519)	(11,822)	*575.6%*	8,357	*-60.2%*
Unallocated			(758)	-	-	(758)	-
Consolidated Interest and Finance Costs	**(19,518)**	**(25,764)**	**(13,969)**	**(6,246)**	***32.0%***	**11,795**	***-45.8%***

Tanker segment

2009 Vs 2008

During 2009, interest and finance costs decreased by $4.2 million or 35.3% compared to 2008. The decrease is mainly due to the loan prepayment of $97.7 million associated with the sale of tanker vessels M/T Edgeless, M/T Ellen P and M/T Stormless in 2008, which resulted in a decrease of $3.8 million in loan interest expenses and the loan prepayment of $100.1 million associated with the sale of tanker vessels M/T Noiseless, M/T Limitless, M/T Endless and M/T Stainless in 2008, which resulted in a decrease of $3.1 million in loan interest expenses. These decreases were partially offset by an increase of $4.5 million in loan interest expenses relating to the financing of newbuilding vessels.

Also, during 2009, there was a decrease in amortization of finance fees in a net amount of $1.2 million. This decrease relates to a decrease in finance fees associated with vessels sold during 2008 and a decrease related to the loan associated with vessels M/T Dauntless and M/T Ioannis P. During 2008, relevant amortization for this loan was accelerated due to restructuring. Finally, these decreases were offset by an increase during 2009 related to finance fees of newbuilding vessels.

2008 Vs 2007

During 2008, interest and finance costs decreased by $5.6 million or 31.9% compared to 2007. The decrease is mainly due to the loan prepayment of $28.2 million in January 2008, associated with the sale of tanker vessel M/T Noiseless, the loan prepayment of $108.7 million in September 2008 associated with the sale of tanker vessels M/T Limitless, M/T Endless, M/T Ellen P, and M/T Stainless, the loan prepayment of $31.7 million in July 2008 associated with the sale of tanker vessel M/T Edgeless and the loan prepayment of $29.2 million in June 2008 associated with the sale of tanker vessel M/T Stormless and the fact that the average interest rate as of December 31, 2008 was 4.54% compared to 6.12% at December 12, 2007.

Drybulk segment

2009 Vs 2008

During 2009, interest and finance costs decreased by $8.4 million or 60.2% compared to 2008. The decrease is mainly due to (i) decrease in LIBOR rates, associated with the loans of M/T Astrale, M/T Pepito, M/T Cyclades, M/T Papillon (ex Voc Gallant) and M/T Amalfi, which reduced interest and finance costs by $4.6 million, (ii) lower average interest rate as of December 31, 2009 of 3.30% compared to 4.54% as of December 31, 2008, and (iii) a decrease in interest and finance costs of $0.7 million relating to vessel Bertram which was sold during 2008. In addition, an amount of $1.2 million was charged as interest in 2008 related to the drybulk vessel M/V Astrale's capital lease entered into in February 2008 for two months before the vessel was acquired. Finally, there was a decrease in amortization of finance fees of vessel M/V Amalfi of an amount of $2.0 million. This decrease is mainly related to decrease in finance fees which were higher in 2008 due to write-off, as a result of amendments of loan terms.

2008 Vs 2007

During 2008, interest and finance costs increased by $11.8 million or 575.6% compared to 2007. Specifically, during 2008 we drew down $133.1 million in order to finance the acquisition of three drybulk vessels of which $42.0 million was repaid in April 2008 following the sale of M/V Bertram.

In addition, an amount of $1.2 million was charged as interest in 2008 related to the drybulk vessel M/V Astrale's capital lease entered into in February 2008 for two months before the vessel was acquired.

Other Income or Expenses Not Allocated to Segments

Our management does not review the gain / (loss) on financial instruments and interest income by segment.

11. Gain / (loss) on financial instruments

	Year Ended December 31,			change			
	2007	2008	2009	*YEO8 v YEO7*		*YEO9 v YEO8*	
Gain / (loss) on Financial Instruments	*($ in thousands)*			*$*	*%*	*$*	*%*
Fair value change on financial instruments	(4,904)	(10,650)	2,635	(5,746)	*117.2%*	13,285	*-124.7%*
Swap Interest	1,200	(1,374)	(4,716)	(2,574)	*-214.5%*	(3,342)	*243.2%*
Total Gain / (loss) on Financial Instruments	**(3,704)**	**(12,024)**	**(2,081)**	**(8,320)**	***224.6%***	**9,943**	***-82.7%***

2009 Vs 2008

During 2009, fair value change in financial instruments decreased by $13.3 million or 124.7% compared to 2008. During 2009, the fair value of our swaps increased by $19.0 million in due to more favorable valuations of our swap contracts as a result of an expectation of higher LIBOR rates in the future, as evidenced by forward rates. This positive change was partly set-off by the decrease relating to the gain of $5.6 million as a result of the termination of a derivative product in the fourth quarter of 2008. (See "Item 11 – Quantitative and Qualitative Disclosures About Market Risk").

During 2009, swap interest increased by $3.3 million or 243.2% compared to 2008, mainly due to decreased LIBOR rates.

2008 Vs 2007

During 2008, fair value change in financial instruments increased by $5.7 million or 117.2% compared to 2007. During 2008, we had a negative change in the fair value of our swaps due to adverse fluctuations of interest rate parameters. This negative change was partly set-off by the gain of $5.6 million as a result of the termination of a derivative product in the fourth quarter of 2008. Additionally, during 2008 we entered into several new swap agreements in order to hedge our exposure related to the loans for our drybulk vessels. (See "Item 11 – Quantitative and Qualitative Disclosures About Market Risk").

During 2008, swap interest changed by $2.6 million to $1.4 million additional interest expense from $1.2 million interest income in 2007. This was a result of the falling interest rates which declined significantly during the last two quarters of 2008, and negatively affected interest income from our swaps.

12. Interest Income

2009 Vs 2008

During 2009, interest income decreased by 87.2% to $0.2 million from $1.8 million during 2009. This decrease is mainly due to the decrease in the amounts kept under time deposits and relevant interest rates.

2008 Vs 2007

During 2008, interest income decreased by 43.6% to $1.8 million from $3.2 million during 2007. This decrease is mainly due to the decrease in the amounts kept under time deposits and relevant interest rates.

B. Liquidity and Capital Resources

Since our formation, our principal source of funds has been equity provided by our shareholders through equity offerings or at the market sales, operating cash flow and long-term borrowing. Our principal use of funds has been capital expenditures to establish and grow our fleet, maintain the quality of our vessels, comply with international shipping standards and environmental laws and regulations, fund working capital requirements and make principal repayments on outstanding loan facilities.

In December 2007 and April 2008 we raised a total of $120.0 million of equity capital to fund our diversification into the drybulk sector and our newbuilding program. Additionally, during 2008 we sold seven owned Suezmax tankers and one owned Panamax drybulk vessel for an aggregate sale price of $380.5 million.

We also completed the refinancing of our six newbuilding product tankers in 2008 and chartered all six vessels with three major charterers at fixed rates for periods that range between seven and ten years. These charters are on a bareboat basis, which not only reduces our long-term market risk relating to the vessels, but also eliminates our operational risk for that period.

Our business is capital intensive and its future success will depend on our ability to maintain a high-quality fleet through the acquisition of newer vessels and the selective sale of older vessels. Our practice has been to acquire tankers and drybulk vessels using a combination of funds received from equity investors and bank debt secured by mortgages on our vessels. Future acquisitions are subject to management's expectation of future market conditions, our ability to acquire vessels on favorable terms and our liquidity and capital resources.

As of December 31, 2009, we had total indebtedness under senior secured and unsecured credit facilities with our lenders of $404.3 million, excluding unamortized financing fees of $5.2 million, maturing from 2010 through 2019.

As of December 31, 2009, our cash balances amounted to $22.2 million all of which is classified as restricted as a result of being pledged, blocked, held as cash collateral, or required to be maintained by the Company as an overall cash position as part of loan agreements. Of such amount, $18.8 million is inaccessible to the Company as a result of being pledged, blocked or held as cash collateral. The remaining $3.4 million is restricted solely as a result of our overall cash position not meeting the targets set by the loan covenants. While restricted under the loan agreements, this amount is accessible by the Company and is being used for working capital purposes.

Breach of Loan Covenants

As of December 31, 2009, we were in breach of loan covenants relating to EBITDA, our overall cash position (minimum liquidity covenants), adjusted net worth, the net asset value and the asset cover of our product tankers with certain banks. As a result of these covenant breaches with our banks, we have classified all of our debt as current as discussed in Note 12 to our consolidated financial statements included in this annual report (See also below under "Working Capital Requirements and Sources of Capital").

A violation of covenants constitutes an event of default under our credit facilities, which would, unless waived by our lenders, provide our lenders with the right to require us to post additional collateral, enhance our equity and liquidity, increase our interest payments, pay down our indebtedness to a level where we are in compliance with our loan covenants, sell vessels in our fleet and accelerate our indebtedness, which would impair our ability to continue to conduct our business. We expect that the lenders will not demand payment of the loans before their maturity, provided that we pay loan installments and accumulated or accrued interest as they fall due under the existing credit facilities.

We do not expect that cash generated from the operations of the vessels owned or operated by the Company will be sufficient to repay the existing total balance of loans if such debt is accelerated by the lenders.

For details of credit facilities as of December 31, 2009 and discussion regarding waivers see "Item 5.F. – Tabular Disclosure of Contractual Obligations – Long Term Debt".

Working Capital Requirements and Sources of Capital

As of December 31, 2009, we had a working capital deficit (current assets less current liabilities) of $424.2 million assuming acceleration of our debt and financial instruments by our lenders. This working capital deficit consisted of the following (figures in millions):

Total current assets	**$**	**3.8**
Current portion of debt	$	47.9
Current portion of debt (previously categorized as long term)	$	351.2
Other current liabilities	$	15.1
Current portion of financial instruments	$	3.9
Current portion of financial instruments (previously categorized as long term)	$	9.9
Total current liabilities (assuming acceleration of our debt and financial instruments by our lenders)	**$**	**428.0**
Working capital deficit	$	424.2
Other capital requirements for the coming 12 months:		
Lease payments	$	2.1
Cash shortfall (Working capital deficit plus other capital requirements assuming acceleration of our debt and financial instruments by our lenders)	**$**	**426.3**
Less : Restricted cash (To be used against debt repayment assuming acceleration of our debt and financial instruments by our lenders)	$	22.2
Adjusted Cash shortfall	**$**	**404.1**

We believe that we will be able to make loan installments and accumulated or accrued interest payments as they fall due under the existing senior credit facilities and, therefore, our lenders will not demand payment of the loans before their maturity, due to covenant breaches. Under this assumption, our material capital requirements in the coming 12 months are as follows (figures in millions):

Debt (excluding debt portion due after 12 months characterized as current)	$	47.9
Interest payments	$	16.0
Operating leases	$	2.1
Total requirements:	**$**	**66.0**

Based on our projections for 2010, we expect that cash generated from operations will amount to $52.2 million, leaving a shortfall of $13.8 million. If we include the amount of $3.4 million which is restricted solely as a result of our overall cash position not meeting the targets set by the loan covenants, as mentioned previously, the projected cash shortfall amounts to $10.4 million. We may not meet our cash flow projections. Please see "Risk Factors" for factors which may have an adverse effect on our results of operation.

We have been in discussions with DVB in order to defer part or the whole of the bridge loan, which as of December 31, 2009 amounted to $11.2 million, due to be repaid on July 30, 2010, which would enable us to meet our liquidity requirements for 2010. In addition to DVB, we are also in discussions with various other financiers that can refinance part or all of the bridge loan. If we are unable to extend or refinance the bridge loan, we will consider whether a sale of an asset is required. The sale and purchase market has been very liquid as of the date of this annual report, and we expect that it will continue to be so in the foreseeable future. Given the high quality of assets and charters that we have in our portfolio, the sale of a vessel provides us with a realistic alternative to the extension or refinancing of the bridge loan.

Cash Flow Information

Cash and cash equivalents decreased by $46.2 million to $0.0 as of December 31, 2009 compared to $46.2 million as of December 31, 2008. The decrease resulted primarily from the amounts paid as advances for vessels under construction for our six newbuilding product tankers, delivered in 2009. All our cash is restricted due to minimum liquidity covenant requirements. An amount of $3.4 million is available for working capital purposes as it is not pledged, blocked or used as part of collateral.

NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES-decreased 44.49% for 2009 to $6.6 million compared to $11.8 million for 2008. This decrease was attributed to the overall decrease in operating income by $95.9 million, or 155.4%, which resulted in a $34.2 million operating loss for 2009, compared to an operating income of $61.7 million for 2008. The operating loss for 2009 includes net expenses of $12.2 million, relating to the termination of leases and the impairment charge of $36.6 million. The remainder of the decrease is mainly a result of the decrease in revenues relating to the decrease in the average number of tanker vessels that we operated, from 13.9 in 2008 to 8.7 in 2009, the lower rates achieved for vessels M/V Amalfi and M/V Astrale in 2009 and the fact that vessel M/V Bertram was sold in 2008, and, therefore, did not contribute to 2009 results, partly offset by a related decrease in expenses. For 2008, net cash provided by operating activities amounted $11.8 million compared to net cash used in operating activities of ($11.3) million for 2007. This increase was attributed to the overall increase in operating income of $90.8 million, or 312.0%, to $61.7 million for 2008 compared to an operating loss of $29.1 million for 2007. Improved operating results during 2008 were mainly due to the termination of six leases together with the delivery of our drybulk vessels, which were deployed on time charters at above-market rates.

NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES-net cash used in investing activities for 2009 was $104.4 million, mainly due to $136.7 million relating to advances for our six newbuilding product tankers (representing payment of the third installment for one vessel, the fourth installment for four vessels and the delivery installment for six vessels in an aggregate amount of $133.3 million and capitalized interest and expenses of $3.4 million). Net cash from investing activities was $30.3 million mainly relating to a decrease in restricted cash of $20 million due to the termination of sale and leaseback transactions and a decrease of $4.8 million relating to the change in the minimum liquidity of our revolving credit facility with Royal Bank of Scotland, or RBS. For 2008, we had net cash from investing activities of $58.6 million, mainly due to net proceeds from the sale of vessels totaling $338.1 million. Specifically, during 2008 we sold seven owned Suezmax tankers and one owned Panamax drybulk vessel. Also, during 2008, we invested $118.1 million upon delivery of two of our drybulk vessels (representing payment of the remaining purchase price of $115.6 million and capitalized expenses of $2.5 million) and $114.3 as advances for vessels under construction for our six newbuilding product tankers (representing payment of the second installment for all vessels, the third installment for five vessels and the fourth installment for two vessels in an aggregate amount of $109.2 million and capitalized interest and expenses of $5.1 million).

NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES-net cash from financing activities for 2009 was $51.6 million, consisting of $111.7 of new bank loans relating to installments of our six newbuildings and the issuance of 2,230,000 shares of common stock under the SEDA with YA Global, with total net proceeds, after commissions, in the amount of $2.6 million. These inflows were offset by total loan repayments of $54.3 million. For 2008, net cash used in financing activities was $50.2 million, consisting of total loan repayments of $368.6 million relating to sold vessels offset by the draw down of $271.2 of new bank loans relating to the purchase of drybulk vessels and installments of newbuildings and the private placement of 7.3 million unregistered shares of common stock for aggregate proceeds of approximately $51.0 million.

C. Research and Development, Patents and Licenses, etc.

Not applicable.

D. Trend Information

For industry trends refer to industry disclosure under "Item 4 - Business Overview." For company-specific trends refer to "Item 5. Operating and Financial Review and Prospects – Operating Results."

E. Off Balance Sheet Arrangements

None

F. **Tabular Disclosure of Contractual Obligations**

The following table sets forth our contractual obligations and their maturity dates as of December 31, 2009:

	Payments due by period				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
(1) (i) Long term debt [A]	$ 404.3	$ 404.3			
(ii) Interest [B]	$ 16.0	$ 16.0			
(2) Operating leases [C]	$ 17.4	$ 2.1	$ 2.1	$ 2.1	$ 11.1
Total	**$ 437.7**	**$ 422.4**	**$ 2.1**	**$ 2.1**	**$ 11.1**

A. Relates to the outstanding balance as of December 31, 2009, consisting of 1(a) (50.8 million), 1(b) (i) ($46.9 million), 1(b) (ii) ($100.5 million), 1(c) (i) ($28.0 million), 1(c) (ii) ($70.0 million), 1(d) (i) ($28.0 million), 1(d) (ii) ($37.2 million), 1(e) ($40.0 million) and 1(f) ($2.9 million), discussed below.

B. Interest payments are calculated using the Company's average going interest rate of 3.96%, as of December 31, 2009, which takes into account additional interest expense from interest rate swaps, applied on the amortized long term debt as presented in the table above.

C. Relates to the minimum rentals payable for the office space.

(1) Long Term Debt:

(a) RBS Revolving Credit Facility:

As of December 31, 2009 the outstanding amount under the RBS revolving credit facility was $50.8 million payable in fifteen consecutive quarterly installments as follows: (i) six installments of $1.0 million, starting in February, 2010; (ii) nine installments of $1.6 million; and (iii) a balloon payment of $29.6 million payable together with the last installment in August 2013. Furthermore, on March 31, 2010 the Borrower repaid the sum of $0.8 million, according to the repayment schedule.

Additional terms and conditions of the RBS credit facility are as follows:

During 2007, the interest rate on the RBS credit facility was 85 basis points over LIBOR. From March 26, 2008, the interest rate was adjusted to 125 basis points over LIBOR. On July 31, 2009, the Company amended the loan with RBS and adjusted the margin to 2.5%. The RBS credit facility is collateralized by a first priority mortgage on each of the M/T Ioannis P and M/T Dauntless as of December 31, 2009.

The RBS credit facility contains, among other things, various financial covenants, including (i) security value maintenance whereby the market value of the mortgaged vessels and the market value of any additional security is required to be greater than or equal to 130% of the outstanding loan and the fair value of outstanding swaps. The minimum security cover is waived for a period until not later than March 31, 2010, (ii) market value adjusted net worth required to be greater than or equal to $250.0 million and greater than 35% of total assets, (iii) EBITDA required to be greater than 120% of fixed charges (excluding one off lease termination fees paid in June and July 2009 for the termination of the remaining 5 leased vessels), (iv) minimum liquid funds of $15.0 million overall and the higher of $5.0 million or $0.4 million per vessel unencumbered (i.e. not blocked specifically as security for obligations) and (v) a minimum balance of $0.1 million per vessel to be maintained in the operating accounts.

Furthermore, the facility includes a cash sweep mechanism whereby 75% of any surplus cash on each repayment date, earned by M/T Ioannis P and M/T Dauntless will be applied in the inverse order of maturity to the amount outstanding under the loan agreement. Surplus cash is defined as net earnings less: (i) aggregate operating expenses and general and administrative expenses capped at $10,500 per day, (ii) scheduled capital repayments and (iii) loan interest and swap interest payments.

The RBS credit facility also contains general covenants that require us to maintain adequate insurance coverage and obtain the bank's consent before we incur new indebtedness that is secured by the vessels mortgaged thereunder. In addition, the RBS credit facility prohibits us, without the lender's consent, from appointing a Chief Executive Officer, or CEO, other than Mr. Evangelos Pistiolis and requires that the vessels mortgaged thereunder be managed by TOP Tanker Management, which will subcontract the technical management of the mortgaged vessels to V. Ships Management Limited, Hanseatic Shipping Company Ltd., and any other company acceptable to the lender. We are permitted to pay dividends under the RBS credit facility so long as we are not in default of a loan covenant. Finally, the RBS credit facility contains a cross-default provision.

Covenant Breaches and Waivers

As of December 31, 2009, we were not in compliance with the security value maintenance covenant, for which we have received a waiver until March 31, 2010, the EBITDA covenant and the minimum liquid funds covenant. We are currently in discussions with the bank regarding these breaches.

As of December 31, 2009, we had two interest rate swaps with RBS. For a full description of our interest rate swap agreements, see "Item 11 – Quantitative and Qualitative Disclosures about Market Risk".

(b) HSH Credit Facilities:

(i) Loan of an initial amount of $95.0 million: As of December 31, 2009, we had a secured term loan outstanding of $46.9 million, which was ultimately part of a $95.0 million secured term loan available to partially finance the acquisition cost of the M/V Bertram, M/V Amalfi and the M/V Papillon (ex Voc Gallant).

M/V Bertram: A loan of $28.1 million was drawn down on November 9, 2007 (originally amounted to $29.6 million). In December 2007, $1.5 million was prepaid from the net proceeds of the equity offering. Following the sale of the vessel in April 2008, the then outstanding loan of $26.5 million was fully repaid.

M/V Amalfi: A loan of $28.7 million was drawn down on December 27, 2007 (originally amounted to $30.3 million). In December 2007, $1.6 million was prepaid on this loan from the net proceeds of the equity offering. As of December 31, 2009 the outstanding amount was $22.6 million, payable in 20 consecutive quarterly installments of approximately $0.53 million, starting in March 2010, and a balloon payment of $11.9 million payable together with the last installment in December 2014.

M/V Papillon (ex Voc Gallant): On February 1, 2008, following the delivery of the vessel, a loan of $33.2 million, net of a prepayment of $1.9 million, was drawn down (originally amounted to $35.1 million). As of December 31, 2009 the outstanding amount was $24.3 million, payable in 21 consecutive quarterly installments as follows: (i) one installment of $0.85 million, starting in February 2010; (ii) twenty installments of $0.50 million; and (iii) a balloon payment of $13.4 million payable together with the last installment in February 2015.

The credit facility bears interest at LIBOR plus a margin. Until March 27, 2008 the margin was 100 basis points over LIBOR. From March 28, 2008 until March 24, 2009 the margin was adjusted to 135 basis points over LIBOR as a result of the waiver received for our breach of the EBITDA covenant during 2008. According to the amendment of the loan agreement dated May, 11, 2009, from March 24, 2009 until March 31, 2010, the margin was set at 250 basis points over LIBOR. As of the date of this annual report, due to covenant breaches, the margin has not been reset to the initial loan agreement levels and it continues being 250 basis points over LIBOR. Once covenant breaches have been rectified, the margin will be reset to the initial loan agreement levels, i.e. 100 basis points per annum while each of the related vessels are employed under time charter party agreements acceptable to the Agent for periods of at least twelve months and 112.5 basis points per annum at all other times.

The facility contains, among other things, various financial covenants, including (i) at any time after March 31, 2010 asset maintenance whereby the fair market value of the mortgaged vessels and of any additional security is required to be greater than or equal to a required percentage of the outstanding loan and the fair value of outstanding swaps. As per the initial loan agreement the minimum required percentage had been set at 130% for the first four years up to November 2011 and 135% from then on until maturity, (ii) market value adjusted net worth required to be greater than or equal to $125.0 up to March 31, 2010 and $250.0 million, thereafter and greater than or equal to 15% up to March 31, 2010, and 35% of total assets, thereafter, (iii) beginning on March 31, 2010 and at all times thereafter, EBITDA required to be greater than 120% of fixed charges (dry-docking costs are considered extraordinary items in the calculation up to March 31, 2010 only), and (iv) minimum liquid funds of $25.0 million until March 31, 2010 inclusive of all pledged deposits and cash held with all banks and afterwards minimum liquid funds of $25.0 million or $0.5 million per group vessel.

Furthermore, the facility provides for a cash pledge in the amount of $4.8 million as of December 31, 2009 (originally amounted to $6.5 million), which is applied against future installments starting from February 2010; 50% pro rata against the eight installments starting from February 2010, and 50% pro rata against all remaining installments of the facility including the balloon payment. This cash pledge amounts to $3.8 million as of the date of this annual report.

(ii) Loan of an initial amount of $121.3 million: As of December 31, 2009, we had a secured term loan outstanding of $100.5 million, which is part of a $121.3 million loan that was concluded to partially finance the construction cost of the newbuilding product tankers S-1025, S-1029 and S-1031, all delivered in 2009.

M/T Miss Marilena (S-1025) : As of December 31, 2009, the outstanding amount was $38.3 million out of a total of $40.1 million, of which $16.5 million was drawn down in October 2008, $6.6 million was drawn down in November 2008 and $17.0 million was drawn down in February 2009. The loan is repayable in 37 consecutive quarterly installments, as follows: (i) five installments of $0.60 million, starting in February 2010; (ii) 12 installments of $0.70 million, (iii) 20 installments of $0.75 million; and (iv) a balloon payment of $11.9 million payable together with the last installment in February 2019.

M/T Tyrrhenian Wave (S-1029) : As of December 31, 2009, the outstanding amount was $28.0 million out of a total of $29.3 million, out of which $16.7 million was drawn down in October 2008, $6.7 million was drawn down in January 2009 and $5.9 million was drawn down in March 2009. The loan is repayable in 37 consecutive quarterly installments, as follows: (i) five installments of $0.43 million, starting in March, 2010; (ii) 12 installments of $0.51 million, (iii) 20 installments of 0.54 million; and (iv) a balloon payment of $8.9 million payable together with the last installment in March 2019.

M/T Britto (S-1031) : As of December 31, 2009, the outstanding amount was $34.2 million out of a total of $35.2 million, out of which $10.0 million was drawn down in October 2008, $6.7 million was drawn down in November 2008 $6.7 million was drawn down in February 2009 and $11.8 million was drawn down in May 2009. The loan is repayable in 38 consecutive quarterly installments, as follows: (i) six installments of $0.52 million, starting in February 2010; (ii) 12 installments of $0.61 million; (iii) 20 installments of $0.65 million; and (iv) a balloon payment of $10.8 million payable together with the last installment in May 2019.

The credit facility bears interest at LIBOR plus a margin. Until March 24, 2009 the margin was 175 basis points over LIBOR. According to the amendment of the loan agreement dated May, 11, 2009, from March 24, 2009 until March 31, 2010, the margin was set at 200 basis points over LIBOR. As of the date of this annual report, due to covenant breaches, the margin has not been reset to the initial loan agreement levels and it continues being 200 basis points over LIBOR. Once covenant breaches have been rectified, the margin will be reset to the initial loan agreement levels, i.e. 175 basis points per annum until maturity of the loan while each of the related vessels are employed under time charter party agreements acceptable to the Agent for periods of at least twelve months and 112.5 basis points per annum at all other times.

The credit facility contains a provision whereby the bank may chose to use an alternative base interest rate in case it believes that the LIBOR is not representative of its funding cost. HSH has been using cost of funds instead of LIBOR as this cost of funds is determined by KLIEM, a broker.

The facility contains, among other things, various financial covenants, including (i) asset maintenance whereby the fair market value of the mortgaged vessels and of any additional security is required to be greater than or equal to a required percentage of the outstanding loan and the fair value of outstanding swaps. The minimum required percentage has been set at 125% until March 31, 2010, at 120% from April 1, 2010 until the fourth anniversary of this Credit Facility Agreement (October 2012) and at 125% at all times thereafter, (ii) market value adjusted net worth required to be greater than or equal to $125.0 million up to March 31, 2010 and $250.0 million thereafter, and greater than or equal to 15% up to March 31 2010, and 35% of total assets thereafter and (iii) beginning on March 31 2010 and at all times thereafter, EBITDA required to be greater than 120% of fixed charges (dry-docking costs are considered extraordinary items in the calculation up to March 31, 2010 only), and (iv) minimum liquid funds of $25.0 million until March 31, 2010, inclusive of all pledged deposits and cash held with all banks and afterwards minimum liquid funds of $25.0 million or $0.5 million per group vessel.

In addition, the HSH credit facilities require that the mortgaged vessels be managed by TOP Tanker Management, which may subcontract the technical management of the mortgaged vessels to V. Ships Management Limited, Hanseatic Shipping Company Ltd., or any other company acceptable to the lender. In addition, it prohibits the three borrowers, which are our subsidiaries, from declaring or paying any dividends or making any distributions to TOP SHIPS INC. in excess of 70% of their net income and full dividend restriction or other distributions (other than the Guarantor's stock incentive plan for its employees) for TOP SHIPS INC. (as Corporate Guarantor) so long as the ratio of EBITDA to Fixed Charges is below 120% or the Fair Market Value of the Vessels is below 140% of the outstanding loan and the cost of terminating any Interest Rate SWAP Agreement. The facility also does not permit any distribution of capital or assets and permits investments relating to any share buy-back or similar actions only up to an amount of $5.0 million. In the case of sale of vessels financed by HSH, 100% of the sale proceeds following debt repayment are to be applied towards full covenant compliance; in the case of sale of vessels not financed by HSH, following debt repayment HSH is to be allocated an amount of the remaining sale proceeds equal to the proportion of total HSH outstanding loans over our total indebtedness; and in the case of a successful equity offering, HSH is to be allocated an amount (on the basis of 50% of offering proceeds) equal to the proportion of total HSH outstanding loans over TOP SHIPS INC. consolidated indebtedness. Our cash deposits, in addition to the pledged amounts, are required to be at least equal to $3.75 million (i.e. $0.75 million per vessel). Finally, the facilities contain a cross-default provision and are cross collateralized.

Covenant Breaches and Waivers

In relation to both of the above facilities, as of December 31, 2009, we were not in compliance with the asset maintenance and the EBITDA covenant, for which we have received a waiver until March 31, 2010. Furthermore, we were not in compliance with the adjusted net worth and the minimum liquid funds covenants. Both facilities provide that a default rate of two percent (2%) on top of the initially agreed margin shall apply for as long as there is an event of default such as covenant breaches. As of the date of this annual report, HSH has not imposed such a rate on any of the two facilities. We are currently in discussions with the bank regarding covenant breaches.

As of December 31, 2009, we had seven interest rate swaps with HSH. For a full description of our interest rate swap agreements, see "Item 11 – Quantitative and Qualitative Disclosures about Market Risk".

(c) DVB Credit Facilities:

(i) M/V Astrale : As of December 31, 2009, the outstanding amount was $28.0 million, payable in 23 consecutive quarterly installments as follows: (i) two installments of $0.35 million, starting in April 2010, (ii) twenty one installments of $0.7 million; and (iii) a balloon payment of $12.6 million, payable together with the last installment in October 2015. The loan of $48.0 million was drawn down in April, 2008 to partially finance the acquisition cost of the drybulk vessel Astrale.

The facility bears interest at LIBOR plus a margin. The margin has been agreed at 175 basis points per annum for the period commencing on the date of the drawdown and ending on, but not including, the first anniversary of the Actual Drawdown Date, and 150 basis points annum thereafter. The credit facility contains a provision whereby the bank may choose to use an alternative base interest rate if it believes that the LIBOR is not representative of its funding cost. DVB has been using cost of funds instead of LIBOR as this cost of funds is determined by KLIEM, a broker.

The facility contains, among other things, various financial covenants including (i) asset maintenance whereby the fair market value of the mortgaged vessels under the drybulk and the product tanker financing and of any additional security is required to be greater than or equal to 100% until March 31, 2010, 105% until March 31, 2011, 110% until March 31, 2012 and 120% thereafter of the outstanding loan (excluding Top Up Loan) and the fair value of the outstanding swaps, (ii) a Net Asset Value that is required to be greater than $125.0 million, calculated on an annual basis, which was amended to $0 up to March 31, 2010, (iii) Stockholder's equity required to be greater than $100.0 million and (iv) minimum cash balances of $5.0 million unencumbered up to September, 30, 2010 and thereafter $25.0 million or $0.5 million per vessel ($0.25 million per vessel as cash in hand may be included).

Furthermore, the facility includes a cash sweep mechanism for the period commencing after the end of April 2010 until the maturity of the loan agreement, whereby 60% of any excess cash earned by the M/V Astrale will be applied in the inverse order of maturity to the amount outstanding under the loan agreement. Excess cash is defined as net earnings less: (i) aggregate operating expenses and general and administrative expenses capped at $10,000 per day as adjusted for an annual increase of 3%, (ii) scheduled installment repayments and (iii) interest costs. The cash sweep mechanism will cease to apply in the event the ratio of the vessel's charter free fair market value over the outstanding loan is equal or greater than 140% for a period of more than 3 consecutive months.

(ii) Loan of an initial amount of $80.0 million : As of December 31, 2009, we had a secured term loan outstanding of $70.0 million, which is part of an $80.0 million loan that was concluded to partially finance the construction cost of the newbuilding product tankers S-1027 and S-1033 all of which were delivered in 2009.

M/T Ionian Wave (S-1027) : As of December 31, 2009, the outstanding amount was $32.7 million out of a total of $33.8 million, out of which $16.7 million was drawn down in October 2008, $6.7 million was drawn down in January 2009 and $10.4 million was drawn down in March 2009. The loan is repayable in 38 equal consecutive quarterly installments as follows: (i) 38 installments of $0.53 million, starting in March 2010; and (ii) a balloon payment of $12.6 million payable together with the last installment in June 2019.

M/T Hongbo (S-1033) : As of December 31, 2009, the outstanding amount was $26.1 million out of a total of $27.0 million out of which $10.0 million was drawn down in October 2008, $6.7 million was drawn down in February 2009, $6.7 million was drawn down in April 2009 and $3.6 million was drawn down in July 2009. The loan is repayable in 38 equal consecutive quarterly installments as follows: (i) 38 installments of $0.42 million, starting in March 2010; and (ii) a balloon payment of $10.1 million payable together with the last installment in June 2019.

Top Up Loan: On July 31, 2009, we amended our $80.0 million product tanker facility with DVB in order to take account of a bridge loan of $12.5 million used in the financing of the delivery installment of the M/T Hongbo. As of December 31, 2009, the outstanding amount was $11.2 million. The bridge loan is payable in full on July 30, 2010. Furthermore, the facility includes a cash sweep mechanism whereby 100% of the aggregate of any excess cash being hire earned by M/T Hongbo and M/T Ionian Wave above capital repayments in connection with the relevant loan tranches and interest expenses in connection with relevant tranches, swap agreements and the Top Up Loan, is applied on a quarterly basis as prepayment against the outstanding Top Up Loan, starting on September 16, 2009. As of the date of this annual report, we have prepaid a total amount of $2.4 million of the Top Up Loan in relation to the cash sweep mechanism.

In connection with this amendment and bridge loan, we issued 12,512,400 common shares to Hongbo Shipping Company Limited, our wholly owned subsidiary, who pledged these shares in favor of DVB. This pledge was granted as security and must remain in an amount equal to 180% of the outstanding bridge loan. This amount will be tested at the end of each quarter. We also agreed to file a registration statement for the resale of such shares and use our best efforts to keep the registration statement effective during the security period. As of the date of this annual report, and based on the fair value of our common stock and the outstanding balance of the loan measured on March 31, 2010, we are required to issue and pledge 9,756,488 additional shares of common stock.

The credit facility bears interest at LIBOR plus a margin of 155 basis points per annum. According to the amendment of the loan agreement signed on July, 31, 2009, from March 16, 2009 the margin for the loan of the Ionian Wave has been set at 175 basis points over LIBOR. The bridge loan carries a margin of 6.0% over LIBOR. The credit facility contains a provision whereby the bank may chose to use an alternative base interest rate in case it believes that the LIBOR is not representative of its funding cost. DVB has been using cost of funds instead of LIBOR as this cost of funds is determined by KLIEM, a broker.

The facility contains, among other things, various financial covenants including (i) asset maintenance whereby the fair market value of the mortgaged vessels and of any additional security is required to be greater than or equal to 115% for the first five years, up to August 2014 and 125% thereafter of the outstanding loan (excluding Top Up Loan) and the fair value of the outstanding swaps. In case of breach of the minimum security cover, the borrowers would be obliged to reduce the tranche relating to M/T Ionian Wave and M/T Hongbo by 55% and 45% of shortfall, respectively, and increase the Top Up Loan by the shortfall. Thereafter, in case the security cover shows an excess of at least $1 million, the tranche relating to M/T Ionian Wave and M/T Hongbo is to be increased by 55% and 45%, respectively, of the excess and the Top Up Loan is to be reduced by the same amount, (ii) a Net Asset Value that is required to be greater than $225.0 million, calculated on an annual basis, which was amended to $0 up to March 31, 2010, (iii) Stockholder's equity required to be greater than $180.0 million, (iv) minimum cash balances of $5.0 million unencumbered up to September, 30, 2010 and thereafter $25.0 million or $0.5 million per vessel ($0.25 million per vessel as cash in hand may be included); and (v) Interest cover ratio of no less than 1.5 times (defined as EBITDAR divided by interest expense plus Lease Obligations), which was amended to 1.2 times up to March 31, 2010.

According to notice received from DVB, as of March 16, 2010, we were not in compliance with the minimum security cover for an amount of $3.0 million based on valuations dated December 31, 2009. As a result, we reduced the tranche relating to M/T Ionian Wave by $1.7 million and the tranche relating to M/T Hongbo by $1.3 million, representing the 55% and the 45% of shortfall, respectively, and increase the Top Up Loan by $3.0 million. During May, 2010 we sent a notice to DVB informing them that based on new valuations the Top Up Loan would need to be reduced by approximately $4.5 million according to the mechanism described above.

In addition, the DVB credit facilities prohibit the borrower without the lender's consent, from declaring or paying any dividends or returning any capital to its equity holder and require that the mortgaged vessels be managed by TOP Tanker Management, which may subcontract the technical management of the mortgaged vessels to V.Ships Management Limited, Hanseatic Shipping Company Ltd., or any other company acceptable to the lender. Finally, TOP SHIPS INC. is not allowed to appoint any chief executive officer other than Mr. Evangelos Pistiolis without the prior written consent of DVB. Finally, we are in the process of cross collateralizing the terms of the two DVB facilities. The credit facilities contain cross default provisions.

Covenant Breaches and Waivers

As of December 31, 2009, we were not in compliance with the asset maintenance covenant in relation to the $80.0 million product tanker facility. Furthermore, we were not in compliance with the net asset value and the minimum cash balance covenants, in relation to both facilities. The asset maintenance covenant breach was remedied through the Top Up Loan adjustment mechanism previously described. Regarding the net asset value and the minimum cash balance covenant, we are currently in discussions with the bank.

In July 2009, we paid a restructuring fee of $0.08 million in addition to the $0.24 million fee required in accordance with the loan agreement terms for renewing the drybulk facility. Furthermore, we paid a $1.5 million arrangement fee on the drawdown date of the Top Up loan.

As of December 31, 2009, we had one interest rate swap with DVB. For a full description of our interest rate swap agreements, see "Item 11– Quantitative and Qualitative Disclosures about Market Risk".

We have also agreed to enter into an interest rate swap agreement with DVB for a minimum period of 3 years within a period of six months after the delivery advance drawdown date of M/T Hongbo (up to January 2010). As of the date of this annual report we have not yet entered into such an agreement.

(d) ALPHA BANK Credit Facilities:

(i) M/V Cyclades : As of December 31, 2009, the outstanding amount was $28.0 million. The loan of $48.0 million was drawn down on December 17, 2007 to partially finance the acquisition cost of the drybulk vessel Cyclades. The loan is repayable in 24 consecutive quarterly installments as follows: (i) four installments of $1.25 million, starting in March 2010; (ii) 20 installments of $0.75 million; and (iii) a balloon payment of $8.0 million payable together with the last installment in December 2015.

The credit facility bears interest at LIBOR plus a margin of 130 basis points. Under the first supplemental agreement of the loan signed in April 2009, from April 3, 2009 the margin has been set at 250 basis points over LIBOR and under the third supplemental agreement of the loan signed in November, 2009, from September 17, 2009, the margin has been set at 300 basis points over LIBOR up to March 31, 2010 and 225 basis points over LIBOR, thereafter. As of the date of this annual report, due to covenant breaches, the margin continues being 300 basis points over LIBOR.

The facility contains, among other things, various financial covenants including: (i) asset maintenance whereby the fair market value of the mortgaged vessel and of any additional security is required to be greater than or equal to 130% of the outstanding loan. The minimum security requirement is waived up to March 31, 2010; (ii) market value adjusted net worth is required to be greater than or equal to $250.0 million. The adjusted net worth is waived up to March 31, 2010; (iii) book equity (total assets less consolidated debt) is required to be greater than $100.0 million; and (iv) minimum cash balances of $25.0 million. The minimum liquidity is waived up to March 31, 2010.

(ii) M/T Lichtenstein : As of December 31, 2009, the outstanding amount was $37.2 million, out of a total of $39.0 million, which was concluded to partially finance the construction cost of newbuilding S-1026, out of which $10.6 million was drawn down in August 2008, $7.1 million was drawn down in September 2008, $7.1 million was drawn down in November 2008 and $14.2 million was drawn down in February 2009. The loan is repayable in 37 equal consecutive quarterly installments as follows: (i) 37 installments of $0.6 million, starting in February 2010; and (ii) a balloon payment of $15.0 million payable together with the last installment in February 2019.

The credit facility bears interest at LIBOR plus a margin of 165 basis points. Under the first supplemental agreement of the loan signed in April 2009, from April 3, 2009 the margin has been set at 225 basis points over LIBOR and under the third supplemental agreement of the loan signed in November 2009, from October 26, 2009 the margin has been set at 300 basis points over LIBOR up to March 31, 2010 and 225 basis points over LIBOR, thereafter. As of the date of this annual report, due to covenant breaches, the margin continues being 300 basis points over LIBOR.

The facility contains, among other things, various financial covenants including: including (i) asset maintenance whereby the fair market value of the mortgaged vessel and of any additional security is required to be greater than or equal to 130% of the outstanding loan. The minimum security requirement is waived up to March 31, 2010; (ii) market value adjusted net worth is required to be greater than or equal to $250.0 million. The adjusted net worth is waived up to March 31, 2010; (iii) book equity (total assets less consolidated debt) is required to be greater than $100.0 million, and (iv) minimum cash balances of $25.0 million. The minimum liquidity is waived up to March 31, 2010.

In addition, the credit facilities provide for a cash pledge of $4.0 million to be maintained with Alpha Bank; this amount will be applied towards the drybulk financing in case of renegotiation or cancellation of the existing time charter agreement of M/V Cyclades. $2.0 million of the pledged cash will be released on December 31, 2009 subject to the above and no other event of default. The remaining $2.0 million will be released on March 30, 2010 given that: a) no renegotiation or cancellation of the existing time charter agreement has been effected until then, b) no event of default has occurred in the respective loan facility. As of the date of this annual report, due to covenant breaches, the $4.0 million cash pledge has not been released and we are in discussions with the bank in relation to these funds.

Finally, the two facilities are cross collateralized. The credit facilities contain a cross-default provision.

Covenant Breaches and Waivers

As of December 31, 2009, we were not in compliance with the asset maintenance, the adjusted net worth and the minimum cash balance covenants, for which we have received waivers until March 31, 2010. We are currently in discussions with the bank with respect to these breaches.

(e) EMPORIKI Credit Facility: As of December 31, 2009, the outstanding amount was $40.0 million. The loan of $50.0 million was entered into in March 2008 in order to partially finance the acquisition cost of the drybulk vessel M/V Pepito. The loan is repayable in 11 consecutive semi-annual installments as follows: (i) one installment of $3.3 million, in March 2010; (ii) ten installments of $2.4 million; and (iii) a balloon payment of $12.9 million payable together with the last installment in March 2015.

The credit facility bears interest at LIBOR plus a margin of 110 basis points. Under the first supplemental agreement of the loan signed in August 2009, from March 31, 2009 until March 31, 2010, the margin was set at 250 basis points over LIBOR. Thereafter the margin would be reduced to 175 basis points per annum until maturity of the loan. As of the date of this annual report, due to covenant breaches, the margin continues being 250 basis points over LIBOR.

The facility contains, among other things, various financial covenants including: (i) the aggregate market value of the mortgaged vessel and of any additional security is required to be equal to at least 125% of the outstanding principal amount under the loan and the swap. The minimum security requirement is waived up to March 31, 2010; (ii) the leverage ratio (defined as Total Liabilities divided by Total Assets adjusted to fair market value, or FMV, of vessels) will not exceed 75%. The maximum leverage ratio is waived up to March 31, 2010; (iii) the interest cover ratio (as defined in the EMPORIKI credit facility agreement) will stand at the minimum level of 2.5:1; (iv) minimum corporate liquidity not to be less than next 6 months of senior debt principal payments; and (v) minimum average monthly balances of the earnings account of $1 million.

In addition, the EMPORIKI credit facility prohibits us, without the lender's consent, from appointing a CEO other than Mr. Evangelos Pistiolis and requires that the mortgaged vessel be managed by TOP Tanker Management, which may subcontract the technical management of the mortgaged vessel to V.Ships Management Limited, Hanseatic Shipping Company Ltd., or any other company acceptable to the lender. In addition, it prohibits the borrower, which is our subsidiary, without the lender's consent, from declaring or paying any dividends or making any distributions to its shareholders. The credit facility contains a cross-default provision.

Covenant Breaches and Waivers

As of December 31, 2009, we were not in compliance with the asset maintenance and the minimum leverage ratio covenants, for which we have received waivers until March 31, 2010 and the minimum liquid funds covenant. We are currently in discussions with the bank in relation to these breaches.

As of December 31, 2009, we had one interest rate swap with Emporiki Bank. For a full description of our interest rate swap agreements, see "Item 11 – Quantitative and Qualitative Disclosures about Market Risk".

(f) CAPE MANUEL Credit Facility: On July 27, 2009, we entered into an unsecured bridge loan financing facility with an unrelated party. The purpose of this loan was to provide working capital financing. As of December 31, 2009, the outstanding amount was Euro 2.0 million or $2.9 million (based on the U.S. Dollar/Euro exchange rate as of December 31, 2009) that was drawn down in two tranches: one on July 29, 2009 for an amount of Euro 1.0 million or $1.4 million (based on the U.S. Dollar/Euro exchange rate as of December 31, 2009) and one on September 24, 2009 for an amount of Euro 1.0 million or $1.4 million (based on the U.S. Dollar/Euro exchange rate as of December 31, 2009).

We have undertaken to repay the first tranche, interest and fees in connection with the facility by April 15, 2010 in cash or shares or in combination as demanded by the lender. The number of shares cannot exceed 15% of our total number of outstanding shares due to anti-takeover provisions in our Stockholder Rights Agreement. On April 15, 2010, we repaid the first advance of Euro 1 million or $1.4 million (based on the U.S. Dollar/Euro exchange rate as of April 15, 2010) along with all accrued interest and finance costs by then. The repayment of the second advance and relevant accrued interest from April 15, 2010 was extended up to July 31, 2010.

The loan bears interest at 9.0% per annum. As of December 31, 2009, an amount of Euro 0.46 million or $0.66 million (based on the U.S. Dollar/Euro exchange rate as of December 31, 2009) in relation to this loan is included under interest and finance costs.

(2) Operating Leases:

In January 2006, we entered into an agreement with an unrelated party to lease office space in Athens, Greece. The office is located at 1, Vasilisis Sofias & Megalou Alexandrou Street, 151 24 Maroussi, Athens, Greece. The agreement is for a duration of 12 years beginning May 2006 with a lessee's option for an extension of 10 years. The current monthly rental is $0.2 million (based on the U.S. Dollar/Euro exchange rate as of December 31, 2009) adjusted annually for inflation increase plus 1.0%.

In addition, our subsidiary TOP TANKERS (U.K.) LIMITED, a representative office in London, leases office space in London from an unrelated third party. The agreement is valid from June 2007 and shall continue until either party shall give to the other, one calendar month written notice. The annual lease is $0.03 million (based on the U.S. Dollar/GBP exchange rate as of December 31, 2009) payable quarterly in advance.

In November 2009, TOP SHIPS INC. entered into an agreement to lease space in London. The agreement is for the duration of one year from and including November 15, 2009 to and including November 14, 2010. The current monthly rental is $0.04 million (based on the U.S. Dollar/GBP exchange rate as of December 31, 2009).

Other Contractual Obligations:

TOP Tanker Management, our wholly-owned subsidiary, is responsible for the chartering, operational and technical management of our tanker and drybulk fleet, including crewing, maintenance, repair, capital expenditures, dry-docking, vessel taxes, maintaining insurance and vessel operating expenses under management agreements with each of our vessel owning subsidiaries.

As of December 31, 2009, TOP Tanker Management has subcontracted the day-to-day technical management and crewing of one Handymax tanker and the crewing only of another Handymax tanker to V. Ships Management Limited, or V. Ships, and had also subcontracted the crewing of four drybulk vessels to Interorient Maritime Enterprises Inc., or Interorient. The agreements between TOP Tanker Management and V.Ships Management Limited may be terminated by either party upon three months' written notice and the agreements with Interorient may be terminated by either party upon two months' written notice.

Other major capital expenditures include funding our maintenance program of regularly scheduled intermediate survey or special survey dry-docking necessary to preserve the quality of our vessels as well as to comply with international shipping standards and environmental laws and regulations. Although we have some flexibility regarding the timing of this maintenance, the costs are relatively predictable. Management anticipates that the vessels that are younger than 15 years are required to undergo in-water intermediate surveys 2.5 years after a special survey dry-docking and that such vessels are to be dry-docked every five years, while vessels 15 years or older are to be dry-docked for an intermediate survey every 2.5 years in which case the additional intermediate survey dry-dockings take the place of in-water surveys.

Critical Accounting Policies:

The discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of those financial statements requires us to make estimates and judgments that affect the reported amount of assets and liabilities, revenues and expenses and related disclosure of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are those that reflect significant judgments or uncertainties, and potentially result in materially different results under different assumptions and conditions. We have described below what we believe are our most critical accounting policies that involve a higher degree of judgment and the methods of their application. For a description of all of our significant accounting policies, see Note 2 to our consolidated financial statements included herein.

Vessel depreciation. We record the value of our vessels at their cost (which includes the contract price, pre-delivery costs incurred during the construction of newbuildings, capitalized interest and any material expenses incurred upon acquisition such as initial repairs, improvements and delivery expenses to prepare the vessel for its initial voyage) less accumulated depreciation. We depreciate our vessels on a straight-line basis over their estimated useful lives, estimated to be 25 years from the date of initial delivery from the shipyard. Depreciation is based on cost of the vessel less its residual value which is estimated to be $160 per light-weight ton. A decrease in the useful life of the vessel or in the residual value would have the effect of increasing the annual depreciation charge. When regulations place limitations over the ability of a vessel to trade on a worldwide basis, the vessel's useful life is adjusted at the date such regulations become effective. We have not historically experienced change in estimate used in calculating depreciation and do not expect to experience changes in estimates in a future.

Impairment of vessels : We evaluate the carrying amounts and periods over which long-lived assets are depreciated on a quarterly basis to determine if events have occurred which would require modification to their carrying values or useful lives. In evaluating useful lives and carrying values of long-lived assets, we review certain indicators of potential impairment, such as undiscounted projected operating cash flows, vessel sales and purchases, business plans and overall market conditions. We determine undiscounted projected net operating cash flows for each vessel and compare it to the vessel's carrying value. If the carrying value of the related vessel exceeds its undiscounted future net cash flows, the carrying value is reduced to its fair value. We estimate fair market value primarily through the use of third party valuations performed on an individual vessel basis.

The carrying values of our vessels may not represent their fair market value at any point in time since the market prices of second-hand vessels tend to fluctuate with changes in charter rates and the cost of newbuildings.

We did not note for 2007, any events or changes in circumstances indicating that the carrying amount of our vessels may not be recoverable.

In the fourth quarter of 2008, shipping market conditions deteriorated significantly, mainly in the drybulk sector, as a result of the credit crisis and the resulting slowdown in world trade. These were conditions we considered to be indicators of potential impairment. We performed the undiscounted cash flow test as of December 31, 2008 on our entire fleet and determined that the carrying amounts of our vessels held for use were recoverable despite the significant drop in values of drybulk vessels.

During 2009, the drybulk market stabilized and the charter market recovered resulting in a partial recovery of asset values. In contrast, the product tanker sector to which we are mainly exposed experienced a significant drop in charter rates and, as a result, a quarter on quarter drop in asset values. Despite these market conditions, our expectations of a recovery in charter rates, similar to the one experienced in the drybulk market in 2009, did not lead to an impairment charge for the first three quarters of 2009.

During the fourth quarter of 2009, we began exploring the re-chartering of our two oldest tanker vessels, M/T Dauntless and M/T Ioannis P, due to their upcoming charter expirations. Based on discussions with charterers we had indications that such vessels would need to be re-chartered at significantly lower rates upon expiration of their existing charters. As a result, during the fourth quarter of 2009, we performed the undiscounted cash flow test as of December 31, 2009 on our entire fleet and determined that the carrying amounts of these two vessels were not recoverable by their undiscounted cash flows, indicating impairment and thereby we recorded an impairment charge of $36.6 million for the year ended December 31, 2009.

In order to perform the undiscounted cash flow test, we make assumptions about future charter rates, commissions, vessel operating expenses, dry-dock costs, fleet utilization, scrap rates used to calculate estimated proceeds at the end of vessels' useful lives and the estimated remaining useful lives of the vessels. These assumptions are based on historical trends as well as future expectations. The projected net operating cash flows are determined by considering the charter revenues from existing time charters for the fixed fleet days and an estimated daily time charter equivalent for the unfixed days (based on a combination of three year time charter rates for the next three years and the most recent 8 year average of the one-year time charter rates for each vessels' category) over the remaining useful life of each vessel, which we estimate to be 25 years from the date of initial delivery from the shipyard. Expected outflows for scheduled vessels' maintenance and vessel operating expenses are based on historical data, and adjusted annually assuming an average annual inflation rate of 2.8%, which is the twenty year average (period 1990-2009) consumer price index. Effective fleet utilization, average commissions, dry-dock costs and scrap values are also based on historical data.

The fair value of the impaired vessels was determined based on a market approach, which consisted of quotations from well respected brokers regarding vessels with similar characteristics as compared to our vessels. This market approach is deemed more objective than the income approach mainly due to the multitude of transactions of comparable assets in the active and liquid shipping market at the time the impairment test was performed.

Our impairment test exercise is highly sensitive to variances in the time charter rates, fleet effective utilization rates, commissions, estimated scrap values, future dry-docking costs, estimated remaining useful lives of vessels and estimated vessel operating costs. Our analysis as of December 31, 2009, which involved also a sensitivity analysis by assigning possible alternative values to these inputs, indicates that except for the above mentioned two tanker vessels there are no impairment indications of any other individual long lived assets. However, there can be no assurance as to how long term charter rates and vessel values will remain at their currently low levels or whether they will improve by any significant degree. Charter rates may remain at depressed levels for some time which could adversely affect our revenue and profitability, and future assessments of vessel impairment.

Derivatives:

We designate our derivatives based upon the criteria established by the FASB in its accounting guidance for derivatives and hedging activities. The accounting guidance for derivatives requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The accounting for the changes in the fair value of the derivative depends on the intended use of the derivative and the resulting designation. For a derivative that does not qualify as a cash flow hedge, the change in fair value is recognized at the end of each accounting period on the income statement. For a derivative that qualifies as a cash flow hedge, the change in fair value is recognized at the end of each reporting period in accumulated other comprehensive income / (loss) (effective portion) until the hedged item is recognized in income. The ineffective portion of a derivative's change in fair value is immediately recognized in the income statement.

If there is an increase in the 3-month LIBOR or if the 10 year U.S. Dollar swap rate exceeds 3.85%, there will be a positive effect on the fair value of our interest rate swap agreements. In contrast, a decrease in the 3-month LIBOR or an increase of over 0.05% in the difference between the 10 year U.S. Dollar swap rate and the 2 year U.S. Dollar swap rate will have a negative effect on the fair value of our interest rate swap agreements.

We have not applied hedge accounting for our interest rate swaps. Additionally, we have not adjusted the fair value of our derivative liabilities for non-performance risk as we expect to be able to perform under the contractual terms of our derivative agreements, such as making cash payments at periodic net settlement dates or upon termination. Also refer to "Item 5 – Liquidity and Capital Resources – Working capital requirements and sources of capital" for availability of capital.

Provision for doubtful accounts. Revenue is based on contracted voyage and time charter parties and, although our business is with customers who we believe to be of the highest standard, there is always the possibility of dispute, mainly over terms, calculation and payment of demurrages. In such circumstances, we assess the recoverability of amounts outstanding and we estimate a provision if there is a possibility of non-recoverability, combined with the application of a historical recoverability ratio, for purposes of determining the appropriate provision for doubtful accounts. Although we believe our provisions to be based on fair judgment at the time of their creation, it is possible that an amount under dispute is not recovered and the estimated provision for doubtful recoverability is inadequate.

New accounting pronouncements: No significant effect from new accounting pronouncements. See Notes to the December 31, 2009 Financial Statements for a full description of new accounting pronouncements and effect on our financials.

G. Safe Harbor

Forward looking information discussed in this Item 5 includes assumptions, expectations, projections, intentions and beliefs about future events. These statements are intended as "forward-looking statements". We caution that assumptions, expectations, projections, intentions and beliefs about future events may and often do vary from actual results and the differences can be material. Please see "Cautionary Statement Regarding Forward-Looking Statements" in this Report.

ITEM 6.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Set forth below are the names, ages and positions of our directors, executive officers and key employees as at December 31, 2009. Members of our Board of Directors are elected annually on a staggered basis, and each director elected holds office for a three-year term. Officers are elected from time to time by vote of our Board of Directors and hold office until a successor is elected.

Name	Age	Position
Evangelos J. Pistiolis	37	Director, President, Chief Executive Officer
Vangelis G. Ikonomou	45	Director, Executive Vice President and Chairman of the Board
Alexandros Tsirikos	36	Director, Chief Financial Officer
Michael G. Docherty	50	Director
Roy Gibbs	60	Director
Marios Hamboullas	69	Director
Yiannakis C. Economou	61	Director
Stavros Emmanuel	67	Chief Operating Officer of TOP Tanker Management
Demetris P. Souroullas	47	Vice President
Eirini Alexandropoulou	38	Secretary

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

Evangelos J. Pistiolis founded our Company in 2000, is our President and Chief Executive Officer and has served on our Board of Directors since July 2004. Mr. Pistiolis graduated from Southampton Institute of Higher Education in 1999 where he studied shipping operations and from Technical University of Munich in 1994 with a bachelor's degree in mechanical engineering. His career in shipping started in 1992 when he was involved with the day to day operations of a small fleet of drybulk vessels. From 1994 through 1995 he worked at Howe Robinson & Co. Ltd., a London shipbroker specializing in container vessels. While studying at the Southampton Institute of Higher Education, Mr. Pistiolis oversaw the daily operations of Compass United Maritime Container Vessels, a ship management company located in Greece.

Vangelis G. Ikonomou is our Executive Vice President and Chairman and has served on our Board of Directors since July 2004. Prior to joining the Company, Mr. Ikonomou was the Commercial Director of Primal Tankers Inc. From 2000 to 2002, Mr. Ikonomou worked with George Moundreas & Company S.A. where he was responsible for the purchase and sale of second-hand vessels and initiated and developed a shipping industry research department. Mr. Ikonomou worked, from 1993 to 2000, for Eastern Mediterranean Maritime Ltd., a ship management company in Greece, in the commercial as well as the safety and quality departments. Mr. Ikonomou holds a Masters degree in Shipping Trade and Finance from the City University Business School in London, a Bachelors degree in Business Administration from the University of Athens in Greece and a Navigation Officer Degree from the Higher State Merchant Marine Academy in Greece.

Alexandros Tsirikos has served as our Chief Financial Officer since April 1, 2009. Mr. Tsirikos, is a UK qualified Chartered Accountant (ACA) and has been employed with TOP SHIPS INC. since July 2007 as the Company's Corporate Development Officer. Prior to joining TOP SHIPS INC., Mr Tsirikos was a manager with PricewaterhouseCoopers, or PwC, where he worked as a member of the PwC Advisory team and the PwC Assurance team thereby drawing experience both from consulting as well as auditing. As a member of the Advisory team, he lead and participated in numerous projects in the public and the private sectors, involving strategic planning and business modeling, investment analysis and appraisal, feasibility studies, costing and project management. As a member of the Assurance team, Mr. Tsirikos was part of the International Financial Reporting Standards, or IFRS, technical team of PwC Greece and lead numerous IFRS conversion projects for listed companies. He holds a Master's of Science in Shipping Trade and Finance from City University of London and a Bachelor's Degree with honors in Business Administration from Boston University in the United States. He speaks English, French and Greek.

Michael G. Docherty has served on our Board of Directors since July 2004. Mr. Docherty is a founding partner of Independent Average Adjusters Ltd., an insurance claims adjusting firm located in Athens, Greece, which he co-founded in 1997. Mr. Docherty has 25 years of international experience handling maritime insurance claims.

Roy Gibbs has served on our Board of Directors since July 2004. Mr. Gibbs has been the chief executive officer of Standard Chartered Grindlays Bank, Greece, formerly ANZ Grindlays, since 1992. From 1988 to 1992, Mr. Gibbs was the chief manager of domestic banking at ANZ Grindlays, London. Prior to that he was assistant director for property, construction and shipping at ANZ London. Mr. Gibbs joined National and Grindlays Bank in 1965.

Marios Hamboullas has served on our Board since September 2009. Mr Hamboullas is the founder and Chairman of Astarti Development Public Company Ltd., a public company founded in 1979 and listed on the Cyprus Exchange (Symbol: AST) engaged in the hotel industry. Since 1968, Mr. Hamboullas has been a managing director of Kyriacos Hamboullas and Son Ltd., a family owned company with extensive interests in agriculture, trading and manufacturing. Mr. Hamboullas is also the Business Development Director of D.H. Cyprotels Plc, a Cypriot private company engaged in the hotel and tourism industry. Mr. Hamboullas also serves as a director of the following private companies: Hamboullas Financial Services Ltd. and Marham Investments Ltd. Mr. Hamboullas earned his M.A. degree in Law and Economics from Cambridge University U.K. and a post-graduate degree in European Politics and Economics from Strasbourg University in France. Mr. Hamboullas is a citizen of Cyprus and is fluent in Greek, English and French.

Yiannakis C. Economou has served on our Board since September 2009. Mr. Economou is a Managing Director of Hull Blyth Araouzos Limited, a company based in Cyprus which provides a wide variety of services in passenger and cargo transport by sea, land and air, including agency services for shipping, aviation, travel and tourism, customs clearance and freight forwarding. Since 1985, Mr. Economou has served as a Managing Director and Secretary of the company. Prior to joining Hull Blyth, Mr. Economou trained in shipping with Ellerman City Liners in Liverpool and London, England. Mr. Economou earned his Bachelor of Laws degree at the University of Athens. Since 1981, Mr. Economou has served on the Board of Directors of Associated Agencies Ltd. and United Stevedoring Company Limited. Mr. Economou for the third time serves as the President of the Cyprus Shipping Association. He is also a member of the Employers Association of Cyprus, Honorable Consul for Costa Rica in Cyprus, Secretary of the Consular Corps in Cyprus and was a past President of the Rotary Club of Famagusta. Mr. Economou is a citizen of Cyprus.

Captain Stavros Emmanuel has been the Chief Operating Officer of TOP Tanker Management since July 2004. He has 34 years experience in the shipping industry and expertise in operation and chartering issues. Prior to joining TOP Tanker Management, Captain Emmanuel served as General Manager of Primal Tankers Inc., where his responsibilities included chartering and operations management. Prior to joining Primal Tankers in 2000, Captain Emmanuel worked in various management capacities for Compass United Maritime. Captain Emmanuel obtained a Naval Officers degree from ASDEN Nautical Academy of Aspropyrgos, Greece and earned a Master Mariners degree in 1971.

Demetris P. Souroullas is Vice President of TOP SHIPS INC. and has been with our Company since 2007. Prior to joining the Company, and from 2001 onwards Mr. Souroullas held the positions of Chief Executive Officer for the Fleet of Admibros Shipmanagement Co. Ltd and Technical and General Manager of LMZ Transoil Shipmanagement S.A. Prior to that Mr. Souroullas worked with the Cyprus Bureau of Shipping where he started in 1988 as a Surveyor and left in 2001 as the Head of Classification. Mr. Souroullas holds a Masters degree in Naval Architecture from the University of Newcastle upon Tyne, and a Bachelors degree in Maritime Technology from the University of Wales Institute of Science and Technology.

Eirini Alexandropoulou has been our Secretary since August 2004. Mrs. Alexandropoulou's principal occupation for the past ten years is as a legal advisor providing legal services to ship management companies with respect to corporate and commercial as well as shipping and finance law issues in Greece. From 2001 to 2004, Mrs. Alexandropoulou served as a legal advisor to Eurocarriers SA, a ship manager. Most recently, from 2000 to 2001, Mrs. Alexandropoulou served as a legal advisor to Belize's ship registry office in Piraeus. Mrs. Alexandropoulou has been a member of the Athens Bar Association since 1997 and has a law degree from the Law Faculty of the University of Athens.

B. Compensation

During the fiscal year ended December 31, 2009, we paid to the members of our senior management and to our directors' aggregate compensation of $6.5 million. We do not have a retirement plan for our officers or directors.

Equity Incentive Plan

In April 2005 the Board adopted the TOP SHIPS INC. 2005 Stock Incentive Plan, or the Plan, under which our officers, key employees and directors may be granted options to acquire common stock. A total of 1,000,000 shares of common stock were initially reserved for issuance under the Plan, which is administered by the Board. Since the Plan's inception, the number of shares of common stock reserved for issuance under the Plan has been increased to 12,000,000. The Plan also provides for the issuance of stock appreciation rights, dividend equivalent rights, restricted stock, unrestricted stock, restricted stock units, and performance shares at the discretion of our Board of Directors. The Plan expires 10 years from the date of its adoption. Please refer to Note 16 to the consolidated financial statements included in Item 18 describing grants under the Plan, which have occurred between April 2005 and January 2008.

On July 11, 2007, the Company increased the Plan's reserve by 1,000,000 shares

On January 22, 2008, the Company granted 197,560 shares of restricted common stock of the Company, pursuant to the Company's Plan. These shares were granted to two officers and employees and proportionally vest over a period of four years in equal annual installments with the following provisions: in the event of a change of control or termination of employment, shares immediately vest, with the exception of voluntary resignation or termination of employment for cause, in which event the shares are forfeited. The fair value of each share on the grant date was $6.69.

On July 1, 2008, the Company increased the Plan's reserve by 1,000,000 shares and granted 500,000 shares to our CEO, and issued to Sovereign Holdings Inc., a company wholly-owned by our CEO. Of these shares, 125,000 vested on the grant date and the remainder of the shares vest over a period of three years in equal annual installments beginning one year from the grant date. However, as the shares granted to our CEO do not contain any future service vesting conditions, all such shares are considered vested shares on the grant date. The fair value of each share on the grant date was $6.20.

On July 10, 2008, the Company granted 2,666 shares to one of our employees, such shares vested over a period of 6 months. The fair value of each share on the grant date was $5.15.

On September 2, 2008, the Company granted 387,666 shares, of which 375,000 were granted to our non-executive directors and vest five years after the grant date. 10,000 of the shares were granted to one of our employees and vest proportionally over a period of three years in equal installments, commencing on the grant date. 2,666 of the shares were granted to another of our employees and vested over a period of 6 months. The fair value of each Share on the grant date was $5.08.

On September 4, 2008, the Company increased the Plan's reserve by 2,000,000 shares and granted 1,472,438 shares to our CEO, Mr. Evangelos Pistiolis in lieu of cash compensation that would be owed to Mr. Pistiolis under his employment agreement with the Company, in the event of a change in control of the Company. These shares were issued to Sovereign Holdings Inc., a company wholly-owned by Mr. Pistiolis. The shares will vest in the event of a change in control of the Company, as defined in the employment agreement. The fair value of each share on the grant date was $5.23.

On October 21, 2009, the Company granted to an officer 30,326 unrestricted common shares pursuant to the Plan. The shares vested immediately. The fair value of each share on the grant date was $1.11.

On December 21, 2009, the Company increased the Plan's reserve by 1,500,000 shares and granted 150,000 restricted shares to each of the Company's two new non-executive directors pursuant to the Plan. The shares vest over a period of 5 years. The fair value of each share on the grant date was $0.98.

On December 21, 2009, the Company granted 500,000 shares to our CEO, and issued to Sovereign Holdings Inc., a company wholly-owned by our CEO. The shares vest six months from the date of grant, with any unvested restricted stock vesting upon his termination from the Company for any reason (including resignation). However, as the shares granted to our CEO do not contain any future service vesting conditions, all such shares are considered vested shares on the grant date. The fair value of each share on the grant date was $0.98.

On December 21, 2009, the Company granted 300,000 shares to our CFO, and issued to Puebla Investments Co, a company nominated by our CFO. One third of the shares vest immediately, and the remainder of the shares vest over a period of 2 years, with any unvested restricted stock vesting upon his termination from the Company for any reason other than resignation. The fair value of each share on the grant date was $0.98.

On December 22, 2009, the Company increased the total number of shares of common stock of the Company with respect to which awards may be granted pursuant to the Plan, by 5,500,000 shares.

C. Board Practices

Committees of the Board of Directors

We have established an audit committee composed of three members, which pursuant to a written audit committee charter is responsible for reviewing our accounting controls and recommending to the Board of Directors, or the Board, the engagement of our outside auditors. Each member is an independent director under the corporate governance rules of the NASDAQ Global Select Market. The members of the audit committee are Messrs. Gibbs, Hamboullas and Economou. In June 2007, we established a compensation committee and a nominating and governance committee. Both committees are composed of three members, all of whom are independent directors. The compensation committee carries out the Board's responsibilities relating to compensation of the Company's executive and non-executive officers and provides such other guidance with respect to compensation matters as the Committee deems appropriate. The nominating and governance committee assists the Board in: (i) identifying, evaluating and making recommendations to the Board concerning individuals for selections as director nominees for the next annual meeting of stockholders or to otherwise fill Board vacancies; (ii) developing and recommending to the Board a set of corporate governance guidelines and principles applicable to the Company, and (iii) reviewing the overall corporate governance of the Company and recommending improvements to the Board from time to time.

The board has determined that Mr. Gibbs, whose biographical details are included elsewhere in this Item 6, chairman of our audit committee, qualifies as a financial expert and is considered to be independent under the corporate governance rules of the NASDAQ Global Select Market.

D. Employees

During, 2007, 2008 and 2009 we had four employees, while our wholly-owned subsidiary, TOP Tanker Management, employed on average 82, 88 and 55 employees, respectively, all of whom are shore-based. TOP Tanker Management ensures that all seamen have the qualifications and licenses required to comply with international regulations and shipping conventions, and that our vessels employ experienced and competent personnel. As of December 31, 2007, 2008 and 2009, we also employed 560, 300 and 137 sea going employees, directly and indirectly through our sub-managers.

E. Share Ownership

The common shares beneficially owned by our directors and senior managers and/or companies affiliated with these individuals are disclosed in "Item 7. Major Shareholders and Related Party Transactions".

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table sets forth information regarding (i) the owners of more than five percent of our common stock that we are aware of and (ii) the total amount of capital stock owned by our officers and directors as of June 15, 2010. All of the shareholders, including the shareholders listed in this table, are entitled to one vote for each share of common stock held. The percentages below are calculated as of June 15, 2010.

Title of Class	Identity of Person or Group	Amount Owned	Percent of Class
Common Stock, par value	Sphinx Investment Corp.*	4,133,333	12.56%
$.01 per share	Maryport Navigation Corp.*	4,133,333	12.56%
	George Economou*	4,133,333	12.56%
	QVT Financial LP**	2,132,709	6.48%
	QVT Financial GP LLC**	2,132,709	6.48%
	QVT Fund LP	1,873,365	5.69%
	QVT Associates GP LLC**	2,132,709	6.48%
	Kingdom Holdings Inc.***	1,065,393	3.23%
	Sovereign Holdings****	3,326,564	10.11%
	Evangelos Pistiolis*****	3,326,564	10.11%
	Shares of Officers and directors other than Evangelos Pistiolis	965,920	2.93%
	All officers and directors as a group	4,292,484	13.04%

* As of October 24, 2008. Sphinx Investment Corp., Maryport Navigation Corp. and Mr. Economou may constitute a "group" for reporting purposes of Rule 13d-5 promulgated under the Exchange Act.

** As of December 18, 2009. QVT Financial LP, QVT Financial GP LLC, QVT Fund LP and QVT Associates GP LLC share beneficial ownership of the shares listed in this table.

*** A company owned primarily by adult relatives of our President, Chief Executive Officer, and Director, Evangelos Pistiolis.

**** A company that is wholly owned by Evangelos Pistiolis.

***** By virtue of the shares owned directly through Sovereign Holdings Inc.

B. Related Party Transactions

For Related Party Transactions please refer to Note 5 to the consolidated financial statements included in Item 18.

Additionally, on May 12, 2010, our Board of Directors agreed to outsource all of the commercial and technical management of the Company's vessels to Central Mare Inc., or Central Mare, a related party controlled by the family of the Company's Chief Executive Officer, on a timeline to be determined by its executive officers in consideration of the vessels' schedule. The Company has not yet executed a management agreement with Central Mare, but has already informed all relevant parties including banks and charterers of the impeding change in management.

The management agreement is expected to have a duration of five years and to include management fees with currency conversion based on the U.S. Dollar/Euro exchange rate as of June 3, 2010 as follows: (i) a base management fee of Euro 650 or $800 per vessel per day on time or spot charter and Euro 250 or $308 per vessel per day on bareboat charter; (ii) a quarterly accounting fee of Euro 0.25 million or $0.31 million; (iii) a quarterly financial reporting fee of Euro 0.08 million or $0.10 million; (iv) a Sarbanes-Oxley compliance fee of Euro 100 or $123 per vessel per day; (v) a commercial operation and freight collection services fee of Euro 90 or $111 per vessel per day; (vi) a commission on all new hires of 1.25% and on existing hires a post fixture fee of 0.75%; and (vii) a 1% commission on the sale or purchase price of vessels upon sale or purchase. Central Mare shall also supervise crewing, although it will use third parties in order to access larger pools of crew.

C. Interests of Experts and Counsel.

Not applicable.

ITEM 8. FINANCIAL INFORMATION.

A. Consolidated Statements and Other Financial Information.

See Item 18.

Legal Proceedings

We have not been involved in any legal proceedings which may have, or have had, a significant effect on our business, financial position, results of operations or liquidity, nor are we aware of any proceedings that are pending or threatened which may have a significant effect on our business, financial position, results of operations or liquidity. From time to time, we may be subject to legal proceedings and claims in the ordinary course of business, principally personal injury and property casualty claims. We expect that these claims would be covered by insurance, subject to customary deductibles. Those claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources.

Dividend Distribution Policy

The Company paid special dividends of $15.00 per share and $7.50 per share on March 27, 2006 and April 25, 2006, respectively. On April 6, 2006 our Board decided to discontinue the Company's policy of paying regular quarterly dividends. The declaration and payment of any future special dividends shall remain subject to the discretion of the Board and shall be based on general market and other conditions including the Company's earnings, financial strength and cash requirements and availability.

We are permitted to pay dividends under the loans so long as we are not in default of a loan covenant and if such dividend payment would not result in a default of a loan covenant.

B. Significant Changes.

Please refer to Note 22 to the consolidated financial statements included in Item 18.

ITEM 9. THE OFFER AND LISTING.

A. Offer and Listing Details.

Price Range of Common Stock

The trading market for our common stock is the NASDAQ Global Select Market, on which the shares are listed under the symbol "TOPS". The following table sets forth the high and low closing prices for our common stock since our initial public offering of common stock at $33.00 per share on July 23, 2004, as reported by the NASDAQ Global Select Market. The high and low closing prices for our common stock for the periods indicated were as follows:

	HIGH	LOW
For the Fiscal Year Ended December 31, 2009	$ 3.52	$ 0.77
For the Fiscal Year Ended December 31, 2008	$ 10.62	$ 1.40
For the Fiscal Year Ended December 31, 2007	$ 25.2	$ 9.09
For the Fiscal Year Ended December 31, 2006	$ 54.96	$ 13.83
For the Fiscal Year Ended December 31, 2005	$ 66.00	$ 36.81

For the Quarter Ended	HIGH	LOW
March 31,2010	$ 1.24	$ 0.99
December 30, 2009	$ 1.26	$ 0.94
September 30, 2009	$ 2.12	$ 1.16
June 30, 2009	$ 3.52	$ 0.98
March 31, 2009	$ 2.30	$ 0.77
December 31, 2008	$ 4.66	$ 1.40
September 30, 2008	$ 6.31	$ 3.81
June 30, 2008	$ 10.28	$ 6.40
March 31, 2008	$ 10.65	$ 6.06

For the Month	HIGH	LOW
May 2010	$ 1.22	$ 1.02
April 2010	$ 1.28	$ 1.10
March 2010	$ 1.14	$ 1.05
February 2010	$ 1.16	$ 1.03
January 2010	$ 1.24	$ 0.99
December 2009	$ 1.14	$ 0.96

B. Plan of Distribution **.**

Not applicable

C. Markets.

Shares of our common stock trade on the NASDAQ Global Select Market under the symbol TOPS".

D. Selling Shareholders.

Not applicable.

E. Dilution.

Not applicable.

F. Expenses of the Issue.

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Our purpose is to engage in any lawful act or activity for which corporations may now or hereafter be organized under the Marshall Islands Business Corporations Act, or BCA. Our Amended and Restated Articles of Incorporation and Amended and Restated By-laws do not impose any limitations on the ownership rights of our shareholders.

Under our Amended and Restated By-laws, annual shareholder meetings will be held at a time and place selected by our Board of Directors. The meetings may be held in or outside of the Marshall Islands. Special meetings of the shareholders, unless otherwise prescribed by law, may be called for any purpose or purposes at any time exclusively by the Board of Directors. Notice of every annual and special meeting of shareholders shall be given at least 15 but not more than 60 days before such meeting to each shareholder of record entitled to vote thereat.

Directors. Our directors are elected by a plurality of the votes cast at a meeting of the shareholders by the holders of shares entitled to vote in the election. Our Amended and Restated Articles of Incorporation and Amended and Restated By-laws prohibit cumulative voting in the election of directors.

The Board of Directors must consist of at least one member and not more than twelve, as fixed from time to time by the vote of not less than 66 ^{2}/3% of the entire board. Each director shall be elected to serve until the third succeeding annual meeting of shareholders and until his successor shall have been duly elected and qualified, except in the event of his death, resignation, removal, or the earlier termination of his term of office. The Board of Directors has the authority to fix the amounts which shall be payable to the members of our Board of Directors, and to members of any committee, for attendance at any meeting or for services rendered to us.

Classified Board

Our Amended and Restated Articles of Incorporation provide for the division of our Board of Directors into three classes of directors, with each class as nearly equal in number as possible, serving staggered, three-year terms. Approximately one-third of our Board of Directors will be elected each year. This classified board provision could discourage a third party from making a tender offer for our shares or attempting to obtain control of our company. It could also delay shareholders who do not agree with the policies of the Board of Directors from removing a majority of the Board of Directors for two years.

Election and Removal

Our Amended and Restated Articles of Incorporation and Amended and Restated by-laws require parties other than the Board of Directors to give advance written notice of nominations for the election of directors. Our Amended and Restated articles of incorporation provide that our directors may be removed only for cause and only upon the affirmative vote of the holders of at least 80% of the outstanding shares of our capital stock entitled to vote for those directors. These provisions may discourage, delay or prevent the removal of incumbent officers and directors.

Dissenters' Rights of Appraisal and Payment . Under the Business Corporation Act of the Republic of the Marshall Islands, or BCA, our shareholders have the right to dissent from various corporate actions, including any merger or sale of all or substantially all of our assets not made in the usual course of our business, and receive payment of the fair value of their shares. In the event of any further amendment of the articles, a shareholder also has the right to dissent and receive payment for his or her shares if the amendment alters certain rights in respect of those shares. The dissenting shareholder must follow the procedures set forth in the BCA to receive payment. In the event that, among other things, the institution of proceedings in the circuit court in the judicial circuit in the Marshall Islands in which our Marshall Islands office is situated. The value of the shares of the dissenting we and any dissenting shareholder fail to agree on a price for the shares, the BCA procedures involve shareholder is fixed by the court after reference, if the court so elects, to the recommendations of a court-appointed appraiser.

Shareholders' Derivative Actions . Under the BCA, any of our shareholders may bring an action in our name to procure a judgment in our favor, also known as a derivative action, provided that the shareholder bringing the action is a holder of common stock both at the time the derivative action is commenced and at the time of the transaction to which the action relates.

Anti-takeover Provisions of our Charter Documents . Several provisions of our Amended and Restated Articles of Incorporation and Amended and Restated by-laws may have anti-takeover effects. These provisions are intended to avoid costly takeover battles, lessen our vulnerability to a hostile change of control and enhance the ability of our Board of Directors to maximize shareholder value in connection with any unsolicited offer to acquire us. However, these anti-takeover provisions, which are summarized below, could also discourage, delay or prevent (1) the merger or acquisition of our company 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 officers and directors.

Business Combinations

The Company's Amended and Restated Articles of Incorporation include provisions which prohibit the Company from engaging in a business combination with an interested shareholder for a period of three years after the date of the transaction in which the person became an interested shareholder, unless:

- prior to the date of the transaction that resulted in the shareholder becoming an interested shareholder, the Board approved either the business combination or the transaction that resulted in the shareholder becoming an interested shareholder;

- upon consummation of the transaction that resulted in the shareholder becoming an interested shareholder, the interested shareholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced;

- at or subsequent to the date of the transaction that resulted in the shareholder becoming an interested shareholder, the business combination is approved by the Board and authorized at an annual or special meeting of shareholders by the affirmative vote of at least 66 $^{2}/_{3}$% of the outstanding voting stock that is not owned by the interested shareholder; and

- the shareholder became an interested shareholder prior to the consummation of the initial public offering.

Limited Actions by Shareholders

Our Amended and Restated Articles of Incorporation and our Amended and Restated By-laws provide that any action required or permitted to be taken by our shareholders must be effected at an annual or special meeting of shareholders or by the unanimous written consent of our shareholders.

Our Amended and Restated Articles of Incorporation and our Amended and Restated By-laws provide that only our Board of Directors may call special meetings of our shareholders and the business transacted at the special meeting is limited to the purposes stated in the notice. Accordingly, a shareholder may be prevented from calling a special meeting for shareholder consideration of a proposal over the opposition of our Board of Directors and shareholder consideration of a proposal may be delayed until the next annual meeting.

Blank Check Preferred Stock

Under the terms of our Amended and Restated Articles of Incorporation, our Board of Directors has authority, without any further vote or action by our shareholders, to issue up to 20,000,000 shares of blank check preferred stock. Our Board of Directors may issue shares of preferred stock on terms calculated to discourage, delay or prevent a change of control of our company or the removal of our management.

Super-majority Required for Certain Amendments to Our By-Laws

On February 28, 2007, we amended our by-laws to require that amendments to certain provisions of our by laws may be made when approved by a vote of not less than 66 $^{2}/3$% of the entire Board of Directors. These provisions that require not less than 66 $^{2}/3$% vote of the Board of Directors to be amended are provisions governing: the nature of business to be transacted at our annual meetings of shareholders, the calling of special meetings by our Board of Directors, any amendment to change the number of directors constituting our Board of Directors, the method by which our Board of Directors is elected, the nomination procedures of our Board of Directors, removal of our Board of Directors and the filling of vacancies on our Board of Directors.

C. Material Contracts

Long Term Debt

As of December 31, 2009 we had long term debt obligations under credit facilities with RBS, HSH, DVB, EMPORIKI, ALPHA BANK and CAPE MANUEL. For a full description of our credit facilities and related interest rate swaps, see "Item 5 – Operating and Financial Review and Prospects - Tabular Disclosure of Contractual Obligations – Long Term Debt" and "Item 11 – Quantitative and Qualitative Disclosures about Market Risk".

Equity Offerings

On July 1, 2009, we entered into a Standby Equity Distribution Agreement, or the SEDA, with YA Global Master SPV LTD, or YA Global, pursuant to which we may offer and sell up to $200 million worth of our common shares to YA Global. The SEDA has a duration of three years. We made initial sales under the SEDA on August 13, 2009 and as of December 31, 2009 2,230,000 shares had been sold with net proceeds amounting to approximately $2.9 million. During the period from October 21, 2009 to the date of this report, no shares have been sold to YA Global under the SEDA.

Office space lease

In January 2006, we entered into an agreement with an unrelated party to lease office space in Athens, Greece. The agreement is for a duration of 12 years beginning May 2006 with a lessee's option for an extension of 10 years.

In addition, our subsidiary TOP TANKERS (U.K.) LIMITED, leases office space in London, from an unrelated third party. The agreement is valid from June 2007 and shall continue until either party shall give to the other, one calendar month written notice.

In November 2009, TOP SHIPS INC. entered into a lease agreement for office space in London. The agreement is for the duration of one year from and including November 15, 2009 to and including November 14, 2010.

For a full description of the above mentioned agreements see "Item 5 – Operating and Financial Review and Prospects - Tabular Disclosure of Contractual Obligations – Operating Leases".

Stockholders Rights Agreement

We entered into a Stockholders Rights Agreement with Computershare Investor Services, LLC, as Rights Agent, as of August 19, 2005. Under this Agreement, we declared a dividend payable of one right, or Right, to purchase one one-thousandth of a share of the Company's Series A Participating Preferred Stock for each outstanding share of TOP SHIPS INC. common stock, par value U.S.$0.01 per share. The Rights will separate from the common stock and become exercisable after (1) the 10th day after public announcement that a person or group acquires ownership of 15% or more of the company's common stock or (2) the 10th business day (or such later date as determined by the company's Board of Directors) after a person or group announces a tender or exchange offer which would result in that person or group holding 15% or more of the company's common stock. On the distribution date, each holder of a right will be entitled to purchase for $25 (the "Exercise Price") a fraction (1/1000th) of one share of the company's preferred stock which has similar economic terms as one share of common stock. If an acquiring person (an "Acquiring Person") acquires more than 15% of the company's common stock then each holder of a right (except that Acquiring Person) will be entitled to buy at the exercise price, a number of shares of the company's common stock which has a market value of twice the exercise price. If after an Acquiring Person acquires more than 15% of the company's common stock, the company merges into another company or the company sells more than 50% of its assets or earning power, then each holder of right (except for those owned by the acquirer) will be entitled to purchase at the Exercise Price, a number of shares of common stock of the surviving entity which has a then current market value of twice the Exercise Price. Any time after the date an Acquiring Person obtains more than 15% of the company's common stock and before that Acquiring Person acquires more than 50% of the company's outstanding common stock, the company may exchange each right owned by all other rights holders, in whole or in part, for one share of the company's common stock. The rights expire on the earliest of (1) August 31, 2015 or (2) the exchange or redemption of the rights as described above. The company can redeem the rights at any time on or prior to the earlier of a public announcement that a person has acquired ownership of 15% or more of the company's common stock, or the expiration date. The terms of the rights and the Stockholders Rights Agreement may be amended without the consent of the rights holders at any time on or prior to the Distribution Date. After the Distribution Date, the terms of the rights and the Stockholders Rights Agreement may be amended to make changes that do not adversely affect the rights of the rights holders (other than the Acquiring Person). The rights do not have any voting rights. The rights have the benefit of certain customary anti-dilution protections.

We have no other material contracts, other than contracts entered into in the ordinary course of business, to which we are a party

D. Exchange controls

The Marshall Islands imposes no exchange controls on non-resident corporations.

E. Taxation.

The following is a discussion of the material Marshall Islands and United States federal income tax considerations relevant to an investment decision by a U.S. Holder and a non U.S. Holder, each as defined below, with respect to the common stock. This discussion does not purport to deal with the tax consequences of owning common stock to all categories of investors, some of which, such as dealers in securities and investors whose functional currency is not the U.S. Dollar, may be subject to special rules. You are encouraged to consult your own tax advisors concerning the overall tax consequences arising in your own particular situation under United States federal, state, local or foreign law of the ownership of common stock.

Marshall Islands Tax Consequences

We are incorporated in the Republic of the Marshall Islands. Under current Marshall Islands law, we are not subject to tax on income or capital gains, and no Marshall Islands withholding tax will be imposed upon payments of dividends by us to our shareholders.

United States Federal Income Tax Consequences

The following are the material United States federal income tax consequences to us of our activities and to U.S. Holders and non U.S. Holders, each as defined below, of our common stock. The following discussion of United States federal income tax matters is based on the Code, judicial decisions, administrative pronouncements, and existing and proposed regulations issued by the United States Department of the Treasury, all of which are subject to change, possibly with retroactive effect. Treasury Regulations interpreting Code Section 883 became effective on January 1, 2005 for calendar year taxpayers such as ourselves and our subsidiaries. The discussion below is based, in part, on the description of our business as described in "Business" above and assumes that we conduct our business as described in that section. Except as otherwise noted, this discussion is based on the assumption that we will not maintain an office or other fixed place of business within the United States. References in the following discussion to "we" and "us" are to TOP SHIPS INC. and its subsidiaries on a consolidated basis.

United States Federal Income Taxation of Our Company

Taxation of Operating Income: In General

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

Shipping income attributable to transportation that both begins and ends in the United States is considered to be 100% from sources within the United States. We are not permitted by law to engage in transportation that produces income which is considered to be 100% from sources within the United States.

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

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

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

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

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

(2) either

(A) more than 50% of the value of our stock is owned, directly or indirectly, by individuals who are "residents" of our country of organization or of another foreign country that grants an "equivalent exemption" to corporations organized in the United States, which we refer to as the "50% Ownership Test," or

(B) our stock is "primarily and regularly traded on an established securities market" in our country of organization, in another country that grants an "equivalent exemption" to United States corporations, or in the United States, which we refer to as the "Publicly-Traded Test".

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

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

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

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

Notwithstanding the foregoing, the regulations provide, in pertinent part, that each class of our stock will not be considered to be "regularly traded" on an established securities market for any taxable year in which 50% or more of each class of our outstanding shares of the stock are owned, actually or constructively under specified stock attribution rules, on more than half the days during the taxable year by persons who each own 5% or more of the value of each class of our outstanding stock, which we refer to as the "5 Percent Override Rule."

For purposes of being able to determine the persons who own 5% or more of our stock, or "5% Shareholders," the regulations permit us to rely on those persons that are identified on Schedule 13G and Schedule 13D filings with the SEC, as having a 5% or more beneficial interest in our common stock. The regulations further provide that an investment company identified on a SEC Schedule 13G or Schedule 13D filing which is registered under the Investment Company Act of 1940, as amended, will not be treated as a 5% shareholder for such purposes.

In the event the 5 Percent Override Rule is triggered, the regulations provide that the 5 Percent Override Rule will not apply if we can establish that among the closely-held group of 5% Shareholders, there are sufficient 5% Shareholders that are considered to be qualified shareholders for purposes of Section 883 to preclude non-qualified 5% Shareholders in the closely-held group from owning 50% or more of each class of our stock for more than half the number of days during such year.

We believe that we currently satisfy the Publicly-Traded Test and are not subject to the 5 Percent Override Rule and we will take this position for U.S. federal income tax reporting purposes. However, there are factual circumstances beyond our control which could cause us to lose the benefit of this exemption.

Taxation in the Absence of Code Section 883 Exemption

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

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

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

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

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

United States Taxation of Gain on Sale of Vessels

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

United States Federal Income Taxation of U.S. Holders

As used herein, the term "U.S. Holder" means a beneficial owner of our common stock that

- is a United States citizen or resident, United States corporation or other United States entity taxable as a corporation, an estate the income of which is subject to United States federal income taxation regardless of its source, or a trust if a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust,
- owns the common stock as a capital asset, generally, for investment purposes, and
- owns less than 10% of our common stock for United States federal income tax purposes.

If a partnership holds our common stock, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in a partnership holding our common stock, you are encouraged to consult your tax advisor.

Distributions

Subject to the discussion of passive foreign investment companies below, any distributions made by us with respect to our common stock to a U.S. Holder will generally constitute dividends to the extent of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Distributions in excess of such earnings and profits will be treated first as a nontaxable return of capital to the extent of the U.S. Holder's tax basis in his common stock on a dollar-for-dollar basis and thereafter as capital gain. Because we are not a United States corporation, U.S. Holders that are corporations will not be entitled to claim a dividends received deduction with respect to any distributions they receive from us. Dividends paid with respect to our common stock will generally be treated as "passive category income" for purposes of computing allowable foreign tax credits for United States foreign tax credit purposes.

Dividends paid on our common stock to a U.S. Holder who is an individual, trust or estate (a "U.S. Non-Corporate Holder") will generally be treated as "qualified dividend income" that is taxable to such U.S. Non-Corporate Holder at preferential tax rates (through 2010) provided that (1) the common stock is readily tradable on an established securities market in the United States (such as the Nasdaq Global Select Market on which our common stock is traded); (2) we are not a passive foreign investment company for the taxable year during which the dividend is paid or the immediately preceding taxable year (as discussed in more detail below); (3) the U.S. Non-Corporate Holder has owned the common stock for more than 60 days in the 121-day period beginning 60 days before the date on which the common stock becomes ex-dividend; and (4) the U.S. Non-Corporate Holder is not under an obligation to make related payments with respect to positions in substantially similar or related property.

As discussed below, we expect to be treated as a passive foreign investment company, or PFIC, for its 2009 taxable year. Assuming this is the case, any dividends paid by us during 2009 and 2010 will not be treated as "qualified dividend income" in the hands of a U.S. Non-Corporate Holder. There can be no assurance that any dividends paid on our common stock will be eligible for these preferential rates in the hands of a U.S. Non-Corporate Holder. Legislation has been previously introduced in the United States Congress which, if enacted in its present form, would preclude our dividends from qualifying for such preferential rates prospectively from the date of enactment, even if the we are not treated as a PFIC. Any dividends out of earnings and profits we pay which are not eligible for these preferential rates will be taxed as ordinary income to a U.S. Non-Corporate Holder. Further, in the absence of legislation extending the term of the preferential tax rates for qualified dividend income, all dividends received by a taxpayer in tax years beginning on January 1, 2011 or later will be taxed at ordinary graduated tax rates.

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

Sale , Exchange or other Disposition of Common Stock

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

Passive Foreign Investment Company Status and Significant Tax Consequences

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

- at least 75% of our gross income for such taxable year consists of passive income (e.g., dividends, interest, capital gains and rents derived other than in the active conduct of a rental business), or

- at least 50% of the average value of the assets held by the corporation during such taxable year produce, or are held for the production of, passive income.

For purposes of determining whether we are a passive foreign investment company, we will be treated as earning and owning our proportionate share of the income and assets, respectively, of any of our subsidiary corporations in which we own at least 25 percent of the value of the subsidiary's stock. Income earned, or deemed earned, by us in connection with the performance of services would not constitute passive income. By contrast, rental income would generally constitute "passive income" unless we were treated under specific rules as deriving our rental income in the active conduct of a trade or business.

In general, income derived from the bareboat charter of a vessel will be treated as "passive income" for this purpose and such vessels will be treated as assets which produce "passive income." On the other hand, income derived from the time charter of a vessel will not be treated as "passive income," but rather will be treated as services income; likewise, time chartered vessels will generally not be treated as assets which produce "passive income."

For its 2009 taxable year, at least 50% of the average value of our assets consisted of vessels which were bareboat chartered. Therefore, we believe that were we treated as a PFIC for our 2009 taxable year. We intend to take necessary steps in order to avoid being classified as a PFIC for 2010 and future taxable years, such as expanding its fleet through the purchase of non-passive income producing assets. However, there can be no assurance that such remedial measures will be effective to avoid PFIC status for 2010 or any future taxable year.

If we are a PFIC, then a U.S. Holder will be treated as owning his proportionate share of the stock of any of our subsidiaries which is a PFIC. We expect that certain of our subsidiaries were PFICs in 2009 and therefore a U.S. Holder will be treated as owning shares in such PFICs. The PFIC rules discussed below will apply on a company-by-company basis to us and each of our subsidiaries which is treated as a PFIC.

Assuming we are a PFIC, a U.S. Holder will be subject to different taxation rules depending on whether the U.S. Holder (1) makes an election to treat us as a "Qualified Electing Fund," which is referred to as a "QEF election," (2) makes a "mark-to-market" election with respect to our common stock, or (3) makes no election and therefore is subject to the Default PFIC Regime (as defined below). As discussed in detail below, making a QEF election or a mark-to-market election generally will mitigate the otherwise adverse United States federal income tax consequences under the Default PFIC Regime. However, the mark-to-market election may not be possible with respect to our subsidiaries which are treated as PFICs. In addition, if we were to be treated as a PFIC for any taxable year after 2010, a U.S. Holder would be required to file an annual report with the IRS for that year with respect to such holder's common stock.

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

Making the Election. A U.S. Holder would make a QEF election with respect to any year that we are a PFIC by filing IRS Form 8621 with his United States federal income tax return. A separate QEF election will need to be made with respect to us and each of our subsidiaries that is treated as a PFIC. We intend to annually provide each U.S. Holder with all necessary information in order to make and maintain a QEF election with respect to us and each of our subsidiaries that is treated as a PFIC. A U.S. Holder who makes a QEF election for the first taxable year in which he owns common stock and we are treated as a PFIC, or an Electing Holder, will not be subject to the Default PFIC Regime (as defined below) for any taxable year. A U.S. Holder who does not make a timely QEF election would be subject the Default PFIC Regime for taxable years during his holding period in which a QEF election was not in effect, unless such U.S. Holder makes a special "purging" election. A U.S. Holder who does not make a timely QEF election is encouraged to consult such U.S. Holder's tax advisor regarding the availability of such purging election.

Current Taxation and Dividends. An Electing Holder must report each year for United States federal income tax purposes his pro rata share of our ordinary earnings and our net capital gain, if any, for our taxable year that ends with or within the taxable year of the Electing Holder, regardless of whether or not distributions were received from us by the Electing Holder. An Electing Holder's adjusted tax basis in his common stock will be increased to reflect any amounts currently included in income under the QEF rules. Distributions of earnings and profits that had been previously included in income will result in a corresponding reduction in the adjusted tax basis in the common stock and will not be taxed again once distributed. Any other distributions generally will be treated as discussed above under "Tax Considerations – United States Federal Income Taxation of U.S. Holders – Distributions." Income inclusions under the QEF rules described above generally should be treated as foreign-source income for United States foreign tax credit limitation purposes, but Electing Holders should consult their tax advisors in this regard.

Sale, Exchange or Other Disposition. An Electing Holder would generally recognize capital gain or loss on the sale, exchange, or other disposition of the common stock in an amount equal to the excess of the amount realized on such disposition over the Electing Holder's adjusted tax basis in the common stock. Such gain or loss will be treated as long-term capital gain or loss if the Electing Holder's holding period in the common stock is greater than one year at the time of the sale, exchange or other disposition. Long-term capital gains of United States Individual Holders currently are taxable at a maximum rate of 15%. An Electing Holder's ability to deduct capital losses is subject to certain limitations. Any gain or loss generally will be treated as United States-source gain or loss for United States foreign tax credit limitation purposes.

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

Making the Election. Alternatively, if, as is anticipated, the common stock is treated as "marketable stock," a U.S. Holder would be allowed to make a "mark-to-market" election with respect to the common stock, provided the U.S. Holder completes and files IRS Form 8621 in accordance with the relevant instructions and related Treasury Regulations. The common stock will be treated as "marketable stock" for this purpose if it is "regularly traded" on a "qualified exchange or other market." The common stock will be "regularly traded" on a qualified exchange or other market for any calendar year during which it is traded (other than in de minimis quantities) on at least 15 days during each calendar quarter. A "qualified exchange or other market" means either a United States national securities exchange that is registered with the SEC, the NASDAQ, or a foreign securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located and which satisfies certain regulatory and other requirements. We believe that the Nasdaq Global Select Market should be treated as a "qualified exchange or other market" for this purpose. However, it should be noted that a separate mark-to-market election would need to be made with respect to each of our subsidiaries which is treated as a PFIC. The stock of these subsidiaries is not expected to be "marketable stock." Therefore, a "mark-to-market" election is not expected to be available with respect to these subsidiaries.

Current Taxation and Dividends. If the "mark-to-market" election is made, the U.S. Holder generally would include as ordinary income in each taxable year the excess, if any, of the fair market value of the common stock at the end of the taxable year over such U.S. Holder's adjusted tax basis in the common stock The U.S. Holder would also be permitted an ordinary loss in respect of the excess, if any, of the U.S. Holder's adjusted tax basis in its common stock over its fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. Any income inclusion or loss under the preceding rules should be treated as gain or loss from the sale of common stock for purposes of determining the source of the income or loss. Accordingly, any such gain or loss generally should be treated as United States-source income or loss for United States foreign tax credit limitation purposes. A U.S. Holder's tax basis in his common stock would be adjusted to reflect any such income or loss amount. Distributions by us to a U.S. Holder who has made a mark-to-market election generally will be treated as discussed above under "Tax Considerations – United States Federal Income Taxation of U.S. Holders – Distributions."

Sale, Exchange or Other Disposition. Gain realized on the sale, exchange, redemption or other disposition of the common stock would be treated as ordinary income, and any loss realized on the sale, exchange, redemption or other disposition of the common stock would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included in income by the U.S. Holder. Any loss in excess of such previous inclusions would be treated as a capital loss by the U.S. Holder. A U.S. Holder's ability to deduct capital losses is subject to certain limitations. Any such gain or loss generally should be treated as United States-source income or loss for United States foreign tax credit limitation purposes.

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

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

Under the Default PFIC Regime:

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

Any distributions other than "excess distributions," by us to a Non-Electing Holder will be treated as discussed above under "Tax Considerations – United States Federal Income Taxation of U.S. Holders – Distributions."

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

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

A beneficial owner of common stock that is not a U.S. Holder is referred to herein as a "Non-U.S. Holder."

Dividends on Common Stock

Non-U.S. Holders generally will not be subject to United States federal income tax or withholding tax on dividends received from us with respect to our common stock, unless that income is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States. If the Non-U.S. Holder is entitled to the benefits of a United States income tax treaty with respect to those dividends, that income is taxable only if it is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States.

Sale , Exchange or Other Disposition of Common Stock

Non-U.S. Holders generally will not be subject to United States federal income tax or withholding tax on any gain realized upon the sale, exchange or other disposition of our common stock, unless:

- the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States. If the Non-U.S. Holder is entitled to the benefits of an income tax treaty with respect to that gain, that gain is taxable only if it is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States; or
- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more during the taxable year of disposition and other conditions are met.

If the Non-U.S. Holder is engaged in a United States trade or business for United States federal income tax purposes, the income from the common stock, including dividends and the gain from the sale, exchange or other disposition of the stock that is effectively connected with the conduct of that trade or business will generally be subject to regular United States federal income tax in the same manner as discussed in the previous section relating to the taxation of U.S. Holders. In addition, if you are a corporate Non-U.S. Holder, your earnings and profits that are attributable to the effectively connected income, which are subject to certain adjustments, may be subject to an additional branch profits tax at a rate of 30%, or at a lower rate as may be specified by an applicable income tax treaty.

Backup Withholding and Information Reporting

In general, dividend payments, or other taxable distributions, made within the United States to you will be subject to information reporting requirements. In addition, such payments will be subject to backup withholding tax if you are a non-corporate U.S. Holder and you:

- fail to provide an accurate taxpayer identification number;

- are notified by the Internal Revenue Service that you have failed to report all interest or dividends required to be shown on your federal income tax returns; or

- in certain circumstances, fail to comply with applicable certification requirements.

Non-U.S. Holders may be required to establish their exemption from information reporting and backup withholding by certifying their status on IRS Form W-8BEN, W-8ECI or W-8IMY, as applicable.

If you sell your common stock to or through a United States office or broker, the payment of the proceeds is subject to both United States backup withholding and information reporting unless you certify that you are a non-U.S. person, under penalties of perjury, or you otherwise establish an exemption. If you sell your common stock through a non-United States office of a non-United States broker and the sales proceeds are paid to you outside the United States then information reporting and backup withholding generally will not apply to that payment. However, United States information reporting requirements, but not backup withholding, will apply to a payment of sales proceeds, even if that payment is made to you outside the United States, if you sell your common stock through a non-United States office of a broker that is a United States person or has some other contacts with the United States. Backup withholding tax is not an additional tax. Rather, you generally may obtain a refund of any amounts withheld under backup withholding rules that exceed your income tax liability by filing a refund claim with the Internal Revenue Service.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We file annual reports and other information with the SEC. You may read and copy any document we file with the SEC at its public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may also obtain copies of this information by mail from the public reference section of the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549, at prescribed rates. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room. Our SEC filings are also available to the public at the web site maintained by the SEC at http://www.sec.gov, as well as on our website at http://www.topships.org

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our risk management policy

Our primary market risks relate to adverse movements in freight rates in the product tanker market and in the Handymax and Panamax sectors of the drybulk market. In 2008, we began to implement our strategy of entering into long term period charters (either time or bareboat). As of the date of this annual report, all of our vessels are on long term period charters with duration of more than one year except for one of our tankers is on a period charter with a duration of less than one year, and therefore we believe we have mitigated this market risk until the expiration of each charter.

Our policy is to continuously monitor our exposure to other business risks, including the impact of changes in interest rates, currency rates, and bunker prices on earnings and cash flows. We assess these risks and, when appropriate, enter into derivative contracts with credit-worthy counter parties to minimize our exposure to the risks. With regard to bunker prices, as our employment policy for our vessels has been and is expected to continue to be with a high percentage of our fleet on period employment, we are not directly exposed with respect to those vessels to increases in bunker fuel prices, as these are the responsibility of the charterer under period charter arrangements.

Interest rate risk

We are subject to market risks relating to changes in interest rates because we have floating rate debt outstanding under our loan agreements on which we pay interest based on LIBOR, or cost of funds for certain banks, plus a margin. In order to manage our exposure to changes in interest rates due to this floating rate indebtedness, we enter into interest rate swap agreements. Set forth below is a table of our interest rate swap arrangements as of December 31, 2008 and 2009 (in thousands of U.S. Dollars).

Counterparty	SWAP Number (Nr)	Notional Amount December 31, 2009	Period	Effective Date	Interest Rate Payable	Fair Value - Asset (Liability) December 31, 2008	Fair Value - Asset (Liability) December 31, 2009
RBS	1		4 years	June 30, 2005	4.66%	$ (270)	-
HSH NORDBANK	2	$ 9,923	2 years	December 12, 2008	4.80%	$ (701)	$ (444)
HSH NORDBANK	3	$ 9,923	2 years	December 12, 2008	4.80%	$ (701)	$ (444)
HSH NORDBANK	4	$ 9,923	2 years	December 12, 2008	4.80%	$ (701)	$ (444)
RBS	5	$ 10,000	7 years	September 30, 2006	4.23%	$ (1,852)	$ (907)
RBS	6	$ 10,000	7 years	September 30, 2006	4.11%	$ (1,812)	$ (869)
EGNATIA	7	$ 10,000	7 years	July 3, 2006	4.76%	$ (1,650)	$ (1,090)
HSH NORDBANK	8	$ 11,938	5 years	March 27, 2008	4.60%	$ (732)	$ (620)
HSH NORDBANK	9	$ 6,798	5 years	March 27, 2008	4.60%	$ (468)	$ (320)
EMPORIKI	10	$ 20,000	7 years	May 15, 2008	10.85%	$ (3,944)	$ (5,975)
HSH NORDBANK	11	$ 12,345	7 years	July 15, 2008	5.55%	$ (2,344)	$ (1,316)
HSH NORDBANK	12	$ 15,108	4 years	June 28, 2010	4.73%	$ (1,263)	$ (921)
DVB	13	$ 32,695	3 years	March, 19, 2009	2.095%	-	$ (453)
						$ (16,438)	**$ (13,803)**

SWAP Nr 1 - This SWAP agreement expired during May 2009.

SWAPS Nr 2, 3, 4, 12, 13 - Under these SWAP agreements, we pay a fixed rate and we receive variable three month LIBOR.

SWAPS Nr 5, 6 - Under these SWAP agreements, for the first year (2006-2007) we paid RBS a fixed rate of 4.23% and 4.11% respectively. From the second year onwards we pay a fixed rate of 4.23% and 4.11% respectively plus a coupon equal to three times the difference between 0.08% and the difference of the 10 year U.S. Dollar swap rate and the two year U.S. Dollar swap rate for the payment period (quarter) in question, plus the coupon of the previous payment period (quarter). The coupon of the previous payment period is essentially the same formula calculated for the previous payment period (quarter). The coupon payments are capped at 10.25%. We receive from RBS variable three month LIBOR.

SWAP Nr 7 - Under this SWAP agreement, we paid Egnatia a fixed rate of 4.70% for the first payment period (quarter) in 2006. From the second quarter onwards we pay a fixed rate of 4.70% plus a coupon equal to three times the difference between 0.05% and the difference of the 10 year U.S. Dollar swap rate and the two year U.S. Dollar swap rate for the payment period (quarter) in question, plus the coupon of the previous payment period (quarter). The coupon of the previous payment period is essentially the same formula calculated for the previous payment period (quarter). The coupon payment is capped at 8.80%. We receive from Egnatia variable three month LIBOR.

SWAPS Nr 8, 9 – Under these SWAP agreements, we pay a fixed rate of the three-month U.S. Dollar LIBOR multiplied with the factor 0.95 per annum if the three month U.S. Dollar LIBOR is between 1.50% and 4.84%. In case the U.S. Dollar LIBOR is lower than 1.50% or higher 4.84%, we will pay a fixed rate of 4.60% per annum for that period. We receive from HSH Nordbank variable three month LIBOR.

SWAP Nr 10 – Under this SWAP agreement, we received an upfront amount of $1.5 million. During the first year, we received a fixed rate of 5.25% and paid a fixed rate of 5.50%. From the second year, we receive quarterly a fixed rate of 5.25% and we pay a rate of 5.10%, if either of two conditions are met: i) the difference between the 10 year Euro swap rate and the 2 year Euro swap rate is greater or equal than -0.15% and ii) the six month USD LIBOR is between 1.00% and 6.00%. Otherwise, we pay 10.85% less 5.75% multiplied by a cushion consisting of the number of days that either of the above two conditions are not met, divided by the total number of days of the period multiplied by the previous quarter's cushion. The first cushion, as of the end of the first year, was set to 1. During the third and fourth quarter of 2009, the six month USD LIBOR has been consistently below 1% and the cushion has become zero. As a result we will be paying 10.85% until the instrument's maturity date.

SWAP Nr 11 - Under this SWAP agreement, we receive the three month LIBOR and pay 5.55%, less 2.5% multiplied by the quotient of the number of days the three month LIBOR and the 10 year swap rate falls within certain fixed ranges.

As of December 31, 2009, our total bank indebtedness was $404.3 million, (excluding unamortized financing fees of $5.2 million), of which $158.7 million was covered by the interest rate swap agreements described above. As set forth in the above table, as of December 31, 2009, we paid fixed rates ranging from 2.095% to 10.85% and received floating rates on the SWAPs that are based on three month LIBOR, of approximately 0.28% as well as a fixed rate of 5.25% from Swap Nr 10. As of December 31, 2009 and March 31, 2010, our interest rate swap agreements are, on an average basis, above the prevailing three month LIBOR rates over which our loans are priced due to the steep reduction in prevailing interest rates during 2009. Accordingly, the effect of these interest rate swap agreements in 2009 and the first three months of 2010 has been to increase our loss on financial instruments.

Based on the amount of our outstanding indebtedness as of December 31, 2009 that is not covered by interest swap arrangements as of December 31, 2009, a hypothetical one percentage point increase in the three month U.S. Dollar LIBOR would increase our interest rate expense for 2010, on an annualized basis, by approximately $2.56 million. We have not and do not intend to enter into interest rate swaps for speculative purposes.

Foreign exchange rate fluctuation

We generate all of our revenues in U.S. Dollars but incur certain expenses in currencies other than U.S. Dollars, mainly Euro. During 2009, approximately 2% of our expenses were in other currencies and 19% were in Euro. For accounting purposes, expenses incurred in other currencies are converted into U.S. Dollars at the exchange rate prevailing on the date of each transaction. We have not hedged currency exchange risks associated with our expenses and our operating results could be adversely affected as a result. We constantly monitor the U.S. Dollar exchange rate and we try to achieve the most favorable exchange rates from the financial institutions we work with.

Based on our total expenses for the year ended December 31, 2009, and using as an exchange rate the 2009 average exchange rate of $1.3912 / 1 Euro, a 5% decrease in the exchange rate to $1.3217 / 1 Euro, which reflects current exchange rate levels, would result in an expense saving of approximately $0.80 million.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not Applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

As of December 31, 2009 we were in breach of certain loan covenants (Refer to discussion of covenant breaches under "Item 5 – Operating and Financial Review And Prospects - Tabular Disclosure of Contractual Obligations – Long term debt" above. Despite these breaches, neither we nor any of our subsidiaries have been subject to a material default in the payment of principal, interest, a sinking fund or purchase fund installment or any other material default that was not cured within 30 days.

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

Not Applicable.

ITEM 15T. CONTROLS AND PROCEDURES

a) Disclosure Controls and Procedures.

Management, under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rules 13a-15(e) or 15d-15(e) promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"), as of the end of the period covered by this annual report (as of December 31, 2009).

The term disclosure controls and procedures are defined under SEC rules as controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective as of December 31, 2009.

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

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Exchange Act.

Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of Company's management and directors; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management with the participation of our Chief Executive Officer and Chief Financial Officer assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2009. In making this assessment, the Company used the control criteria framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO, published in its report entitled Internal Control-Integrated Framework. As a result of its assessment, the Chief Executive Officer and Chief Financial Officer concluded that the Company's internal controls over financial reporting are effective as of December 31, 2009.

This annual report does not contain an attestation report of the company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the company's registered public accounting firm pursuant to temporary rules of the SEC that permit the company to provide only management's report in this annual report.

c) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the period covered by this annual report that have materially effected or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

We have established an audit committee composed of three members that is responsible for reviewing our accounting controls and recommending to the Board of Directors the engagement of our outside auditors. Each member is an independent director under the corporate governance rules of the NASDAQ Global Select Market. The members of the audit committee are Messrs. Gibbs, Hamboullas and Economou. Mr. Gibbs meets the qualifications of an audit committee financial expert.

ITEM 16B. CODE OF ETHICS

The Board of Directors has adopted a Corporate Code of Business Ethics and Conduct that applies to all employees, directors and officers, that complies with applicable guidelines issued by the SEC. The finalized Code of Ethics has been approved by the Board of Directors and was distributed to all employees, directors and officers. We will also provide any person a hard copy of our code of ethics free of charge upon written request. Shareholders may direct their requests to the attention of Ms. Eirini Alexandropoulou at the Company's registered address and phone numbers.

ITEM 16C. PRINCIPAL AUDITOR FEES AND SERVICES

Aggregate fees billed to the Company for the years ended December 2008 and 2009 represent fees billed by the Company's principal accounting firm, Deloitte, the other member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively, "Deloitte & Touche").

U.S. Dollars in thousands,	**Year Ended**	
	2008	**2009**
Audit Fees	1,439	812
Tax Fees*	-	13
Total Fees	**1,439**	**825**

* Includes fees for PFIC Tax Services

Our audit committee pre-approves all audit, audit-related and non-audit services not prohibited by law to be performed by our independent auditors and associated fees prior to the engagement of the independent auditor with respect to such services.

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

See Item 16A above.

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

During the fourth quarter of 2008, our Board of Directors authorized a share repurchase program of up to $20 million for a share price of not more than $2.50 per share for the duration of one year. We began share repurchases during the fourth quarter of 2008 and the transactions were made in the open market on NASDAQ under Rule 10b-18 of the Exchange Act.

As at December 31, 2008 we had repurchased and cancelled an amount of 396,949 shares from the open market at an average price of $1.82. We continued our repurchase program until February 3, 2009 and during the first two months of 2009 we repurchased an amount of 358,601 shares from the open market at an average price of $2.02. The outstanding amount of 358,601 shares was cancelled effective as of February 25, 2009.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

The Company has certified to NASDAQ that its corporate governance practices are in compliance with, and are not prohibited by, the laws of the Republic of the Marshall Islands. Therefore, the Company is exempt from all of NASDAQ's corporate governance practices other than the requirements regarding the disclosure of a going concern audit opinion, notification of material non-compliance with NASDAQ corporate governance practices, and the establishment and composition of an audit committee that complies with SEC Rule 10A-3 and a formal written audit committee charter. The practices followed by the Company in lieu of NASDAQ's corporate governance rules are described below.

- The Company holds annual meetings of shareholders under the BCA, similar to NASDAQ requirements.
- In lieu of obtaining an independent review of related party transactions for conflicts of interests, the disinterested members of the Board of Directors approve related party transactions under the BCA.
- In lieu of obtaining shareholder approval prior to the issuance of designated securities, the Company complies with provisions of the BCA requiring that the Board of Directors approves share issuances.
- The Board of Directors does not hold regularly scheduled meetings at which only independent directors are present.

PART III

ITEM 17. FINANCIAL STATEMENTS

Not Applicable.

ITEM 18. FINANCIAL STATEMENTS

The following financial statements, together with the report of Deloitte, Hadjipavlou, Sofianos & Cambanis S.A., Certified Auditors Accountants S.A., thereon, are filed as part of this report:

TOP SHIPS INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Top Ships Inc., Majuro, Republic of the Marshall Islands

We have audited the accompanying consolidated balance sheets of Top Ships Inc. and subsidiaries (the "Company") as of December 31, 2008 and 2009, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2009. Our audits also included the financial statement schedule listed in the Index at Item 18. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Top Ships Inc. and subsidiaries as of December 31, 2008 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects, the information set forth therein.

The accompanying consolidated financial statements for the years ended December 31, 2008 and 2009, have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company's inability to comply with financial covenants under its current loan agreements as of December 31, 2009 and 2008 and its negative working capital position raise substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are discussed in Note 3 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Deloitte. Hadjipavlou, Sofianos, & Cambanis S.A.
Athens, Greece
June 18, 2010

TOP SHIPS INC.

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2008 AND 2009

(Expressed in thousands of U.S. Dollars - except share and per share data)

	December 31, 2008	December 31, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 46,242	$ -
Trade accounts receivable, net of provision of $3,275 and $1,949 as of December 31, 2008 and 2009, respectively	4,208	328
Insurance claims	173	183
Inventories (Note 7)	965	489
Advances to various creditors	776	403
Prepayments and other (Note 8)	4,724	2,384
Total current assets	57,088	3,787
FIXED ASSETS:		
Advances for vessels under construction (Note 9)	159,971	-
Vessels, net (Notes 10 and 11)	414,515	642,953
Other fixed assets, net (Note 5)	6,545	6,165
Total fixed assets	581,031	649,118
OTHER NON CURRENT ASSETS:		
Long-term receivables (Note 6)	7,681	-
Restricted cash (Notes 6 and 12)	52,575	22,244
Total assets	$ 698,375	$ 675,149
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt (Note 12)	$ 342,479	$ 399,087
Current portion of financial instruments (Note 21)	16,438	13,803
Accounts payable	8,968	3,942
Other current liabilities (Note 13)	5,000	-
Accrued liabilities	7,435	5,546
Unearned revenue	6,614	5,575
Total current liabilities	386,934	427,953
FAIR VALUE OF BELOW MARKET TIME CHARTER (Note 11)	3,911	-
DEFERRED GAIN ON SALE AND LEASEBACK OF VESSELS (Note 6)	15,479	-
COMMITMENTS AND CONTINGENCIES (Note 14)		
Total liabilities	406,324	427,953
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.01 par value; 20,000,000 shares authorized; none issued	-	-
Common stock, $0.01 par value; 1,000,000,000 shares authorized; 29,901,048 and 32,894,696 shares issued and outstanding at December 31, 2008 and 2009,		

respectively (Note 15)	283	311
Additional paid-in capital (Note 15)	271,056	276,305
Accumulated other comprehensive income	24	88
Retained earnings / (Accumulated deficit)	20,688	(29,508)
Total stockholders' equity	292,051	247,196
Total liabilities and stockholders' equity	$ 698,375	$ 675,149

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

TOP SHIPS INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2008 AND 2009

(Expressed in thousands of U.S. Dollars - except share and per share data)

	2007	2008	2009
REVENUES:			
Revenues (Notes 4 and 11)	$ 252,259	$ 257,380	$ 107,979
EXPENSES:			
Voyage expenses (Note 18)	59,414	38,656	3,372
Charter hire expense (Note 6)	94,118	53,684	10,827
Amortization of deferred gain on sale and leaseback of vessels and write-off of seller's credit (Note 6)	(15,610)	(18,707)	(7,799)
Lease termination expense (Note 6)	-	-	15,391
Vessel operating expenses (Note 18)	67,914	67,114	23,739
Dry-docking costs	25,094	10,036	4,602
Vessel depreciation (Note 10)	27,408	32,664	31,585
General and administrative expenses	25,000	31,388	23,835
Gain on sale of vessels (Note 10)	(1,961)	(19,178)	-
Impairment on vessels	-	-	36,638
Operating (loss) income	(29,118)	61,723	(34,211)
OTHER INCOME (EXPENSES):			
Interest and finance costs (Notes 12 and 19)	(19,518)	(25,764)	(13,969)
Loss on financial instruments (Note 21)	(3,704)	(12,024)	(2,081)
Interest income	3,248	1,831	235
Other, net	16	(127)	(170)
Total other expenses, net	(19,958)	(36,084)	(15,985)
Net (loss) income	$ (49,076)	$ 25,639	$ (50,196)
(Loss) earnings per common share, basic and diluted (Note 17)	$ (4.09)	$ 0.97	$ (1.78)
Weighted average common shares outstanding, basic and diluted	11,986,857	25,445,031	28,230,585

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

TOP SHIPS INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2007, 2008 AND 2009

(Expressed in thousands of U.S. Dollars - except share and per share data)

	Comprehensive (Loss) Income	Common Stock # of Shares	Common Stock Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings / (Accumulated Deficit)	Total
BALANCE, December 31, 2006		10,809,701	$ 108	$ 116,971	$ (6)	$ 44,125	$ 161,198
Net loss	$ (49,076)					(49,076)	(49,076)
Stock based compensation		213,000	2	933			935
Issuance of common stock, net		9,485,874	95	98,246			98,341
Other comprehensive income - Accumulated unrecognized actuarial gain	10				10		10
Comprehensive loss	$ (49,066)						
BALANCE, December 31, 2007		20,508,575	$ 205	$ 216,150	$ 4	$ (4,951)	$ 211,408
Net income	$ 25,639					25,639	25,639
Stock based compensation		2,521,009	9	5,107			5,116
Cancellation of fractional shares		(279)	-	(2)			(2)
Repurchase and cancellation of common stock (396.949 shares)		(396,949)	(4)	(727)			(731)
Issuance of common stock, net		7,268,692	73	50,528			50,601
Other comprehensive income - Accumulated unrecognized actuarial gain	20				20		20
Comprehensive income	$ 25,659						
BALANCE, December 31, 2008		29,901,048	$ 283	$ 271,056	$ 24	$ 20,688	$ 292,051
Net loss	$ (50,196)					(50,196)	(50,196)
Stock based compensation		1,122,249	10	3,457			3,467
Cancellation of fractional shares							
Repurchase and cancellation of common stock (358,601 shares)		(358,601)	(4)	(728)			(732)
Issuance of common stock, net		2,230,000	22	2,520			2,542
Other comprehensive income - Accumulated unrecognized actuarial gain	64				64		64
Comprehensive loss	$ (50,132)						
BALANCE, December 31, 2009		32,894,696	$ 311	$ 276,305	$ 88	$ (29,508)	$ 247,196

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

TOP SHIPS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2008 AND 2009

(Expressed in thousands of U.S. Dollars)

	2007	**2008**	**2009**
Cash Flows (used in) provided by Operating Activities:			
Net(loss) income	(49,076)	25,639	(50,196)
Adjustments to reconcile net (loss) income to net cash			
(used in) provided by operating activities:			
Depreciation	28,043	33,474	32,466
Amortization and write off of deferred financing costs	2,081	5,131	2,539
Stock-based compensation expense	935	5,116	3,467
Change in fair value of financial instruments	4,904	10,650	(2,635)
Financial instrument termination payments	-	(7,500)	-
Amortization of deferred gain on sale and leaseback of vessels and write-off of seller's credit	(15,610)	(18,707)	(7,799)
Amortization of fair value of below market time charter	(1,413)	(21,795)	(3,911)
Loss (gain) on sale of other fixed assets	69	126	165
Gain on sale of vessels	(1,961)	(19,178)	-
Impairment on vessels	-	-	36,638
Provision for doubtful accounts	1,302	3,142	1,017
Decrease (Increase) in:			
Trade accounts receivable	10,701	7,834	2,863
Insurance claims	(1,656)	(3,569)	(2,666)
Inventories	(1,498)	6,993	476
Advances to various creditors	2,599	332	373
Prepayments and other	(374)	874	2,340
Increase (Decrease) in:			
Accounts payable	6,350	(12,428)	(5,048)
Accrued liabilities	(1,460)	(4,451)	(2,474)
Unearned revenue	4,774	164	(1,039)
Net Cash (used in) provided by Operating Activities	(11,290)	11,847	6,576

TOP SHIPS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2008 AND 2009

(Expressed in thousands of U.S. Dollars)

	2007	2008	2009
Cash Flows (used in) provided by Investing Activities:			
Principal payments received under capital lease		46,000	-
Principal payments paid under capital lease		(68,828)	-
Advances for vessels acquisition / under construction	(37,343)	(114,260)	
Vessel acquisitions	(355,045)	(118,142)	(136,678)
Insurance claims recoveries	1,852	3,447	2,656
Increase in restricted cash	-	(26,075)	-
Decrease in restricted cash	23,500	-	30,331
Net proceeds from sale of vessels	51,975	338,143	-
Net proceeds from sale of fixed assets	74	58	156
Acquisition of other fixed assets	(3,295)	(1,792)	(836)
Net Cash (used in) provided by Investing Activities	(318,282)	58,551	(104,371)
Cash Flows provided by (used in) Financing Activities:			
Proceeds from long-term debt	316,851	271,156	111,670
Principal payments of long-term debt	(26,955)	(51,413)	(44,774)
Prepayment of long-term debt	(65,582)	(317,150)	(9,500)
Financial instrument termination payments	-	-	(5,000)
Financial instrument upfront receipt	8,500	1,500	-
Proceeds from issuance of common stock, net of issuance costs	98,341	50,601	2,569
Cancellation of fractional shares	-	(2)	-
Repurchase and cancellation of common stock		(731)	(732)
Payment of financing costs	(5,563)	(4,129)	(2,680)
Net Cash provided by (used in) Financing Activities	325,592	(50,168)	51,553
Net (decrease) increase in cash and cash equivalents	(3,980)	20,230	(46,242)
Cash and cash equivalents at beginning of year	29,992	26,012	46,242
Cash and cash equivalents at end of year	26,012	46,242	-
SUPPLEMENTAL CASH FLOW INFORMATION			
Interest paid net of capitalized interest	13,731	19,616	16,764
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES			
Fair value of below market time charter	30,612	12,647	-
Amounts owed for capital expenditures at the end of year	1,215	55	52

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2009
(Expressed in thousands of United States Dollars – except share and per share data, unless otherwise stated)

1. Basis of Presentation and General Information:

The accompanying consolidated financial statements include the accounts of Top Ships Inc. (formerly Top Tankers Inc. and Ocean Holdings Inc.) and its wholly owned subsidiaries (collectively the "Company"). Ocean Holdings Inc. was formed on January 10, 2000, under the laws of Marshall Islands, was renamed to Top Tankers Inc. and Top Ships Inc. in May 2004 and December 2007 respectively.

Top Ships Inc. is the sole owner of all outstanding shares of the following subsidiaries with vessels in operations and other active companies as of December 31, 2009:

	Shipowning Companies with vessels in operations at December 31, 2009	*Date of Incorporation*	*Country of Incorporation*	*Vessel*
1	*Lefka Shipping Company Limited ("Lefka")*	March 2005	Marshall Islands	Dauntless (acquired March 2005)
2	*Ilisos Shipping Company Limited ("Ilisos")*	April 2005	Marshall Islands	Ioannis P. (acquired November 2005)
3	*Amalfi Shipping Company Limited ("Amalfi")*	July 2007	Marshall Islands	Amalfi (acquired December 2007) (Note 11)
4	*Jeke Shipping Company Limited ("Jeke")*	July 2007	Liberia	Voc Gallant (acquired February 2008) (Note 10, 11)
5	*Japan I Shipping Company Limited ("Japan I")*	August 2007	Liberia	Pepito (acquired March 2008) (Note 10)
6	*Japan II Shipping Company Limited ("Japan II")*	August 2007	Liberia	Astrale (acquired May 2008) (Note 10)
7	*Japan III Shipping Company Limited ("Japan III")*	August 2007	Liberia	Cyclades (acquired December 2007)
8	*Warhol Shipping Company Limited ("Warhol")*	July 2008	Liberia	Miss Marilena (delivered February 2009) (Note 9, 10)
9	*Lichtenstein Shipping Company Limited ("Lichtenstein")*	July 2008	Liberia	Lichtenstein (delivered February 2009) (Note 9, 10)
10	*Banksy Shipping Company Limited ("Banksy")*	July 2008	Liberia	Ionian Wave (delivered March 2009) (Note 9, 10)
11	*Indiana R Shipping Company Limited ("Indiana R")*	July 2008	Liberia	Tyrrhenian Wave (delivered March 2009) (Note 9, 10)
12	*Britto Shipping Company Limited ("Britto")*	July 2008	Liberia	Britto (delivered May 2009) (Note 9, 10)
13	*Hongbo Shipping Company Limited ("Hongbo")*	July 2008	Liberia	Hongbo (delivered August 2009) (Note 9,10)
	Other Companies	***Date of Incorporation***	***Country of Incorporation***	***Activity***
14	*Top Tankers (U.K.) Limited*	January 2005	England and Wales	Representative office in London
15	*TOP Tanker Management Inc.*	May 2004	Marshall Islands	Management Company
16	*Ierissos Shipping Inc*	November 2008	Marshall Islands	Cash Manager

1. Basis of Presentation and General Information - (continued):

The Company is an international provider of worldwide seaborne crude oil and petroleum products transportation services and of drybulk transportation services, through the ownership and operation of the vessels mentioned above.

During 2007, 2008, and 2009, two, one and three charterers individually accounted for more than 10% of the Company's revenues as follows:

Charterer	Year Ended December 31,		
	2007	2008	2009
A	23%	17%	22%
B	10%		
C			18%
D			14%

The Company's Manager

TOP Tanker Management Inc. (the "Manager") is responsible for all of the chartering, operational and technical management of the Company's fleet. Each of the Company's ship-owning subsidiaries have entered into a management agreement with the Manager, under which management services are provided in exchange for a fixed monthly fee per vessel.

As of December 31, 2009, the Manager has subcontracted the day to day technical management of certain vessels to unaffiliated ship management companies, V. Ships Management Limited and Interorient Maritime Enterprises Inc. (collectively the "sub-managers"). The sub-managers provide day to day operational and technical services to the Company's vessels at a fixed monthly fee per vessel. Such fees for the years ended December 31, 2007, 2008 and 2009 totaled $1,828, $1,159 and $419 respectively and are reflected in General and administrative expenses in the accompanying consolidated statements of operations. At December 31, 2008 and 2009 the amount due to the sub-managers totaled $702 and $306 respectively and is included in Accounts Payable in the accompanying consolidated balance sheets.

2. Significant Accounting Policies:

(a) ***Principles of Consolidation:*** The accompanying consolidated financial statements have been prepared in accordance with U.S generally accepted accounting principles ("US GAAP") and include the accounts and operating results of Top Ships Inc. and its wholly-owned subsidiaries referred to in Note 1. Intercompany balances and transactions have been eliminated in consolidation.

(b) ***Use of Estimates:*** The preparation of consolidated financial statements in conformity with U.S generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Critical estimates mainly include impairment of vessels, vessel useful lives and residual values, provision for doubtful accounts and fair values of derivative instruments.

(c) ***Foreign Currency Translation:*** The Company's functional currency is the U.S. Dollar because all vessels operate in international shipping markets, and therefore primarily transact business in U.S. Dollars. The Company's books of accounts are maintained in U.S. Dollars. Transactions involving other currencies during the year are converted into U.S. Dollars using the exchange rates in effect at the time of the transactions. At the balance sheet dates, monetary assets and liabilities, which are denominated in other currencies, are translated to reflect the year-end exchange rates. Resulting gains or losses are reflected in General and administrative expenses in the accompanying consolidated statements of operations.

(d) ***Cash and Cash Equivalents:*** The Company considers highly liquid investments such as time deposits and certificates of deposit with an original maturity of three months or less to be cash equivalents.

(e) ***Restricted Cash:*** The Company considers amounts that are pledged, blocked, held as cash collateral, required to be maintained with a specific bank or be maintained by the Company as an overall cash position as part of a loan agreement, as restricted (Notes 6 and 12).

(f) ***Trade Accounts Receivable, net:*** The amount shown as Trade Accounts Receivable, net at each balance sheet date, includes estimated recoveries from charterers for hire, freight and demurrage billings, net of a provision for doubtful accounts. At each balance sheet date, all potentially uncollectible accounts are assessed individually, combined with the application of a historical recoverability ratio, for purposes of determining the appropriate provision for doubtful accounts. Provision for doubtful accounts at December 31, 2008 and 2009 totaled $3,275 and $1,949, and is summarized as follows:

2. Significant Accounting Policies - (continued):

	Provision for doubtful accounts
Balance, December 31, 2006	**283**
—Additions	1,302
—Reversals / write-offs	(784)
Balance, December 31, 2007	**801**
—Additions	3,866
— Reversals / write-offs	(1,392)
Balance, December 31, 2008	**3,275**
—Additions	1,939
— Reversals / write-offs	(3,265)
Balance, December 31, 2009	**1,949**

(g) ***Insurance Claims:*** Insurance claims, relating mainly to crew medical expenses and hull and machinery incidents are recorded upon collection or agreement with the relevant party of the collectible amount when collectibility is probable.

(h) ***Inventories:*** Inventories consist of bunkers, lubricants and consumable stores which are stated at the lower of cost or market. Cost, which consists of the purchase price, is determined by the first in, first out method.

(i) ***Vessel Cost:*** Vessels are stated at cost, which consists of the contract price, pre-delivery costs incurred during the construction of newbuildings, capitalized interest and any material expenses incurred upon acquisition (improvements and delivery costs). Subsequent expenditures for conversions and major improvements are also capitalized when they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of the vessels. Repairs and maintenance are charged to expense as incurred and are included in Vessel operating expenses in the accompanying consolidated statements of operations.

(j) ***Impairment of Long-Lived Assets:*** Long-lived assets are reviewed quarterly for impairment or whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the carrying value of the related asset exceeds its undiscounted future net cash flows, excluding interest charges expected to be generated by the use of the asset, the carrying value is reduced to its fair value. We did not note for 2007 any events or changes in the circumstances indicating that the carrying amount of our vessels may not be recoverable. Various future looking factors including charter rates and vessel operating costs are included in this analysis. The Company calculates future estimates based on a set of assumptions that takes into account historical and current market data as well historical operating information filtered through management's cumulative knowledge and experience of the company and the shipping market in general. In the fourth quarter of 2008, shipping market conditions deteriorated significantly, mainly in the drybulk sector, as a result of the credit crisis and the resulting slowdown in world trade. These are conditions that the Company considered to be indicators of potential impairment. The Company performed the undiscounted cash flow test as of December 31, 2008 and determined that the carrying amounts of its vessels held for use were recoverable despite the significant drop in values of drybulk vessels. During 2009, the drybulk market

2. Significant Accounting Policies - (continued):

stabilized and the charter market recovered resulting in a somewhat recovery in asset values. On the contrary, the product tanker sector, to which the Company is mainly exposed to, experienced a significant drop in charter rates and as a result, a quarter on quarter drop in asset values. Despite these market conditions, on the back of expectations of a recovery in charter rates, similar to the one experienced in the drybulk market in 2009, the Company did not record an impairment charge for the first three quarters of 2009.

During the fourth quarter of 2009, the Company began exploring the re-chartering of its two oldest tanker vessels, M/T Dauntless and M/T Ioannis P, due to their upcoming charter expirations. Based on discussions with charterers the Company had indications that such vessels would need to be re-chartered at significantly lower rates upon expiration of their existing charters. As a result, during the fourth quarter of 2009, the Company performed the undiscounted cash flow test for all of its vessels as of December 31, 2009 and determined that the carrying amounts of these two vessels, M/T Dauntless and M/T Ioannis P were not recoverable by their undiscounted cash flows indicating impairment. The Company measured the impairment loss on the basis of vessels' fair market value determined based on a market approach. The resulting impairment charge of $36,638 for the year ended December 31, 2009 is included in Impairment on vessels, which is separately reflected in the accompanying consolidated statements of operations.

(k) ***Assets Held for Sale:*** It is the Company's policy to dispose of vessels when suitable opportunities occur and not necessarily to keep them until the end of their useful life. The Company classifies vessels as being held for sale when: management has committed to a plan to sell the vessels; the vessels are available for immediate sale in their present condition; an active program to locate a buyer and other actions required to complete the plan to sell the vessels have been initiated; the sale of the vessels is probable, and transfer of the asset is expected to qualify for recognition as a completed sale within one year; the vessels are being actively marketed for sale at a price that is reasonable in relation to their current fair value and actions required to complete the plan to sell indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Long-lived assets classified as held for sale are measured at the lower of their carrying amount or fair value less cost to sell. These vessels are not depreciated once they meet the criteria to be classified as held for sale. No vessels were determined to be held for sale at December 31, 2008 and 2009.

(l) ***Vessel Depreciation:*** Depreciation is calculated using the straight-line method over the estimated useful life of the vessels, after deducting the estimated salvage value. Each vessel's salvage value is equal to the product of its lightweight tonnage and estimated scrap rate. Management estimates the useful life of the Company's vessels to be 25 years from the date of initial delivery from the shipyard. Second hand vessels are depreciated from the date of their acquisition through their remaining estimated useful life. When regulations place limitations over the ability of a vessel to trade on a worldwide basis, its useful life is adjusted at the date such regulations are adopted.

2. Significant Accounting Policies - (continued):

(m) ***Other Fixed Assets, Net:*** Other fixed assets, net consists of furniture, office equipment, cars and leasehold improvements, stated at cost, which consists of the purchase / contract price less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful life of the assets, while leasehold improvements are depreciated over the lease term, as presented below:

Description	Useful Life (years)
Leasehold improvements	12
Cars	6
Office equipment	5
Furniture and fittings	5
Computer equipment	3

(n) ***Accounting for Dry-Docking Costs:*** All dry-docking costs are accounted for under the direct expense method, under which they are expensed as incurred and are reflected separately in the accompanying consolidated statements of operations.

(o) ***Sale and Leaseback Transactions:*** The gains on sale of vessel sale and leaseback transactions are deferred and amortized to income over the lease period.

(p) ***Financing Costs:*** Fees incurred and paid to the lenders for obtaining new loans or refinancing existing ones are recorded as a contra to debt and such fees are amortized to interest expense over the life of the related debt using the effective interest method. Unamortized fees relating to loans repaid or refinanced are expensed when a repayment or refinancing is made and charged to interest and finance costs.

(q) ***Pension and Retirement Benefit Obligations—Crew:*** The ship-owning companies included in the consolidation employ the crew on board under short-term contracts (usually up to nine months) and accordingly, they are not liable for any pension or post retirement benefits.

(r) ***Staff leaving Indemnities – Administrative personnel:*** The Company's employees are entitled to termination payments in the event of dismissal or retirement with the amount of payment varying in relation to the employee's compensation, length of service and manner of termination (dismissed or retired). Employees who resign, or are dismissed with cause are not entitled to termination payments. The Company's liability on an actuarially determined basis, at December 31, 2008 and 2009 amounted to $258 and $266, respectively.

(s) ***Accounting for Revenue and Expenses:*** Revenues are generated from bareboat charter, time charter and voyage charter agreements. A bareboat charter is a contract in which the vessel owner provides the vessel to the charterer for a fixed period of time at a specified daily rate,

2. Significant Accounting Policies - (continued):

which is generally payable monthly in advance, and the customer generally assumes all risk and costs of operation during the charter term. A time charter is a contract for the use of a vessel for a specific period of time and a specified daily charter hire rate, which is generally payable monthly in advance. Profit sharing represents the excess between an agreed daily base rate and the actual rate generated by the vessel every quarter, if any, and is settled and recorded on a quarterly basis. Under a voyage charter the revenues, including demurrages and associated voyage costs, with the exception of port expenses which are recorded as incurred, are recognized on a proportionate performance method over the duration of the voyage. A voyage is deemed to commence upon the latest between the completion of discharge of the vessel's previous cargo and the charter party date of the current voyage and is deemed to end upon the completion of discharge of the current cargo. Demurrage income represents payments by the charterer to the Company when loading or discharging time exceeded the stipulated time in the voyage charter. Vessel operating expenses are expensed as incurred. Unearned revenue represents cash received prior to year-end related to revenue applicable to periods after December 31 of each year.

When vessels are acquired with time charters attached and the rates on such charters are below market on the acquisition date, the Company allocates the total cost between the vessel and the fair value of below market time charter based on the relative fair values of the vessel and the liability acquired. The fair value of the attached time charter is computed as the present value of the difference between the contractual amount to be received over the term of the time charter and management's estimates of the market time charter rate at the time of acquisition. The fair value of below market time charter is amortized over the remaining period of the time charter as an increase to revenues (Note 11).

As is common in the drybulk and tanker shipping industries, we pay commissions ranging from 1.25% to 6.25% of the total daily charter hire rate of each charter to ship brokers associated with the charterers.

(t) **Stock Incentive Plan:** All share-based compensation related to the grant of restricted and/or unrestricted shares provided to employees and to non-employee directors, for their services as directors, is included in General and administrative expenses in the consolidated statements of operations. The shares that do not contain any future service vesting conditions are considered vested shares and recognized in full on the grant date. The shares that contain a time-based service vesting condition are considered non-vested shares on the grant date and recognized on a straight-line basis over the vesting period. The shares, vested and non-vested are measured at fair value, which is equal to the market value of the Company's common stock on the grant date.

(u) ***Earnings / (Loss) per Share:*** Basic earnings per share are computed by dividing net income or loss available to common stockholders' by the weighted average number of common shares deemed outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised.

(v) ***Related Parties :*** The Company considers as related parties the affiliates of the Company; entities for which investments are accounted for by the equity method; principal owners of the Company; its management; members of the immediate families of principal owners of the Company; and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. Another party also is a related party if it can significantly influence the management or operating policies of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own

2. Significant Accounting Policies - (continued):

separate interests. An Affiliate is a party that, directly or indirectly through one or more intermediaries, controls, is controlled by, or has common control with the Company. Control is the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of an enterprise through ownership, by contract and otherwise. Immediate Family is family members whom a principal owner or a member of management might control or influence or by whom they might be controlled or influenced because of the family relationship. Management is the persons who are responsible for achieving the objectives of the Company and who have the authority to establish policies and make decisions by which those objectives are to be pursued. Management normally includes members of the board of directors, the CEO, the CFO, Vice President in charge of principal business functions and other persons who perform similar policy making functions. Persons without formal titles may also be members of management. Principal owners are owners of record or known beneficial owners of more than 10% of the voting interests of the Company.

(w) **Derivatives and Hedging** : The Company records every derivative instrument (including certain derivative instruments embedded in other contracts) in the balance sheet as either an asset or liability measured at its fair value, with changes in the derivatives' fair value recognized currently in earnings unless specific hedge accounting criteria are met. The Company has not applied hedge accounting for its derivative instruments during the periods presented.

The fair value of derivative liabilities was not adjusted for nonperformance risk as the Company, as one of the parties to a derivative transaction expects to be able to perform under the contractual terms of its derivative agreements, such as making cash payments at periodic net settlement dates or upon termination.

(x) ***Segment Reporting:*** . The Company has determined that it operates under two reportable segments, based on the way the Company's CEO reviews operating results, as a provider of international seaborne transportation services, carrying petroleum products and crude oil ("Tanker Fleet") and, drybulk commodities for the steel, electric utility, construction and agri-food industries ("Drybulk Fleet"). The accounting policies applied to the reportable segments are the same as those used in the preparation of the Company's consolidated financial statements.

The Company reports financial information and evaluates its operations by charter revenues and not by the length of ship employment for its customers (i.e., spot or time charters) or by geographical region as the charterer is free to trade the vessel worldwide and, as a result, the disclosure of geographic information is impracticable. The Company does not have discrete financial information to evaluate the operating results for each such type of charter. Although revenue can be identified for these types of charters, management cannot and does not identify expenses, profitability or other financial information for these charters.

(aa) ***Recent Accounting Pronouncements:***

(a) **Fair Value Measurements and Disclosures:** Was issued in September 2006 and it addresses standardizing the measurement of fair value for companies that are required to use a fair value measure of recognition for recognition or disclosure purposes. The fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measure date". Fair Value Measurement is effective for financial statements issued for fiscal years beginning after

2. Significant Accounting Policies - (continued):

November 15, 2007. The Company has adopted Fair Value Measurement effective January 1, 2008 and the adoption of this statement did not have a material effect on the Company's financial position, results of operations and cash flows. In February 2008, the effective date was delayed for non financial assets and liabilities, except for items recognized or disclosed at fair value at least once a year, to fiscal years beginning after November 15, 2008. Furthermore, it was amended to cover interim periods within the fiscal years for items within its scope. The Company has adopted the amendment of Fair Value Measurement in the first quarter of 2009, which did not have a material effect on the Company's financial position, results of operations and cash flows. On October 10, 2008, Fair Value Measurement was further amended to clarify the application of Fair Value Measurements, in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. The amendment was effective upon issuance including prior periods for which financial statements have not been issued. The Company has incorporated this new guidance as it relates to the Company's derivative instruments and impaired vessels (Note 21). The adoption of this amendment did not have a material impact on the Company's financial statements.

(b) **Earnings per share ("EPS"):** Was issued in June 2008 and it clarifies that all outstanding non-vested share-based payment awards that contain rights to non forfeitable dividends participate in undistributed earnings with common shareholders. Awards of this nature are considered participating securities, and the two-class method of computing basic earnings per share must be applied. The Company determined that restricted share units granted under its equity incentive plan are participating securities because the restricted share units participate in dividends. The guidance is effective for fiscal years beginning after December 15, 2008, and interim periods within those years. Early application is prohibited. It also requires that all prior-period EPS data be adjusted retroactively. The Company has adopted these requirements effective January 1, 2009 and the adoption resulted in a decrease of $0.04 in the basic and diluted earnings per share for the year ended December 31, 2008. When it was retroactively applied to the year ended December 31, 2007 EPS data was not affected due to the fact that the Company incurred net loss and non-vested shares do not participate in losses.

(c) **Derivatives and Hedging:** Was issued in March 2008 and is intended to provide users of financial statements with enhanced understanding of derivative instruments and hedging activities by requiring qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on instruments, and disclosures about credit-risk-related contingent features in derivative agreements. The guidance is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008 and it does not require comparative disclosures for earlier periods at initial adoption. The Company adopted the relevant guidance in the first quarter of 2009 and provided relevant disclosures in Note 21.

(d) **FASB Accounting Standards Codification:** Was issued in June 2009 and identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements by establishing two levels of US GAAP: authoritative and nonauthoritative. This is accomplished by authorizing the "FASB Accounting Standards Codification". On June, 2009, the "FASB Accounting Standards Codification" became the single source of authoritative nongovernmental US GAAP, superseding existing FASB,

2. Significant Accounting Policies - (continued):

American Institute of Certified Public Accountants (AICPA), Emerging Issues Task Force
(EITF), and related literature. After that date, only one level of authoritative GAAP exists. All other literature is considered non-authoritative. The Codification does not change US GAAP; instead, it introduces a new structure-one that is organized in an easily accessible, user-friendly online research system. This new guidance is effective for financial statements issued for interim and annual periods ending after September 15, 2009 The Company has adopted the new "FASB Accounting Standards Codification of US GAAP" in the third quarter of 2009 and revised references to US GAAP in these consolidated financial statements to reflect the guidance in the Codification.

(e) **Consolidation of variable interest entities ("VIE").** Was issued in June 2009 and responds to concerns about the application of certain key provisions of then applicable FASB interpretation, including those regarding the transparency of the involvement with VIEs. The new guidance revises the approach to determining the primary beneficiary of a VIE to be more qualitative in nature and requires companies to more frequently reassess whether they must consolidate a VIE. Specifically, the new guidance requires a qualitative approach to identifying a controlling financial interest in a VIE and requires ongoing assessment of whether an entity is a VIE and whether an interest in a VIE makes the holder the primary beneficiary of the VIE. In addition, the standard requires additional disclosures about the involvement with a VIE and any significant changes in risk exposure due to that involvement. The guidance is effective as of the beginning of the first fiscal year that begins after November 15, 2009 and early adoption is prohibited. The Company is evaluating the impact of this guidance on its consolidated financial statements.

3. Going Concern:

As of December 31, 2008, the Company was in breach of the minimum asset cover ratio and other vessel value related covenants contained in the Company's loan agreements. As a result of these covenant breaches and cross-default provisions, the Company has classified all its debt as current to the consolidated financial statements. During 2009, the Company received waivers for minimum asset cover as defined by each bank, as well as for adjusted net worth, EBITDA, minimum liquidity and leverage ratio with certain banks, until March 31, 2010, and has amended the terms of its loans.

As of December 31, 2009, the Company was in breach of loan covenants relating to EBITDA, overall cash position (minimum liquidity covenants), adjusted net worth, net asset value and asset cover of product tankers with certain banks not previously waived. As a result of these covenant breaches with all the banks, the Company has classified all its debt and financial instruments as current. The amount of long term debt and financial instruments that have been reclassified and presented together with current liabilities amounts to $351,202 and $9,916, respectively (Note 12).

3. Going Concern – (continued):

Based on projections for 2010, the Company does not expect that existing cash reserves and cash generated from operations will be sufficient to pay loan installments and accumulated or accrued interest as they fall due under the existing credit facilities. The main reason for this shortfall is the increased loan repayments, including the repayment in July 2010 of a bridge loan provided by DVB bank for the financing of the delivery installment of M/T Hongbo. Had it not been for the bridge loan, which as of December 31, 2009 amounted to $11,200, cash from operations would have been sufficient to cover working capital requirements and service the debt. As of the date of this annual report, the Company is in discussions with DVB in order to defer part or whole of the bridge loan for at least one year, in which case the Company expects it will meet all its obligations as they fall due. In addition to DVB, the Company is also in discussions with various other financiers that can refinance part or whole of the bridge loan. In the case where the Company is not able to extend or refinance the bridge loan, it will consider whether a sale of an asset is required. The sale and purchase market has been very liquid as of the date of this annual report, and management expects that it will continue being so in the foreseeable future, and given the high quality of assets and charters that the Company has in its portfolio, the sale of a vessel provides with a realistic alternative to the extension or refinancing of the bridge loan.

The consolidated financial statements have been prepared assuming that the Company will continue as a going concern. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts the amounts and classification of liabilities, or any other adjustments that might result should the Company be unable to continue as a going concern, except for the current classification of debt and financial instruments.

The Company believes that it will be able to make loan installments and accumulated or accrued interest payments as they fall due under the existing senior credit facilities and, therefore, its lenders will not demand payment of the loans before their maturity, due to covenant breaches.

4. Segment Reporting:

The following tables present segment results for the years ended December 31, 2007, 2008 and 2009 respectively:

Year ended December 31, 2007	Tanker Fleet	Drybulk Fleet	Unallocated (1)	Total
REVENUES:				
Revenues	248,944	1,902	1,413	252,259
EXPENSES:				
Voyage expenses	59,253	161	-	59,414
Charter hire expense	94,118	-	-	94,118
Amortization of deferred gain on sale and leaseback of vessels	(15,610)	-	-	(15,610)
Vessel operating expenses	67,225	689	-	67,914
Dry-docking costs	25,094	-	-	25,094
Vessel depreciation	26,560	848	-	27,408
General and administrative expenses	24,550	274	176	25,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2009
(Expressed in thousands of United States Dollars – except share and per share data, unless otherwise stated)

4. Segment Reporting – (continued):

Gain on sale of vessels	(1,961)	-	-	(1,961)
Operating (loss) income	(30,285)	(70)	1,237	(29,118)
Interest and finance costs	(17,464)	(2,054)	-	(19,518)
Segment (loss) income	(47,749)	(2,124)	1,237	(48,636)
Fair value change of financial instruments				(3,704)
Interest income				3,248
Other, net				16
Net loss				(49,076)

(1) Unallocated amounts relate to the drybulk vessels' amortization of the fair value of below market time charter contracts acquired of $1,413 less the foreign currency losses, net of $176. These amounts are unallocated as they are not included in the financial information used by the chief operating decision maker to allocate the Company's resources.

4. Segment Reporting – (continued):

Year ended December 31, 2008	Tanker Fleet	Drybulk Fleet	Unallocated (1)	Total
REVENUES:				
Revenues	163,995	71,590	21,795	257,380
EXPENSES:				
Voyage expenses	34,215	4,441	-	38,656
Charter hire expense	53,684	-	-	53,684
Amortization of deferred gain on sale and leaseback of vessels	(18,707)	-	-	(18,707)
Vessel operating expenses	56,272	10,842	-	67,114
Dry-docking costs	9,450	586	-	10,036
Vessel depreciation	13,867	18,797	-	32,664
General and administrative expenses	23,554	7,935	(101)	31,388
Gain on sale of vessels	(21,347)	2,169	-	(19,178)
Operating income	13,007	26,820	21,896	61,723
Interest and finance costs	(11,888)	(13,876)	-	(25,764)
Segment income	1,119	12,944	21,896	35,959
Fair value change of financial instruments				(12,024)
Interest income				1,831
Other, net				(127)
Net Income				25,639

(1) Unallocated amounts relate to the drybulk vessels' amortization of the fair value of below market time charter contracts acquired of $21,795, the management fees related to the management of third party vessels of $16 less the foreign currency gains, net of $85. These amounts are unallocated as they are not included in the financial information used by the chief operating decision maker to allocate the Company's resources.

4. Segment Reporting – (continued):

Year ended December 31, 2009	Tanker Fleet	Drybulk Fleet	Unallocated (1)	Total
REVENUES:				
Revenues	47,353	56,715	3,911	107,979
EXPENSES:				
Voyage expenses	1,118	2,254	-	3,372
Charter hire expense	10,827	-	-	10,827
Amortization of deferred gain on sale and leaseback of vessels and write-off of seller's credit	(7,799)	-	-	(7,799)
Lease Termination expense	15,391			15,391
Vessel operating expenses	15,032	8,707	-	23,739
Dry-docking costs	4,543	59	-	4,602
Vessel depreciation	12,580	19,005	-	31,585
General and administrative expenses	15,252	8,518	65	23,835
Impairment on vessels	36,638	-	-	36,638
Operating (loss) income	(56,229)	18,172	3,846	(34,211)
Interest and finance costs	(7,692)	(5,519)	(758)	(13,969)
Segment (loss) income	(63,921)	12,653	3,088	(48,180)
Loss on financial instruments				(2,081)
Interest income				235
Other, net				(170)
Net loss				(50,196)

(1) Unallocated amounts relate to the drybulk vessels' amortization of the fair value of below market time charter contracts acquired of $3,911, bridge loan fees for working capital purposes of $758, less the foreign currency losses, net of $65. These amounts are unallocated as they are not included in the financial information used by the chief operating decision maker to allocate the Company's resources.

A reconciliation of segment cash flows to amounts presented in the consolidated cash flow statements is as follows for the year ended December 31, 2007:

Year ended December 31, 2007	Tanker Fleet	Drybulk Fleet	Unallocated (1)	Total
Cash paid for vessels	187,360	167,685	-	355,045
Cash paid for advances for vessel acquisition	17,028	20,315		37,343

A reconciliation of segment assets, liabilities and cash flows to amounts presented in the consolidated balance sheets and cash flow statements is as follows for the years ended December 31, 2008 and 2009 respectively:

Year ended December 31, 2008	Tanker Fleet	Drybulk Fleet	Unallocated (1)	Total
Trade accounts receivable, net	4,418	(210)	-	4,208
Vessels, net	79,056	335,459	-	414,515

4. Segment Reporting – (continued):

Current portion of long-term debt	165,965	176,514	-	342,479
Total assets at December 31, 2008	275,932	351,331	71,112	698,375
Cash paid for vessels	-	118,142	-	118,142
Cash paid for advances for vessel acquisition	114,260	-	-	114,260

(1) Unallocated mainly relates to cash and cash equivalents and restricted cash of $61,389 and other fixed assets of $6,545, which are not allocated to individual segments.

Year ended December 31, 2009	**Tanker Fleet**	**Drybulk Fleet**	**Unallocated (1)**	**Total**
Trade accounts receivable, net	318	10	-	328
Vessels, net	326,500	316,453	-	642,953
Current portion of long-term debt	254,547	141,654	2,886	399,087
Total assets at December 31, 2009	337,770	326,270	11,109	675,149
Cash paid for vessels	136,678	-	-	136,678

(1) Unallocated mainly relates to cash and cash equivalents (including restricted cash) of $2,974, other fixed assets of $6,165, and bridge loan balance for working capital purposes of $2,886, which are not allocated to individual segments.

5. Transactions with Related Parties:

(a) ***Pyramis Technical Co. S.A.:*** Pyramis Technical Co. S.A., is wholly owned by the father of the Company's Chief Executive Officer and has been responsible for the renovation of the Company's premises. As of December 31, 2008, the total contracted cost amounted to Euro 2,959 or $4,112 (based on the U.S. Dollar/Euro exchange rate as of December 31, 2008), out of which Euro 3,402 or $4,555 (based on the U.S. Dollar/Euro exchange rate as of December 31, 2008) was paid up to December 31, 2008 and is included in the $4,698 renovation works. As of December 31, 2009, the total contracted cost amounted to Euro 3,110 or $4,487 (based on the U.S. Dollar/Euro exchange rate as of December 31, 2009), out of which Euro 3,599 or $5,193 (based on the U.S. Dollar/Euro exchange rate as of December 31, 2009) was paid up to December 31, 2009 and is included in the Euro 3,701 or $5,340 (based on the U.S. Dollar/Euro exchange rate as of December 31, 2009) renovation works. The renovation works are included in Other fixed assets, net, which are separately presented in the accompanying December 31, 2009 consolidated balance sheet and are depreciated over the lease period, which is 12 years.

Cardiff Marine Inc. ("Cardiff"): Both Cardiff and Sphinx Investment Corp. are controlled by Mr. George Economou who has been a related party since April 2008, when the Company privately placed $7.3 million with various investors (Note 15). As of December 31, 2009, Sphinx Investment Corp. holds approximately 12.56% of the Company's outstanding common stock. Cardiff provides the Company with chartering and sale and purchase brokerage services. During the twelve months ended December 31, 2008 and 2009, Cardiff charged the Company $4,245 and $0 for commissions for vessels' acquisitions, included in Vessels, net. During the twelve months ended December 31, 2008 and 2009, Cardiff charged the Company $570 and $862 for chartering services, included in Voyage expenses. As of December 31, 2008, the amount due to Cardiff was $197, which is included in Accrued Liabilities. As of December 31, 2009 the amount due to Cardiff was $82 out of which $33 is included in Accounts Payable and $49 is included in Accrued Liabilities.

6. Leases:

A. LEASE ARRANGEMENTS, UNDER WHICH THE COMPANY ACTS AS THE LESSEE

i) Sale and Leaseback of Vessels:

The Company entered into sales and leaseback transactions in 2005 and 2006 as follows:

a) In 2005, the Company sold vessels M/T Restless, M/T Sovereign, M/T Relentless, M/T Invincible and M/T Victorious. The Company entered into bareboat charter agreements to leaseback the same five vessels for a period of seven years. The Company and the owner/lessor of vessels M/T Invincible, M/T Victorious, M/T Restless and M/T Sovereign mutually agreed to terminate the bareboat charters, following the sale of vessels to third parties. The termination of the bareboat charters became effective upon the vessels' delivery to their new owners, on July 11, 2007, August 27, 2007, September 17, 2007 and August 14, 2008, respectively.

b) In 2006, the Company sold vessels M/T Flawless, M/T Timeless, M/T Priceless, M/T Stopless, M/T Doubtless, M/T Vanguard, M/T Faithful, M/T Spotless, M/T Limitless, M/T Endless, M/T Stainless, M/T Faultless and M/T Noiseless to three unrelated parties (buyers/lessors) for $550,000; of which 90% or $495,000 was received upon closing of the sale. Simultaneous with the sale of the vessels, the Company entered into bareboat charter agreements to leaseback the same vessels for a period of five to seven years with no lease renewal option. In June 2006 another unrelated party assumed the rights and obligations of one of the buyers/lessors through a novation agreement with no other changes to the terms and conditions of the agreements.

Based on the Memorandum of Agreement dated March 6, 2008, the owner and lessor of M/T Faultless agreed to sell the vessel to a third party. The Company and the lessor mutually agreed to terminate the bareboat charter, on March 31, 2008, upon the vessel's delivery to its new owners.

Based on the Memoranda of Agreement dated July 31, 2008, the owners and lessors of M/T Flawless, M/T Timeless, M/T Priceless and M/T Stopless agreed to sell the vessels to a third party. The Company and the lessors mutually agreed to terminate the bareboat charters, on September 18, 2008, upon the vessels' deliveries to their new owners.

Following the sale of M/T Faultless, the Company received part of the seller's credit. Following the sale of M/T Flawless, M/T Timeless, M/T Stopless and M/T Priceless, the Company received part of the seller's credit. Following the termination of the bareboat charters for Limitless, Endless, Stainless, Faultless, Noiseless, Flawless, Timeless, Priceless and Stopless a portion of the sales price (representing 10% of the gross aggregate sales price of the remaining vessels sold and leased back in 2006), has been withheld by the buyers/lessors and to be paid to the Company not later than three months after the end of bareboat charter period or upon the resale of the vessels, if earlier. Consequently, such unpaid sales price was recorded as a receivable at its discounted value. The discount was accreted through deferred gain on sale and leaseback of vessels over the period of the bareboat charter agreements or through the date of the resale of the vessels, if earlier.

6. Leases-(continued):

On June 24, 2009, the Company terminated the bareboat charters, initially entered into as part of the sale and leaseback deal in 2006, and redelivered tanker vessels M/T Faithful, the M/T Doubtless, the M/T Spotless and the M/T Vanguard to their owners after paying $11,750 in termination fees and expenses. In addition to the termination fees and expenses, the Company also paid bareboat hire up to July 15, 2009 of an amount of $1,109 and forfeited its right to receive the Seller's credit, amounting to $7,911 as of the date of termination, which would have been received upon expiration of the bareboat charters in 2011, and the Company has undertaken to pay for the dry-dock of the M/T Spotless which was completed during July 2009. The Company remained the manager of M/T Faithful until April 30, 2010, little after the expiration of its time charter and was reimbursed by the owners for all expenses incurred. The lease termination payments of $11,750 and bareboat hire paid for the period subsequent to the termination of $1,109 are included in the Lease Termination Expenses in the accompanying consolidated statements of operations.

On July 3, 2009 the Company redelivered the tanker vessel M/T Relentless to its owners and paid a termination fee of $2,500 pursuant to a termination agreement signed in April 2009 to terminate the bareboat charter initially entered into as part of the sale and leaseback deal in 2005. In addition to the termination fee the Company had undertaken to perform certain works on the vessel prior to its redelivery which involved additional costs. The termination fee of $2,500 is included in the Lease Termination Expenses in the accompanying consolidated condensed statements of operations. This was the last leased vessel in the Company's fleet.

The bareboat charter agreements the Company entered into in 2005 and 2006 were accounted for as operating leases and the gain on the sale was deferred and was amortized to income over the lease period. The deferred gain was calculated by deducting from the sales price the carrying amount of the vessels, the expenses related to the sale and the unpaid sales price (which is treated as a residual value guarantee and will be recognized in income upon collection).

The amortization of the deferred gain on sale and leaseback of vessels and write-off of seller's credit of $15,610, $18,707 and $7,799 for the years ended December 31, 2007, 2008 and 2009, respectively, is separately reflected in the accompanying consolidated statements of operations. For the twelve months ended December 31, 2007, this amount includes accelerated amortization of deferred gain for vessels M/T Restless, M/T Victorious, M/T Invincible of $8,248. The amount also includes $7,362 scheduled amortization of deferred gain on sale and leaseback of the vessels. For the twelve months ended December 31, 2008, this amount includes net expenses related to the sale of the M/T Faultless, M/T Flawless, M/T Priceless, M/T Stopless, M/T Sovereign and M/T Timeless of $12,799 and accelerated amortization of deferred gain for the same vessels of $27,245. The amount also includes $4,431 scheduled amortization of deferred gain from sale and leaseback of vessels and $170 other expenses. For the twelve months ended December 31, 2009 this amount includes $271 of scheduled amortization of deferred gain on sale and leaseback of M/T Relentless and $1,372 of accelerated amortization of deferred gain due to lease termination of M/T Relentless. For the twelve months ended December 31, 2009 the amount also includes $1,348 amortization of deferred gain on sale and leaseback for vessels M/T Faithful, M/T Doubtless, M/T Spotless and M/T Vanguard and $12,719 of accelerated amortization of deferred gain on sale and leaseback of these vessels offset by write-off of the seller's credit of $7,911, due to lease termination effective June, 24, 2009.

6. Leases-(continued):

During the years ended December 31, 2007, 2008 and 2009, lease payments relating to the bareboat charters of the vessels were $94,118, $53,684 and $10,827, respectively and are separately reflected as Charter hire expense in the accompanying consolidated statements of operations.

Certain of the sale and leaseback transactions entered into in 2006 contained a requirement to maintain a minimum amount of cash on deposit by the Company during the bareboat charter period. Specifically, the Company maintained consolidated cash balances of $20,000 as at December 31, 2008. On January 8, 2009, the Company entered into a supplemental agreement relevant to the sale and leaseback transactions' financial covenants. Specifically, it was agreed that minimum cash of $5,000 shall be maintained on deposit by the Company, which was released on June 24, 2009, following the termination of the bareboat charters of M/T Faithful, the M/T Doubtless, the M/T Spotless and the M/T Vanguard.

ii) Office lease:

In January 2006, the Manager entered into an agreement to lease office space in Athens, Greece, with an unrelated party. The office is located at 1, Vassilisis Sofias & Megalou Alexandrou Street, 151 24 Maroussi, Athens, Greece. The agreement is for duration of twelve years beginning May 2006 with a lessee's option for an extension of ten years. As of December 31, 2007, the monthly rent was Euro 120 or $177 (based on the U.S. Dollar/Euro exchange rate as of December 31, 2007) adjusted annually for inflation increase plus 1%. In November 2007, the agreement was amended and the new monthly rent starting February 2008 became Euro 116 or $167 (based on the U.S. Dollar/Euro exchange rate as of December 31, 2009) with all other terms remaining unchanged. General and administrative expenses for the years ended December 31, 2007, 2008 and 2009 include $2,097, $2,405 and $2,041, respectively, for rent expense.

In February 2007, Top Tankers (U.K) Limited entered into a lease agreement for office space in London. The agreement was for duration of 9 months ending November 2007. The monthly lease was GBP 5 or $10 (based on the U.S. Dollar/GBP exchange rate as of December 31, 2007), payable monthly in advance. In May 2007, Top Tankers (U.K) Limited entered into a new lease agreement for office space in London. The previous lease agreement was early terminated and therefore the lease was payable up to August 2007. The new lease agreement is valid from June 2007 and shall continue until either party shall give to the other one calendar month written notice. The new annual lease is GBP 20 or $32 (based on the U.S. Dollar/GBP exchange rate as of December 31, 2009), payable quarterly in advance. General and administrative expenses for the years ended December 31, 2007, 2008 and 2009 include $129, $38 and $31, respectively, for rent expense.

In November 2009, Top Ships Inc. entered into a lease agreement for office space in London. The agreement is for duration of one year from and including November 15, 2009 to and including November 14, 2010. As of December 31, 2009, the monthly rent is GBP 26 or $42 (based on the U.S. Dollar/GBP exchange rate as of December 31, 2009). General and administrative expenses for the year ended December 31, 2009 include $66, for rent expense.

6. Leases-(continued):

iii) Future minimum lease payments:

The Company's future minimum lease payments required to be made after December 31, 2009, related to the existing at December 31, 2009 office lease are as follows:

Year ending December 31,	Office Lease
2010	2,081
2011	2,081
2012	2,081
2013	2,081
2014	2,081
2015 and thereafter	6,933
	17,338

B. LEASE ARRANGEMENTS, UNDER WHICH THE COMPANY ACTS AS THE LESSOR

i) Charter agreements:

All of the Company's time charters and bareboat charters are classified as operating leases. Revenues under operating leases are recognized when a charter agreement exists, charter rate is fixed and determinable, the vessel is made available to the lessee and collection of related revenue is reasonably assured.

As of December 31, 2009, the Company operated thirteen owned vessels. As of December 31, 2009, five of the vessels were operating under long-term time charters, one under short-tem time charter and seven under bareboat charters.

Future minimum time-charter receipts, based on vessels committed to non-cancellable time and bareboat charter contracts that expire in more than one year, as of December 31, 2009, are as follows:

Year ending December 31,	Time Charter receipts
2010	85,490
2011	68,935
2012	46,720
2013	35,235
2014	31,627
2015 and thereafter	104,223
	372,230

On January 11, 2010, the Company announced that it had received from the bareboat charterer of the M/T Ionian Wave and the M/T Tyrrhenian Wave, a reduced charter hire rate of $10,000 per day, rather than the $14,300 per day on a bareboat basis that is set forth in the charter agreement. The Company has been examining this unilateral reduction and intends to take all necessary steps to recover the amounts owed since the said charterer is considered to be in breach of the charter.

7. Inventories:

The amounts shown in the accompanying consolidated balance sheets are analyzed as follows:

	December 31, 2008	December 31, 2009
Lubricants	795	427
Consumable stores	170	62
	965	489

8. Prepayments and Other:

The amounts shown in the accompanying consolidated balance sheets are analyzed as follows:

	December 31, 2008	December 31, 2009
Prepaid expenses	1,087	310
Other receivables	3,637	2,074
	4,724	2,384

9. Advances for Vessels under Construction:

In October 2006, the Company entered into an agreement for the construction of six Handymax Product / Chemical tankers. The total contract price was $285,365 and was payable in five installments as follows: 15% was payable upon arrangement of the refund guarantee, 15% was payable upon commencement of steel cutting, 20% was payable upon keel laying, 20% was payable upon launching and 30% upon delivery of the vessel. The vessels' construction was partially financed from long-term bank financing discussed in Note 12. The first installment for the six vessels of $42,807 was paid in December 2006 and January 2007. The second installment for all vessels, the third installment for five vessels and the fourth installment for two vessels in an aggregate amount of $109,229 was paid during 2008. The third installment for one vessel, the fourth installment for four vessels and the delivery installment for six vessels in an aggregate amount of $133,329, was paid during 2009. All vessels were delivered as of December 31, 2009.

The advances for vessels acquisitions / under construction as of December 31, 2007, 2008 and 2009 are analyzed as follows:

	Construction installments	Acquisitions	Capitalized interest	Capitalized costs	Total
Balance, December 31, 2007	42,807	20,250	2,695	274	66,026
- Transfer to vessel cost / obligations under capital lease	-	(20,250)	-	(65)	(20,315)
- Additions	109,229	-	3,873	1,158	114,260
Balance, December 31, 2008	152,036	-	6,568	1,367	159,971
- Transfer to vessel cost	(285,365)		(8,029)	(3,267)	(296,661)
- Additions	133,329		1,461	1,900	136,690
Balance, December 31, 2009	-	-	-	-	-

10. Vessels, net:

The amounts in the accompanying consolidated balance sheets are analyzed as follows:

	Vessel Cost	Accumulated Depreciation	Net Book Value
Balance, December 31, 2007	**598,266**	**(44,375)**	**553,891**
—Acquisitions	219,934	-	219,934
—Disposals	(371,039)	44,393	(326,646)
—Depreciation	-	(32,664)	(32,664)
Balance, December 31, 2008	**447,161**	**(32,646)**	**414,515**
—Acquisitions	296,661		296,661
—Depreciation		(31,585)	(31,585)
—Impairment	(56,257)	19,619	**(36,638)**
Balance, December 31, 2009	**687,565**	**(44,612)**	**642,953**

On April 1, 2008, the Company entered into an agreement to sell the vessel M/V Bertram to an unrelated party for a consideration of $46,500. The vessel was delivered to its new owners on April 16, 2008. A loss from the sale of $2,169 was recognized upon vessel's delivery.

On May 1, 2008, the Company took delivery of the drybulk vessel M/V Astrale.

On June 23, 2008, the Company entered into an agreement to sell the vessel M/T Stormless to an unrelated party for consideration of $47,000. The vessel was delivered to its new owners on June 26, 2008. A gain from the sale of $1,787 was recognized upon vessel's delivery.

In June 2008, the Company entered into agreements to sell vessels M/T Edgeless, M/T Ellen P, M/T Limitless and M/T Endless to unrelated parties for a total consideration of $193,000. The M/T Edgeless was delivered to its new owners on July 10, 2008, while the remaining three vessels were delivered to their new owners in early September 2008. A gain from these sales of $19,439 was recognized upon vessels' deliveries.

During 2009, the Company took delivery of six product / chemical tankers M/T Miss Marilena, M/T Lichtenstein, M/T Ionian Wave, M/T Tyrrhenian Wave, M/T Britto, and M/T Hongbo for a total book value of $296,661.

During the year ended December 31, 2009, the Company recorded an impairment charge of $36,638 relating to vessels M/T Dauntless and M/T Ioannis P.

11. Fair Value Of Below Market Time Charter:

In November and December 2007 and February 2008, the Company acquired drybulk vessels M/V Bertram, M/V Amalfi and M/V Voc Gallant, respectively, with attached time charter contracts. As a result, the purchase price of the vessels was allocated between vessel cost and the fair value of the time charter contracts, totaling in aggregate $43,259, which is reflected in Fair Value of Below Market Time Charter on the accompanying consolidated balance sheets. The liability is amortized to revenues over the remaining period of the time charter contracts on a straight-line basis. Following the sale of the M/V Bertram, on April 16, 2008, the then unamortized fair value of below market time charter of $16,140 was written-off to the loss from the sale of vessel. For the year ended December 31, 2007, 2008 and 2009, the amortization of the fair value of the time charter contracts totaled $1,413, $21,795 and $3,911, respectively and is included in Revenues in the accompanying consolidated statement of operations.

12. Long-term Debt:

The amounts in the accompanying consolidated balance sheets are analyzed as follows:

Borrower / Vessel(s)	December 31, 2008	December 31, 2009
RBS		
The Company / Dauntless, Ioannis P	60,599	50,466
HSH		
Amalfi / Amalfi	24,570	22,461
Jeke / Papillon (ex VOC Gallant)	28,074	23,991
Warhol / Miss Marilena	22,697	37,907
Indiana / Tyrrhenian Wave	16,266	27,525
Britto / Britto	16,266	33,714
DVB		
Banksy / Ionian Wave	16,169	32,132
Hongbo / Hongbo	9,479	25,534
Hongbo / Bridge Loan	-	10,374
Japan II / Astrale	40,532	27,458
ALPHA		
Japan III / Cyclades	36,816	27,854
Lichtenstein / Lichtenstein	24,489	36,896
EMPORIKI		
Japan I / Pepito	46,522	39,889
CAPE MANUEL SHIPPING COMPANY LIMITED		
The Company	-	2,886
Total	342,479	399,087
Less-current portion	(342,479)	(399,087)
Long-term portion	-	-

12. Long-term Debt-(continued):

(a) RBS:

At December 31, 2009, the Company had a revolving credit facility outstanding of $50,777, maturing in August 2013, excluding unamortized financing fees of $311, with no undrawn amount. The revolving credit facility bears interest at LIBOR plus a margin (as of December 31, 2009 the margin was 2.5%). The applicable interest rate as of December 31, 2009 is 2.75%.

The facility contained various covenants, including (i) security value maintenance whereby the market value of the vessels and the market value of any additional security is required to be greater than or equal to 130% of the outstanding loan and the fair value of outstanding swaps, (ii) market value adjusted net worth required to be greater than or equal to $250,000 and greater than to 35% of total assets, and (iii) EBITDA required to be greater than 120% of fixed charges, (iv) minimum liquid funds of $10,000 or $500 per group vessel and (v) a minimum balance of $5,000 to be maintained in the operating accounts.

On July 31, 2009, the Company amended the loan with RBS to (i) waive the minimum security covenant until March 31, 2010, (ii) amend the repayment schedule, (iii) decrease the operating account balance to be maintained with RBS from $5,000 to $200, (iv) amend the definition of the EBITDA waiver to exclude one-off lease termination fees, (v) adjust the margin to 2.5% and (vi) add a cash sweep mechanism whereby a certain amount of cash earned by M/T Ioannis P and M/T Dauntless will be applied in the inverse order of maturity to the amount outstanding under the loan agreement.

On August 28, 2009 the Company signed a side letter to the agreement with RBS whereby, at any time after June 29, 2009, the group liquidity should not be less than $15,000, of which a minimum of $5,000 or $385 per group vessel should be unencumbered.

As of December 31, 2009, the Company was not in compliance with the security value maintenance covenant, for which it has received a waiver until March 31, 2010, the EBITDA covenant and the minimum liquid funds covenant. The Company is currently in discussions with the bank in relation to these breaches

(b) HSH:

As of December 31, 2009, the Company's subsidiaries had a total outstanding balance with HSH of $147,401, excluding unamortized financing fees of $1,803, under two facilities (bulker financing and product tanker financing), as follows:

Bulker Financing

Amalfi: At December 31, 2009, Amalfi had a loan outstanding of $22,658, maturing in December 2014, excluding unamortized financing fees of $197, which bears interest at LIBOR plus a margin (as of December 31, 2009 the margin was 2.5%). The applicable interest rate as of December 31, 2009 is 2.75%.

Jeke: At December 31, 2009, Jeke had a loan outstanding of $24,282, maturing in February 2015, excluding unamortized financing fees of $291,which bears interest at LIBOR plus a margin (as of

12. Long-term Debt-(continued):

December 31, 2009 the margin was 2.5%). The applicable interest rate as of December 31, 2009 is 2.78%.

The facility contained various covenants, including (i) asset maintenance whereby the fair market value of the vessel and the fair value of any additional security is required to be greater than or equal to a required percentage of the outstanding loan and the fair value of the outstanding swaps. As per the initial loan agreement the minimum required percentage had been set at 130% for the first four years and 135% from then on until maturity. During 2008 these figures were adjusted to 140% and 145% respectively as a result of waiver received for a breach of the EBITDA covenant, (ii) market value adjusted net worth required to be greater than or equal to $250,000 and greater than 35% of total assets, and (iii) EBITDA greater than 120% of fixed charges, (iv) minimum liquid funds of $25,000 or $500 per group vessel. During 2008 minimum liquid funds were adjusted to $30,000 as a result of waiver received for a breach of the EBITDA covenant, (v) No dividend payout in excess of 70% of net income per year and full dividend restriction in case of breach of covenant.

On May 11, 2009, the Company amended the loan with HSH. The loan amendment, among other things, provides for the following: (i) The Company to maintain a pledged amount of $6,549, which is applied against future installments of the bulker financing starting from August 2009; 50% pro rata against the 12 installments starting from August 2009, and 50% pro rata against all remaining installments of the facility including the balloon payment, starting from August 2009. This pledge, amounted to $4,807 and $3,784 as of December 31, 2009 and as of June 16, 2010, respectively (ii) increase in margin of bulker financing from 1.35% to 2.50% from March 24, 2009 until March 31, 2010 and after March 31, 2010, (1) 1.00% while each of the Vessels are employed under time charter party agreements acceptable to the Agent for periods of at least twelve months and (2) 1.125% at all other times. As of the date of this annual report, due to covenant breaches, the margin continues being 2.5%. Once covenant breaches have been rectified, the margin will be reset to the loan agreement levels, (iii) waiver for asset maintenance until March 31, 2010. Thereafter, the required percentage will be adjusted to that of the initial loan agreement, (iv) amendment of adjusted net worth up to March 31, 2010 and replacement of the minimum of $250,000 by $125,000 and the minimum of 35% by 15%, (v) waiver for EBITDA to fixed charges until March 31, 2010 and at all times thereafter, EBITDA greater than 120% of fixed charges, (vi) amendment of minimum liquid funds to $25,000 until March 31, 2010, inclusive of all pledged deposits and cash held with all banks and afterwards minimum liquid funds of $25,000 or $500 per group vessel, (vii) cross collateralization of the two facilities.

As of December 31, 2009, the Company was not in compliance with the asset maintenance and the EBITDA covenant, for which it has received a waiver until March 31, 2010. Furthermore, the Company was not in compliance with the adjusted net worth and the minimum liquid funds covenants. The facility provides that default rate of two percent (2%) on top of the applicable rate shall apply for as long as there is an event of default. As of the date of this annual report, HSH has not imposed such a rate on any of the two facilities.

The Company is currently in discussions with the bank in relation to these breaches.

12. Long-term Debt-(continued):

Product Tanker Financing

Warhol: At December 31, 2009, Warhol had a loan outstanding of $38,345, maturing in February 2019, excluding unamortized financing fees of $438,which bears interest at LIBOR plus a margin (as of December 31, 2009 the margin was 2.0%). The applicable interest rate as of December 31, 2009 is 2.58%.

Indiana: At December 31, 2009, Indiana had a loan outstanding of $27,957, maturing in March 2019, excluding unamortized financing fees of $432, which bears interest at LIBOR plus a margin (as of December 31, 2009 the margin was 2.0%). The applicable interest rate as of December 31, 2009 is 2.65%.

Britto: At December 31, 2009, Britto had a loan outstanding of $34,159, maturing in May 2019, excluding unamortized financing fees of $445, which bears interest at LIBOR plus a margin (as of December 31, 2009 the margin was 2.0%). The applicable interest rate as of December 31, 2009 is 2.56%.

The facility contained various covenants, including (i) asset maintenance whereby the fair market value of the vessel and vessels and of any additional security is required to be greater than or equal to a required percentage of the outstanding loan and the fair value of outstanding swaps. As per the initial loan agreement the minimum required percentage had been set at 120% for the first four years and 125% from then on until maturity. During 2008, these initial required percentage was adjusted to 125% as a result of waiver received for a breach of the EBITDA covenant, (ii) market value adjusted net worth required to be greater than or equal to $250,000 and greater than or equal to 35% of total assets, and (iii) EBITDA required to be greater than 120% of fixed charges, (iv) minimum liquid funds of $25,000 or $500 per group vessel.

During 2008 minimum liquid funds were adjusted to $30,000 as a result of waiver received for a breach of the EBITDA covenant v) No dividend payout in excess of 70% of net income per year and full dividend restriction in case of breach of covenant.

On May 11, 2009, the Company amended the loan with HSH. The loan amendment, among other things, provides for the following: i) amendment of the minimum required percentage, which has been set at 125% until March 31, 2010, at 120% from April 1, 2010 until the fourth anniversary of this Credit Facility Agreement (October 2012) and at 125% at all times thereafter, ii) amendment of the market value adjusted net worth to $125,000 up to March 31, 2010 and to 15% of total assets up to March 31, 2010, iii) waiver of EBITDA covenant up to March 31, 2010, iv) amendment of the minimum liquid funds to $25,000 until March 31, 2010, inclusive of all pledged deposits and cash held with all banks and afterwards minimum liquid funds of $25,000 or $500 per group vessel, v) increase in margin of Product Tanker Financing from 1.75% to 2.0% until 31 March 31, 2010, thereafter the margin will be reduced to 1.75% until maturity of the loan while each of the vessels is employed under time charter party agreements acceptable to the lender for periods of at least twelve (12) months and 1.125% per annum at all other times. As of the date of this annual report, due to covenant breaches, the margin continues being 2.0%. Once covenant breaches have been rectified, the margin will be reset to the loan agreement levels, vi) a restructuring fee of $150.

12. Long-term Debt-(continued):

As of December 31, 2009, the Company was not in compliance with the EBITDA covenant, for which it has received a waiver until March 31, 2010. Furthermore, the Company was not in compliance with the asset maintenance, the adjusted net worth and the minimum liquid funds covenants. The facility provides that default rate of two percent (2%) on top of the applicable rate shall apply for as long as there is an event of default. As of the date of this annual report, HSH has not imposed such a rate on any of the two facilities.

The Company is currently in discussions with the bank in relation to these breaches.

(c) DVB:

As of December 31, 2009, the Company's subsidiaries had a total outstanding balance with DVB of $98,051, excluding unamortized financing fees of $2,553, under two facilities (bulker financing and product tanker financing).

Bulker Financing

Japan II: At December 31, 2009, Japan II had a loan outstanding of $28,000, maturing in October 2015, excluding unamortized financing fees of $542, which bears interest at LIBOR plus a margin (as of December 31, 2009 the margin was 1.5%). The applicable interest rate as of December 31, 2009 is 2.12%.

The facility contained various covenants, including (i) asset maintenance whereby the fair market value of the vessel and of any additional security is required to be greater than or equal to 140% of the outstanding loan and swaps for the first two years and 130% thereafter, (ii) a Net Asset Value that is required to be greater than 125,000, (iii) Stockholder's equity required to be greater than $100,000, and (iv) minimum cash balances of $25,000.

On March 24, 2009, the Company signed a waiver letter and on July 31, 2009 the Company signed an amendment to its $80,000 newbuildings loan which contained certain provisions affecting the drybulk facility. This waiver letter and the amendment of the $80,000 loan agreement, among other things, provide for the following: (i) asset maintenance whereby the fair market value of the mortgaged vessels under the bulker and the product tanker financing and of any additional security is required to be greater than or equal to 100% until March 31, 2010, 105% until March 31, 2011, 110% until March 31, 2012 and 120% thereafter of the outstanding loan (excluding Top Up Loan) and the fair value of the outstanding swaps (ii) amendment of Net Asset Value covenant to $0 up to March 31, 2010, to be calculated on an annual basis (every 31 st of December) except for June 30, 2010, (iii) minimum cash balance of $20,000 as per the waiver letter dated March 24, 2009, which then became $5,000 unencumbered up to September, 30, 2010 and thereafter $25,000 or $500 per vessel ($250 per vessel as cash in hand may be included), according to the amendment of the newbuildings loan, (iv) a cash sweep mechanism for the period commencing after the end of April 2010 until the maturity of the loan agreement whereby 60% of any excess cash earned by the M/V Astrale will be applied in the inverse order of maturity to the amount outstanding under the loan agreement. Excess cash is defined as net earnings less: (i) aggregate operating expenses and general and administrative capped at $10,000 per day as adjusted for an annual increase of 3%, (ii) scheduled installment repayments and (iii) interest costs. The cash sweep mechanism will cease to apply in the event the

12. Long-term Debt-(continued):

ratio of the vessel's charter free fair market value over the outstanding loan is equal or greater than 140% for a period of more than 3 consecutive months, v) change in the repayment schedule of the loan, vi) a restructuring fee of $80 on top of the $240 fee provided in the loan agreement for renewing the drybulk facility.

As of December 31, 2009, the Company was not in compliance with the net asset value and the minimum cash balance covenants. The Company is currently in discussions with the bank in relation to these breaches.

Product Tanker Financing

Banksy: At December 31, 2009, Banksy had a loan outstanding of $32,695, excluding unamortized financing fees of $563, which bears interest at LIBOR plus a margin (as of December 31, 2009 the margin was 1.75%). The applicable interest rate as of December 31, 2009 is 2.35%.

Hongbo: At December 31, 2009, Hongbo had a loan outstanding of $26,156, excluding unamortized financing fees of $622, which bears interest at LIBOR plus a margin (as of December 31, 2009 the margin was 1.55%). The applicable interest rate as of December 31, 2008 is 2.15%.

Top Up Loan: On July 31, 2009, the Company amended its $80,000 product tanker facility with DVB in order to take account of a bridge loan of $12,512 used in the financing of the delivery installment of the M/T Hongbo. As of December 31, 2009 the outstanding amount was $11,200, excluding unamortized financing fees of $826, which bears interest at LIBOR plus a margin (as of December 31, 2009 the margin was 6%). The applicable interest rate as of December 31, 2009 is 6.6%. The bridge loan is payable in full on July 30, 2010. Furthermore, the facility includes a cash sweep mechanism whereby 100% of the aggregate of any excess cash being hire earned by M/T Hongbo and M/T Ionian Wave above capital repayments in connection with the relevant loan tranches and interest expenses in connection with relevant tranches and the Top Up Loan, is applied on a quarterly basis as prepayment against the outstanding Top Up Loan, starting on September 16, 2009.

During 2009, the Company has prepaid a total amount of $1,313 of the Top Up Loan in accordance with the cash sweep mechanism. In March and June 2010, the Company prepaid an additional amount of $550 and $587, respectively.

In connection with this amendment and bridge loan, we issued 12,512,400 common shares to Hongbo Shipping Company Limited, our wholly owned subsidiary, who pledged these shares in favor of DVB. This pledge was granted as security and must remain in an amount equal to 180% of the outstanding bridge loan, which amount will be tested at the end of each quarter. We also agreed to file a registration statement for the resale of the Hongbo Shipping shares and use our best efforts to keep the registration statement effective during the security period. Based on fair value of Company's common stock and outstanding balance of the loan measured at December 31, 2009, the Company is required to issue and pledge 7,447,756 additional shares of common stock. As of March 31, 2010, this amount increased to 9,756,488.

12. Long-term Debt-(continued):

The facility contained various covenants, including (i) asset maintenance whereby the fair market value of the vessel is required to be greater than or equal to 110% of the outstanding loan for the predelivery period, 115% for the first five years and 125% thereafter, (ii) a Net Asset Value that is required to be greater than $225,000, (iii) Stockholder's equity required to be greater than $180,000, (iv) minimum cash balances of the higher of $25,000 or $500 per group vessel, and (v) Interest cover ratio of no less than 1.2 times (defined as EBITDA divided by interest expense) pre delivery and 1.5 times post delivery.

On March 24, 2009, the Company signed a waiver letter and on July 31, 2009 the Company signed an amendment to its $80,000 newbuildings loan. This waiver letter and the amendment of the $80,000 loan agreement, among other things, provides for the following: (i) asset maintenance whereby the fair market value of the mortgaged vessels and of any additional security is required to be greater than or equal to 115% for the first five years, up to August, 2014 and 125% thereafter of the outstanding loan (excluding Top Up Loan) and the fair value of the outstanding swaps. In case of breach of the minimum security cover, the borrowers would be obliged to reduce the tranche relating to M/T Ionian Wave and M/T Hongbo by 55% and 45% of shortfall respectively and increase the Top Up Loan by the shortfall. Thereafter, in case the security cover shows an excess by at least $1 million, the tranche relating to M/T Ionian Wave and M/T Hongbo to be increased by 55% and 45% of the shortfall and the Top Up Loan to be reduced by the shortfall, (ii) amendment of Net Asset Value covenant to $0 up to March 31, 2010, to be calculated on an annual basis (every 31 st of December) except for June 30, 2010, (iii) minimum cash balance of $20,000 as per the waiver letter dated March 24, 2009, which then became $5,000 unencumbered up to September, 30, 2010 and thereafter $25,000 or $500 per vessel ($250 per vessel as cash in hand may be included), according to the amendment of the newbuildings loan, (iv) amendment of Interest cover ratio.

According to notice received from DVB, as of March 16, 2010, the Company was not in compliance with the minimum security cover for an amount of $2,959 based on valuations dated December 31, 2009. The Company reduced the tranche relating to M/T Ionian Wave by $1,627 and the tranche relating to M/T Hongbo by $1,332 representing the 55% and the 45% of shortfall respectively and increased the Top Up Loan by $2,959.

Additionally, as of December 31, 2009, the Company was not in compliance with the net asset value and the minimum cash balance covenants. The Company is currently in discussions with the bank in relation to these breaches.

(d) ALPHA:

As of December 31, 2009, the Company's subsidiaries had a total outstanding balance with ALPHA of $65,200, excluding unamortized financing fees of $450 under two facilities (bulker financing and product tanker financing).

Bulker Financing

Japan III: At December 31, 2009, Japan III had a loan outstanding of $28,000, maturing in December 2015, excluding unamortized financing fees of $146 , which bears interest at LIBOR plus a margin (as of December 31, 2009 the margin was 3.0%). The applicable interest rate as of December 31, 2009 is 3.31%.

12. Long-term Debt-(continued):

The facility contained various covenants, including (i) asset maintenance whereby the fair market value of the vessel and any additional security is required to be greater than or equal to 130% of the outstanding loan, (ii) market value adjusted net worth greater than or equal to $250,000 (iii) book equity (total assets less consolidated debt) required to be greater than $100,000, and (iv) minimum cash balances of $25,000.

On April 3, 2009, the Company signed a supplemental agreement with Alpha. The supplemental agreement, among other things, provides for the following: (i) a cash pledge of $4,000 to be maintained with the lender; this amount will be applied towards the financing in case of renegotiation or cancellation of the existing time charter agreement of M/V Cyclades. $2,000 of the pledged cash will be released on December 31, 2009 subject to the above and no other event of default. The remaining $2,000 will be released on March 31, 2010 given that: a) no renegotiation or cancellation of the existing time charter agreement will be effected until then, b) no event of default has occurred in the respective loan facility. As of the date of this annual report, due to covenant breaches, the cash pledge has not been released, (ii) increase in margin from 1.30% to 2.50%, (iii) minimum liquidity is reduced to $15,000 from $25,000 until March 31, 2010, (iv) waivers of the asset maintenance and the adjusted net worth covenants up to March 31, 2010, (v) cross collateralization of this facility with the facility under (g).

On May 21, 2009, the Company signed a second supplemental agreement with Alpha, whereby Alpha agreed to replace the requirement contained in the first supplemental agreement regarding the registration of a second mortgage over the M/T Lichtenstein with an addendum to such mortgage.

On November 25, 2009, the Company signed a third supplemental agreement with Alpha. The third supplemental agreement mainly provides for the following: i) increase in margin from 2.5% to 3% from September 17, 2009 up to March 31, 2010. Thereafter, the margin would be adjusted to 2.25%. As of the date of this annual report, due to covenant breaches, the margin continues being 3%, ii) minimum liquidity is waived from the date of this agreement up to March 31, 2010.

As of December 31, 2009, the Company was not in compliance with the asset maintenance, the adjusted net worth and the minimum cash balance covenants, for which it has received waivers until March 31, 2010. The Company is currently in discussions with the bank in relation to these breaches.

Product Tanker Financing

Lichtenstein: At December 31, 2009, Lichtenstein had a loan outstanding of $37,200, maturing in February 2019, excluding unamortized financing fees of $304, which bears interest at LIBOR plus a margin (as of December 31, 2009 the margin was 3.0%). The applicable interest rate as of December 31, 2009 is 3.31%.

The facility contained various covenants, including (i) asset maintenance whereby the fair market value of the vessel and any additional security is required to be greater than or equal to 130% of the outstanding loan, (ii) market value adjusted net worth required to be greater than or equal to $250,000 (iii) book equity (total assets less consolidated debt) required to be greater than $100,000, and (iv) minimum cash balances of $25,000.

12. Long-term Debt-(continued):

On February 23, 2009, the Company signed a first supplemental agreement with Alpha to take account of the replacement of the initial bareboat charterer (Daelim H&L Co., Ltd.) by Daelim Corporation following the latter's merger .

On April 3, 2009, the Company signed a second supplemental agreement with Alpha. The second supplemental agreement, among other things, provides for the following: i) increase in margin from 1.65% to 2.25%, iii) minimum liquidity is reduced to $15,000 from $25,000 until March 31, 2010, iv) waivers of the asset maintenance and the adjusted net worth covenants up to March 31, 2010, v) cross collateralization of this facility with the facility under (c).

On November 25, 2009, the Company signed a third supplemental agreement with Alpha. The third supplemental agreement mainly provides for the following: i) increase in margin from 2.25% to 3% from October 26, 2009 up to March 31, 2010. Thereafter, the margin would be adjusted to 2.25%, As of the date of this annual report, due to covenant breaches, the margin continues being 3%, ii) minimum liquidity is waived from the date of this agreement up to March 31, 2010.

As of December 31, 2009, the Company was not in compliance with the asset maintenance, the adjusted net worth and the minimum cash balance covenants, for which it has received waivers until March 31, 2010. The Company is currently in discussions with the bank in relation to these breaches

(e) EMPORIKI:

At December 31, 2009, Japan I had a loan outstanding of $39,988, maturing in March 2015, excluding unamortized financing fees of $99, which bears interest at LIBOR plus a margin (as of December 31, 2009 the margin was 2.5%). The applicable interest rate as of December 31, 2009 is 2.76%.

The facility contained various covenants, including (i) asset maintenance whereby the fair market value of the vessel and of any additional security is required to be greater than or equal to 125% of the outstanding loan ad swap, (ii) leverage ratio (total liabilities divided by total assets adjusted for fair market values of vessels) required to be less than 75% (iii) Interest cover ratio of no less than 2.5 times, (iv) minimum cash balances of no less than the aggregate of next 6 months of senior debt principal payments and (v) maintenance in the earnings account of average monthly balances of $1,000.

On August 5, 2009, the Company signed a supplemental agreement with Emporiki. The supplemental agreement, among other things, provides for the following: i) waiver of the minimum security requirement up to March 31, 2010, ii) waiver of the maximum leverage ratio up to March 31, 2010, iii) increase in margin from 1.1 to 2.5% from March 31, 2009 until March 31, 2010 and to 1.75% thereafter. As of the date of this annual report, due to covenant breaches, the margin continues being 2.5%.

As of December 31, 2009, the Company was not in compliance with the asset maintenance and the minimum leverage ratio covenants, for which it has received waivers until March 31, 2010 and the minimum liquid funds covenant. The Company is currently in discussions with the bank in relation to these breaches.

12. Long-term Debt-(continued):

Other loans

On July 27, 2009, the Company entered into an unsecured bridge loan financing facility with an unrelated party. The purpose of this loan was to provide working capital financing due to the temporary liquidity shortage experienced following the termination of the leases and the delivery of six newbuilding vessels during 2009. The loan was of a principal amount of Euro 2,500 or $3,607 (based on the U.S. Dollar/Euro exchange rate as of December 31, 2009), had a term of three months and carried a margin of 9.0% per annum. On July 29, 2009 an amount of Euro 1,000 or $1,443 (based on the U.S. Dollar/Euro exchange rate as of December 31, 2009) was drawn down. On September 14, 2009, the Company amended the bridge loan financing facility by changing the drawdown schedule of the principal amount and undertaking to repay each advance along with relevant interest and fees accrued in connection with the facility within three months from its drawdown. On September 24, 2009 an amount of Euro 1,000 or $1,443 (based on the U.S. Dollar/Euro exchange rate as of December 31, 2009) was draw down. On October 29, 2009, the Company further amended the bridge loan financing facility by changing the repayment schedule and undertaking to repay the first advance including relevant interest and fees accrued, on January 29, 2009. As of December 31, 2009 the Company had an undrawn amount of Euro 500 or $721 (based on the U.S. Dollar/Euro exchange rate as of December 31, 2009) to be drawn within three months from the second advance. On January 14, 2010, the loan was further amended by changing the loan principal to Euro 4,000 or $5,771(based on the U.S. Dollar/Euro exchange rate as of December 31, 2009), by allowing an additional drawdown of $1,500. The repayment schedule of the loan was also amended to allow repayment of all outstanding advances along with accrued interest and finance costs by April 15, 2010 in cash or shares or combination as demanded by lender. On April 15, 2010, the Company repaid the first advance of Euro 1,000 or $1,364 (based on the U.S. Dollar/Euro exchange rate as of April 15, 2010) along with all accrued interest and finance costs by then. Finally, the repayment of the second drawdown and relevant accrued interest from April 15, 2010 was extended up to July 31, 2010.

As of December 31, 2009, an amount of Euro 460 or $664 (based on the U.S. Dollar/Euro exchange rate as of December 31, 2009) related to fees connected with the loan is included in the interest and finance costs in the accompanying consolidated statements of operations.

Loans Securities: The loans are secured as follows:

- Mortgages over the Company's vessels;
- Assignments of insurance and earnings of the mortgaged vessels;
- Corporate guarantee of TOP Ships Inc;
- Pledge over the earnings accounts of the vessels.

Debt Covenants:

As of December 31, 2008, the Company was not in compliance with certain covenants. In accordance with guidance relating to Debt and more specifically "Classification of Obligations that are Callable by the Creditor", the Company has classified all its debt and financial instruments as

12. Long-term Debt-(continued):

current at December 31, 2008 as a result of noncompliance with loan covenants and cross default provisions included in guarantees provided by the Company to financing institutions in favor of its subsidiaries. A cross default provision means that if the Company defaults on one loan it immediately defaults on all loans that contain such a provision. As of December 31, 2009, the Company was in breach of loan covenants relating to EBITDA, overall cash position (minimum liquidity covenants), adjusted net worth, the net asset value and the asset cover of product tankers with certain banks. As a result of these covenant breaches with all the banks, the Company has classified again all its debt and financial instruments as current.

Interest Expense: Interest expense for the years ended December 31, 2007, 2008 and 2009, amounted to $16,562, $18,270 and $11,009 respectively and is included in interest and finance costs in the accompanying consolidated statements of operations (Note 19).

Financing Costs: The additions in deferred financing costs amounted to $4,129 and $3,219 during the years ended December, 31 2008 and 2009. For 2009 this figure is mainly due to obtaining loan covenant waivers.

The weighted average interest rates, as of December 31 2008 and 2009, excluding all swaps, were 4.41% and 2.84%, respectively.

Scheduled Principal Repayments: The annual principal payments required to be made after December 31, 2009, are as follows:

Year ending December 31,	Amount
2010	404,303
Excluding unamortized financing fees	(5,216)
	399,087

13. Other current Liabilities:

Interest Rate Derivative Product: In November 2007, the Company entered into an interest rate derivative product. Under this agreement, the Company received an upfront payment of $8,500 and would have to pay five annual interest payments on a notional amount of $85,000. Based on the cumulative performance of a portfolio of systematic foreign exchange trading strategies, the interest payments would have a minimum floor at 0.00% and a cap at 7.50%.

On September 15, 2008, the parent company of the counterparty in this derivative product, announced its intention to file a petition under Chapter 11 of the U.S. Bankruptcy Code with the United States Bankruptcy Court for the Southern District of New York.

On December 30, 2008, the Company signed an agreement with the counterparty terminating the interest rate derivative product against a one-off termination payment of $5,000 by the Company. As of December 31, 2008 the Company classified the $5,000 termination payment within its current liabilities representing the fair value of the interest rate derivative product as of that date. This payment was made on January 5, 2009 (Note 21).

14. Commitments and Contingencies:

Various claims, suits, and complaints, including those involving government regulations and product liability, arise in the ordinary course of the shipping business. In addition, losses may arise from disputes with charterers, agents, insurance and other claims with suppliers relating to the operations of the Company's vessels. Currently, management is not aware of any such claims or contingent liabilities, which should be disclosed, or for which a provision should be established in the accompanying consolidated financial statements.

14. Commitments and Contingencies-(continued):

The Company accrues for the cost of environmental liabilities when management becomes aware that a liability is probable and is able to reasonably estimate the probable exposure. Currently, management is not aware of any such claims or contingent liabilities, which should be disclosed, or for which a provision should be established in the accompanying consolidated financial statements. A minimum of up to $1 billion of the liabilities associated with the individual vessels actions, mainly for sea pollution, are covered by the Protection and Indemnity (P&I) Club insurance.

15. Common Stock and Additional Paid-In Capital:

Reverse Stock Split: On March 20, 2008, the Company effected a 1-for-3 reverse stock split of its common stock. There was no change in the number of authorized common shares of the Company.

Private placement: In April 2008, the Company privately placed 7,268,692 common unregistered shares for aggregate net proceeds of $50,601 with various investors. The shares were sold for $7.00 per share, which represents a discount of 15.5 percent based on the closing share price of $8.28 on April 23, 2008. On July 3, 2008 the Company filed a registration statement on form F-3 to register those shares, which was declared effective on July 15, 2008.

Share Repurchase Program **:** During the fourth quarter of 2008, the Board of Directors authorized a share repurchase program up to $20 million for a share price of not more than $2.50 per share with a duration of one year.

Share repurchases started during the fourth quarter of 2008 and the transactions were open market based through the NASDAQ under Rule 10b-18 of the Exchange Act.

As at December 31, 2008, the Company has repurchased and cancelled an amount of 396,949 shares from the open market. As a result, the Company's common stock and additional paid-in capital were reduced by $4 and $727 respectively.

The Company continued its repurchase program until February 3, 2009. During the first two months of 2009 the Company repurchased an amount of 358,601 shares from the open market. As a result, the Company's common stock and additional paid-in capital were reduced by $4 and $728 respectively

All the outstanding shares that have been repurchased under this program are held initially as treasury stock and are subsequently cancelled. Consequently, the outstanding amount of 358,601 shares was cancelled effective as of February 25, 2009.

15. Common Stock and Additional Paid-In Capital – (continued):

Issuance of common stock: On July 1, 2009, the Company entered into a standby equity distribution agreement (the "SEDA") with YA Global Master SPV Ltd.

Under the SEDA the Company issued an amount of 2,230,000 shares of common stock. As a result, the Company's common stock and additional paid-in capital were increased by $22 and $2,520, respectively as of December 31, 2009, net of issuance costs. The total net proceeds, after commissions, amounted to $2,936.

16. Stock Incentive Plan:

Starting on July 1, 2005 and on various grant dates (the "grant dates") thereafter, as outlined below, the Company granted shares pursuant to the Company's 2005 Stock Incentive Plan as from time to time amended ("the Plan"), which was adopted in April 2005 to provide certain key persons (the "Participants"), on whose initiatives and efforts the successful conduct of the Company's business depends, and who are responsible for the management, growth and protection of the Company's business, with incentives to: (a) enter into and remain in the service of the Company, a Company's subsidiary, or Company's joint venture, (b) acquire a proprietary interest in the success of the Company, (c) maximize their performance, and (d) enhance the long-term performance of the Company (whether directly or indirectly) through enhancing the long-term performance of a Company subsidiary or Company joint venture. The granted shares have no exercise price and constitute a bonus in nature.

In the case where restricted shares were granted, there were signed "Restricted Stock Agreements" between the Company and the Participants on the respective grant dates. Under these agreements, the Participants have the right to receive dividends and the right to vote the shares, subject to the following restrictions:

i. Grants to Company's CEO. The Company's CEO shall not sell, assign, exchange, transfer, pledge, hypothecate or otherwise dispose of or encumber any of the shares other than to a company, which is wholly owned by the Company's CEO. The restrictions lapse on the earlier of (i) the time specified in the relevant Restricted Stock Agreement or (ii) the termination of the Company's CEO employment with the Company for any reason. As the shares granted to the Company's CEO do not contain any future service vesting conditions, all such shares are considered vested shares on the grant date.

ii. Grants to Other Participants. The Participants (officers, independent and executive members of the Board, Company's employees and consultants) shall not sell, assign, exchange, transfer, pledge, hypothecate or otherwise dispose of or encumber any of the shares. The restrictions lapse on the time specified in the relevant Restricted Stock Agreement conditioned upon the Participant's continued employment with the Company from the date of the agreement until the date the restrictions lapse (the "vesting period").

In the event the Participant's employment with the Company terminates for any reason before the end of the vesting period, that Participant shall forfeit all rights to all Shares that have not yet vested as of such date of termination. Dividends earned during the vesting period will not be returned to the Company, even if the unvested shares are ultimately forfeited. As these Shares granted to other than

16. Stock Incentive Plan – (continued):

the CEO Participants contain a time-based service vesting condition, such shares are considered non-vested shares on the grant date.

On January 3, 2006, the Company's Board of Directors identified 29 key persons (including the Company's CEO and other 8 officers and independent members of the Board) to whom shares of restricted common stock of the Company were granted. For this purpose 41,666 new shares were granted, out of which 26,666 shares were granted to the Company's CEO, 12,666 shares to 8 officers and independent members of the Board and the remaining 2,334 shares were granted to 20 employees. From the total of 15,000 shares granted to officers, independent members of the Board and employees, 366 shares were forfeited prior to the vesting date.

On July 6, 2006, the Company's Board of Directors identified 60 key persons (including the Company's CEO and other 8 officers and independent members of the Board) to whom shares of restricted common stock of the Company were granted. For this purpose 106,666 new shares were granted, out of which 73,750 shares were granted to the Company's CEO, 22,666 shares to 8 officers and independent members of the Board and the remaining 10,250 shares were granted to 51 employees. From the total of 32,916 shares granted to officers, independent members of the Board and employees, 916 shares were forfeited prior to the vesting date.

On July 11, 2007, the Company granted 213,333 restricted shares pursuant to the Plan. Of the 213,333 new shares granted, 113,333 shares were granted to 6 Directors and the remaining 100,000 shares were granted to 2 officers and employees.

The shares vest proportionally over a period of 4 years in equal installments.

On January 22, 2008, the Company granted 197,560 restricted shares pursuant to the Plan. These Shares were granted to two officers and employees and proportionally vest over a period of four years in equal annual installments.

On July 1, 2008, 500,000 restricted shares were granted to the Company's CEO. 125,000 shares were vested on the grant date and the remainders of the shares are vested over a period of three years in equal annual installments beginning one year from the grant date. However, as the shares granted to our CEO do not contain any future service vesting conditions, all such shares are considered vested shares on the grant date.

On July 10, 2008, the Company granted to an officer 2,666 restricted shares pursuant to the Plan. The shares vested over a period of 6 months.

On September 2, 2008, the Company granted to an officer 2,666 restricted shares pursuant to the Plan. The shares vested over a period of 6 months.

On September 2, 2008, the Company granted to an employee 10,000 restricted shares pursuant to the Plan. The shares vest over a period of 3 years.

On September 2, 2008, the Company granted to the non-executive directors 375,000 restricted shares pursuant to the Plan. The shares vest over a period of 5 years.

16. Stock Incentive Plan – (continued):

On September 4, 2008, the Company's CEO waived his right to receive pursuant to his employment contract with the Company three years' annual base salary in the event of a change in control of the Company, in exchange for receiving 1,472,438 shares, which are restricted shares and which will vest in the event of such change of control. Consequently, the compensation expense for these shares will not be recognized until the vesting becomes probable. In addition, the dividends that might be declared in the future on those shares will be recognized in the consolidated financial statements as additional compensation expense in the consolidated statement of operations, since the vesting period of those shares is indefinite.

On October 21, 2009, the Company granted to an officer 30,326 unrestricted shares pursuant to the Plan. The shares vested immediately.

On December 21, 2009, the Company granted 150,000 restricted shares to each of the Company's two new non-executive directors pursuant to the Plan. The shares vest over a period of 5 years.

On December 21, 2009, the Company granted to the CEO 500,000 Shares, pursuant to the Plan with a vesting period of six months. However, as the shares granted to our CEO do not contain any future service vesting conditions, all such shares are considered vested shares on the grant date

On December 21, 2009, the Company granted 300,000 Shares to the CFO, pursuant to the Company's Plan out of which 100,000 shares vested immediately, and the remainder of the shares vest over a period of 2 years.

All share amounts have been adjusted for the 1:3 reverse stock split effected on March 20, 2008.

A summary of the status of the Company's non-vested shares as of December 31, 2009 and movement during the year ended December 31, 2009, is presented below:

Non-vested Shares		**Weighted average grant date fair value**
As of January 1, 2009	**2,077,264**	**$6.42**
Granted	1,130,326	$0.98
Vested	(958,404)	$3.63
Forfeited	(8,077)	$12.45
As of December 31, 2009	**2,241,109**	**$4.85**

The compensation expense recognized in the years ended December 31, 2007, 2008 and 2009 was $935, $5,116 and $3,467 and is included in General and administrative expenses in the consolidated statements of operations. As of December 31, 2009, the total unrecognized

16. Stock Incentive Plan – (continued):

compensation cost related to non-vested share awards is $2,812, which is expected to be recognized by December 31, 2014.

The total fair value of shares vested during the years ended December 31, 2007, 2008 and 2009 was $978, $3,770 and $1,115 respectively.

The Company estimates the future forfeitures of non-vested shares to be immaterial. The Company will, however, re-evaluate the reasonableness of its assumption at each reporting period.

No dividends were paid in the years ended December 31, 2007, 2008 and 2009.

17. Earnings (loss) Per Common Share:

All shares issued (including non-vested shares issued under the Plan) are the Company's common stock and have equal rights to vote and participate in dividends and in undistributed earnings. Non-vested shares do not have a contractual obligation to share in the losses. Dividends declared during the period for non-vested common stock as well as undistributed earnings allocated to non-vested stock are deducted from net income / (loss) attributable to common shareholders for the purpose of the computation of basic earnings per share in accordance with two-class method as required by relevant guidance. The denominator of the basic earnings per common share excludes any non-vested shares as such are not considered outstanding until the time-based vesting restriction has elapsed.

On January 1, 2009, the Company adopted the requirements of the guidance related to Earnings per share, which clarifies that non-vested share-based payment awards that contain rights to receive non forfeitable dividends or dividend equivalents (whether paid or unpaid) are participating securities, and thus, should be included in the two-class method of computing earnings per share. This standard was applied retroactively to all periods presented. Non-vested, participating shares did not impact basic and diluted loss per share for the periods ended December 31, 2007 and 2009 due to losses. However, the adoption resulted in a decrease of $0.04 in the basic and diluted earnings per share for the year ended December 31, 2008 once retroactively adjusted in 2009. Refer to Note 2 (aa), "Recently Issued Accounting Pronouncements," for additional information related to Earnings per share guidance.

For purposes of calculating diluted earnings per share the denominator of the diluted earnings per share calculation includes the incremental shares assumed issued under the treasury stock method weighted for the period the non-vested shares were outstanding, with the exception of the 1,472,438 shares, granted to the Company's CEO, which will vest in the event of change of control. Consequently, those shares are excluded from the remaining non-vested shares.

17. Earnings (loss) Per Common Share – (continued):

The components of the calculation of basic and diluted earnings per share for the years ended December 31, 2007, 2008 and 2009 are as follows:

	Year Ended December 31,		
	2007	2008	2009
Net (loss) income	$ (49,076)	$ 25,639	$ (50,196)
Less: Undistributed earnings allocated to non-vested shares	$ -	$ (912)	$ -
Net (loss) income available to common shareholders	$ (49,076)	$ 24,727	$ (50,196)
Weighted average common shares outstanding, basic and diluted	$ 11,986,857	$ 25,445,031	$ 28,230,585
(Loss) income per common share, basic and diluted	$ (4.09)	$ 0.97	$ (1.78)

For the years ended December 31 2007, 2008 and 2009, 213,333, 2,077,264 and 2,241,109, shares respectively, which constitute the number of non-vested shares as at the end of each year, were not included in the computation of diluted earnings per share because to do so would have been antidilutive for the periods presented.

18. Voyage and Vessel Operating Expenses:

The amounts in the accompanying consolidated statements of operations are as follows:

Voyage Expenses	Year Ended December 31,		
	2007	2008	2009
Port charges	15,473	5,377	24
Bunkers	36,867	23,877	(12)
Commissions	7,074	9,402	3,360
Total	**59,414**	**38,656**	**3,372**

Vessel Operating Expenses	Year Ended December 31,		
	2007	2008	2009
Crew wages and related costs	27,721	26,673	11,439
Insurance	6,191	7,210	3,021
Repairs and maintenance	18,758	19,791	4,323
Spares and consumable stores	15,177	13,294	4,832
Taxes (Note 20)	67	146	124
Total	**67,914**	**67,114**	**23,739**

19. Interest and Finance Costs:

The amounts in the accompanying consolidated statements of operations are analyzed as follows:

Interest and Finance Costs	Year Ended December 31,		
	2007	2008	2009
Interest on long-term debt (Note 12)	19,223	22,143	12,470
Less: Capitalized interest (Note 9)	(2,661)	(3,873)	(1,461)
Interest on capital leases	-	1,219	-
Commitment fees		392	153
Bank charges	875	752	382
Amortization and write-off of financing fees	2,081	5,131	2,425
Total	**19,518**	**25,764**	**13,969**

20. Income Taxes:

Marshall Islands, Cyprus and Liberia do not impose a tax on international shipping income. Under the laws of Marshall Islands, Cyprus and Liberia, the countries of the companies' incorporation and vessels' registration, the companies are subject to registration and tonnage taxes, which have been included in vessels' operating expenses in the accompanying consolidated statements of operations.

Pursuant to the United States Internal Revenue Code of 1986, as amended (the "Code"), U.S. source income from the international operations of ships is generally exempt from U.S. tax if the company operating the ships meets both of the following requirements, (a) the Company is organized in a foreign country that grants an equivalent exception to corporations organized in the United States and (b) either (i) more than 50% of the value of the Company's stock is owned, directly or indirectly, by individuals who are "residents" of the Company's country of organization or of another foreign country that grants an "equivalent exemption" to corporations organized in the United States (50% Ownership Test) or (ii) the Company's stock is "primarily and regularly traded on an established securities market" in its country of organization, in another country that grants an "equivalent exemption" to United States corporations, or in the United States (Publicly-Traded Test).

Under the regulations, a Company's stock will be considered to be "regularly traded" on an established securities market if (i) one or more classes of its stock representing more than 50 percent of its outstanding shares, by voting power and value, is listed on the market and is traded on the market, other than in minimal quantities, on at least 60 days during the taxable year; and (ii) the aggregate number of shares of stock traded during the taxable year is at least 10% of the average number of shares of the stock outstanding during the taxable year.

The Marshall Islands, Cyprus and Liberia, the jurisdictions where the Company and its ship-owning subsidiaries are incorporated, grant an "equivalent exemption" to United States corporations. Therefore, the Company is exempt from United States federal income taxation with respect to U.S.-source shipping income if either the 50% Ownership Test or the Publicly-Traded Test is met. The Company believes that for periods prior to its initial public offering in July 2004, it satisfied the 50% Ownership Test. The Company also believes that for periods subsequent to its initial public offering, it satisfies the Publicly-Traded Test on the basis that more than 50% of the value of its stock is primarily and regularly traded on the Nasdaq National Market and, therefore, the Company and its subsidiaries are entitled to exemption from U.S. federal income tax, in respect of their U.S. source shipping income.

21. Financial Instruments:

The principal financial assets of the Company consist of cash on hand and at banks and accounts receivable due from charterers. The principal financial liabilities of the Company consist of long-term loans, accounts payable due to suppliers, interest rate swap agreements and an interest rate derivative product.

a) ***Interest rate risk:*** The Company is subject to market risks relating to changes in interest rates because it has floating rate debt outstanding under its loan agreements on which it pays interest based on LIBOR, or cost of funds for certain banks, plus a margin. In order to manage part or whole of its exposure to changes in interest rates due to this floating rate indebtedness, the Company might enter into interest rate swap agreements.

b) ***Concentration of Credit risk:*** Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist principally of cash and trade accounts receivable.

The Company places its temporary cash investments, consisting mostly of deposits, with high credit qualified financial institutions. The Company performs periodic evaluations of the relative credit standing of those financial institutions with which it places its temporary cash investments. The Company limits its credit risk with accounts receivable by performing ongoing credit evaluations of its customers' financial condition and generally does not require collateral for its accounts receivable.

c) ***Fair value*** : The carrying values of cash and cash equivalents, accounts receivable and accounts payable are reasonable estimates of their fair value due to the short-term nature of these financial instruments. The carrying amount of the Company's credit facilities (as further discussed in Note 12) approximates its fair value. The fair value of the interest rate swaps, except the swap under viii below, was determined using a discounted cash flow method based on market-based LIBOR swap yield curves, taking into account current and future interest rates and the creditworthiness of both the financial instrument counterparty and the Company. The fair value of the derivative product and the swap under viii below is the amount the Company would pay to terminate it.

The estimated fair values of the Company's derivatives, seen below, equal carrying values.

SWAP	**Notional Amount**	**Period**	**Effective Date**	**Interest Rate Payable**	**Fair Value - Asset (Liability)**	
	December 31, 2009				December 31, 2008	December 31, 2009
1		4 years	June 30, 2005	4.66%	($270)	-
2	$9,923	2 years	December 12, 2008	4.80%	($701)	($444)
3	$9,923	2 years	December 12, 2008	4.80%	($701)	($444)
4	$9,923	2 years	December 12, 2008	4.80%	($701)	($444)
5	$10,000	7 years	September 30, 2006	4.23%	($1,852)	($907)
6	$10,000	7 years	September 30, 2006	4.11%	($1,812)	($869)
7	$10,000	7 years	July 3, 2006	4.76%	($1,650)	($1,090)
8	$11,938	5 years	March 27, 2008	4.60%	($732)	($620)
9	$6,798	5 years	March 27, 2008	4.60%	($468)	($320)
10	$20,000	7 years	May 15, 2008	10.85%	($3,944)	($5,975)
11	$12,345	7 years	July 15, 2008	5.55%	($2,344)	($1,316)
12	$15,108	4 years	June 28, 2010	4.73%	($1,263)	($921)
13	$32,695	3 years	March 19, 2009	2.095%	-	($453)
					($16,438)	**($13,803)**

21. Financial Instruments – (continued):

The Company enters into interest rate swap transactions to manage interest costs and the risk associated with changing interest rates with respect to its variable interest rate loans and credit facilities. These interest rate swap transactions fix the interest rates based on predetermined ranges in current LIBOR rates. As of December 31, 2009, the Company's outstanding interest rate swaps had a combined notional amount of $158,653.

The Company follows the accounting guidance for Fair Value Measurements and Disclosures. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value should be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities;

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data;

Level 3: Unobservable inputs that are not corroborated by market data.

The Company pays a fixed rate and receives a variable rate for its interest rate swaps. The variable rate is based on the LIBOR swap rates. LIBOR swap rates are observable at commonly quoted intervals for the full terms of the swaps and therefore are considered Level 2 items. The fair values of those derivatives determined through Level 2 of the fair value hierarchy are derived principally from or corroborated by observable market data. Inputs include quoted prices for similar assets, liabilities (risk adjusted) and market-corroborated inputs, such as market comparables, interest rates, yield curves and other items that allow value to be determined.

As of December 31, 2009, no fair value measurements for assets or liabilities under Level 1 or level 3 were recognized in the Company's consolidated financial statements.

The following table summarizes the valuation of our financial instruments as of December 31, 2009:

		Fair Value Measurement at Reporting Date Using Quoted		
	Total	**Active Markets for Identical Assets (Level 1)**	**Prices in Significant Other Observable Inputs (Level 2)**	**Significant Other Unobservable Inputs (Level 3)**
Interest rate swaps	$13,803	-	$13,803	-

The following table summarizes the valuation of our assets measured at fair value on a non-recurring basis as of the valuation date:

21. Financial Instruments – (continued):

Items Measured at Fair Value on a Nonrecurring Basis

		Fair Value Measurements			
Non – Recurring Measurements:	December 31, 2009	Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2	Unobservable Inputs Level 3	Gains/ (Losses)
Long-lived assets held and used	$38,000		$38,000		$36,638

In accordance with the provisions of relevant guidance, long-lived assets held and used with a carrying amount of $74,638 were written down to their fair value of $38,000, resulting in an impairment charge of $36,638, which was included in the accompanying consolidated statement of operations for December 31, 2009 (Note 10).

The fair value of the impaired vessels was determined based on a market approach, which consisted of quotations from well respected brokers regarding vessels with similar characteristics as compared to our vessels. As a result, the Company has classified long-lived assets held and used as Level 2.

The Company's interest rate swaps did not qualify for hedge accounting. The Company marks to market the fair market value of the interest rate swaps at the end of every period and reflects the resulting unrealized gain or loss during the period in "Gain / (loss) on financial instruments" in its consolidated statement of operations as well as presents the fair value at the end of each period in the balance sheet. Information on the location and amounts of derivative fair values in the consolidated balance sheets and derivative losses in the consolidated statements of operations are presented below:

Liability Derivatives

Derivatives not designated as hedging instruments	December 31, 2008		December 31, 2009	
	Balance Sheet Location	**Fair Value**	**Balance Sheet Location**	**Fair Value**
Interest rate swaps	Current liabilities – Current portion of financial instruments	$16,438	Current liabilities – Current portion of financial instruments	$13,803
Total Derivatives not designated as hedging instruments		**$16,438**		**$13,803**

21. Financial Instruments – (continued):

Derivative Instruments not designated as hedging instruments	Location of (Loss) or Gain recognized in Income on Derivative	Amount of (Loss) or Gain Recognized in Statement of Operations		
		December 31, 2007	December 31, 2008	December 31, 2009
Interest rate swaps	(Loss) / gain on financial instruments	$2,728	$16,326	($2,635)
Interest rate derivative product	(Loss) / gain on financial instruments	$2,176	($5,676)	-
Total (Loss) / Gain on Derivatives		**$4,904**	**$10,650**	**($2,635)**

22. Subsequent Events:

(a) ***New Time Charter:*** In March 2010, the Company's vessel M/T Dauntless entered into a time charter agreement for two years, starting in March 2010, at a gross daily rate of $10,500 plus 50/50 profit share with a first class charterer.

Schedule I- Condensed Financial Information of Top Ships Inc. (Parent Company Only)
Balance Sheets
December 31, 2008 and 2009
(Expressed in thousands of U.S. Dollars – except for share and per share data)

	December 31,	
	2008	**2009**
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	49,154	-
Due from subsidiaries	301,543	330,109
Other current assets	686	248
Total current assets	**351,383**	**330,357**
NON CURRENT ASSETS		
Investments in subsidiaries	311,178	328,826
Restricted cash	5,081	473
Other non-current assets	118	99
Total non-current assets	**316,377**	**329,398**
Total assets	**667,760**	**659,755**
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of long term debt	60,599	53,351
Due to subsidiaries	302,862	354,121
Current portion of financial instruments	5,584	2,866
Other current liabilities	6,623	2,166
Total current liabilities	**375,668**	**412,504**
NON CURRENT LIABILITIES		
Other non-current liabilities	41	55
Total non-current liabilities	**41**	**55**
STOCKHOLDERS' EQUITY		
Preferred stock, $0.01 par value; 20,000,000 shares authorized; none issued	-	-
Common stock $0.01 par value; 1,000,000,000 shares authorized		
29,901,048 and 32,894,696 shares issued and outstanding at December 31, 2008 and 2009	283	311
Additional paid-in capital	271,056	276,305
Accumulated other comprehensive income	24	88
Retained earnings / Accumulated deficit	20,688	(29,508)
Total stockholders' equity	**292,051**	**247,196**
Total liabilities and stockholders' equity	**667,760**	**659,755**

Schedule I- Condensed Financial Information of Top Ships Inc. (Parent Company Only)
Statements of Operations
For the years ended December 31, 2007, 2008 and 2009
(Expressed in thousands of U.S. Dollars – except for share and per share data)

	December 31,		
	2007	**2008**	**2009**
EXPENSES			
General and administrative expenses	9,493	14,365	12,910
Foreign currency losses / (gains), net	49	(96)	(17)
Operating loss	**(9,542)**	**(14,269)**	**(12,893)**
OTHER INCOME / (EXPENSES)			
Interest and finance costs	(11,264)	(6,896)	(2,457)
Loss / (gain) on financial instruments	(3,704)	(3,701)	1,439
Interest income	2,142	1,252	148
Other, net	-	-	46
Total Other (expenses), net	**(12,826)**	**(9,345)**	**(824)**
Equity in (loss) / earnings of subsidiaries	(26,708)	49,253	(36,479)
Net (loss) / income	**(49,076)**	**25,639**	**(50,196)**
(Loss) / earnings per common share, basic and diluted	**(4.09)**	**0.97**	**(1.78)**
Weighted average common shares outstanding, basic and diluted	11,986,857	25,445,031	28,230,585

Schedule I- Condensed Financial Information of Top Ships Inc. (Parent Company Only)
Statements of Cash Flows
For the years ended December 31, 2007, 2008 and 2009
(Expressed in thousands of U.S. Dollars)

	December 31,		
	2007	**2008**	**2009**
Net cash (used in) Operating Activities	(45,569)	(77,474)	(11,006)
Cash flows from Investing Activities			
Return of investment from subsidiaries	75,954	243,531	-
Investment in subsidiaries	(129,272)	(64,213)	(32,181)
Decrease (Increase) in Restricted cash	-	10,000	4,608
Acquisition of fixed assets	-	(112)	-
Net cash (used in) / provided by Investing Activities	**(53,318)**	**189,206**	**(27,573)**
Cash flows from Financing Activities			
Proceeds from long-term debt	10,000	30,000	2,886
Principal payments of long-term debt	(34,080)	(164,994)	(10,149)
Issuance of common stock, net of issuance costs	98,341	50,601	2,569
Repurchase and cancellation of common stock	-	(733)	(732)
Financial instrument termination payments	-	-	(5,000)
Financial instrument upfront receipt	8,500	-	-
Payment of financing costs	-	-	(149)
Net cash provided by / (used in) Financing Activities	**82,761**	**(85,126)**	**(10,575)**
Net (decrease) / increase in cash and cash equivalents	**(16,126)**	**26,606**	**(49,154)**
Cash and cash equivalents at beginning of year	**38,674**	**22,548**	**49,154**
Cash and cash equivalents at end of year	**22,548**	**49,154**	

Schedule I- Condensed Financial Information of Top Ships Inc. (Parent Company Only)
(Figures in thousands of U.S. Dollars)

In the condensed financial information of the Parent Company, the Parent Company's investment in subsidiaries is stated at cost plus equity in undistributed earnings of subsidiaries less equity in undistributed loss of subsidiaries, distributions from subsidiaries as return on investment and return of investment.

The Parent Company's subsidiaries made the following distributions to the Parent Company during the years ended December 31, 2007, 2008 and 2009:

	2007	2008	2009
Return on Investment	19,456	96,774	1,549
Return of Investment	75,954	243,531	
Total cash from subsidiaries	**95,410**	**340,305**	**1,549**

The Parent Company is a borrower under the RBS and the Cape Manuel facilities and guarantor under the remaining loans outstanding at December 31, 2009. Refer to Note 12 "Long-term Debt" to the consolidated financial statements.

The principal payments required to be made after December 31, 2009 for these are as follows:

Year ending December 31, 2010	53,662
Less financing fees	(311)
	53,351

The vessel-owning subsidiary companies with outstanding loans had restricted net assets amounting to $100,175 and $151,571 as of December 31, 2008 and 2009, respectively.

The condensed financial information of the Parent Company should be read in conjunction with the Company's consolidated financial statements.

ITEM 19. EXHIBITS

Number	Description of Exhibits
1.1	Second Amended and Restated Articles of Incorporation of TOP SHIPS INC.
1.2	Amended and Restated By-Laws of the Company, as adopted on February 28, 2007 (1)
2.1	Form of Share Certificate (2)
4.1	TOP SHIPS INC. Amended and Restated 2005 Stock Incentive Plan
4.2	Credit Facility between the Company and the Royal Bank of Scotland dated November 1, 2005 (3)
4.3	Supplement to Credit Facility between the Company and the Royal Bank of Scotland dated December 21, 2006 (4)
4.4	Shareholder Rights Agreement with Computershare Investor Services, LLC, as Rights Agent as of August 19, 2005 (5)
4.5	Credit Facility between Jeke Shipping Company Limited, Noir Shipping S.A., Amalfi Shipping Company Limited and HSH Nordbank AG, dated November 8, 2007 (6)
4.6	Secured Loan Agreement between Japan III Shipping Company Limited and Alpha Bank A.E, dated December 17, 2007 (7)
4.7	Supplemental Agreement between Japan III Shipping Company Limited, Lichtenstein Shipping Company Limited and Alpha Bank A.E., dated April 3, 2009,to Secured Loan Facility Agreement dated December 17, 2007 (8)
4.8	Loan Agreement between Emporiki Bank of Greece S.A. and Japan I Shipping Company Limited, dated March 5, 2008 (9)
4.9	Supplemental Agreement, dated March 26, 2008 to Facilities Agreement between TOP SHIPS INC. and the Royal Bank of Scotland plc, dated November 1, 2005 (10)
4.10	Loan Agreement between Japan II Shipping Company Limited, TOP SHIPS INC., DVB Bank AG and DVB Bank America N.V., dated April 24, 2008 (11)
4.11	Secured Loan Agreement between Lichtenstein Shipping Company Limited and Alpha Bank A.E., dated August 18, 2008 (12)

4.12	First Supplemental Agreement between Lichtenstein Shipping Company Limited and Alpha Bank A.E, dated February 23, 2009, to Secured Loan Agreement dated August 18, 2008 (13)
4.13	Second Supplemental Agreement between Lichtenstein Shipping Company, Japan III Shipping Company Limited and Alpha Bank A.E., dated April 3, 2009, to Secured Loan Agreement dated August 18, 2008 (14)
4.14	Credit Facility between Warhol Shipping Company Limited, Indiana R Shipping Company Limited, Britto Shipping Company Limited and HSH Nordbank AG, dated October 1, 2008 (15)
4.15	Loan Agreement between Banksy Shipping Company Limited, Hongbo Shipping Company Limited and DVB Bank America N.V., dated October 6, 2008 (16)
4.16	Amendment Letter between Banksy Shipping Company Limited, Hongbo Shipping Company Limited and DVB Bank America N.V. dated July 31, 2009, to Loan Agreement dated October 6, 2008
4.17	Fourth Supplemental Agreement between The Royal Bank of Scotland plc and TOP Ships Inc. dated July 30, 2009, to Facilities Agreement dated November 1, 2005
4.18	Second Supplemental Agreement between Japan III Shipping Company Limited, Lichtenstein Shipping Company Limited and Alpha Bank A.E., dated May 21, 2009, to Secured Loan Facility Agreement dated December 17, 2007
4.19	Third Supplemental Agreement between Japan III Shipping Company Limited, Lichtenstein Shipping Company Limited and Alpha Bank A.E., dated November 25, 2009, to Secured Loan Facility Agreement dated December 17, 2007
4.20	Third Supplemental Agreement between Lichtenstein Shipping Company Limited and Alpha Bank A.E, dated November 25, 2009, to Secured Loan Agreement dated August 18, 2008
4.21	First Supplemental Agreement, between Emporiki Bank of Greece S.A. and Japan I Shipping Company Limited, dated August 5, 2009, to Loan Agreement dated March 5, 2008
4.22	Amendment No. 1 between Jeke Shipping Company Limited, Noir Shipping S.A., Amalfi Shipping Company Limited and HSH Nordbank AG, dated May 11, 2009, to Credit Facility dated November 8, 2007
4.23	Amendment No. 1 between Warhol Shipping Company Limited, Indiana R Shipping Company Limited, Britto Shipping Company Limited and HSH Nordbank AG, dated May 11, 2009, to Credit Facility dated October 1, 2008
4.24	Loan Agreement between Top Ships Inc. and Cape Manuel Shipping Company Limited, dated July 27, 2009
8.1	List of subsidiaries of the Company
12.1	Rule 13a-14(a)/15d-14(a) Certification of the Company's Principal Executive Officer
12.2	Rule 13a-14(a)/15d-14(a) Certification of the Company's Principal Financial Officer
13.1	Certification of the Company's Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

13.2	Certification of the Company's Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
15.1	Consent of Independent Registered Public Accounting Firm

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(1) Incorporated by reference from Exhibit 2.1 to the Company's Annual Report on Form 20-F, filed on June 29, 2009 (File No. 000-50859).

(2) Incorporated by reference from the Company's 6-K filed on March 9, 2007.

(3) Incorporated by reference from Exhibit 4.4 to the Company's Annual Report on Form 20-F, filed on April 13, 2006 (File No. 000-50859)

(4) Incorporated by reference from Exhibit 4.4.1 to the Company's Annual Report on Form 20-F, filed on April 20, 2007 (File No. 000-50859)

(5) Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form 8A (File No. 000-50859).

(6) Incorporated by reference from exhibit 4.72 to the Company's Annual Report on Form 20-F, filed on June 29, 2009 (File No. 000-50859)

(7) Incorporated by reference from exhibit 4.73 to the Company's Annual Report on Form 20-F, filed on June 29, 2009 (File No. 000-50859)

(8) Incorporated by reference from exhibit 4.74 to the Company's Annual Report on Form 20-F, filed on June 29, 2009 (File No. 000-50859)

(9) Incorporated by reference from exhibit 4.75 to the Company's Annual Report on Form 20-F, filed on June 29, 2009 (File No. 000-50859)

(10) Incorporated by reference from exhibit 4.76 to the Company's Annual Report on Form 20-F, filed on June 29, 2009 (File No. 000-50859)

(11) Incorporated by reference from exhibit 4.77 to the Company's Annual Report on Form 20-F, filed on June 29, 2009 (File No. 000-50859)

(12) Incorporated by reference from exhibit 4.78 to the Company's Annual Report on Form 20-F, filed on June 29, 2009 (File No. 000-50859)

(13) Incorporated by reference from exhibit 4.79 to the Company's Annual Report on Form 20-F, filed on June 29, 2009 (File No. 000-50859)

(14) Incorporated by reference from exhibit 4.80 to the Company's Annual Report on Form 20-F, filed on June 29, 2009 (File No. 000-50859)

(15) Incorporated by reference from exhibit 4.81 to the Company's Annual Report on Form 20-F, filed on June 29, 2009 (File No. 000-50859)

(16) Incorporated by reference from exhibit 4.82 to the Company's Annual Report on Form 20-F, filed on June 29, 2009 (File No. 000-50859)

SIGNATURES

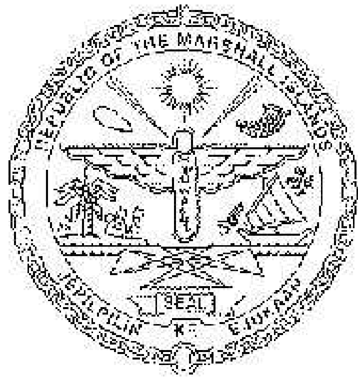
The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

TOP SHIPS INC.
(Registrant)

Date: June 18, 2010

By: /s/ Evangelos Pistiolis
Evangelos Pistiolis
President, Chief Executive Officer, and Director

SK 23116 0001 1109628



AMENDED AND RESTATED ARTICLES OF INCORPORATION

OF

TOP SHIPS INC.

REPUBLIC OF THE MARSHALL ISLANDS
REGISTRAR OF CORPORATIONS
DUPLICATE COPY

The original of this Document was filed in
accordance with Section 5 of the
Business Corporations Act on

NON RESIDENT

September 17, 2009

Reg. No. 3571

SECOND AMENDED AND RESTATED ARTICLES OF INCORPORATION

OF

TOP SHIPS INC.

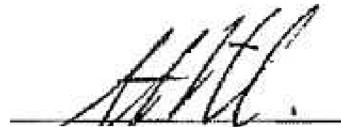
UNDER SECTION 93 OF THE

THE MARSHALL ISLANDS BUSINESS CORPORATIONS ACT

The undersigned, Evangelos Pistiolis, as the Chief Executive Officer of TOP Ships Inc., a corporation incorporated under the laws of the Republic of the Marshall Islands as OCEAN HOLDINGS INC. on January 10, 2000 (the "Corporation"), for the purpose of amending and restating the Articles of Incorporation of said Corporation pursuant **to** section 93 of the Business Corporations Act, as amended, hereby certifies that:

1. The name of the Corporation is: TOP Ships Inc.
2. The Articles of Incorporation were filed with the Registrar of Corporations on the 10th day of January, 2000 under the name "OCEAN HOLDINGS INC."
3. Articles of Amendment were filed with the Registrar of Corporations on the 30th day of April, 2004, changing the name of the Corporation to "TRANS OCEAN PETROLEUM TANKERS INC."
4. Articles of Amendment were filed with the Registrar of Corporations on the 10th day of May, 2004, changing the name of the Corporation to "TOP TANKERS INC."
5. Articles of Amendment were filed with the Registrar of Corporations on the 27th day of May, 2004.
6. Restated and Amended Articles of Incorporation were filed with the Registrar of Corporations on the 21st day of July, 2004.
7. Articles of Amendment were filed with the Registrar of Corporations on the 22nd day of July, 2005.
8. Articles of Amendment were filed with the Registrar of Corporations on the 17th day of December, 2007 changing the name of the Corporation to "TOP SHIPS INC."
9. Articles of Amendment were filed with the Registrar of Corporations on the 20th day of March, 2008.
10. The Restated and Amended Articles of Incorporation are amended and restated in their entirety and arc replaced by the Second Amended and Restated Articles of Incorporation attached hereto.
11. These Second Amended and Restated Articles of Incorporation were authorized by actions of the Board of Directors and Shareholders of the Corporation.

IN WITNESS WHEREOF, the undersigned has executed these Amended and Restated Articles of Incorporation this 15 th day of September, 2009.



Authorized Person
Name: Evangelos Pistiolis
Title: Chief Executive Officer

AMENDED AND RESTATED ARTICLES OF INCORPORATION

OF

TOP SHIPS INC.

PURSUANT TO THE MARSHALL ISLANDS BUSINESS CORPORATION ACT

A. The name of the Corporation shall be:

TOP SHIPS INC.

B. The purpose of the Corporation is to engage in any lawful act or activity for which corporations may now or hereafter be organized under the Marshall Islands Business Corporation Act and without in any way limiting the generality of the foregoing, the corporation shall have the power:

(1) To purchase or otherwise acquire, own, us; operate, pledge, hypothecate, mortgage, lease, charter, sub-charter, sell, build, and repair steamships, motorships, tankers, whaling vessels, sailing vessels, tugs, lighters, barges, and all other vessels and craft of any and all motive power whatsoever, including aircraft, landcraft, and any and all means of conveyance and transportation by land, water or air, together with engines, boilers, machinery equipment and appurtenances of all kinds, including masts, sails, boats, anchors, cables, tackle, furniture and all other necessities thereunto appertaining and belonging, together with all materials, articles, tools, equipment and appliances necessary, suitable or convenient for the construction, equipment, use and operation thereof; and to equip, furnish, and outfit such vessels and ships.

(2) To engage in ocean, coastwise and inland commerce, and generally in the carriage of freight, goods, cargo in bulk, passengers, mail and personal effects by water between the various ports of the world and to engage generally in waterborne commerce,

(3) To purchase or otherwise acquire, own, use, operate, lease, build, repair, sell or in any manner dispose of docks, piers, quays, wharves, dry docks, warehouses and storage facilities of all kinds, and any property, real, personal and mixed, in connection therewith.

(4) To act as ship's husband, ship brokers, custom house brokers, ship's agents, manager of shipping property, freight contractors, forwarding agents, warehousemen, wharfingers, ship chandlers, and general traders.

(5) To enter into, make and perform contracts of every kind and description with any person, firm, association, corporation, municipality, county, state, body politic, or government or colony or any dependency thereof.

(6) To appoint or act as an agent, broker, or representative, general or special, in respect of any or all of the powers expressed herein or implied hereby; to appoint agents, brokers or representatives.

(7) To carry on its business, to have one or more offices, and to exercise its powers in foreign countries, subject to the laws of the particular country.

(8) To borrow or raise money and contract debts, when necessary, for the transaction of its business or for the exercise of its corporate rights, privileges or franchise or for any other lawful purpose of its incorporation; to draw, make, accept, endorse, execute and issue promissory notes, bills of exchange, bonds, debentures, and other instruments and evidences of indebtedness either secured by mortgage, pledge, deed of trust, or otherwise, or unsecured.

(9) To give a guarantee not in furtherance of corporate purposes when authorized by majority vote of shareholders entitled to vote thereon and, when authorized by like vote, such guarantee may be secured by mortgage or pledge or creation of security interest in corporate property.

(10) To purchase or otherwise acquire, hold, own, mortgage, sell, convey, or otherwise ispose of real and personal property of every class and description.

(11) To apply for, secure by purchase or otherwise hold, use, sell, assign, lease, grant licenses in respect of, mortgage or otherwise dispose of letters patent, patent rights, licenses, privileges, inventions, improvements and processes, copyrights, trademarks, and trade names, relative to or useful in connection with any business of this corporation.

(12) To purchase or otherwise acquire, underwrite, hold, pledge, turn to account in any manner, sell, distribute, or otherwise dispose of and generally to deal in, bonds, debentures, notes, evidences of indebtedness, shares of stock, warrants, rights, certificates, receipts or any other instruments or interests in the nature of securities created or issued by any person, partnership, firm, corporation, company, association, or other business organizations, foreign or domestic, or by any domestic or foreign governmental, municipal or other public authority, and exercise as holder or owner of any such "securities all rights, powers and privileges in respect thereof; to do any and all acts and things for the preservation, protection, improvement and enhancement in value of any such securities and to aid by loan, subsidy, guaranty or otherwise those issuing, creating or responsible for any such securities; to acquire or become interested in any such securities by original subscription, underwriting, loan, participation in syndicates or otherwise, and irrespective of whether such securities be fully paid or subject to future payments; to make payments thereon as called for or in advance of calls or otherwise and to underwrite or subscribe for the same conditionally or otherwise and either with a view to resale or investment or for any other lawful purpose; and in connection therewith or otherwise to acquire and hold membership in or otherwise secure trading privileges on any board of trade, exchange or other similar institution where any securities are dealt in and to comply with the rules of any such institution; as used herein the term "securities" shall include bonds, debentures, notes, evidences of indebtedness, shares of stock, warrants, options, rights, certificates, receipts or any other instruments or interests in the nature of securities of any kind whatsoever which a corporation organized under the Associations Law of the Republic of the Marshall Islands is legally permitted to acquire or deal in, by whomsoever issued or created; the term "person" shall include any person, partnership, firm, corporation, company, association or other business Organization, domestic or foreign governmental, municipal or other public authority.

(13) To purchase or otherwise acquire, hold, pledge, turn to account in any manner, import, export, sell, distribute or otherwise dispose of, and generally to deal in, commodities and products (including any future interest therein) and merchandise, articles of commerce, materials, personal property and real property of every kind, character and description whatsoever, and any interest therein, either as principal business special, or as a factor or broker, or as commercial, sales, or financial agent or representative, general or, to the extent permitted by the laws of the Marshall Islands, in any other capacity whatsoever for the account of any domestic or foreign person or public authority, and in connection therewith or otherwise to acquire trading privileges on any board of trade, exchange or other similar institution where any such products or commodities or personal property are dealt in, and to comply with the rules of any such institution.

(14) To engage in any mercantile; manufacturing or trading business of any kind or character whatsoever and to do all things incidental to such business.

(15) To carry on the business of warehousing and all business incidental thereto, including the issuing of warehouse receipts, negotiable or otherwise, and the making of advances or loans upon the security of goods warehoused.

(16) To purchase, lease or otherwise acquire, hold, own, mortgage, pledge, hypothecate, build, erect, construct, maintain and operate, develop, improve and sell, lease or otherwise dispose of lands, and improvements, warehouses, factories, buildings, structures, piers, wharves, mills, dams, stores and dwellings and all other property and things of whatsoever kind and nature, real, personal or mixed, tangible or intangible, suitable or necessary in connection with any of the purposes herein above or hereinafter set forth, or otherwise deal with or in any such properties.

(17) To cause to be formed, merged, reorganized or liquidated, and to promote, take charge of, in any way permitted by law, the formation, merger, reorganization or liquidation of any person.

(18) To acquire all or any part of the good will, rights, property and business of any person, heretofore or

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hereafter engaged in any business similar to any business which the Corporation has power to conduct, to pay for the same in cash or in the securities of the Corporation or otherwise, to hold, utilize and in any manner dispose of the whole or any part of the rights and property so acquired, and to assume in connection therewith any liabilities of any: such person, and conduct in any lawful manner the whole or any part of the business thus acquired.

(19) To make, enter into and carry out any arrangements with any person or public authority, to obtain therefrom or otherwise to acquire by purchase, lease, assignment or otherwise any powers, rights; privileges, immunities, franchises, guarantees, grants and concessions, to acquire, hold, own, exercise, exploit, dispose of and realize upon the same, and to undertake and prosecute any business dependent thereon provided it is such a business as this Corporation may engage in; and to promote, cause to be formed and aid in any way any person for any such purpose.

(20) To make and issue trust receipts, deposit receipts, certificates of deposit, interim receipts, or any other receipts for, or certificates of deposit for, any securities or interest therein; to acquire and exercise any proxies or powers of attorney or other privileges pertaining to any securities or interest therein.

(21) To render advisory, investigatory, supervisory, managerial or other like services, permitted to corporations, in connection with the promotion, organization, reorganization, recapitalization, liquidation, consolidation or merger of any person or in connection with the issuance, underwriting, sale or distribution of any securities issued in connection therewith or incidental thereto; and to render general investment advisory or financial advisory or managerial services to any person or public authority.

(22) To cause or allow the legal title, or any legal or equitable estate, right or interest in any property, whether real, personal or mixed, owned, acquired, controlled or operated by the Corporation, to remain or to be vested or registered in the name of or operated by, any person, formed or to be formed, either upon trust for or as agents or nominees of, this Corporation, or upon any other proper terms or conditions which the Board of Directors may consider for the benefit of the Corporation.

(23) To enter into any lawful arrangements for sharing profits, union of interest, reciprocal concession or cooperation with any person or public authority, in the carrying on of any similar business which the Corporation is authorized to carry on, or any business or transaction deemed necessary, convenient or incidental to carrying out any of the purposes of the Corporation.

(24) To the extent suitable or necessary to carry out any of the purposes herein before or hereinafter set forth, but only in so far as the same may be permitted to be done by a corporation organized under the Associations Law of the Republic of the Marshall Islands, to buy, sell and deal in foreign exchange.

(25) To invest its uninvested funds and/or surplus from time to time to such extent as the Corporation may deem advisable in securities or in call and/or in time loans or otherwise, upon such security, if any, as the Board of Directors may determine, but the Corporation shall not engage in the banking business or exercise banking powers, and nothing in these Articles contained shall be deemed to authorize it to do so.

(26) To issue, purchase, hold, sell, transfer, reissue or cancel the shares of its own capital stock or any securities of the Corporation in the manner and to the extent now or hereafter permitted by the Associations Law of the Republic of the Marshall Islands; and provided further that shares of its own capital stock owned by the Corporation shall not be voted upon directly or indirectly, nor counted as outstanding for the purpose of any stockholders' quorum or vote.

(27) To act in any and all parts of the world in any capacity whatsoever as agent, broker, or representative, general or special, for any person or public authority, including, but without limitation of the foregoing, to act as agent, broker or representative, general or special, for any person engaged in the business of writing insurance, but only to the extent permitted to corporations organized pursuant to the Associations Law of the Republic of the Marshall Islands.

(28) To do any and all of the acts and things herein set forth, as principal, factor, agent, contractor, or

otherwise, either alone or in company with others; and in general to carry on any other similar business which is incidental or conducive or convenient or proper to the attainment of the foregoing purposes or any of them and which is not forbidden by law, and to exercise any and all powers which now or hereafter may be lawful for the Corporation to exercise under the laws of the Marshall Islands; to establish and maintain offices and agencies wherever situated; and to exercise any or all of its corporate powers and rights.

C. The registered address of the Corporation in the Marshall Islands is Trust Company Complex, Ajeltake Island, P.O. Box 1405, Majuro, Marshall Islands MH96960. The name of the Corporation's registered agent at such address is The Trust Company of the Marshall Islands, Inc.

D. The aggregate number of shares of stock that the Corporation is authorized to issue is One Billion, Twenty Million (1,020,000,000) registered shares, of which One Billion (1,000,000,000) shall be designated common shares with a par value of one United States cent (US $0.01) per share, and Twenty Million (20,000,000) shall be designated preferred shares with a par value of one United States cent (US $0.01) per share. The Board of Directors shall have the authority to authorize the issuance from time to time of one or more classes of preferred shares with one or more series within any class thereof, with such voting powers, full or limited, or without voting powers and with such designations, preferences and relative, participating, optional or special rights and qualifications, limitations or restrictions thereon as shall be set forth in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such preferred shares.

E. The Corporation shall have every power which a corporation now or hereafter organized under the Marshall Islands Business Corporation Act may have.

F. The name and address of the incorporator is:

Name	Post Office Address
Majuro Nominees Ltd.	P.O. Box 1405 Majuro Marshall Islands

G. The board of directors as well as the shareholders of the Corporation shall have the authority to adopt, amend or repeal the by-laws of the Corporation.

H. It Corporate existence shall begin upon filing these Articles of Incorporation with the Registrar of Corporations as of the filing date stated on these Articles.

I. (a) The number of directors constituting the entire Board of Directors shall be not less than one nor more than twelve, as fixed from time to time by the vote of not less than 66 2/3% of the entire Board of Directors; provided, however, that the number of directors shall not be reduced so as to shorten the term of any director at the time in office, and provided further, that the number of directors constituting the entire Board of Directors shall be one unless and until otherwise fixed by the vote of not less than 66 2/3% of the entire Board of Directors. The phrase "66 213% of the entire Board of Directors" as used in these Articles of Incorporation shall be deemed to refer to 66 2/3% of the number of directors constituting the Board of Directors as provided in or pursuant to this Section (a) of this Article 1, without regard to any vacancies then existing.

(b) The Board of Directors shall be divided into three classes, as nearly equal in number as the then total number of directors constituting the entire Board of Directors permits, with the term of office of one or another of the three classes expiring each year. As soon as practicable after the filing of these Articles of Incorporation with the Registrar of Corporations responsible for non-resident corporations, the shareholders of the Corporation shall hold an organization meeting to divide the Board of Directors into three classes, with the term of office of the first class to expire at the 2005 Annual Meeting of Shareholders, the term of office of the second class to expire at the 2006 Annual Meeting of Shareholders and the term of office of the third class to expire at the 2007 Annual Meeting of Shareholders. Commencing with the 2005 Annual Meeting of Shareholders, the directors elected at an annual meeting of shareholders to succeed those whose terms then expire shall be identified as being directors of the same class as the directors whom they succeed, and each of them shall hold office until the third succeeding annual meeting of shareholders and until such director's successor is elected and has qualified. Any vacancies in the Board of Directors for any reason, and any created directorships resulting from any increase in the number of directors, may be filled by the vote of not less than 66 2/3% of the members of the Board of Directors then in office, although less than a quorum, and any directors so chosen shall hold office until the next election of the class for which such directors shall have been chosen and until their successors shall be elected and qualified. No decrease in the number of directors shall shorten the term of any incumbent director. Notwithstanding the foregoing, and except as otherwise required by law, whenever the holders of any one or more series of preferred stock shall have the right, voting separately as a class, to elect one or more directors of the Corporation, the then authorized number of directors shall be increased by the number of directors so to be elected, and the terms of the director or directors elected by such holders shall expire at the next succeeding annual meeting of shareholders.

(c) Notwithstanding any other provisions of these Articles of Incorporation or the by-laws of the Corporation (and notwithstanding the fact that some lesser percentage may be specified by law, these Articles of Incorporation or the by-laws of the Corporation), any director or the entire Board of Directors of the Corporation may be removed at any time, but only for cause and only by the affirmative vote of the holders of 80% or more of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class) cast at a meeting of the shareholders called for that purpose. Notwithstanding the foregoing, and except as otherwise required by law, whenever the holders of any one or more series of preferred stock shall have the right, voting separately as a class, to elect one or more directors of the Corporation, the provisions of this Section (c) of this Article I shall not apply with respect to the director or directors elected by such holders of preferred stock.

(d) Directors shall be elected by a plurality of the votes cast at a meeting of shareholders by the holders of shares entitled to vote in the election. Cumulative voting, as defined in Division 7, Section 71(2) of the BCA, shall not be used to elect directors.

(e) Notwithstanding any other provisions of these Articles of Incorporation or the by-laws of the Corporation (and notwithstanding the fact that some lesser percentage may be specified by law, these Articles of incorporation or the by-laws of the Corporation), the affirmative vote of the holders of 80% or more of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class) shall be required to amend, alter, change or repeal this Article I.

J. The Board of Directors of the Corporation is expressly authorized to make, alter or repeal by-laws of the Corporation by a vote of not less than a majority of the entire Board of Directors, and the shareholders may not make additional by-laws and may not alter or repeal any by-law. Notwithstanding any other provisions of these Articles of Incorporation or the by-laws of the Corporation (and notwithstanding the fact that some lesser percentage may be specified by law, these Articles of Incorporation or the by-laws of the Corporation), the affirmative vote of the holders of 80% or more of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class) shall be required to amend, alter, change or repeal this Article J.

K. (a) Except as provided in this Article K, special meetings of the shareholders may be called exclusively by the Board of Directors, who shall state the purpose or purposes of the proposed special meeting. If there is a failure to hold the annual meeting within a period of ninety (90) days after the date designated therefor, or if no date has been designated for a period of thirteen (13) months after the organization of the Corporation or after its last annual meeting, holders of not less than 10% of the shares entitled to vote in an election of directors may, in writing, demand the call of a special meeting in lieu of the annual meeting specifying the time thereof, which shall not be less than two (2) nor more than three (3) months from the date of such call. The Secretary of the Corporation upon receiving the written demand shall promptly give notice of such meeting, or if the secretary fails to do so within five (5) business days thereafter, any shareholder signing such demand may give such notice. Such notice shall state the purpose or purposes of the proposed special meeting. The business transacted at any special meeting shall be limited to the purposes stated when the meeting is called by the Board of Directors or in the notice of such meeting.

(b) Any action required to be taken or which may be taken at any annual or special meeting of shareholders of the Corporation may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the shareholders entitled to vote with respect to the subject matter thereof.

(c) Notwithstanding any other provisions of these Articles of Incorporation or the by-laws of the Corporation (and notwithstanding the fact that some lesser percentage may be specified by law, these Articles of Incorporation or the by-laws of the Corporation), the affirmative vote of the holders of 80% or more of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class) shall be required to amend, alter, change or repeal this Article K.

L. (a) The Corporation may not engage in any Business Combination with any Interested Shareholder for a period of three years following the time of the transaction in which the person became an Interested Shareholder, unless:

(1) prior to such time, the Board of Directors of the Corporation approved either the Business Combination or the transaction which resulted in the shareholder becoming an Interested Shareholder;

(2) upon consummation of the transaction which resulted in the shareholder becoming an Interested Shareholder, the Interested Shareholder owned at least 85% of the voting stock of the Corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned (i) by persons who are directors and also officers and (ii) employee stock plans in which employee participants do not have the right to determine confidentially

whether shares held subject to the plan will be tendered in a tender or exchange offer; or

(3) at or subsequent to such time, the Business Combination is approved by the Board of Directors and authorized at an annual or special meeting of shareholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested shareholder; or

(4) the shareholder became an Interested Shareholder prior to the consummation of the initial public offering of the Corporation's common stock under the Securities Act of 1933.

(b) The restrictions contained in this section shall not apply if:

(1) A shareholder becomes an Interested Shareholder inadvertently and (i) as soon as practicable divests itself of ownership of sufficient shares so that the shareholder ceases to be an Interested Shareholder; and (ii) would not, at any time within the three-year period immediately prior to a Business Combination between the Corporation and such shareholder, have been an Interested Shareholder but for the inadvertent acquisition of ownership; or

(2) The Business Combination is proposed prior to the consummation or abandonment of and subsequent to the earlier of the public announcement or the notice required hereunder of a proposed transaction which (1) constitutes one of the transactions described in the following sentence; (ii) is with or by a person who either was not an Interested Shareholder during the previous three years or who became an Interested Shareholder with the approval of the Board; and (iii) is approved or not opposed by a majority of the members of the Board then in office (but not less than one) who were Directors prior to any person becoming an Interested Shareholder during the previous three years or were recommended for election or elected to succeed such Directors by a majority of such Directors. The proposed transactions referred to in the preceding sentence are limited to:

(i) a merger or consolidation of the Corporation (except for a merger in respect of which, pursuant to the BCA, no vote of the shareholders of the Corporation is required);

(ii) a sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions), whether as part of a dissolution or otherwise, of assets of the Corporation or of any direct or indirect majority-owned subsidiary of the Corporation (other than to any direct or indirect wholly-owned subsidiary or to the Corporation) having an aggregate market value equal to 50% or more of either that aggregate market value of all of the assets of the Corporation determined on a consolidated basis or the aggregate market value of all the outstanding shares; or

(iii) a proposed tender or exchange offer for 50% or more of the outstanding voting shares of the Corporation.

The Corporation shall give not less than 20 days notice to all Interested Shareholders prior to the consummation of any of the transactions described in clause (i) or (ii) of the second sentence of this paragraph.

(c) For the purpose of this Article L only, the term:

(1) "Affiliate" means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, another person.

(2) "Associate," when used to indicate a relationship with any person, means: (i) Any corporation, partnership, unincorporated association or other entity of which such person is a director, officer or partner or is, directly or indirectly, the owner of 20% or more of any class of voting shares; (ii) any trust or other estate in which such person has at least a 20% beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity; and (iii) any relative or spouse of such person, or any relative of such spouse, who has the same residence as such person.

(3) "Business Combination," when used in reference to the Corporation and any Interested Shareholder of the Corporation, means :

(i) Any merger or consolidation of the Corporation or any direct or indirect majority-owned subsidiary of the Corporation with (A) the Interested Shareholder or any of its affiliates, or (B) with any other corporation, partnership, unincorporated association or other entity if the merger or consolidation is caused by the Interested Shareholder.

(ii) Any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions), except proportionately as a shareholder of the Corporation, to or with the Interested Shareholder, whether as part of a dissolution or otherwise, of assets of the Corporation or of any direct or indirect majority-owned subsidiary of the Corporation which assets have an aggregate market value equal to 10% or more of either the aggregate market value of all the assets of the Corporation determined on a consolidated basis or the aggregate market value of all the outstanding shares;

(iii) Any transaction which results in the issuance or transfer by the Corporation or by any direct or indirect majority-owned subsidiary of the Corporation of any shares, or any share of such subsidiary, to the Interested Shareholder, except: (A) pursuant to the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into shares, or shares of any such subsidiary, which securities were outstanding prior to the time that the Interested Shareholder became such; (B) pursuant to a merger with a direct or indirect wholly-owned subsidiary of the Corporation solely for purposes of forming a holding company; (C) pursuant to a dividend or distribution paid or made, or the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into shares, or shares of any such subsidiary, which security is distributed, pro rata to all holders of a class or series of shares subsequent to the time the Interested Shareholder became such; (D) pursuant to an exchange offer by the Corporation to purchase shares made on the same terms to all holders of said shares; or (E) any issuance or transfer of shares by the Corporation; provided however, that in no case under items (C)-(E) of this subparagraph *shall* there be an increase in the Interested Shareholder's proportionate share of the any class or series of shares;

(iv) Any transaction involving the Corporation or any direct or indirect majority-owned subsidiary of the Corporation which has the effect, directly or indirectly, of increasing the proportionate share of any class or series of shares, or securities convertible into any class or series of shares, or shares of any such subsidiary, or securities convertible into such shares, which is owned by the Interested Shareholder, except as a result of immaterial changes due to fractional share adjustments or as a result of any purchase or redemption of any shares not caused, directly or indirectly, by the Interested Shareholder; or

(v) Any receipt by the Interested Shareholder of the benefit, directly or indirectly (except proportionately as a shareholder of the Corporation), of any loans, advances, guarantees, pledges or other financial benefits (other than those expressly permitted in subparagraphs (i)-(iv) of this paragraph) provided by or through the Corporation or any direct or indirect majority-owned subsidiary.

(4) "Control," including the terms "controlling," "controlled by" and "under common control with," means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting shares, by contract or otherwise. A person who is the owner of 20 percent or more of the outstanding voting shares of any corporation, partnership, unincorporated association or other entity shall be presumed to have control of such entity, in the absence of proof by a preponderance of the evidence to the contrary. Notwithstanding the foregoing, a presumption of control shall not apply where such person holds voting shares, in good faith and not for the purpose of circumventing this provision, as an agent, bank, broker, nominee, custodian or trustee for one or more owners who do not individually or as a group have control of such entity,

(5) "Interested Shareholder" means any person (other than the Corporation and any direct or indirect majority-owned subsidiary of the Corporation) that (i) is the owner of 15% or more of the outstanding voting shares of the Corporation, or (ii) is an affiliate or associate of the Corporation and was

the owner of 15% or more of the outstanding voting shares of the Corporation at any time within the three-year period immediately prior to the date on which it is sought to be determined whether such person is an Interested Shareholder; and the affiliates and associates of such person; provided, however, that the term "Interested Shareholder" shall not include any person whose ownership of shares in excess of the 15% limitation set forth herein is the result of action taken solely by the Corporation; provided that such person shall be an Interested Shareholder if thereafter such person acquires additional shares of voting shares of the Corporation, except as a result of further Company action not caused, directly or indirectly, by such person. For the purpose of determining whether a person is an Interested Shareholder, the voting shares of the Corporation deemed to be outstanding shall include voting shares deemed to be owned by the person through application of paragraph (8) below, but shall not include any other unissued shares which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(6) "Person" means any individual, corporation, partnership, unincorporated association or other entity.

(7) "Voting stock" means, with respect to any corporation, shares of any class or series entitled to vote generally in the election of directors and, with respect to any entity that is not a corporation, any equity interest entitled to vote generally in the election of the governing body of such entity.

(8) "Owner," including the terms "own" and "owned," when used with respect to any shares, means a person that individually or with or through any of its affiliates or associates:

(i) Beneficially owns such shares, directly or indirectly; or

(ii) Has (A) the right to acquire such shares (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise; provided, however, that a person shall not be deemed the owner of shares tendered pursuant to a tender or exchange offer made by such person or any of such person's affiliates or associates until such tendered shares is accepted for purchase or exchange; or (B) the right to vote such shares pursuant to any agreement, arrangement or understanding; provided, however, that a person shall not be deemed the owner of any shares because of such person's right to vote such shares if the agreement, arrangement or understanding to vote such shares arises solely from a revocable proxy or consent given in response to a proxy or consent solicitation made to 10 or more persons; or

(iii) Has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except voting pursuant to a revocable proxy or consent as described in item (B) of subparagraph (ii) of this paragraph), or disposing of such shares with any other person that beneficially owns, or whose affiliates or associates beneficially own, directly or indirectly, such shares.

(d) Any amendment of this Article I., shall not be effective until 12 months after the approval of such amendment at a meeting of the shareholders of the Corporation and shall not apply to any Business Combination between the Corporation and any person who became an Interested Shareholder of the Corporation at or prior to the time of such approval

(e) Notwithstanding any other provisions of these Articles of Incorporation or the by-laws of the Corporation (and notwithstanding the fact that some lesser percentage may be specified by law, these Articles of Incorporation or the by-laws of the Corporation), the affirmative vote of the holders of 80% or more of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class) shall be required to amend, alter, change or repeal this Article L.

TOP SHIPS, INC.
AMENDED AND RESTATED
2005 STOCK INCENTIVE PLAN

ARTICLE I
General

1.1 Purpose

The TOP Ships Inc. Amended and Restated 2005 Stock Incentive Plan (the "Plan") is designed to provide certain key persons, whose initiative and efforts are deemed to be important to the successful conduct of the business of TOP Ships Inc. (the "Company"), with incentives to: (a) enter into and remain in the service of the Company or its Affiliates (as defined below), (b) acquire a proprietary interest in the success of the Company, (c) maximize their performance, and (d) enhance the long-term performance of the Company. The name of the Plan and the definition of the term "Company" as used herein have amended to reflect the change in name of the Company from TOP Tankers Inc. to TOP Ships Inc.

1.2 Administration

(a) Administration by Board of Directors. The Plan shall be administered by the Company's Board of Directors (the "Board"), or such committee of the Board as may be designated by the Board to administer the Plan (the "Administrator"); provided that (i) in the event the Company is subject to Section 16 of the U.S. Securities Exchange Act of 1934, as amended (the "1934 Act"), the Administrator shall be composed of two or more directors, each of whom is a "Non-Employee Director" (a "Non Employee-Director") under Rule 16b-3 (as promulgated and interpreted by the Securities and Exchange Commission (the "SEC") under the 1934 Act, or any successor rule or regulation thereto as in effect from time to time), and (ii) the Administrator shall be composed solely of two or more directors who are "independent directors" under the rules of any stock exchange on which the Company's Common Stock (as defined below) is traded; provided further, however, that, (A) the requirement in the preceding clause (i) shall apply only when required to exempt an award intended to qualify for an exemption under the applicable provisions referenced therein, (B) the requirement in the preceding clause (ii) shall apply only when required pursuant to the applicable rules of the applicable stock exchange and (C) if at any time the Administrator is not so composed as required by the preceding provisions of this sentence, that fact will not invalidate any grant made, or action taken, by the Administrator hereunder that otherwise satisfies the terms of the Plan. The Administrator shall have the full power and authority to (1) designate the persons to receive awards under the Plan, (2) determine the types of awards granted to a participant under the Plan, (3) determine the number of shares to be covered by, or with respect to which payments, rights or other matters are to be calculated with respect to, awards, (4) determine the terms and conditions of any awards, (5) determine whether, and to what extent, and under what circumstances, awards may be settled or exercised in cash, shares, other securities, other awards or other property, or cancelled, forfeited or suspended, and the methods by which awards may be settled, exercised, cancelled, forfeited or suspended, (6) determine whether, to what extent, and under what circumstances cash, shares, other securities, other awards, other property and other amounts payable with respect to an award shall be deferred, either automatically or at the election of the holder thereof or the Administrator, (7) exercise all of the powers granted to it under the Plan, (8) construe, interpret and implement the Plan and any Award Agreement, (9) prescribe, amend, rescind or waive rules and regulations relating to the Plan, including rules governing its operation, (10) make all determinations necessary or advisable in administering the Plan, (11) correct any defect, supply any omission and reconcile any inconsistency in the Plan or any Award Agreement, and (12) make any other determination and take any other action that the Administrator deems necessary or desirable for the administration of the Plan. Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations and other decisions under or with respect to the Plan or any award shall be within the sole discretion of the Administrator, may be made at any time and shall be final, conclusive and binding upon all persons.

(b) General Right of Delegation. Except to the extent prohibited by applicable law, the applicable rules of a stock exchange, or any charter, by-laws or other agreement governing the Administrator, the Administrator may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities to any person or persons selected by it, and may revoke any such allocation or delegation at any time.

(c) Indemnification. No member of the Board, the Administrator or any employee of the Company or any of its Affiliates (each such Person, a "Covered Person") shall be liable for any action taken or omitted to be taken or any determination made in good faith with respect to the Plan or any award hereunder. Each Covered Person shall be indemnified and held harmless by the Company against and from (i) any loss, cost, liability or expense (including attorneys' fees) that may be imposed upon or incurred by such Covered Person in connection with or resulting from any action, suit or proceeding to which such Covered Person may be a party or in which such Covered Person may be involved by reason of any action taken or omitted to be taken under the Plan or any Award Agreement and (ii) any and all amounts paid by such Covered Person, with the Company's approval, in settlement thereof, or paid by such Covered Person in satisfaction of any judgment in any such action, suit or proceeding against such Covered Person; provided that the Company shall have the right, at its own expense, to assume and defend any such action, suit or proceeding and, once the Company gives notice of its intent to assume the defense, the Company shall have sole control over such defense with counsel of the Company's choice. The foregoing right of indemnification shall not be available to a Covered Person to the extent that a court of competent jurisdiction in a final judgment or other final adjudication, in either case not subject to further appeal, determines that the acts or omissions of such Covered Person giving rise to the indemnification claim resulted from such Covered Person's bad faith, fraud or willful criminal act or omission or that such right of indemnification is otherwise prohibited by law or by the Company's Second Amended and Restated Articles of Incorporation or Amended and Restated Bylaws. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which Covered Persons may be entitled under the Company's Second Amended and Restated Articles of Incorporation or Amended and Restated Bylaws, as a matter of law, or otherwise, or any other power that the Company may have to indemnify such persons or hold them harmless.

(d) Delegation of Authority to Senior Officers. The Administrator may, in accordance with the terms of Section 1.2(b), delegate, on such terms and conditions as it determines, to one or more senior officers of the Company the authority to make grants of awards to employees (other than officers) of the Company and its Subsidiaries (including any such prospective employee) and consultants of the Company and its Subsidiaries; provided, however, that in no event shall any such officer be delegated the authority to grant awards to, or amend awards held by, the following individuals: (i) individuals who are subject to Section 16 of the 1934 Act, or (ii) officers of the Company (or directors of the Company) to whom authority to grant or amend awards has been delegated hereunder.

(e) Awards to Non-Employee Directors. Notwithstanding anything to the contrary contained herein, the Board may, in its sole discretion, at any time and from time to time, grant awards to Non-Employee Directors or administer the Plan with respect to such awards. In any such case, the Board shall have all the authority and responsibility granted to the Administrator herein.

1.3 Persons Eligible for Awards

The persons eligible to receive awards under the Plan are those officers, directors, and employees (including any prospective officer or employee) of the Company and its Subsidiaries and Affiliates and consultants and service providers (including individuals who are employed by or provide services to any entity that is itself such a consultant or service provider) to the Company and its Subsidiaries and Affiliates (collectively, "key persons") as the Administrator in its sole discretion shall select

1.4 Types of Awards Under Plan

Awards may be made under the Plan in the form of (a) stock options, (b) stock appreciation rights, (c) dividend equivalent rights, (d) restricted stock, (e) unrestricted stock, (f) restricted stock units, and (g) performance shares, all as more fully set forth in Article II. The term "award" means any of the foregoing.

1.5 Shares Available for Awards

(a) Aggregate Number Available; Certificate Legends. Subject to the provisions of Section 1.5(b), the total number of shares of common stock of the Company ("Common Stock") with respect to which awards may be granted pursuant to the Plan is 12,000,000 shares. Shares issued pursuant to the Plan may be authorized but unissued Common Stock, authorized and issued Common Stock held in the Company's treasury or Common Stock acquired by the Company for the purposes of the Plan. The Administrator may direct that any stock certificate evidencing shares issued pursuant to the Plan shall bear a legend setting forth such restrictions on transferability as may apply to such shares.

(b) Adjustment Upon Changes in Common Stock. Upon certain changes in Common Stock, the number of shares of Common Stock available for issuance with respect to awards that may be granted under the Plan pursuant to Section 1.5(a), shall be adjusted pursuant to Section 3.7(a).

(c) Certain Shares to Become Available Again. The following shares of Common Stock shall again become available for awards under the Plan: any shares that are subject to an award under the Plan and that remain unissued upon the cancellation or termination of such award for any reason whatsoever; any shares of restricted stock forfeited pursuant to Section 2.7(e), provided that any dividends with respect to such shares that have not theretofore been directly remitted to the grantee are also forfeited; and any shares in respect of which an award is settled for cash. Any shares tendered or withheld to satisfy the grant or exercise price or tax withholding obligation pursuant to any award shall again become available to be delivered pursuant to awards under the Plan.

1.6 Definitions of Certain Terms

(a) The "Fair Market Value" of a share of Common Stock on any day shall be the closing price on the New York Stock Exchange as reported for such day in The Wall Street Journal or, if no such price is reported for such day, the average of the high bid and low asked price of Common Stock as reported for such day. If no quotation is made for the applicable day, the Fair Market Value of a share of Common Stock on such day shall be determined in the manner set forth in the preceding sentence using quotations for the next preceding day for which there were quotations, provided that such quotations shall have been made within the ten (10) business days preceding the applicable day. Notwithstanding the foregoing, if deemed necessary or appropriate by the Administrator, the Fair Market Value of a share of Common Stock on any day shall be determined by such methods and procedures as shall be established from time to time by the Administrator. In no event shall the Fair Market Value of any share of Common Stock be less than its par value. The "Fair Market Value" of any property other than Common Stock shall be the fair market value of such property determined by such methods and procedures as shall be established from time to time by the Administrator.

(b) The term “incentive stock option” means an option that is intended to qualify for special federal income tax treatment pursuant to Sections 421 and 422 of the Code as now constituted or subsequently amended, or pursuant to a successor provision of the Code.

(c) Unless otherwise set forth in an Award Agreement, the term “cause” in connection with a termination of employment by reason of a dismissal for cause shall mean:

(i) to the extent that there is an employment, severance or other agreement governing the relationship between the grantee, on the one hand, and the Company or any of its Affiliates (as applicable), on the other hand, which agreement contains a definition of “cause” (or similar phrase), cause shall consist of those acts or omissions that would constitute “cause” under such agreement; and otherwise,

(ii) the grantee's termination of employment by the Company or any of its Affiliates on account of any one or more of the following:

(A) any failure by the grantee substantially to perform the grantee's employment duties;

(B) any excessive unauthorized absenteeism by the grantee;

(C) any refusal by the grantee to obey the lawful orders of the Board or any other person to whom the grantee reports;

(D) any act or omission by the grantee that is or may be injurious to the Company, monetarily or otherwise;

(E) any act by the grantee that is inconsistent with the best interests of the Company;

(F) the grantee's material violation of any of the Company's policies, including, without limitation, those policies relating to discrimination or sexual harassment;

(G) the grantee's unauthorized (a) removal from the premises of the Company or any of its Affiliates of any document (in any medium or form) relating to the Company or any of its Affiliates or the customers or clients of the Company or any of its Affiliates or (b) disclosure to any person or entity of any of the Company's, or any of its Affiliates' confidential or proprietary information;

(H) the grantee's commission of any felony, or any other crime involving moral turpitude; and

(I) the grantee's commission of any act involving dishonesty or fraud.

Any rights the Company or any of its Affiliates may have hereunder in respect of the events giving rise to cause shall be in addition to the rights the Company or its Affiliates may have under any other agreement with a grantee or at law or in equity. Any determination of whether a grantee's employment is (or is deemed to have been) terminated for cause shall be made by the Administrator. If, subsequent to a grantee's voluntary termination of employment or involuntary termination of employment without cause, it is discovered that the grantee's employment could have been terminated for cause, the Administrator may deem such grantee's employment to have been terminated for cause upon such discovery and determination by the Administrator.

(d) "Common Stock Offering" shall mean the sale of the Company's Common Stock in a firmly underwritten public offering.

(e) "Affiliate" shall mean (i) any entity that, directly or indirectly, is controlled by, controls or is under common control with, the Company and (ii) any entity in which the Company has a significant equity interest, in either case as determined by the Administrator.

(f) "Equity Restructuring" shall mean a non-reciprocal transaction between the Company and its stockholders, such as a stock dividend, stock split, spin-off, rights offering or recapitalization through a large, nonrecurring cash dividend, that affects the shares of Common Stock (or other securities of the Company) or the share price thereof and causes a change in the per share value of the shares underlying outstanding awards.

(g) The term "person" shall mean any individual, firm, corporation, partnership, limited liability company, trust, incorporated or unincorporated association, joint venture, joint stock company, governmental body or other entity of any kind.

(h) "Repricing" shall mean (i) lowering the exercise price of an option or a stock appreciation right after it has been granted, (ii) cancellation of an option or a stock appreciation right in exchange for cash or another award when the exercise price exceeds the Fair Market Value of the underlying shares subject to the award and (iii) any other action with respect to an option or a stock appreciation right that is treated as a repricing under (A) generally accepted accounting principles or (B) any applicable stock exchange rules.

(i) References herein to a "termination of employment" or other term of similar effect shall include a dismissal from the Board or termination of consultancy/service relationship with the Company and its Affiliates, as applicable.

ARTICLE II
Awards Under The Plan

2.1 Agreements Evidencing Awards

Each award granted under the Plan (except an award of unrestricted stock) shall be evidenced by a written certificate ("Award Agreement") which shall contain such provisions as the Administrator may, in its sole discretion, deem necessary or desirable. By executing an Award Agreement pursuant to the Plan, a grantee thereby agrees that the award shall be subject to all of the terms and provisions of the Plan and the applicable Award Agreement.

2.2 Grant of Stock Options, Stock Appreciation Rights, Restricted Stock Units and Dividend Equivalent Rights

(a) Stock Option Grants. The Administrator may grant stock options ("options") to purchase shares of Common Stock from the Company, to such key persons, and in such amounts and subject to such vesting and forfeiture provisions and other terms and conditions, as the Administrator shall determine, in its sole discretion, subject to the provisions of the Plan. No option granted under the Plan shall be an incentive stock option and all options granted under the plan shall be "non-qualified stock options" for purposes of the Code. The Administrator shall not grant an award in the form of options to an individual who is then subject to the requirements of Section 409A of the Code with respect to such award if the Common Stock underlying such award does not then qualify as "service recipient stock" for purposes of Section 409A. Options granted to individuals who are subject to Sections 409A and/or 457 of the Code shall be structured so as to comply with the requirements of Sections 409A and/or 457 of the Code, as applicable.

(b) Stock Appreciation Right Grants; Types of Stock Appreciation Rights. The Administrator may grant stock appreciation rights to such key persons, and in such amounts and subject to such vesting and forfeiture provisions and other terms and conditions, as the Administrator shall determine, in its sole discretion, subject to the provisions of the Plan. The terms of a stock appreciation right may provide that it shall be automatically exercised for a cash payment upon the happening of a specified event that is outside the control of the grantee, and that it shall not be otherwise exercisable. Stock appreciation rights may be granted in connection with all or any part of, or independently of, any option granted under the Plan. A stock appreciation right granted in connection with an option may be granted at or after the time of grant of such option. The Administrator shall not grant an award in the form of stock appreciation rights to any key person (i) who is then subject to the requirements of Section 409A of the Code with respect to such award if the Common Stock underlying such award does not then qualify as "service recipient stock" for purposes of Section 409A or (ii) if such award would create adverse tax consequences for such key person under Section 457A of the Code.

(c) Nature of Stock Appreciation Rights. The grantee of a stock appreciation right shall have the right, subject to the terms of the Plan and the applicable Award Agreement, to receive from the Company an amount equal to (i) the excess of the Fair Market Value of a share of Common Stock on the date of exercise of the stock appreciation right over the Fair Market Value of a share of Common Stock on the date of grant (or over the option exercise price if the stock appreciation right is granted in connection with an option), multiplied by (ii) the number of shares with respect to which the stock appreciation right is exercised. Payment upon exercise of a stock appreciation right shall be in cash or in shares of Common Stock (valued at their Fair Market Value on the date of exercise of the stock appreciation right) or any combination of both, all as the Administrator shall determine in its sole discretion. Repricing of stock appreciation rights granted under the Plan shall not be permitted (1) to the extent such action could cause adverse tax consequences to the grantee under Sections 409A or 457A of the Code or (2) without prior shareholder approval, to the extent such approval would be required to be obtained by the Company pursuant to the rules of any applicable stock exchange on which the Common Stock is then listed, and any action that would be deemed to result in a Repricing of a stock appreciation right shall be deemed null and void if it would cause such adverse tax consequences or if any requisite shareholder approval related thereto is not obtained prior to the effective time of such action. Upon the exercise of a stock appreciation right granted in connection with an option, the number of shares subject to the option shall be reduced by the number of shares with respect to which the stock appreciation right is exercised. Upon the exercise of an option in connection with which a stock appreciation right has been granted, the number of shares subject to the stock appreciation right shall be reduced by the number of shares with respect to which the option is exercised. Stock appreciation rights granted to individuals who are subject to Sections 409A and/or 457 of the Code shall be structured so as to comply with the requirements of Sections 409A and/or 457 of the Code, as applicable.

(d) Option Exercise Price. Each Award Agreement with respect to an option shall set forth the amount (the "option exercise price") payable by the grantee to the Company upon exercise of the option evidenced thereby. The option exercise price per share shall be determined by the Administrator in its sole discretion; provided, however, that the option exercise price of an option granted to any individual who is then subject to Section 409A of the Code with respect to such award shall be at least 100% of the Fair Market Value of a share of Common Stock on the date the option is granted, and provided further that in no event shall the option exercise price be less than the par value of a share of Common Stock. Notwithstanding the foregoing, with respect to any options granted within 30 days of a Common Stock Offering, the option exercise price will be the average of the Fair Market Value of a share of Common Stock over the 30 day period following the closing of the Common Stock Offering. Repricing of options granted under the Plan shall not be permitted (1) to the extent such action could cause adverse tax consequences to the grantee under Sections 409A or 457A of the Code or (2) without prior shareholder approval, to the extent such approval would be required to be obtained by the Company pursuant to the rules of any applicable stock exchange on which the Common Stock is then listed, and any action that would be deemed to result in a Repricing of an option shall be deemed null and void if it would cause such adverse tax consequences or if any requisite shareholder approval related thereto is not obtained prior to the effective time of such action.

(e) Exercise Period. Each Award Agreement with respect to an option or stock appreciation right shall set forth the periods during which the award evidenced thereby shall be exercisable, whether in whole or in part. Such periods shall be determined by the Administrator in its sole discretion; provided, however, that no option or a stock appreciation right shall be exercisable more than 10 years after the date of grant.

(f) Reload Options. The Administrator may, in its sole discretion, include in any Award Agreement with respect to an option (the "original option") a provision that an additional option (the "reload option") shall be granted to any grantee who, pursuant to Section 2.3(c)(ii), delivers shares of Common Stock in partial or full payment of the exercise price of the original option. The reload option shall be for a number of shares of Common Stock equal to the number thus delivered, shall have an exercise price equal to the Fair Market Value of a share of Common Stock on the date of exercise of the original option, and shall have an expiration date no later than the expiration date of the original option. In the event that an Award Agreement provides for the grant of a reload option, such Agreement shall also provide that the exercise price of the original option be no less than the Fair Market Value of a share of Common Stock on its date of grant, and that any shares that are delivered pursuant to Section 2.3(c)(ii) in payment of such exercise price shall have been held for at least six months.

(g) Dividend Equivalent Rights. The Administrator may, in its sole discretion, include in any Award Agreement with respect to an option, stock appreciation right or performance shares, a dividend equivalent right entitling the grantee to receive amounts equal to the ordinary dividends that would be paid, during the time such award is outstanding and unexercised, on the shares of Common Stock covered by such award if such shares were then outstanding. In the event such a provision is included in a Award Agreement, the Administrator shall determine whether such payments shall be made in cash or in shares of Common Stock, whether they shall be conditioned upon the exercise of the award to which they relate, the time or times at which they shall be made, and such other vesting and forfeiture provisions and other terms and conditions as the Administrator shall deem appropriate. Dividend equivalent rights granted to individuals who are subject to Sections 409A and/or 457 of the Code shall be structured so as to comply with the requirements of Sections 409A and/or 457 of the Code, as applicable.

(h) Restricted Stock Units. The Administrator may, in its sole discretion, grant restricted stock units to such key persons, and in such amounts and subject to such vesting and forfeiture provisions and other terms and conditions, as the Administrator shall determine, in its sole discretion, subject to the provisions of the Plan. A restricted stock unit granted under the Plan shall confer upon the grantee a right to receive from the Company, upon the occurrence of an event specified in the Award Agreement, such grantee's vested restricted stock units multiplied by the Fair Market Value of a share of Common Stock. Restricted stock units may be granted in connection with all or any part of, or independently of, any award granted under the Plan. A restricted stock unit granted in connection with another award may be granted at or after the time of grant of such award. Restricted stock units granted to individuals who are subject to Sections 409A and/or 457 of the Code shall be structured so as to comply with the requirements of Sections 409A and/or 457 of the Code, as applicable.

2.3 Exercise of Options, Stock Appreciation Rights and Restricted Stock Units

Subject to the other provisions of this Article II and this Plan, each option, stock appreciation right and restricted stock unit granted under the Plan shall be exercisable as follows:

(a) Timing and Extent of Exercise. Options, stock appreciation rights and restricted stock units shall be exercisable at such times and under such conditions as set forth in the corresponding Award Agreement, but in no event shall any such award be exercisable subsequent to the tenth anniversary of the date on which such award was granted. Unless the applicable Award Agreement otherwise provides, an option, stock appreciation right or restricted stock unit may be exercised from time to time as to all or part of the shares or units as to which such award is then exercisable. A stock appreciation right granted in connection with an option may be exercised at any time when, and to the same extent that, the related option may be exercised.

(b) Notice of Exercise. An option, stock appreciation right or restricted stock unit shall be exercised by the filing of a written notice with the Company or the Company's designated exchange agent (the "exchange agent"), on such form and in such manner as the Administrator shall in its sole discretion prescribe.

(c) Payment of Exercise Price. Any written notice of exercise of an option shall be accompanied by payment for the shares being purchased. Such payment shall be made: (i) by certified or official bank check (or the equivalent thereof acceptable to the Company or its exchange agent) for the full option exercise price; or (ii) with the consent of the Administrator, which consent shall be given or withheld in the sole discretion of the Administrator, by delivery of shares of Common Stock having a Fair Market Value (determined as of the exercise date) equal to all or part of the option exercise price and a certified or official bank check (or the equivalent thereof acceptable to the Company or its exchange agent) for any remaining portion of the full option exercise price; or (iii) at the sole discretion of the Administrator and to the extent permitted by law, by such other provision, consistent with the terms of the Plan, as the Administrator may from time to time prescribe (whether directly or indirectly through the exchange agent), or by an combination of the foregoing payment methods.

(d) Delivery of Certificates Upon Exercise. Subject to the provisions of Sections 2.3(e) and 3.6, promptly after receiving payment of the full option exercise price, or after receiving notice of the exercise of a stock appreciation right for which payment will be made partly or entirely in shares, the Company or its exchange agent shall, subject to the provisions of Section 3.2, (i) deliver to the grantee or to such other person as may then have the right to exercise the award, a certificate or certificates for the shares of Common Stock for which the award has been exercised or, in the case of stock appreciation rights, for which payment will be made in shares or (ii) establish an account evidencing ownership of the stock in uncertificated form. If the method of payment employed upon option exercise so requires, and if applicable law permits, an optionee may direct the Company or its exchange agent, as the case may be, to deliver the stock certificate(s) to the optionee's stockbroker.

(e) Investment Purpose and Legal Requirements. Notwithstanding the foregoing, at the time of the exercise of any award, the Company may, if it shall deem it necessary or advisable for any reason, require the holder of such award (i) to represent in writing to the Company that it is the grantee's then intention to acquire the shares to be received in connection therewith for investment and not with a view to the distribution thereof, or (ii) to postpone the date of exercise until such time as the Company has available for delivery to the grantee a prospectus meeting the requirements of all applicable securities laws; and no shares shall be issued or transferred upon the exercise of any award unless and until all legal requirements applicable to the issuance or transfer of such shares have been complied with to the satisfaction of the Company. The Company shall have the right to condition any issuance of shares to any grantee hereunder on such grantee's undertaking in writing to comply with such restrictions on the subsequent transfer of such shares as the Company shall deem necessary or advisable as a result of any applicable law, regulation or official interpretation thereof, and certificates representing such shares may contain a legend to reflect any such restrictions.

(f) No Stockholder Rights. No grantee of an option, stock appreciation right or restricted stock unit (or other person having the right to exercise such award) shall have any of the rights of a stockholder of the Company with respect to shares subject to such award until the issuance of a stock certificate to such person for such shares. Except as otherwise provided in Section 1.5(b), no adjustment shall be made for dividends, distributions or other rights (whether ordinary or extraordinary, and whether in cash, securities or other property) for which the record date is prior to the date such stock certificate is issued.

2.4 Compensation in Lieu of Exercise of an Option

Upon written application of the grantee of an option, the Administrator may in its sole discretion determine to substitute, for the exercise of such option, compensation to the grantee not in excess of the difference between the option exercise price and the Fair Market Value of the shares covered by such written application on the date of such application. Such compensation may be in cash, in shares of Common Stock, or both, and the payment thereof may be subject to conditions, all as the Administrator shall determine in its sole discretion. In the event compensation is substituted pursuant to this Section 2.4 for the exercise, in whole or in part, of an option, the number of shares subject to the option shall be reduced by the number of shares for which such compensation is substituted.

2.5 Termination of Employment; Death Subsequent to a Termination of Employment

(a) General Rule. Except to the extent otherwise provided in paragraphs (b), (c), (d), (e) or (f) of this Section 2.5 or Section 3.8(b)(iii), a grantee who incurs a termination of employment may exercise any outstanding option, stock appreciation right or restricted stock unit on the following terms and conditions: (i) exercise may be made only to the extent that the grantee was entitled to exercise the award on the termination of employment date; and (ii) exercise must occur within three months after termination of employment but in no event after the original expiration date of the award.

(b) Dismissal for Cause; Resignation. If a grantee incurs a termination of employment as a result of a dismissal for cause or resignation without the prior consent of the Company or its Affiliate, as applicable, all options, stock appreciation rights and restricted stock units not theretofore exercised shall terminate upon the grantee's termination of employment.

(c) Retirement. If a grantee incurs a termination of employment as the result of his retirement, then any outstanding option, stock appreciation right or restricted stock unit shall be exercisable pursuant to its terms. For this purpose “retirement” shall mean a grantee's termination of employment, under circumstances other than those described in paragraph (b) above, on or after: (x) his 65th birthday, (y) the date on which he has attained age 60 and completed at least five years of service with the Company or its Affiliates (using any method of calculation the Administrator deems appropriate) or (z) if approved by the Administrator, on or after he has completed at least 20 years of service with the Company or its Affiliates (using any method of calculation the Administrator deems appropriate).

(d) Disability. If a grantee incurs a termination of employment by reason of a disability (as defined below), then any outstanding option, stock appreciation right or restricted stock unit shall be exercisable pursuant to its terms. For this purpose “disability” shall mean, except in connection any physical or mental condition that would qualify a grantee for a disability benefit under the long-term disability plan maintained by the Company or its Affiliate, as applicable, or, if there is no such plan, a physical or mental condition that prevents the grantee from performing the essential functions of the grantee's position (with or without reasonable accommodation) for a period of six consecutive months. The existence of a disability shall be determined by the Administrator in its sole and absolute discretion.

(e) Death.

(i) Termination of Employment as a Result of Grantee's Death. If a grantee incurs a termination of employment as the result of his death, then any outstanding option, stock appreciation right or restricted stock unit shall be exercisable pursuant to its terms.

(ii) Restrictions on Exercise Following Death. Any such exercise of an award following a grantee's death shall be made only by the grantee's executor or administrator or other duly appointed representative reasonably acceptable to the Administrator, unless the grantee's will specifically disposes of such award, in which case such exercise shall be made only by the recipient of such specific disposition. If a grantee's personal representative or the recipient of a specific disposition under the grantee's will shall be entitled to exercise any award pursuant to the preceding sentence, such representative or recipient shall be bound by all the terms and conditions of the Plan and the applicable Award Agreement which would have applied to the grantee.

(f) Administrator Discretion. The Administrator may, in writing, waive or modify the application of the foregoing provisions of this Section 2.5.

2.6 Transferability of Options, Stock Appreciation Rights and Restricted Stock Units

Except as otherwise provided in an applicable Award Agreement evidencing an option, stock appreciation right or restricted stock unit, during the lifetime of a grantee, each such award granted to a grantee shall be exercisable only by the grantee and no such award shall be assignable or transferable other than by will or by the laws of descent and distribution. The Administrator may, in any applicable Award Agreement evidencing an option, stock appreciation right or restricted stock unit, permit a grantee to transfer all or some of the options, stock appreciation rights or restricted stock unit to (A) the grantee's spouse, children or grandchildren (“Immediate Family Members”), (B) a trust or trusts for the exclusive benefit of such Immediate Family Members, or (C) other parties approved by the Administrator in its sole and absolute discretion. Following any such transfer, any transferred options, stock appreciation rights or restricted stock units shall continue to be subject to the same terms and conditions as were applicable immediately prior to the transfer.

2.7 Grant of Restricted Stock

(a) Restricted Stock Grants. The Administrator may grant restricted shares of Common Stock to such key persons, in such amounts, and subject to such vesting and forfeiture provisions and other terms and conditions as the Administrator shall determine in its sole discretion, subject to the provisions of the Plan. Restricted stock awards may be made independently of or in connection with any other award under the Plan. A grantee of a restricted stock award shall have no rights with respect to such award unless such grantee accepts the award within such period as the Administrator shall specify by accepting delivery of a restricted stock Award Agreement in such form as the Administrator shall determine and, in the event the restricted shares are newly issued by the Company, makes payment to the Company its exchange agent by certified or official bank check (or the equivalent thereof acceptable to the Administrator) in an amount at least equal to the par value of the shares covered by the award (which payment may be waived at the time of grant of the restricted stock award to the extent the restricted shares granted hereunder are otherwise deemed to be fully paid and non-assessable).

(b) Issuance of Stock Certificate(s). Promptly after a grantee accepts a restricted stock award in accordance with Section 2.7(a), the Company or its exchange agent shall issue to the grantee a stock certificate or stock certificates for the shares of Common Stock covered by the award or shall establish an account evidencing ownership of the stock in uncertificated form. Upon the issuance of such stock certificate(s), or establishment of such account, the grantee shall have the rights of a stockholder with respect to the restricted stock, subject to: (i) the nontransferability restrictions and forfeiture provision described in the Plan (including paragraphs (d) and (e) of this Section 2.7); (ii) in the Administrator's sole discretion, a requirement, as set forth in the Award Agreement, that any dividends paid on such shares shall be held in escrow and, unless otherwise determined by the Administrator, shall remain forfeitable until all restrictions on such shares have lapsed; and (iii) any other restrictions and conditions contained in the applicable Award Agreement.

(c) Custody of Stock Certificate(s). Unless the Administrator shall otherwise determine, any stock certificates issued evidencing shares of restricted stock shall remain in the possession of the Company until such shares are free of any restrictions specified in the applicable Award Agreement. The Administrator may direct that such stock certificate(s) bear a legend setting forth the applicable restrictions on transferability.

(d) Nontransferability. Shares of restricted stock may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of prior to the lapsing of all restrictions thereon, except as otherwise specifically provided in this Plan or the applicable Award Agreement. The Administrator at the time of grant shall specify the date or dates (which may depend upon or be related to the attainment of performance goals and other conditions) on which the nontransferability of the restricted stock shall lapse.

(e) Consequence of Termination of Employment. Unless otherwise set forth in the applicable Award Agreement, (i) a grantee's termination of employment for any reason other than death or disability (as defined in Section 2.5(d)) shall cause the immediate forfeiture of all shares of restricted stock that have not yet vested as of the date of such termination of employment and (ii) if a grantee incurs a termination of employment as the result of his or her death or disability, all shares of restricted stock that have not yet vested as of the date of such termination shall immediately vest as of such date. Unless otherwise determined by the Administrator, all dividends paid on shares forfeited under this Section 2.7(e) that have not theretofore been directly remitted to the grantee shall also be forfeited, whether by termination of any escrow arrangement under which such dividends are held or otherwise. The Administrator may, in writing, waive or modify the application of the foregoing provisions of this Section 2.7(e).

2.8 Grant of Unrestricted Stock

The Administrator may grant (or sell at a purchase price at least equal to par value) shares of Common Stock free of restrictions under the Plan, to such key persons and in such amounts and subject to such forfeiture provisions as the Administrator shall determine in its sole discretion. Shares may be thus granted or sold in respect of past services or other valid consideration.

2.9 Grant of Performance Shares

(a) Performance Share Grants. The Administrator may grant performance share awards to such key persons, and in such amounts and subject to such vesting and forfeiture provisions and other terms and conditions, as the Administrator shall in its sole discretion determine, subject to the provisions of the Plan. Such an award shall entitle the grantee to acquire shares of Common Stock, or to be paid the value thereof in cash, as the Administrator shall determine, if specified performance goals are met. Performance shares may be awarded independently of, or in connection with, any other award under the Plan. A grantee shall have no rights with respect to a performance share award unless such grantee accepts the award by accepting delivery of a Award Agreement at such time and in such form as the Administrator shall determine. Performance share awards granted to individuals who are subject to Sections 409A and/or 457 of the Code shall be structured so as to comply with the requirements of Sections 409A and/or 457 of the Code, as applicable.

(b) Stockholder Rights. The grantee of a performance share award will have the rights of a stockholder only as to shares for which a stock certificate has been issued pursuant to the award and not with respect to any other shares subject to the award.

(c) Consequence of Termination of Employment. Except as may otherwise be provided by the Administrator in writing, the rights of a grantee of a performance share award shall automatically terminate upon the grantee's termination of employment by the Company and its subsidiaries for any reason (including death).

(d) Exercise Procedures; Automatic Exercise. At the discretion of the Administrator, the applicable Award Agreement may set out the procedures to be followed in exercising a performance share award or it may provide that such exercise shall be made automatically after satisfaction of the applicable performance goals.

(e) Tandem Grants; Effect on Exercise. Except as otherwise specified by the Administrator, (i) a performance share award granted in tandem with an option may be exercised only while the option is exercisable, (ii) the exercise of a performance share award granted in tandem with any other award shall reduce the number of shares subject to such other award in the manner specified in the applicable Award Agreement, and (iii) the exercise of any award granted in tandem with a performance share award shall reduce the number of shares subject to the latter in the manner specified in the applicable Award Agreement.

(f) Nontransferability. Performance shares may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of except as otherwise specifically provided in this Plan or the applicable Award Agreement. The Administrator at the time of grant shall specify the date or dates (which may depend upon or be related to the attainment of performance goals and other conditions) on which the nontransferability of the performance shares shall lapse.

ARTICLE III
Miscellaneous

3.1 Amendment of the Plan; Modification of Awards

(a) Amendment of the Plan. The Board may from time to time suspend, discontinue, revise or amend the Plan in any respect whatsoever, except that no such amendment shall materially impair any rights or materially increase any obligations under any award theretofore made under the Plan without the consent of the grantee (or, upon the grantee's death, the person having the right to exercise the award). For purposes of this Section 3.1, any action of the Board or the Administrator that in any way alters or affects the tax treatment of any award shall not be considered to materially impair any rights of any grantee.

(b) Stockholder Approval Requirement. If required by applicable rules or regulations of a national securities exchange or the SEC, the Company shall obtain stockholder approval with respect to any amendment to the Plan that (i) materially increases the aggregate number of shares that may be issued pursuant to the Plan (except as permitted pursuant to Section 1.5(b) or 3.7(a), (ii) materially expands the class of persons eligible to receive awards under the Plan, (iii) materially increases the benefits under the Plan to participants, including any material change to (A) permit, or that has the effect of, a “re-pricing” of any outstanding award, (B) reduce the price at which shares of options to purchase shares may be offered or (C) extends the duration of the Plan, or (iv) expands the types of Awards available under the Plan.

(c) Modification of Awards. The Administrator may cancel any award under the Plan. The Administrator also may amend any outstanding Award Agreement, including, without limitation, by amendment which would: (i) accelerate the time or times at which the award becomes unrestricted or vested or may be exercised; (ii) waive or amend any goals, restrictions or conditions set forth in the Award Agreement; or (iii) waive or amend the operation of Section 2.5 or 2.7(e) with respect to the termination of the award upon termination of employment, provided, however, that no such amendment shall be made without shareholder approval if such approval is necessary to comply with an tax or regulatory requirement applicable to the award. However, any such cancellation or amendment (other than an amendment pursuant to Sections 3.7, 3.8(b) or 3.16) that materially impairs the rights or materially increases the obligations of a grantee under an outstanding award shall be made only with the consent of the grantee (or, upon the grantee's death, the person having the right to exercise the award). In making any modification to an award (e.g., an amendment resulting in a direct or indirect reduction in the option exercise price or a waiver or modification under Section 2.5(f) or 2.7(e)), the Administrator may consider the implications, if any, under Sections 409A and 457A of the Code of such modification.

3.2 Consent Requirement

(a) No Plan Action Without Required Consent. If the Administrator shall at any time determine that any Consent (as hereinafter defined) is necessary or desirable as a condition of, or in connection with, the granting of any award under the Plan, the issuance or purchase of shares or other rights thereunder, or the taking of any other action thereunder (each such action being hereinafter referred to as a "Plan Action"), then such Plan Action shall not be taken, in whole or in part, unless and until such Consent shall have been effected or obtained to the full satisfaction of the Administrator.

(b) Consent Defined. The term "Consent" as used herein with respect to any Plan Action means (i) any and all listings, registrations or qualifications in respect thereof upon any securities exchange or under any federal, state or local law, rule or regulation, (ii) any and all written agreements and representations by the grantee with respect to the disposition of shares, or with respect to any other matter, which the Administrator shall deem necessary or desirable to comply with the terms of any such listing, registration or qualification or to obtain an exemption from the requirement that any such listing, qualification or registration be made and (iii) any and all consents, clearances and approvals in respect of a Plan Action by any governmental or other regulatory bodies.

3.3 Nonassignability

Except as provided in Sections 2.5(e), 2.6, 2.7(d) and 2.9(f): (a) no award or right granted to any person under the Plan or under any Award Agreement shall be assignable or transferable other than by will or by the laws of descent and distribution; and (b) all rights granted under the Plan or any Award Agreement shall be exercisable during the life of the grantee only by the grantee or the grantee's legal representative or the grantee's permissible successors or assigns (as authorized and determined by the Administrator). All terms and conditions of the Plan and the applicable Award Agreements will be binding upon any permitted successors or assigns.

3.4 Requirement of Notification of Election Under Section 83(b) of the Code

If any grantee shall, in connection with the acquisition of shares of Common Stock under the Plan, make the election permitted under Section 83(b) of the Code (i.e., an election to include in gross income in the year of transfer the amounts specified in Section 83(b)), such grantee shall notify the Company of such election within 10 days of filing notice of the election with the Internal Revenue Service, in addition to any filing and notification required pursuant to regulations issued under the authority of Code Section 83(b).

3.5 Intentionally Omitted

3.6 Withholding Taxes

(a) Withholding. A grantee or other holder of an award granted under the Plan shall be required to pay, in cash, to the Company, and the Company and its Affiliates shall have the right and are hereby authorized to withhold from any award, from any payment due or transfer made under any award or under the Plan or from any compensation or other amount owing to such grantee or such other award holder, the amount of any applicable withholding taxes in respect of an award, its grant, its exercise, its vesting, or any payment or transfer under an award or under the Plan, and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for payment of such taxes. Whenever shares of Common Stock are to be delivered pursuant to an award under the Plan, with the approval of the Administrator, which the Administrator shall have sole discretion whether or not to give, the grantee may satisfy the foregoing condition by electing to have the Company withhold from delivery shares having a value equal to the amount of minimum tax required to be withheld. Such shares shall be valued at their Fair Market Value as of the date on which the amount of tax to be withheld is determined. Fractional share amounts shall be settled in cash. Such a withholding election may be made with respect to all or any portion of the shares to be delivered pursuant to an award as may be approved by the Administrator in its sole discretion.

(b) Liability for Taxes. Grantees and holders of awards are solely responsible and liable for the satisfaction of all taxes and penalties that may arise in connection with awards (including, without limitation, any taxes arising under Sections 409A and 457A of the Code) and the Company shall not have any obligation to indemnify or otherwise hold any such person harmless from any or all of such taxes. The Administrator shall have the discretion to organize any deferral program, to require deferral election forms, and to grant or, notwithstanding anything to the contrary in the Plan or any Award Agreement, to unilaterally modify any award in a manner that (i) conforms with the requirements of Sections 409A and 457A of the Code (to the extent applicable), (ii) voids any participant election to the extent it would violate Sections 409A or 457A of the Code (to the extent applicable) and (iii) for any distribution event or election that could be expected to violate Section 409A or 457A of the Code, make the distribution only upon the earliest of the first to occur of a "permissible distribution event" within the meaning of Section 409A of the Code or a distribution event that the participant elects in accordance with Section 409A of the Code. The Administrator shall have the sole discretion to interpret the requirements of the Code, including, without limitation, Sections 409A and 457A, for purposes of the Plan and all awards.

3.7 Adjustment Upon Changes in Common Stock

(a) Shares Available for Grants. In the event of any change in the number of shares of Common Stock outstanding by reason of any stock dividend or split, reverse stock split, recapitalization, merger, consolidation, combination or exchange of shares or similar corporate change, or other Equity Restructuring, the maximum number of shares of Common Stock with respect to which the Administrator may grant awards under Article II hereof, as described in Section 1.5(a), shall be appropriately adjusted by the Administrator. In the event of any change in the number of shares of Common Stock outstanding by reason of any other event or transaction, the Administrator may, but need not, make such adjustments in the number and class of shares of Common Stock with respect to which awards may be granted under Article II hereof, in each case as the Administrator may deem appropriate.

(b) Outstanding Restricted Stock and Performance Shares. Unless the Administrator in its sole and absolute discretion otherwise determines, any securities or other property (other than ordinary dividends paid in cash) received by a grantee with respect to a share of restricted stock, the issue date with respect to which occurs prior to such event, but which has not vested as of the date of such event, as a result of any dividend, stock split, reverse stock split, recapitalization, merger, consolidation, combination, exchange of shares or otherwise will not vest until such share of restricted stock vests, and shall be promptly deposited with the Company or other custodian designated pursuant to Section 2.7(c) hereof.

Subject to paragraph (c) below, the Administrator may, in its absolute discretion, adjust any grant of shares of restricted stock, the issue date with respect to which has not occurred as of the date of the occurrence of any of the following events, or any grant of performance shares, to reflect any dividend, stock split, reverse stock split, recapitalization, merger, consolidation, combination, exchange of shares or similar corporate change as the Administrator may deem appropriate to prevent the enlargement or dilution of rights of grantees.

(c) Increase or Decrease in Issued Shares Without Consideration. Subject to any required action by the stockholders of the Company, in the event of any increase or decrease in the number of issued shares of Common Stock resulting from a subdivision or consolidation of shares of Common Stock or the payment of a stock dividend (but only on the shares of Common Stock), or any other increase or decrease in the number of such shares effected without receipt of consideration by the Company, or any other Equity Restructuring, the Administrator shall proportionally adjust the number of shares of Common Stock subject to each outstanding option and stock appreciation right, and the exercise price-per-share of Common Stock of each such option and stock appreciation right, and the number of any related dividend equivalent rights, and any then-outstanding awards of restricted stock, restricted stock units and performance shares to prevent the enlargement or dilution of rights of grantees.

(d) Outstanding Options, Stock Appreciation Rights, Restricted Stock Units and Dividend Equivalent Rights--Certain Mergers. Subject to any required action by the stockholders of the Company, in the event that the Company shall be the surviving corporation in any merger or consolidation (except a merger or consolidation as a result of which the holders of shares of Common Stock receive securities of another corporation), each option, stock appreciation right and dividend equivalent right outstanding on the date of such merger or consolidation shall pertain to and apply to the securities which a holder of the number of shares of Common Stock subject to such option, stock appreciation right, restricted stock unit or dividend equivalent right would have received in such merger or consolidation.

(e) Outstanding Options, Stock Appreciation Rights, Restricted Stock Units and Dividend Equivalent Rights--Certain Other Transactions. In the event of (i) a dissolution or liquidation of the Company, (ii) a sale of all or substantially all of the Company's assets, (iii) a merger or consolidation involving the Company in which the Company is not the surviving corporation or (iv) a merger or consolidation involving the Company in which the Company is the surviving corporation but the holders of shares of Common Stock receive securities of another corporation and/or other property, including cash, the Administrator shall, in its absolute discretion, have the power to:

(A) cancel, effective immediately prior to the occurrence of such event, each option, stock appreciation right and restricted stock unit (including each dividend equivalent right related thereto) outstanding immediately prior to such event (whether or not then exercisable), and, in full consideration of such cancellation, pay to the grantee to whom such option, stock appreciation right or restricted stock unit was granted an amount in cash, for each share of Common Stock subject to such option, stock appreciation right or restricted stock unit, respectively, equal to the excess of (x) the value, as determined by the Administrator in its absolute discretion, of the property (including cash) received by the holder of a share of Common Stock as a result of such event over (y) the exercise price of such option, stock appreciation right or restricted stock unit; or

(B) provide for the exchange of each option, stock appreciation right and restricted stock unit (including any related dividend equivalent right) outstanding immediately prior to such event (whether or not then exercisable) for an option on, stock appreciation right, restricted stock unit and dividend equivalent right with respect to, as appropriate, some or all of the property which a holder of the number of shares of Common Stock subject to such option, stock appreciation right or restricted stock unit would have received and, incident thereto, make an equitable adjustment as determined by the Administrator in its absolute discretion in the exercise price of the option, stock appreciation right or restricted stock unit, or the number of shares or amount of property subject to the option, stock appreciation right, restricted stock unit or dividend equivalent right or, if appropriate, provide for a cash payment to the grantee to whom such option, stock appreciation right or restricted stock unit was granted in partial consideration for the exchange of the option, stock appreciation right or restricted stock unit.

(f) Outstanding Options, Stock Appreciation Rights, Restricted Stock Units and Dividend Equivalent Rights--Other Changes. In the event of any change in the capitalization of the Company or a corporate change other than those specifically referred to in Sections 3.7(c), (d) or (e) hereof, the Administrator may, in its absolute discretion, make such adjustments in the number and class of shares subject to options, stock appreciation rights, restricted stock units and dividend equivalent rights outstanding on the date on which such change occurs and in the per-share exercise price of each such option, stock appreciation right and restricted stock unit as the Administrator may consider appropriate to prevent dilution or enlargement of rights. In addition, if and to the extent the Administrator determines it is appropriate, the Administrator may elect to cancel each option, stock appreciation right and restricted stock unit (including each dividend equivalent right related thereto) outstanding immediately prior to such event (whether or not then exercisable), and, in full consideration of such cancellation, pay to the grantee to whom such option, stock appreciation right or restricted stock unit was granted an amount in cash, for each share of Common Stock subject to such option, stock appreciation right or restricted stock unit, respectively, equal to the excess of (i) the Fair Market Value of Common Stock on the date of such cancellation over (ii) the exercise price of such option, stock appreciation right or restricted stock unit.

(g) No Other Rights. Except as expressly provided in the Plan, no grantee shall have any rights by reason of any subdivision or consolidation of shares of stock of any class, the payment of any dividend, any increase or decrease in the number of shares of stock of any class or any dissolution, liquidation, merger or consolidation of the Company or any other corporation. Except as expressly provided in the Plan, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of shares of Common Stock subject to an award or the exercise price of any option or stock appreciation right.

3.8 Change in Control

(a) Change in Control Defined. Unless the Administrator provides otherwise in an Award Agreement, for purposes of this Plan “Change in Control” shall mean the occurrence of any of the following:

(i) any person or “group” (within the meaning of Section 13(d)(3) of the 1934 Act), other than entities which the Chairman of the Board directly or indirectly controls (as defined in Rule 12b-2 under the 1934 Act), acquiring “beneficial ownership” (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of fifty percent (50%) or more of the aggregate voting power of the capital stock ordinarily entitled to elect directors of the Company;

(ii) the sale of all or substantially all of the Company's assets in one or more related transactions to a person other than such a sale to a subsidiary of the Company which does not involve a change in the equity holdings of the Company or to an entity which the Chairman directly or indirectly controls; or

(iii) any merger, consolidation, reorganization or similar event of the Company or any of its subsidiaries, as a result of which the holders of the voting stock of the Company immediately prior to such merger, consolidation, reorganization or similar event do not directly or indirectly hold at least fifty-one percent (51%) of the aggregate voting power of the capital stock of the surviving entity.

Notwithstanding the foregoing, for each award subject to Section 409A of the Code, a Change in Control shall be deemed to occur under this Plan with respect to such award only if a change in the ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company shall also be deemed to have occurred under Section 409A of the Code, provided that such limitation shall apply to such award only to the extent necessary to avoid adverse tax effects under Section 409A of the Code.

(b) Effect of a Change in Control. Unless the Administrator provides otherwise in an Award Agreement, upon the occurrence of a Change in Control:

(i) notwithstanding any other provision of this Plan, any award then outstanding shall become fully vested and any award in the form of an option, stock appreciation right or restricted stock unit shall be immediately exercisable;

(ii) to the extent permitted by law and not otherwise limited by the terms of the Plan, the Administrator may, in its sole discretion, amend any Award Agreement in such manner as it deems appropriate;

(iii) a grantee who incurs a termination of employment for any reason, other than a dismissal for cause, concurrent with or within one year following the Change in Control may exercise any outstanding option, stock appreciation right or restricted stock unit, but only to the extent that the grantee was entitled to exercise the award on his termination of employment date, until the earlier of (A) the original expiration date of the award and (B) the later of (x) the date provided for under the terms of Section 2.5 without reference to this Section 3.8(b)(iii) and (y) the first anniversary of the grantee's termination of employment.

(c) Miscellaneous. Whenever deemed appropriate by the Administrator, any action referred to in paragraph (b)(ii) of this Section 3.8 may be made conditional upon the consummation of the applicable Change in Control transaction. For purposes of the Plan and any Award Agreement granted hereunder, the term “Company” shall include any successor to TOP Ships Inc.

3.9 Right of Discharge Reserved

Nothing in the Plan or in any Award Agreement shall confer upon any grantee the right to continue his employment with the Company or any of its Affiliates or affect any right that the Company and its Affiliates may have to terminate such employment.

3.10 Non-Uniform Determinations

The Administrator's determinations and the treatment of key persons and grantees and their beneficiaries/transferees under the Plan need not be uniform and may be made by it selectively among persons who receive, or who are eligible to receive, awards under the Plan (whether or not such persons are similarly situated). Without limiting the generality of the foregoing, the Administrator shall be entitled, among other things, to make non-uniform and selective determinations, and to enter into non-uniform and selective Award Agreements, as to (a) the persons to receive awards under the Plan, and (b) the terms and provisions of awards under the Plan.

3.11 Other Payments or Awards

Nothing contained in the Plan shall be deemed in any way to limit or restrict the Company from making any award or payment to any person under any other plan, arrangement or understanding, whether now existing or hereafter in effect.

3.12 Headings

Any section, subsection, paragraph or other subdivision headings contained herein are for the purpose of convenience only and are not intended to expand, limit or otherwise define the contents of such subdivisions.

3.13 Effective Date and Term of Plan

(a) Adoption. The Plan was originally adopted by the Board on April 20, 2005.

(b) Termination of Plan. The Board may terminate the Plan at any time. All awards made under the Plan prior to its termination shall remain in effect until such awards have been satisfied or terminated in accordance with the terms and provisions of the Plan and the applicable Award Agreements. No awards may be granted under the Plan following the tenth anniversary of the date on which the Plan was originally adopted by the Board.

3.14 Restriction on Issuance of Stock Pursuant to Awards

The Company shall not permit any shares of Common Stock to be issued pursuant to Awards granted under the Plan unless such shares of Common Stock are fully paid and non-assessable under applicable law.

3.15 Governing Law

Except to the extent preempted by any applicable federal law, the Plan will be construed and administered in accordance with the laws of the State of New York, without giving effect to principles of conflict of laws.

3.16 Sections 409A and 457A

To the extent applicable, the Plan and Award Agreements shall be interpreted in accordance with Sections 409A and 457A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder. Notwithstanding any provision of the Plan or any applicable Award Agreement to the contrary, in the event that the Administrator determines that any award may be subject to Section 409A or 457A of the Code, the Administrator may adopt such amendments to the Plan and the applicable Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Administrator determines are necessary or appropriate to (i) exempt the Plan and award from Sections 409A and 457A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the award, or (ii) comply with the requirements of Sections 409A and 457A of the Code and related Department of Treasury guidance and thereby avoid the application of penalty taxes under Sections 409A and 457A of the Code.

3.17 Operation and Conduct of Business

Nothing in the Plan or any Award Agreement shall be construed as limiting or preventing the Company or any of its Affiliates from taking any action with respect to the operation and conduct of their business that they deem appropriate or in their best interests, including any or all adjustments, recapitalizations, reorganizations, exchanges or other changes in the capital structure of the Company or any of its Affiliates, any merger or consolidation of the Company or any of its Affiliates, any issuance of Company shares or other securities or subscription rights, any issuance of bonds, debentures, preferred or prior preference stock ahead of or affecting the Common Stock or other securities or rights thereof, any dissolution or liquidation of the Company or any of its Affiliates, any sale or transfer of all or any part of the assets or business of the Company or any of its Affiliates, or any other corporate act or proceeding, whether of a similar character or otherwise.

3.18 Severability

If any provision of the Plan or any award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any person or award, or would disqualify the Plan or any award under any law deemed applicable by the Administrator, such provision shall be construed or deemed amended to conform to the applicable laws or, if it cannot be construed or deemed amended without, in the determination of the Administrator, materially altering the intent of the Plan or the award, such provision shall be stricken as to such jurisdiction, Person or award and the remainder of the Plan and any such award shall remain in full force and effect.

Exhibit 4.16

From: Banksy Shipping Company Limited and
Hongbo Shipping Company Limited
80 Broad Street
Monrovia
Liberia

Top Ships Inc.
Trust Company Complex
Ajeltake Island
P.O. Box 1405
Majuro
Marshall Islands MH96960

To: DVB Bank America N.V.
Zeelandia Office Park
Kaya W.F.G. Mensing 14
Curaçao
Netherlands Antilles
as Agent and as Security Trustee

31 July 2009

Dear Sirs

Loan Facility of up to US$80,000,000

1 We refer to the loan agreement dated 6 October 2008 (as amended by letters dated 15 January 2009 and 18 March 2009 and as further amended and/or supplemented from time to time, the " **Loan Agreement** ") and made between (1) Banksy Shipping Company Limited and Hongbo Shipping Company Limited, as joint and several borrowers, (2) certain banks and financial institutions, as lenders, (3) certain banks and financial institutions, as swap banks, (4) DVB Bank America N.V., as agent and (5) DVB Bank America N.V., as security trustee. Words and expressions defined in the Loan Agreement, unless otherwise defined herein, shall have the same meanings where used in this Letter. References in this Letter to any document are to be construed as references to such document as amended and/or supplemented from time to time. This Letter is a Finance Document.

2 With effect from the date of this Letter, the Loan Agreement shall be, and shall be deemed by this letter to be, amended as follows:

(a) references throughout to the Maltese flag Ship A and the first priority Maltese Mortgage (and deed of covenant collateral thereto) on Ship A shall be construed to refer to the Liberian flag Ship A and the first preferred Liberian Mortgage on Ship A respectively;

(b) references throughout to the Liberian flag Ship B and the first preferred Liberian Mortgage on Ship B shall be construed to refer to the Panamanian flag Ship B and the first preferred Panamanian Mortgage on Ship B respectively;

(c) the definition of, and references throughout, "Finance Documents" shall be construed as if the same included references to this Letter and the "Security and Account Control Agreement" and the "Top Up Loan Fees Letter" (each as defined in the Loan Agreement as amended by this Letter);

(d) deleting recital (A) and replacing it with the following new recital (A):

"(A) The Lenders have agreed to make available to the Borrowers a facility of up to $80,000,000 for the purpose of (i) part financing the purchase price of the Ships which are to be constructed by the Builder for, and purchased by, the Borrowers and (ii) financing the payment of certain fees.";

(e) inserting the following new definitions in clause 1.1:

"" **Astrale Loan** " has the meaning given to "Loan" in the Astrale Loan Agreement;

" **Astrale Loan Agreement** " means the loan agreement dated as of 24 April 2008 and made between (i) Japan II Shipping Company Limited, as borrower, (ii) Top Ships Inc., as guarantor, (iii) certain banks and financial institutions, as lenders, (iv) DVB Bank SE (formerly known as DVB Bank AG), as swap bank, (v) DVB Bank America N.V., as agent and (vi) DVB Bank America N.V., as security trustee;

" **Company Stock** " means shares of common stock issued by the Guarantor;

" **Guarantor's Group** " means the Guarantor and its subsidiaries;

" **Pledged Stock** " means shares of Company Stock that are:

(i) beneficially owned by Hongbo and conform to the representations and warranties set forth in Clause 10.25; and

(ii) are credited to the Securities Account and subject to a Security Interest in favor of the Security Trustee under the Security and Account Control Agreement and in fact constitute "Collateral" thereunder;

" **Securities Account** " means the account established in the name of Hongbo with the Securities Intermediary pursuant to the Security and Account Control Agreement;

" **Securities and Exchange Commission** " shall mean the United States Securities and Exchange Commission or any other governmental authority of the United States of America at the time administrating the Securities Act of 1933, as amended, the Investment Company Act of 1940, as amended, or the Securities Exchange Act of 1934, as amended;

" **Securities Intermediary** " means Deutsche Bank Trust Company Americas, a New York banking corporation;

" **Security and Account Control Agreement** " means the Security and Account Control Agreement to be entered into between Hongbo, the Securities Intermediary and the Security Trustee in the Agreed Form providing for the grant by Hongbo in favour of the Security Trustee of a Security Interest in the Securities Account and in Hongbo's interest in Pledged Stock;

" **Shares Market Value** " means, in relation to any share of Pledged Stock, at any particular time for any day (and provided the principal market for Company Stock is The NASDAQ Stock Market's National Market and actual sales price information is available for such security on such securities exchange), the reported sales price at that time of day for a share of Company Stock as reported by such securities exchange; but if either the principal market for Company Stock is not The NASDAQ Stock Market's National Market or actual sales price information is not available for such security on such securities exchange, " **Shares Market Value** " shall be determined by the Agent (after consultation with the Borrowers) from time to time in its reasonable discretion;

" **Top Up Loan Fees Letter** " means a letter dated on or around 31 July 2009 and signed or to be signed between DVB Bank America N.V., the Borrowers and the Guarantor in the Agreed Form;

" **Top Up Loan** " means the Advance made or to be made pursuant to Clause 4.2(i) as may be adjusted from time to time in accordance with Clause 11.31;";

(f) construing the definition of "Drawdown Notice" in the case of the final Advance relating to Ship B and the Top Up Loan to be a notice in the form set out in Schedule 1 to this Letter (or in any other form which the Agent approves or reasonably requires);

(g) deleting the definition of "Margin" in clause 1.1 and replacing it with the following new definition of "Margin":

" **'Margin** " means:

(a) in relation to any Advance under the Tranche for Ship A, 1.75 per cent. per annum;

(b) in relation to any Advance under the Tranche for Ship B, 1.55 per cent. per annum;

(c) in relation to the Top Up Loan and subject to Clause 11.30(c), 6.00 per cent. per annum;";

(h) deleting the definition of "Tranche" in clause 1.1 and replacing it with the following new definition of "Tranche":

"" **Tranche** " means, in relation to a Ship, the aggregate of the Advances relating to that Ship (excluding, for the avoidance of doubt, the Top Up Loan) as may be adjusted from time to time in accordance with Clause 11.31;";

(i) deleting clauses 4.2(a), 4.2(b) and 4.2(c) and replacing them with the following new clauses 4.2(a), 4.2(b) and 4.2(c):

"(a) a Drawdown Date has to be a Business Day during the Availability Period; and the Drawdown Date of the final Advance relating to Ship B shall be the same as the Drawdown Date of the Top Up Loan;

(b) each Advance shall relate to Ship A, Ship B or the Top Up Loan;

(c) there shall be no more than 5 Advances relating to each Ship (excluding, for the avoidance of doubt, the Top Up Loan), the aggregate of such Advances relating to a Ship shall not exceed $40,000,000 and there shall only be 1 Advance for the Top Up Loan;";

(j) inserting the following new clause 4.2(i) and renumbering the existing clause 4.2(i) accordingly:

"(i) the amount of the Top Up Loan shall not exceed:

(i) the net amount of the instalment of the purchase price due to the Builder under article 10(b)(v) (delivery) of the Shipbuilding Contract for Ship B on the Drawdown Date; less

(ii) the amount of the final Advance relating to Ship B to be drawndown on the Drawdown Date for the Top Up Loan; plus

(iii) $1,820,000;";

(k) deleting clause 4.8;

(l) deleting clause 6.2(a) and replacing it with the following new clause 6.2(a):

"(a) 3, 6, 9 or 12 months as notified by the Borrowers to the Agent not later than 11.00 a.m. (London time) 5 Business Days before the commencement of the Interest Period **Provided that** the Borrowers shall only be permitted to select the same period for both Tranches and the Top Up Loan; or";

(m) deleting clause 8.1 and replacing it with the following new clause 8.1:

"8.1 Amount of repayment instalments.

(a) The Borrowers shall repay the Tranche relating to Ship A by 40 equal consecutive quarterly instalments of $527,343.75 each together with a balloon instalment equal to the outstanding balance of that Tranche.

(b) The Borrowers shall repay the Tranche relating to Ship B by 40 equal consecutive quarterly instalments of $421,875 each together with a balloon instalment equal to the outstanding balance of that Tranche.

(c) The Borrowers shall repay the Top Up Loan in full on 30 July 2010.";

(n) deleting clause 8.4 and replacing it with the following new clause 8.4:

" **8.4** **Voluntary prepayment.** Subject to the following conditions, the Borrowers may prepay the whole or any part of either Tranche or the Top Up Loan.";

(o) inserting the following new clause *8.5(d)* and renumbering the remainder of clause 8.4 accordingly:

"(d) no Tranche shall be prepaid if the Top Up Loan has not been repaid in full;";

(p) deleting clause 8.8 and replacing it with the following new clause 8.8:

"8.8 Mandatory prepayments.

(a) The Borrowers shall be obliged to prepay in full both the Tranche relating to that Ship and the Top Up Loan, and to comply with Clause 8.12:

(i) if a Ship is sold, on or before the date on which the sale is completed by delivery of the Ship to the buyer; or

(ii) if Ship A becomes a Total Loss, on the earlier of the date falling 180 days after the Total Loss Date and the date of receipt by the Security Trustee of the proceeds of insurance relating to such Total Loss; or

(iii) if Ship B becomes a Total Loss, on the earlier of the date falling 260 days after the Total Loss Date and the date of receipt by the Security Trustee of the proceeds of insurance relating to such Total Loss; or

(iv) if any of a Borrower's rights under a Shipbuilding Contract are assigned (other than pursuant to a Predelivery Security Assignment), novated or sold, on or before the date on which such assignment, novation or sale is executed (in the case of an assignment or novation) or completed (in the case of a sale); or

(v) if, prior to the Delivery Date of a Ship, the Borrowers arrange financing in part or full of any pre delivery instalment or the delivery instalment of the Shipbuilding Contract for that Ship with a bank or financial institution (other than DVB Bank America N.V.), on or before the first drawdown under such financing; or

(vi) if any of the following occurs in relation to a Ship, on demand by the Agent:

(A) any of the events specified in article 11 (a) or 11(c) of the Shipbuilding Contract for that Ship occurs; or

(B) either the Shipbuilding Contract for that Ship or the Refund Guarantee in relation to that Ship is cancelled, terminated, rescinded or suspended or otherwise ceases to remain in force for any reason; or

(C) the Shipbuilding Contract for that Ship is amended or varied without the prior written consent of the Majority Lenders except for any such amendment or variation as is permitted by this Agreement or any other relevant Finance Document; or

(D) that Ship has not for any reason been delivered to, and accepted by, the relevant Borrower under the Shipbuilding Contract for that Ship by the date specified in article 3(a)(iii) of that Shipbuilding Contract,

and the Borrowers shall also be obliged on the same prepayment date to procure that there is prepaid, to the extent of the remaining sale or (or as the case may be) Total Loss proceeds, the additional amount (if any) required to ensure that if the ratio set out in clause 10.3 *(Value Maintenance)* (or any replacement thereof following any amendment and restatement) of the Astrale Loan Agreement were applied immediately following the prepayment in this paragraph, the borrower under the Astrale Loan Agreement would not be obliged to provide additional security or prepay part of the Astrale Loan under clause 10.3 *(Value Maintenance)* (or any replacement thereof following any amendment and restatement) of the Astrale Loan Agreement.

(b) If the Guarantor or any other company in the Guarantor's Group completes a public offering or private placement of any of its equity or debt securities at any time during the Security Period, the Borrowers shall procure that, on the date of such completion, an amount equal to the total proceeds (net of any expenses paid to third parties) of such offering or placement is applied:

(i) firstly, towards prepayment of the Top Up Loan in full (and the Borrowers shall comply with Clause 8.12); and

(ii) secondly, towards the Astrale to the extent (if any) required to ensure that if the ratio set out in clause 10.3 *(Value Maintenance)* (or any replacement thereof following any amendment and restatement) of the Astrale Loan Agreement were applied immediately following the prepayment in this paragraph, the borrower under the Astrale Loan Agreement would not be obliged to provide additional security or prepay part of the Astrale Loan under clause 10.3 *(Value Maintenance)* (or any replacement thereof following any amendment and restatement) of the Astrale Loan Agreement.

(c) If the Guarantor or any other company in the Guarantor's Group issues any capital stock (including, without limitation, a marketed offering, an "at-the-market" controlled equity offering or any other "at-the-market" offering) at any time during the Security Period, the Borrowers shall procure that, on the date of such issue, an amount equal to the total proceeds (net of any expenses paid to third parties) of such issue is applied:

(i) firstly, towards prepayment of the Top Up Loan in full (and the Borrower shall comply with Clause 8.12); and

(ii) secondly, towards the Astrale to the extent (if any) required to ensure that if the ratio set out in clause 10.3 *(Value Maintenance)* (or any replacement thereof following any amendment and restatement) of the Astrale Loan Agreement were applied immediately following the prepayment in this paragraph, the borrower under the Astrale Loan Agreement would not be obliged to provide additional security or prepay part of the Astrale Loan under clause 10.3 *(Value Maintenance)* (or any replacement thereof following any amendment and restatement) of the Astrale Loan Agreement.

(d) If the Guarantor or any other company in the Guarantor's Group sells any ship owned or leased by it (other than either Ship to which Clause 8.8(a) shall apply) at any time during the Security Period, the Borrowers shall prepay the Top Up Loan in an amount equal to the proceeds (net of any expenses paid to third parties and any Financial Indebtedness secured on that ship) of such sale, and to comply with Clause 8.12, on the date on which the sale is completed by delivery of that ship to the buyer.

(e) On 16 March, 16 June, 16 September and 16 December (each a " **Determination Date** ") in each calendar year and subject to the Top Up Loan being outstanding, the Borrowers shall prepay the Top Up Loan by an aggregate amount equal to the following (in each case calculated in respect of the 3 month period ending on that Determination Date):

(i) the aggregate hire due and payable to Banksy (or the Security Trustee as Banksy's assignee) under the Charter for Ship A; plus

(ii) the aggregate hire due and payable to Hongbo (or the Security Trustee as Hongbo's assignee) under the Charter for Ship B; less

(iii) the aggregate scheduled principal repayments of the Tranche for Ship A; less

(iv) the aggregate scheduled principal repayments of the Tranche for Ship B; less

(v) the aggregate scheduled interest payments relating to the Tranche for Ship A; less

(vi) the aggregate scheduled interest payments relating to the Tranche for Ship 13; less

(vii) the aggregate scheduled interest payments relating to the Top Up Loan,

If the Top Up Loan is outstanding, the Borrowers shall send to the Agent at least 5 days before each Determination Date a certificate (certified as to their correctness by the chief financial officer of the Borrowers and otherwise, in a form approved by the Agent) setting out figures evidencing the amount of prepayment required under this Clause 8.8(e) on that Determination Date. The Borrowers shall ensure that, at the same time as making a prepayment on a Determination Date, Clause 8,12 is complied with.

Provided that if either Ship A or Ship B is sold or becomes a Total Loss (and the prepayment required under this Clause 8.8 as a result of such sale or Total Loss has been made in full), references to that Ship in paragraphs (i) to (vii) inclusive of this Clause 8.8(e) shall be construed to be deleted and this Clause 8.8(e) shall continue to apply in relation to the remaining Ship.";

(q) deleting clause 8.10 and replacing it with the following new clause 8.10:

" **8.10** **Application of partial prepayment.**

(a) Each partial prepayment of the Tranche relating to Ship A shall be applied first against the balloon for that Tranche specified in Clause 8.1(a) and, if such balloon has been reduced to zero, then applied against the quarterly repayment instalments for that Tranche specified in Clause 8.1(a) in inverse order of maturity.

(b) Each partial prepayment of the Tranche relating to Ship B shall be applied pro rata against the quarterly repayment instalments and the balloon both specified in Clause 8.1(b) for that Tranche.";

(r) deleting clause 9.1(d)(ii);

(s) deleting clause 9.1(g);

(t) inserting the following new clause 10.25 and renumbering the existing clause 10.25 accordingly:

" **10.25** **Pledged Stock.** Each share of Pledged Stock:

(a) will be owned beneficially by Hongbo with Hongbo having good and marketable title thereto free and clear of any and all Security Interests (except that that the Security Trustee will have a valid Security Interest therein);

(b) will be free from any restriction (including any restrictive stock legends or stop transfer instructions relating to compliance with applicable securities laws, or whether in the Guarantor's articles of incorporation or by-laws or in any voting or voting trust agreement, agreement among shareholders, agreement with underwriters or other contract, document or understanding) with respect to (1) Hongbo's grant of a Security Interest therein in favor of the Security Trustee, (2) subject to compliance with applicable securities laws, its transferability by Hongbo (or by the Security Trustee as pledgee) and (3) the right of Hongbo (or the Security Trustee, as and if permitted under the Security and Account Control Agreement) to exercise any and all rights with respect to voting, consents, dividends and conversion and any right to receive interest and principal payments;

(c) will be duly and validly issued, fully paid and non-assessable;

(d) will be subject to a valid and perfected Security Interest in favor of the Security Trustee under the Security and Account Control Agreement;

(e) will, not later than 10 days after the Delivery Date of Ship B be, and will remain during the Security Period, subject to a resale registration statement filed with the Securities Exchange Commission, which, when effective, will permit the free resale of the Pledged Stock to the public through brokers' transactions or such other means as the Security Trustee may direct; and

(f) will not violate any provision of the Investment Company Act of 1940, as amended or any applicable rule, regulation or order of the Securities and Exchange Commission thereunder.";

(u) inserting the following new clauses 11.30, 11.31 and 11.32:

" **11.30** **Securities Account.**

(a) The Borrowers shall ensure that the aggregate Shares Market Value of the Pledged Stock is at 5:00 p.m. (New York time) on the last Business Day of March, June, September and December of each calendar year not less than 180 per cent. of the then outstanding Top Up Loan. If the Borrowers at any such time shall not be in compliance with the preceding sentence, and in any event within 10 Business Days of being notified by the Agent of such non-compliance (which notification shall be conclusive and binding on the Borrowers), the Borrowers shall procure that the aggregate Shares Market Value of the Pledged Stock is increased to at least 180 per cent. of the Top Up Loan including, without limitation, procuring that additional Company Stock (deemed to have a Shares Market Value per share equal to that used at the time of the most recent calculation of such Value) is credited to the Securities Account, and that the Agent is provided with evidence satisfactory to the Agent (including a certificate of an officer of Hongbo certifying) that:

(i) the representations and warranties set out in Clause 10.25 with respect to the Pledged Stock including any additional Company Stock being credited to the Securities Account pursuant to this Clause 11.30(a) are true and correct; and

(ii) written confirmation from the Securities Intermediary that the relevant amount of Company Stock has been credited to the Securities Account.

(b) The Borrowers will procure that such action as required by the Agent is taken (including, if necessary, filing a registration statement or amending an already filed registration statement with the Securities and Exchange Commission) to ensure that (i) no later than 10 days after the Delivery Date of Ship B, the Pledged Stock, and (ii) as of the date that any additional Company Stock is credited to the Securities Account pursuant to Clause 11.30(a), such additional Pledged Stock, in each case, will be, and will remain during the Security Period, subject to a resale registration statement filed with the Securities Exchange Commission (the " **Resale Registration Statement** ") **,** which, when effective, will permit the free resale of the Pledged Stock to the public through brokers' transactions or such other means as the Security Trustee may direct. The Borrowers will procure that the Guarantor shall use its best efforts to have the Resale Registration Statement declared effective as promptly as practicable after the Delivery Date of Ship B and keep it effective at all times during the Security Period. Prior to the date of effectiveness of the Resale Registration Statement and during any time subsequent to the date of its effectiveness the Resale Registration Statement for any reason is not available for use by the Security Trustee for the resale of the Pledged Stock, the Borrowers shall procure that the Guarantor does not file any other registration statement or any amendment thereto with the Securities and Exchange Commission under the Securities Act of 1933, as amended, or request the acceleration of the effectiveness of any other registration statement previously filed with the Securities and Exchange Commission. The Borrowers shall procure that the Guarantor shall furnish to the Agent and its U.S. counsel, Watson, Farley & Williams (New York) LLP, (i) copies of the Resale Registration Statement, any prospectus and any amendments or supplements relating thereto, and all correspondence to or from the Securities and Exchange Commission and its staff relating to the Resale Registration Statement, and (ii) prompt notice of any event or occurrence which would require the Guarantor to amend or supplement the Resale Registration Statement. The Borrowers will cause their counsel Seward & Kissel LLP to deliver upon effectiveness of the Resale Registration Statement an opinion addressed to the Agent and in form and substance satisfactory to the Agent as to the due effectiveness of such registration statement and to such other matters as the Agent may reasonably request.

(c) In the event the Resale Registration Statement (i) has not been filed with the Securities and Exchange Commission within 10 days after the Delivery Date of Ship B, (ii) has not been declared effective by the Securities and Exchange Commission on or prior to 21 August 2009, or (iii) has been declared effective but shall thereafter cease to effective or fail to be usable for its intended purpose without being succeeded within five Business Days by a post-effective amendment to such Resale Registration Statement that cures such failure and itself is declared effective immediately (each event in clauses (i) through (iii) and for the period of time until the Resale Registration Statement is declared effective or again effective or in the case of clause (iii), becomes usuable, a " **Registration Non-Effectiveness Period** ") **,** then the Margin in relation to the Top Up Loan shall be increased to 9 per cent. per annum for the duration of the Registration Non-Effectiveness Period. The Borrowers shall use their best efforts to ensure that any Registration Non-Effectiveness Period ends at the earliest possible opportunity. The Borrowers shall reimburse to the Creditor Parties, on the Agent's demand, all costs, fees and expenses (including but not limited to legal fees and expenses) incurred by the Creditor Parties (or any of them) in connection with this Clause 11.30(c). The Borrowers and the Creditor Parties agree that any additional Margin due and payable as a result of this Clause 11.30(c) is a genuine and agreed estimate of the proper compensation for the risks associated with the Lenders not having a filed Resale Registration Restatement which is effective and usable for its intended purpose.

11.31 Top Up Loan adjustment.

(a) If the Agent notifies the Borrowers at any time referring to this Clause 11.31 that the Borrowers would be obliged to provide additional security or prepay part of the Loan under Clause 15 if the Agent was to serve a notice on the Borrowers under Clause 15.1:

(i) the Tranche relating to Ship A shall on the date of such notification be reduced by an amount equal to 55 per cent. of the shortfall referred to in Clause 15.2;

(ii) the Tranche relating to Ship B shall on the date of such notification be reduced by an amount equal to 45 per cent. of the shortfall referred to in Clause 15.2; and

(iii) the Top Up Loan shall on the date of such notification be increased by an amount equal to the shortfall referred to in Clause 15.2.

(b) However, the Borrowers may (no more than once every 3 months and subject to the Borrowers' compliance with Clause 15.7) request the Agent to determine the ratio set out in Clause 15.1 and if the Agent notifies the Borrowers that such ratio shows an excess in the security required by Clause 15.1 in an amount of at least US$1,000,000:

(i) the Tranche relating to Ship A shall on the date of such notification be increased by an amount equal to 55 per cent. of such excess;

(ii) the Tranche relating to Ship B shall on the date of such notification be increased by an amount equal to 45 per cent. of such excess; and

(iii) the Top Up Loan shall on the date of such notification be reduced by an amount equal to such excess.

11.32 Designated Transactions relating to Ship B. The Borrowers shall, within 6 months of the Delivery Date of Ship B, enter into one or more Designated Transactions fixing the interest rate for the Tranche relating to Ship B via an interest rate swap mechanism for a minimum period of 3 years but otherwise, on terms in all respects approved by the Agent, with the authorisation of the Majority Lenders.";

(v) deleting clause 15.1(c) and replacing it with the following new clause 15.1(c):

"(c) at any time following the Delivery Date of both Ships, the aggregate of:

(i) the aggregate of the market value (each determined as provided in Clause 15.3) of each Ship subject to a Mortgage; plus

(ii) the net realisable value of any additional security previously provided under this Clause 15,

is below 115 per cent. (during the period commencing from the final Delivery Date and ending on the date falling 5 years after the first Delivery Date) or 125 per cent. (during the period commencing from the date falling 5 years after the first Delivery Date and ending on the end of the Security Period) of the aggregate of the Loan (excluding the Top Up Loan) and of the Swap Exposure of each Swap Counterparty.";

(w) deleting clause 17.1(a)(iii) and replacing it with the following new clause 17.1(a)(iii):

"(iii) thirdly, in or towards satisfaction pro rata of each Tranche and the Top Up Loan;";

(x) inserting the following additional conditions precedent in part C of schedule 4:

"11 Evidence satisfactory to the Agent that Pledged Stock whose aggregate Shares Market Value is at least equal to 180 per cent. of the amount of the Top Up Loan to be drawndown has been credited to the Securities Account.

12 A duly executed original of the Security and Account Control Agreement (and of each document to be delivered by it).

13 A favourable opinion of Seward & Kissel LLP, counsel for the Borrowers, addressed to the Security Trustee and in form and substance satisfactory to the Security Trustee, in respect of the matters specified in Clause 10.25 (other than sub-Clause (e)) and as to such other matters as the Agent may reasonably request.

14 To the extent not provided in the payment instructions in the Drawdown Notice, receipt by DVB Bank America N.V. (or any affiliate of DVB Bank America N.V.) of such aggregate amount as they shall immediately prior to the Drawdown Date certify to be their costs and expenses (including, without limitation, legal expenses) incurred or estimated to be incurred up to and including the Drawdown Date in connection with this Agreement and/or the Astrale Loan Agreement including, without limitation, the work carried out so far in relation to the proposed restructuring and crosscollateralisation of the Astrale Loan, the delivery of Ship B and the documentation and implementation of the Top Up Loan (for which purpose it shall be sufficient if the Agent submits an aggregate figure representing the total costs and expenses incurred or estimated to be incurred up to and including the Drawdown Date in connection with these matters with copies of invoices evidencing such aggregate figure to be provided by the Agent after the Drawdown Date).

15 A duly executed original of the Top Up Loan Fees Letter.

16 A duly executed original of a consent (in a form approved by the Agent) from the Charterer of Ship A to (i) the execution and registration of an addendum to the Mortgage over Ship A and (ii) amending the Quadripartite Agreement to refer to the Loan Agreement as amended.

17 A duly executed original of an addendum (in a form approved by the Agent) to the Mortgage over Ship A; and evidence that such addendum has been duly recorded against Ship A as a valid Liberian mortgage addendum in accordance with the laws of Liberia.

18 Duly signed original corporate documents (including directors' resolutions and, if required, shareholders' resolutions) in a form acceptable to the Agent of each of the Borrowers and the Guarantor authorising and/or ratifying the documents referred to in this Part C.";

(y) the definition of, and references throughout to, the any of the other Finance Documents shall be construed as if the same referred to those Finance Documents as amended and supplemented by this Letter; and

(z) references throughout to "this Agreement", "hereunder" and other like expressions shall be construed as if the same referred to the Loan Agreement as amended and supplemented by this Letter.

3 With effect from the date of this Letter, the Guarantee shall be, and shall be deemed by this Letter to be, amended as follows:

(a) deleting clause 11.14(a) and replacing it with the following new clause 11.14(a);

"(a) maintain, at all times until the end of the Security Period, a minimum amount of:

(i) until 30 September 2010, $5,000,000; and

(ii) thereafter, the greater of (i) $25,000,000 or (ii) $500,000 for each ship owned or leased by any member of the Group,

in bank accounts in its name or in the name of any member of the Group agreed by the Agent in writing from time to time (and, for the purpose of determining compliance with this Clause 11.14(a), an amount of up to $250,000 held by the Guarantor as cash in hand may be included **Provided that** such cash in hand is freely available to the Guarantor and not subject to a pledge or any other Security Interest), and for the purposes of this Clause 11.14(a) the expression " **bank accounts** " shall exclude any bank accounts that shall be subject to any Security Interest;"; and

(b) inserting the following new clause 11.17:

"11.17 The Guarantor shall procure that the Borrowers comply with their obligations under clause 11.30 of the Loan Agreement.".

4 With effect from the date of this Letter, each of the Finance Documents (other than the Loan Agreement, the Quadripartite Agreement in relation to Ship A and the Mortgage over Ship A) shall be, and shall be deemed by this Letter to be, amended as follows:

(a) the definition of, and references throughout each of the Finance Documents to, the Loan Agreement and any of the other Finance Documents shall be construed as if the same referred to the Loan Agreement and those Finance Documents as amended and supplemented by this Letter; and

(b) references throughout each of the Finance Documents to "this Agreement", "this Deed", "hereunder" and other like expressions shall be construed as if the same referred to such Finance Document as amended and supplemented by this Letter.

5 The Loan Agreement and the other Finance Documents shall each remain in full force and effect in accordance with its terms save as amended and supplemented by:

(a) the amendments to the Finance Documents contained or referred to in paragraphs 2, 3 and 4 above; and

(b) such further or consequential modifications as may be necessary to give full effect to the terms of this Letter.

6 For the avoidance of doubt, nothing else in this Letter should be construed as an express or implied consent or waiver of any provision of the Loan Agreement or any of the other Finance Documents nor of the existing requirement (which the Borrowers and the Guarantor confirm they will procure) to effect as soon as possible the proposed cross-collateralisation of the Loan Agreement and the Astrale Loan Agreement (as defined in the Loan Agreement as amended by this Letter) in the form required by the Agent.

7 The Borrowers and the Guarantor undertake to procure that the Agent is provided no later than 31 July 2009 with corporate documents (including directors' resolutions and, if required, shareholders' resolutions) in a form acceptable to the Agent of each of the Borrowers and the Guarantor ratifying the execution and performance of this Letter.

8 The Borrowers and the Guarantor shall reimburse on demand to each of the Creditor Parties and their lawyers all legal expenses incurred by each Creditor Party (whether before or after the date of this Letter) in connection with this Letter. Each of the Borrowers and the Guarantor hereby acknowledges that it is jointly and severally liable under this paragraph 8.

9 Each of the Borrowers and the Guarantor will at its own expense and forthwith upon the request of the Agent execute, sign, perfect, do and (if required) register, each and every such further assurance, documents, act or thing as, in the absolute opinion of the Agent, may be necessary for the purpose of implementing the terms and provisions of this Letter; or for the purpose of validly and effectively creating any right or obligation of any kind which the Agent intended should be created by or pursuant to this Letter.

10 With the exception of the persons referred to in paragraph 8 above, no term of this Letter is enforceable under the Contracts (Rights of Third Parties) Act 1999 by a person who is not a party to this Letter. However, notwithstanding any term of this Letter, the consent of the persons referred to in paragraph 8 above (other than the Creditor Parties) is not required for any variation of this Letter (including any release or compromise of any liability hereunder).

11 This Letter may be signed in any number of counterparts (and delivered physically or by e-mail or facsimile transmission) and any such counterparts taken together shall be deemed to constitute one and the same Letter.

12

(a) This Letter shall be governed by, and construed in accordance with, English law.

(b) Subject to paragraph 12(c) below, the courts of England shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Letter.

(c) Paragraph 12(b) above is for the exclusive benefit of the Creditor Parties, each of which reserves the rights:

(i) to commence proceedings in relation to any matter which arises out of or in connection with this Letter in the courts of any country other than England and which have or claim jurisdiction to that matter; and

(ii) to commence such proceedings in the courts of any such country or countries concurrently with or in addition to proceedings in England or without commencing proceedings in England.

None of the Borrowers nor the Guarantor shall commence any proceedings in any country other than England in relation to a matter which arises out of or in connection with this Letter.

(d) Each of the Borrowers and the Guarantor irrevocably appoints Top Tankers (U.K.) Limited at its registered office for the time being (presently at 3rd Floor, 8 Duke Street, London W1U 3EW, England) to act as its agent to receive and accept on its behalf any process or other document relating to any proceedings in the English courts which are connected with this Letter.

(e) Nothing in this paragraph 12 shall exclude or limit any right which any of the Creditor Parties may have (whether under the law of any country, an international convention or otherwise) with regard to the bringing of proceedings, the service of process, the recognition or enforcement of a judgment or any similar or related matter in any jurisdiction.

(f) In this paragraph 12, " **proceedings** " means proceedings of any kind, including an application for a provisional or protective measure.

Yours faithfully

EXECUTED AND DELIVERED	)	
AS A DEED by	)	
BANKSY SHIPPING COMPANY	)	
LIMITED	)	
acting by Alexandros Tsirikos	)	/s/ Alexandros Tsirikos
duly authorised in accordance with the laws	)	
of the Republic of Liberia	)	
such execution being	)	
witnessed by:	)	
Andreas Louka / Attorney-at-law		
/s/ Andreas Louka		

EXECUTED AND DELIVERED	)	
AS A DEED by	)	
HONGBO SHIPPING COMPANY	)	
LIMITED	)	
acting by Alexandros Tsirikos	)	/s/ Alexandros Tsirikos
duly authorised in accordance with the laws	)	
of the Republic of Liberia	)	
such execution being	)	
witnessed by:	)	
Andreas Louka / Attorney-at-law		
/s/ Andreas Louka		

EXECUTED AND DELIVERED	)	
AS A DEED by	)	
TOP SHIPS INC.	)	
acting by Alexandros Tsirikos	)	/s/ Alexandros Tsirikos
duly authorised in accordance with the laws	)	
of the Republic of Liberia	)	
such execution being	)	
witnessed by:	)	
Andreas Louka / Attorney-at-law		
/s/ Andreas Louka		

We hereby acknowledge receipt of, and agree to the terms of, this Letter.

/s/ John Man	John Man
for and behalf of	Attorney-in-fact
DVB BANK, N.V.	
as Agent and as Security Trustee	

SCHEDULE 1
DRAWDOWN NOTICE

To: DVB Bank America N.V.
Zeelandia Office Park
Kaya W.F.G. Mensing 14
Curaçao
Netherlands Antilles
as Agent and as Security Trustee

Attention: Loans Administration [•] July 2009

DRAWDOWN NOTICE

1 We refer to the loan agreement the loan agreement dated 6 October 2008 (as amended by letters dated 15 January 2009 and 18 March 2009 and as further amended and/or supplemented from time to time, the " **Loan Agreement** ") and made between ourselves, as Borrowers, the Lenders referred to therein, the Swap Banks referred to therein, and yourselves as Agent and as Security Trustee in connection with a facility of up to US$80,000,000. Terms defined in the Loan Agreement have their defined meanings when used in this Drawdown Notice.

2 We request to borrow (i) the final Advance relating to Ship B and (ii) the Top Up Loan as follows:

(a) Amount of the final Advance relating to Ship B: US$[•];

(b) Amount of the Top Up Loan: US$[•];

(c) Drawdown Date for (i) the final Advance relating to Ship B and (ii) the Top Up Loan: [•] August 2009;

(d) Duration of the first Interest Period of the Top Up Loan: [•]., and

(e) Payment instructions: paying the amount of US$[•] to the account at Woori Bank, Korea (as per the attached payment instructions), and with such aggregate amount to be released from such account in accordance with the procedure set out in the attached payment instructions when (A) you consider that each of the conditions precedent set out in clauses 9.1(b), 9.1(d), 9.1(f) and 9.1(h) of the Loan Agreement has either been satisfied or will immediately following such release be satisfied; and (B) the additional condition referred to in paragraph 3 below is satisfied.

3 We acknowledge that, notwithstanding the signing yet of a letter amending the Finance Documents to provide for the Top Up Loan, the Lenders are permitting the drawdown of (i) the final Advance relating to Ship B and (ii) the Top Up Loan to proceed on the basis that it is an additional condition to the release of such amounts to the Builder that the Borrowers and the Guarantor first sign such a letter amending the Finance Documents on the terms to be agreed between the Borrowers and the Lenders (and this Drawdown Notice is prepared on that basis); and that failure to agree such terms and sign such a letter will result in the aggregate amount transferred being returned to the Agent (in accordance with the attached payment instructions) and the aggregate amount immediately being applied by the Agent towards repayment of the Loan. We undertake joint and severally to fully indemnify you on your demand in respect of all claims, expenses, liabilities and losses which are made or brought against or incurred by you, or which you reasonably and with due diligence estimates that you will incur, as a result of or in connection with the above drawdown not taking place on the above Drawdown Date for whatever reason (including, without limitation, the abovementioned side letter not being signed or the conditions precedent mentioned above not being satisfied for any reason whatsoever) and in respect of any tax (other than tax on your overall net income) for which you are liable in connection with any amount paid or payable to you (whether for your own account or otherwise) under this indemnity. Without limiting the generality of the foregoing indemnity, the foregoing indemnity covers all your financing, mobilisation and legal costs. A notice which is signed by 2 of your officers, which states that a specified amount, or aggregate amount, is due to you under this indemnity and which indicates (without necessarily specifying a detailed breakdown) the matters in respect of which the amount, or aggregate amount, is due shall be prima facie evidence that the amount, or aggregate amount, is due save in the case of manifest error.

4 We represent and warrant that:

(a) the representations and warranties in Clause 10 of the Loan Agreement would remain true and not misleading if repeated on the date of this notice with reference to the circumstances now existing; and

(b) no Event of Default or Potential Event of Default has occurred or will result from the borrowing of the Loan.

5 This notice cannot be revoked without the prior consent of the Majority Lenders.

6 We authorise you to deduct the fees to be paid to the Agent under the Top Up Loan Fees Letter.

7 This Drawdown Notice shall be governed by, and construed in accordance with, English law.

for and on behalf of
BANKSY SHIPPING COMPANY LIMITED and
HONGBO SHIPPING COMPANY LIMITED

for and on behalf of
TOP SHIPS INC.

Private & Confidential

DATED 30th July 2009

FOURTH SUPPLEMENTAL AGREEMENT
relating to a
Term Loan and
Revolving Credit Facility
of originally US$545,656,899.82
provided by

THE ROYAL BANK OF SCOTLAND plc (1)

to

TOP SHIPS INC. (2)

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THIS FOURTH SUPPLEMENTAL AGREEMENT is dated 30 th July 2009 and made **BETWEEN:**

(1) **TOP SHIPS INC.** (formerly known as Top Tankers Inc.) with its principal place of business at 1, Vas. Sofias & Meg. Alexandrou Str., 151 24 Maroussi, Greece (the **Borrower);** and

(2) **THE ROYAL BANK OF SCOTLAND plc,** acting for the purposes of this Supplemental Agreement through its office at the Shipping Business Centre, 5-10 Great Tower Street, London, EC3P 3HX, England (the **Bank).**

WHEREAS:

(A) this Supplemental Agreement is supplemental to the facilities agreement dated 1 November 2005 (the **Original Agreement)** as supplemented and amended by a first supplemental agreement dated 21 December 2006 (the **First Supplemental Agreement)** and a second supplemental agreement dated 22 January 2008 (the **Second Supplemental Agreement)** and as amended and restated by a supplemental agreement dated 26 March 2008 (the **Restatement Agreement** and together with the Original Agreement, the First Supplemental Agreement and the Second Supplemental Agreement, the **Principal Agreement),** each made between (1) the Borrower and (2) the Bank, pursuant to which the Bank originally agreed, upon the terms and conditions set out in the Original Agreement, to make available to the Borrower (a) a term loan facility of up to $195,656,899.82, which has since been cancelled pursuant to the terms of the Restatement Agreement and (b) a revolving credit facility of up to $350,000,000, which has since been reduced to $123,000,000 (with no further drawdowns permitted) pursuant to the terms of the Restatement Agreement; and

(B) the Borrower has requested that the Security Value covenant set out in clause 8.2.1 of the Principal Agreement be temporarily waived until 31 March 2010 and this Supplemental Agreement sets out the terms and conditions upon which the Bank is prepared to agree to such waiver.

NOW IT IS AGREED as follows:

1 Interpretation

1.1 Definitions in Principal Agreement

1.1.1 Unless the context otherwise requires and save as mentioned below, words and expressions defined in the Principal Agreement shall have the same meanings when used in this Supplemental Agreement.

1.1.2 In this Supplemental Agreement, unless the context otherwise requires:

Effective Date shall have the meaning set out in clause 6.1;

Retention Account Charge means the charge of the Retention Account executed or (as the context may require) to be executed by the Borrower in favour of the Bank in the form set out in Schedule 2 of this Supplemental Agreement;

Retention Account means the interest bearing Dollar account of the Borrower with the Bank with account number RBSTSRA USD1 and includes any other account designated in writing by the Bank to be a Retention Account for the purposes of this Supplemental Agreement; and

Supplemental Security Documents Letters means the letters supplemental to certain of the Security Documents executed or (as the context may require) to be executed by each of the Security Parties who are not party to this Supplemental Agreement in favour of the Bank in the form set out in Schedule 1.

1.2 Interpretation of Principal Agreement

References in the Principal Agreement to **this Agreement"** shall, with effect from the Effective Date and unless the context otherwise requires, be references to the Principal Agreement as amended by this Supplemental Agreement and words such as **"herein", "hereof", "hereunder", "hereafter", "hereby"** and **"hereto",** where they appear in the Principal Agreement, shall be construed accordingly.

1.3 Incorporation of certain references

Clauses 1.3 and 1.4 of the Principal Agreement shall be deemed to be incorporated in this Supplemental Agreement in full, mutatis mutandis.

1.4 Third party rights

No term of this Supplemental Agreement is enforceable under the Contracts (Rights of Third Parties) Act 1999 by a person who is not a party to this Supplemental Agreement.

2 Amendments to the Principal Agreement

2.1 Agreement

The Bank, relying upon the representations and warranties on the part of the Borrower contained in clause 3, agrees with the Borrower that, subject to the terms and conditions of this Supplemental Agreement and in particular, but without prejudice to the generality of the foregoing, fulfilment on or before 31 July 2009 of the conditions contained in clause 6 and the amendment of the Principal Agreement on the terms set out in clause 2.2, the Security Value covenant set out in clause 8.2.1 of the Principal Agreement will be temporarily waived from the date of this Agreement until 31 March 2010 upon which date the Security Value covenant shall be fully reinstated and become applicable in full.

2.2 Amendments

With effect on and from the Effective Date, the following clauses of the Principal Agreement shall, with effect from the Effective Date, be amended as follows (and the Principal Agreement (as so amended) will continue to be binding upon the Bank and the Borrower upon such terms as so amended):

2.2.1 Clause 1.2: by inserting the following new definition of **"Fourth Supplemental Agreement":**

"**"Fourth Supplemental Agreement"** means the agreement dated 30 July 2009 supplemental to this Agreement made between (1) the Borrower and (2) the Bank;";

2.2.2 Clause 1.2: by amending the definition of **"Margin"** to read as follows:

"**"Margin"** means:

(a) up until 26 March 2008 the margin listed in the following table which shall be adjusted at each Margin Set Date:

Facility	Loan/Security Value Ratio	Margin
Facility A	≤ 60%	0.875%
Facility B	≤ 60%	0.85%
Loan	> 60%	1.0%

(b) from 26 March 2008, 1.25%; and

(c) from the date of the Fourth Supplemental Agreement, 2.5%;";

2.2.3 Clause 1.2: by deleting the definition of **"Reduction Date"** and all references thereto in the Principal Agreement and each of the Security Documents as necessary to reflect the fact that no further Advances shall be made under Facility B other than those set out at clause 2.4.11 of the Principal Agreement which at the date of this Supplemental Agreement have already been made;

2.2.4 Clause 1.2: by amending the definition of **"Repayment Date"** to read as follows:

"Repayment Dates" means (subject to clause 6.3):

(a) in relation to Facility A, 30 November 2005 and each of the dates falling at six (6) monthly intervals thereafter up to and including the Final Repayment Date relative to Facility A; and

(b) in relation to Facility B, 31 July 2009, 31 August 2009 and each of the dates falling at three (3) monthly intervals thereafter up to and including the Final Repayment Date relative to Facility B;";

2.2.5 Clause 1.2: by inserting the following new definition of **"Retention Account":**

"Retention Account" means the interest bearing Dollar account of the Borrower with the Bank with account number RBSTSRA USD1 and includes any other account designated in writing by the Bank to be a Retention Account for the purposes of this Agreement;";

2.2.6 Clause 1.2: by inserting the following new definition of **"Retention Account Charge":**

""Retention Account Charge" means the charge of the Retention Account executed or (as the context may require) to be executed by the Borrower in favour of the Bank;";

2.2.7 Clause 1.2: by inserting the following new definition of **"Retention Amount":**

"Retention Amount" means, in relation to any Retention Date, such sum as shall be the aggregate of:

(a) one-third (1/3rd) of the amount of the repayment instalment to be repaid on the next following Repayment Date for Facility B; and

(b) the applicable fraction (as hereinafter defined) of the aggregate amount of interest falling due for payment in respect of each part of the Loan during and at the end of each Interest Period current at the relevant Retention Date and, for this purpose, the expression **"applicable fraction"** in relation to each Interest Period shall mean a fraction having a numerator of one and a denominator equal to the number of Retention Dates falling within the relevant Interest Period;";

2.2.8 Clause 1.2: by inserting the following new definition of **"Retention Dates":**

"Retention Dates" means 31 August 2009 and each of the dates falling at monthly intervals thereafter and **"Retention Date"** shall be construed accordingly;";

2.2.9 Clause 1.2: by inserting the words ", the Retention Account Charge and the Fourth Supplemental Agreement" after the words "the Supplemental Agreement" in the seventh line of the definition of **"Security Documents";**

2.2.10 Clause 1.2: by inserting the following new definition of **"Surplus Earnings":**

""Surplus Earnings" means, in relation to each Ship, an amount calculated quarterly in arrears on each Repayment Date (except the first Repayment Date) by taking the total Earnings paid to the credit of the relevant Operating Account during each quarter ending on such relevant Repayment Date and deducting therefrom:

(a) a sum equal to all Retention Amounts made pursuant to clause 14.7 during that quarter;

(b) the proper and reasonable operating expenses (including costs of crewing, insuring, repairing and maintaining the relevant Ship) of the relevant Ship and the proper and reasonable expenses of administering the affairs of the Borrower and the relevant Owner during that quarter; and

(c) any Manager's remuneration under any Management Agreement previously approved by the Bank paid during such quarter,

PROVIDED THAT the aggregate of the sums referred to in sub-clauses (b) and (c) above shall never exceed $10,500 per Ship per day without the prior consent of the Bank and that the aggregate amount standing to the credit of the relevant Operating Account after such deductions does not result in a breach of the provisions of clause 8.1.16;";

2.2.11 Clause 4.2: clause 4.2.2 shall be deleted and clause 4.2.1 shall be amended to read as follows:

"Repayment of Facility B

4.2.1 Subject always to the provisions of this clause 4.2 the Borrower shall repay that part of the Loan forming Facility B (including without limitation the Initial Revolving Amount) by the eighteen (18) instalments referred to in this clause 4.2.1 and the further instalment referred to in clause 4.2.2. Subject to the provisions of clause 4.2.2, one such instalment shall be repaid on each of the Repayment Dates relative to Facility B. Subject to the provisions of this Agreement:

(a) the amount of the first instalment (payable on 31 July 2009) shall be four million Dollars ($4,000,000);

(b) the amount of each of the second to the ninth instalments shall be one million Dollars ($1,000,000);

(c) the amount of each of the tenth to the seventeenth instalments shall be one million six hundred thousand Dollars ($1,600,000); and

(d) the amount of the eighteenth and final instalment shall be thirty one million two hundred thousand Dollars ($31,200,000) (comprising a repayment instalment of one million six hundred thousand Dollars ($1,600,000) and a balloon repayment in the amount of twenty nine million six hundred thousand Dollars ($29,600,000).

4.2.2 On the earlier of (a) 31 March 2010 and (b) the date on which the Borrower successfully raises more than ten million Dollars ($10,000,000) of additional equity, whether this be by way of a secondary offering or otherwise (including, without limitation, by sale of common or preferred stock/shares and/or warrants), the Borrower shall repay the sum of seven hundred and seventy six thousand eight hundred and twenty nine Dollars and twenty five cents ($776,829.25).";

2.2.12 Clause 4.9: by inserting a new clause 4.9 reading as follows:

"Cash Sweep

4.9.1 On each Repayment Date (other than the first Repayment Date), the Bank shall, after having notified the Borrower of any Surplus Earnings, apply seventy-five per cent (75%) of any Surplus Earnings standing to the credit of each Operating Account in prepayment of the Loan.

4.9.2 Any amount prepaid pursuant to clause 4.9.1 shall be applied in reducing the repayment instalments under clause 4.2.1 in inverse order of their due dates for payment.";

2.2.13 Clause 8.1.16: by amending such clause to read as follows:

"Operating Accounts balance

(a) subject to this clause 8.1.16, on or before the Drawdown Date of the first Advance pay to the credit of the Operating Accounts (or other accounts charged in favour of the Bank in respect of the Ships) an aggregate sum of not less than ten million Dollars ($10,000,000); and

(b) on and from 29 June 2009 and throughout the Security Period maintain an average balance (calculated on a monthly basis) of not less than two hundred thousand Dollars ($200,000) and in any event an aggregate balance of not less than one hundred thousand Dollars ($100,000) per Ship standing to the credit of the Operating Accounts always excluding sums standing to the credit of the Retention Account;";

2.2.14 Clause 8.5.2: by amending the definition of **"EBITDA"** to read as follows:

""EBITDA" means, in respect of each immediately preceding period of twelve (12) months (calculated from the date of the then most recent Accounting Information), the aggregate amount of consolidated pre-tax profits of the Group before extraordinary or exceptional items depreciation, interest, rentals under finance leases and similar charges, including the one-off lease termination fees paid by the Borrower in June and July 2009, payable as stated in the then most recent Accounting Information;";

2.2.15 Clause 14.1.1(c): by amending such clause to read as follows:

"on or before the Effective Date of the Fourth Supplemental Agreement pay or procure that there is paid the sum of two hundred thousand Dollars ($200,000) by way of working capital to the Operating Accounts and maintain such balance in accordance with clause 8.1.16."

2.2.16 Clause 14.3.1: by amending such clause to read as follows:

"Operating Account: withdrawals

Unless the Bank otherwise agrees in writing, the Borrower and each of the Owners shall not be entitled to withdraw any moneys from the Operating Accounts at any time from the date of this Agreement and so long as any moneys are owing under the Security Documents save that, unless and until a Default shall occur and the Bank shall direct to the contrary, the Borrower and each of the Owners may, subject to clause 14.2.2 withdraw moneys from the Operating Accounts, provided that the aggregate amount standing to the credit of the Operating Accounts after such withdrawal does not result in a breach of the provisions of clause 8.1.16 for the following purposes:

14.3.1 to transfer to the Retention Account on each Retention Date all or part of the Retention Amount for such Retention Date;

14.3.2 to pay the proper and reasonable operating expenses (including costs of crewing, insuring, repairing and maintaining the Ships) of the Ships and the proper and reasonable expenses of administering the affairs of the Borrower and each of the Owners; and

14.3.3 to pay any Manager's remuneration under any Management Agreement previously approved by the Bank in the amounts and at the times therein stated,

PROVIDED THAT the aggregate of the sums referred to in sub-clauses 14.3.2 and 14.3.3 shall never exceed $10,500 per Ship per day without the prior consent of the Bank."

2.2.17 Clause 14.5: by inserting the words "and/or the Retention Account" after the words "the Operating Accounts" in the second line;

2.2.18 Clause 14.6: by deleting the word "Operating" in the heading and amending clause 14.6.1 to read as follows:

"The Operating Accounts, the Retention Account and all amounts from time to time standing to the credit thereof shall be subject to the security constituted and the rights conferred by the Operating Account Charges and the Retention Account Charge respectively."; and

2.2.19 Clause 14: by inserting a new clause 14.7 reading as follows:

"Retention Account terms

14.7.1 The Borrower undertakes with the Bank that it will, from the date of this Agreement and so long as any moneys are owing under the Security Documents, on each Retention Date pay to the Bank for credit to the Retention Account, the Retention Amount for such Retention Date.

14.7.2 To the extent that there are moneys standing to the credit of the Operating Accounts as at the relevant Retention Date, such moneys shall be transferred to the Retention Account on such Retention Date (and the Borrower hereby instructs the Bank to effect such transfer) and to that extent the Borrower's obligations to make the payments referred to in sub-clause 14.3.1 shall have been fulfilled upon such transfer being effected.

14.7.3 Unless and until there shall occur an Event of Default (whereupon the provisions of clause 14.5 shall apply), all Retention Amounts credited to the Retention Account together with interest from time to time accruing or at any time accrued thereon shall be applied by the Bank (and the Borrower hereby irrevocably and unconditionally instructs the Bank so to apply the same) in the following manner:

(a) upon each Repayment Date (other than the first Repayment Date), and on each day that interest is payable pursuant to clause 3.1 whether in respect of an Advance or the Loan, in or towards payment to the Bank of that sum that may need to be repaid on the relevant Repayment Date or (as the case may be) the amount of interest then due. Each such application by the Bank shall constitute a payment in or towards satisfaction of the Borrower's corresponding payment obligations under this Agreement but shall be strictly without prejudice to the obligations of the Borrower to make any such payment to the extent that the aforesaid application by the Bank is insufficient to meet the same; and

(b) following any application by the Bank pursuant to clause 14.7.3(a) in transfer to the Operating Accounts of any moneys standing to the credit of the Retention Account to the extent that such moneys do not constitute Retention Amounts.

14.7.4 Unless the Bank otherwise agrees in writing and subject to clause 14.7.3, the Borrower shall not be entitled to withdraw any moneys from the Retention Account at any time from the date of this Agreement and so long as any moneys are owing under the Security Documents.".

3 Representations and warranties

3.1 The Borrower represents and warrants to the Bank that:

3.1.1 Representations and warranties in Principal Agreement

the representations and warranties set out in clause 7 of the Principal Agreement are true and correct as if made at the date of this Supplemental Agreement with reference to the facts and circumstances existing at such date (and so that the representation and warranty set out in clause 7.1.9 of the Principal Agreement shall refer to the audited financial statements of the Borrower and the audited consolidated financial statements of the Borrower and its Related Companies in respect of the financial year ended 31 December 2008 as delivered to the Bank under clause 8.1.5(a) of the Principal Agreement);

3.1.2 Corporate power

the Borrower has power to execute, deliver and perform its obligations under this Supplemental Agreement; all necessary corporate, shareholder and other action has been taken to authorise the execution, delivery and performance of this Supplemental Agreement and this Supplemental Agreement constitutes valid and legally binding obligations of the Borrower enforceable in accordance with its terms;

3.1.3 No conflict with other obligations

the execution and delivery of, the performance of its obligations under, and compliance with the provisions of, this Supplemental Agreement by the Borrower will not (i) contravene any existing applicable law, statute, rule or regulation or any judgment, decree or permit to which the Borrower is subject, (ii) conflict with, or result in any breach of any of the terms of, or constitute a default under, any agreement or other instrument to which the Borrower is a party or is subject or by which it or any of its property is bound, (iii) contravene or conflict with any provision of the Borrower's Articles of Incorporation and Bye-laws or (iv) result in the creation or imposition of or oblige the Borrower or any of its Related Companies to create any Encumbrance on any of the undertakings, assets, rights or revenues of the Borrower or any of its Related Companies;

3.1.4 Consents obtained

every consent, authorisation, licence or approval of, or registration with or declaration to, governmental or public bodies or authorities or courts required by the Borrower to authorise, or required by the Borrower in connection with, the execution, delivery, validity, enforceability or admissibility in evidence of this Supplemental Agreement or the performance by the Borrower of its obligations under this Supplemental Agreement has been obtained or made and is in full force and effect and there has been no default in the observance of the conditions or restrictions (if any) imposed in, or in connection with, any of the same; and

3.1.5 No filings required

Except for the registration of the Retention Account Charge at Companies House in England, it is not necessary to ensure the legality, validity, enforceability or admissibility in evidence of this Supplemental Agreement that it or any other instrument be notarised, filed, recorded, registered or enrolled in any court, public office or elsewhere in any Relevant Jurisdiction or that any stamp, registration or similar tax or charge be paid in any Relevant Jurisdiction on or in relation to this Supplemental Agreement and this Supplemental Agreement is in proper form for its enforcement in the courts of any Relevant Jurisdiction.

3.2 Repetition

The representations and warranties in clause 3.1.2 to 3.1.5 inclusive shall be deemed to be repeated by the Borrower on and as of each Interest Payment Date and Repayment Date as if made with reference to the facts and circumstances existing on each such day.

4 Security Documents

The Borrower further acknowledges and agrees, for the avoidance of doubt, that:

4.1.1 each of the Security Documents to which it is a party, and its obligations thereunder, shall remain in full force and effect notwithstanding the amendments made to the Principal Agreement by this Supplemental Agreement; and

4.1.2 with effect from the Effective Date, references to "the Agreement" or "the Loan Agreement" or "the Facilities Agreement" in any of the Security Documents to which it is a party shall henceforth be reference to the Principal Agreement as amended by this Supplemental Agreement and as from time to time hereafter amended.

5 Expenses

5.1 Expenses

The Borrower shall pay to the Bank on demand all expenses (including legal fees) incurred by the Bank in connection with the negotiation, preparation and execution of this Supplemental Agreement.

5.2 Stamp and other duties

The Borrower shall pay all stamp, documentary, registration or other duties or Taxes (including any duties or Taxes payable by, or assessed on, the Bank imposed on or in connection with this Supplemental Agreement or the Loan and shall indemnify the Bank against any liability arising by reason of any delay or omission by the Borrower to pay such duties or Taxes.

5.3 Value Added Tax

All expenses payable pursuant to this clause 5 shall be paid together with value added tax or any similar tax (if any) properly chargeable thereon.

6 Effective Date

6.1 Conditions precedent documentation

The amendments to be made to the Principal Agreement by this Supplemental Agreement shall take effect on and from the date **(Effective Date)** on which the Bank notifies the Borrower that it has received the following documents in form and substance satisfactory to it (together, in the case of any document not in the English language, with a certified English translation thereof):

6.1.1 in relation to each of the Borrower, the Owners and the Manager:

(a) copies certified as true copies by a Director or the Secretary of the relevant party, as true, complete and up to date copies, of all documents which contain or establish or relate to the constitution of that party or a Secretary or Director's Certificate confirming that there have been no changes or amendments to the constitutional documents certified copies of which were previously delivered to the Bank pursuant to the Principal Agreement;

(b) a copy, certified as a true copy by a Director or the Secretary of the Borrower, of resolutions of the Board of Directors and Shareholders of the Borrower evidencing approval of this Supplemental Agreement and the Retention Account Charge and authorising its appropriate officers to execute and deliver this Supplemental Agreement and the Retention Account Charge and to give all notices and take all other action required by the Borrower under this Supplemental Agreement and the Retention Account Charge and a copy, certified as a true copy by a Director or the Secretary of each of the Owners and the Manager, of resolutions of the Board of Directors and (if necessary) Shareholders of each such party evidencing approval of the Supplemental Side Letter and authorising its appropriate officers to execute and deliver the Supplemental Side Letter, together with originals or certified copies of any Powers of Attorney issued by any party pursuant to such resolutions;

6.1.2 a list of Directors and Officers of the Borrower, the Owners and the Manager specifying the names and positions of such persons, certified by an Officer of the relevant party to be true, complete and up to date;

6.1.3 a certificate from a Director or the Secretary of each of the Borrower, the Owners and the Manager stating that no consents, authorisations, licences or approvals are necessary for such party to authorise, or are required by such party or any other party (other than the Bank) in connection with, the execution, delivery, and performance of this Supplemental Agreement, the Supplemental Side Letter and/or the Retention Account Charge to which it is or will be a party;

6.1.4 the Supplemental Security Documents Letters duly executed;

6.1.5 the Retention Account Charge duly executed;

6.1.6 an opinion of Seward & Kissel LLP, special legal advisers to the Banks in the Marshall Islands in a form approved by the Bank;

6.1.7 payment by the Borrower of all amounts currently due and owing by the Borrower to the Banks under the Principal Agreement including the repayment of four million Dollars ($4,000,000) referred to in clause 2.2.11 above;

6.1.8 payment by the Borrower to the Bank of the expenses payable by the Borrower to the Bank pursuant to clause 5.1 of this Supplemental Agreement; and

6.1.9 an original or certified true copy of a letter from the Borrower's agent for receipt of service of proceedings accepting its appointment under this Supplemental Agreement and the Retention Account Charge as the process agent.

6.2 Further Conditions Precedent

6.2.1 The Bank shall not give notice of the occurrence of the Effective Date under clause 6.1 if, on the date on which it would otherwise have done so, the Bank has received actual knowledge that an Event of Default has occurred and is continuing or that any of the representations and warranties in clause 3.1 are untrue or incorrect as at such date as if made on such date with respect to the facts and circumstances existing at such date.

6.2.2 Within ten (10) days of the Effective Date the Borrower shall provide to the Bank evidence that that a Mortgage Amendment has been properly and validly executed and registered through the Registry in relation to the Mortgages in respect of IOANNIS P and DAUNTLESS, which Mortgage Addendum shall reflect the increase in Margin referred to in clause 2.2.2 above.

7 Miscellaneous

7.1 Continuation of Principal Agreement

Save as amended by this Supplemental Agreement, the provisions of the Principal Agreement shall continue in full force and effect and the Principal Agreement and this Supplemental Agreement shall be read and construed as one instrument.

7.2 Notices

The provisions of clause 16.1 of the Principal Agreement shall extend and apply to the giving or making of notices or demands hereunder as if the same were expressly stated herein.

7.3 Counterparts

This Supplemental Agreement may be executed in any number of counterparts and by the different parties on separate counterparts, each of which when so executed and delivered shall be an original but all counterparts shall together constitute one and the same instrument.

7.4 Partial invalidity

If, at any time, any provision of this Supplemental Agreement is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision in any other respect or under the law of any other jurisdiction will be affected or impaired in any way.

8 Governing Law

8.1 Law

This Supplemental Agreement and any non-contractual obligations in connection with this Supplemental Agreement shall be governed by, and construed in accordance with, English law.

8.2 Submission to jurisdiction

The Borrower agrees, for the benefit of the Bank, that any legal action or proceedings arising out of or in connection with this Supplemental Agreement against the Borrower or any of its assets may be brought in the English courts. The Borrower irrevocably and unconditionally submits to the jurisdiction of such courts and irrevocably designates, appoints and empowers Top Tankers (U.K.) Limited at present of 8 Duke Street, London W1U 3EW, England to receive for it and on its behalf, service of process issued out of the English courts in any such legal action or proceedings. The submission to such jurisdiction shall not (and shall not be construed so as to) limit the right of the Bank to take proceedings against the Borrower in the courts of any other competent jurisdiction nor shall the taking of proceedings in any one or more jurisdictions preclude the taking of proceedings in any other jurisdiction, whether concurrently or not.

The parties further agree that only the courts of England and not those of any other State shall have jurisdiction to determine any claim which the Borrower may have against the Bank arising out of or in connection with this Supplemental Agreement.

IN WITNESS whereof the parties hereto have caused this Supplemental Agreement to be duly executed the day and year first above written.

Schedule 1

Form of Supplemental Letter

To: The Royal Bank of Scotland plc
Shipping Business Centre
5-10 Great Tower Street
London
EC3P 3HX

2009

Dear Sirs,

Facilities Agreement dated 1 November 2005 and made between Top Ships Inc. (formerly known as Top Tankers Inc.) and The Royal Bank of Scotland plc as supplemented, amended and restated from time to time (the Facilities Agreement)

We refer to the fourth supplemental agreement dated [•] 2009 (the **Supplemental Agreement)** made between (1) Top Ships Inc. (formerly known as Top Tankers Inc.) (the **Borrower)** and (2) The Royal Bank of Scotland plc (the **Bank)** pursuant to which the terms of the Facilities Agreement were supplemented and amended, a copy of which Supplemental Agreement is attached to this letter.

Words and expressions defined in the Supplemental Agreement shall, unless otherwise defined herein, have the same meaning when used in this letter.

We hereby confirm that we have reviewed the terms of the Supplemental Agreement and consent to the amendments to the Principal Agreement contained in the Supplemental Agreement and agree that:

(a) the Security Documents (as defined in the Principal Agreement) to which we are a party, and our obligations thereunder, shall remain and continue in full force and effect notwithstanding the said amendments to the Facilities Agreement contained in the Supplemental Agreement; and

(b) with effect from the date upon which the conditions set out in clause 6 of the Supplemental Agreement have been satisfied, references in the Security Documents to which we are a party to "the Agreement" or "the Loan Agreement" or "the Facilities Agreement" shall henceforth be references to the Principal Agreement as amended by the Supplemental Agreement and as from time to time hereafter amended and shall also be deemed to include the Supplemental Agreement and the obligations of the Borrower thereunder.

This letter is executed as a Deed and is governed by and shall be construed in accordance with English law.

SIGNED, SEALED and **DELIVERED** as a **DEED**	)	
by	)	
for and on behalf of	)	
[ILISOS][LEFKA] SHIPPING COMPANY LIMITED]	)	
[TOP TANKER MANAGEMENT INC.]	)	____________________
pursuant to [board resolutions][a power of attorney]	)	[Director/Attorney-in-fact]
dated 2009	)	
in the presence of:	)	

____

Witness

Name:

Address:

Occupation:

Schedule 2

Retention Account Charge

SIGNED by A. Louka for and on behalf of **TOP SHIPS INC.** pursuant to a power of attorney dated 23rd July, 2009	))))))))	/s/ A. Louka Attorney-in-fact
SIGNED by A. Kekatou for and on behalf of **THE ROYAL BANK OF SCOTLAND PLC** pursuant to a power of attorney dated 28th July, 2009	))))))))	/s/ A. Kekatou Attorney-in-fact

SK 23116 0001 1104928

Exhibit 4.18

DATED 21 MAY 2009

JAPAN III SHIPPING COMPANY LIMITED
(as borrower)

-and -

LICHTENSTEIN SHIPPING COMPANY LIMITED
(as collateral guarantor)

-and -

ALPHA BANK A.E.

(as lender)

SECOND SUPPLEMENTAL AGREEMENT TO A SECURED LOAN FACILITY AGREEMENT DATED 17 DECEMBER 2007 AS AMENDED AND SUPPLEMENTED BY A SUPPLEMENTAL AGREEMENT DATED 3 APRIL 2009

STEPHENSON HARWOOD
One, St. Paul's Churchyard
London EC4M 8SH
Tel: +44 (0)20 7329 4422
Fax: +44 (0)20 7329 7100
Ref: F28.058

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SECOND SUPPLEMENTAL AGREEMENT

Dated: 21 May 2009

BETWEEN:

(1) **JAPAN III SHIPPING COMPANY LIMITED,** a company incorporated under the laws of the Republic of Liberia whose registered office is at 80, Broad Street, Monrovia, Liberia (the **"Borrower");** and

(2) **LICHTENSTEIN SHIPPING COMPANY LIMITED,** a company incorporated under the laws of the Republic of Liberia whose registered office is at 80, Broad Street Monrovia, Liberia (the **"Collateral Guarantor");** and

(3) **ALPHA BANK A.E.,** acting through its office at 89 Akti Miaouli, GR 185 38 Piraeus, Greece (the **"Lender").**

SUPPLEMENTAL TO a secured loan agreement dated 17 December 2007 (the **"Original Agreement")** as amended and supplemented by a first supplemental agreement dated 3 April 2009 (the **"First Supplemental"** and together with the Original Agreement, the **"Loan Agreement")** both made, among others, between the Borrower, as borrower and the Lender, as lender on the terms and subject to the conditions of which the Lender has agreed to advance to the Borrower an aggregate amount not exceeding forty eight million Dollars ($48,000,000) (the **"Loan").**

WHEREAS:

(A) The Collateral Guarantor and the Lender have entered into a secured loan agreement dated 18 August 2008 as amended and supplemented by a first supplemental agreement dated 23 February 2009 and a second supplemental agreement dated 3 April 2009 (together the **"Lichtenstein Loan Agreement")** each made between, among others, the Collateral Guarantor, as borrower and the Lender, as lender on the terms and subject to the conditions of which the Lender has agreed to advance to the Collateral Guarantor an aggregate amount not exceeding thirty nine million Dollars ($39,000,000) (the **"Lichtenstein Loan").** As security for the obligations of the Collateral Guarantor under the Lichtenstein Loan Agreement, the Collateral Guarantor executed, delivered and registered (where applicable), in favour of the Lender, as first mortgagee and assignee, a first preferred Panamanian mortgage over the Collateral Vessel together with a first priority assignment of the Collateral Vessel's Insurances, Earnings and Requisition Compensation and a first priority

deed of assignment and subordination in respect of the bareboat charter of the Collateral Vessel.

(B) As security for the obligations of the Borrower under the Loan Agreement, the Collateral Guarantor executed and delivered in favour of the Lender a guarantee and indemnity dated 3 April 2009 (the " **Collateral Guarantee** ").

(C) Pursuant to clauses 2.1.6 and 2.1.7 of the First Supplemental and as security for the obligations of the Collateral Guarantor under the Collateral Guarantee the Collateral Guarantor would execute, deliver and register (where applicable), among others, in favour of the Lender the Collateral Mortgage, the Collateral Assignment and the Collateral Tripartite Agreement.

(D) The Borrower and the Collateral Guarantor have requested that the Lender, among others, agrees to replace the requirements contained in clauses 2.1.6 and 2.1.7 of the First Supplemental regarding the execution, delivery and registration (where applicable), in favour of the Lender of the Collateral Mortgage, the Collateral Assignment and the Collateral Tripartite Agreement with an addendum to the Mortgage (as such term is defined in the Lichtenstein Loan Agreement) securing the Loan Agreement pursuant to the Collateral Guarantee.

(E) The Lender is willing to agree to all the foregoing requests and amend the Loan Agreement and the Security Documents subject to the terms and conditions set forth in this Second Supplemental Agreement.

(F) At the date of this Second Supplemental Agreement the outstanding amount of the Loan is thirty four million seven hundred and fifty thousand Dollars ($34,750,000).

IT IS AGREED THAT:

1 Interpretation

1.1 In this Second Supplemental Agreement:

" **Additional Deed of Confirmation** " means a deed of confirmation to be executed by Top Ships Inc., of the Republic of the Marshall Islands in favour of the Lender in form and substance acceptable to the Lender in all respects.

" **Additional Security Documents** " means this Second Supplemental Agreement, the Collateral Addendum to Mortgage, the Additional Deed of Confirmation and any other agreement or document which may at any time be executed by any person as additional security for the payment of all or any part of the Indebtedness.

" **Collateral Addendum to Mortgage** " means an addendum to the first preferred Panamanian mortgage over the Collateral Vessel to be granted by the Collateral Guarantor, as owner of the Collateral Vessel in favour of the Lender in form and substance acceptable to the Lender in all respects.

" **Effective Date** " means the date of this Second Supplemental Agreement.

" **Security Parties** " means all parties to this Second Supplemental Agreement other than the Lender.

1.2 Unless otherwise defined, all words and expressions defined in the Loan Agreement shall have the same meaning when used in this Second Supplemental Agreement unless the context otherwise requires, and clause 1.2 of the Loan Agreement shall apply to the interpretation of this Second Supplemental Agreement as if it was set out in full.

2 Conditions

2.1 As conditions for the agreement of the Lender to the request specified in Recital (D) above, the Borrower shall deliver or cause to be delivered to or to the order of the Lender the following documents and evidence:

2.1.1 a certificate from a duly authorised officer of each of the Security Parties and the Guarantor confirming that none of the documents delivered to the Lender pursuant to clause 3.1 of the Loan Agreement have been amended or modified in any way since the date of their delivery to the Lender, or copies, certified by a duly authorised officer of each of the Security Parties and the Guarantor as true, complete, accurate and neither amended nor revoked, of any documents which have been amended or modified;

2.1.2 the original resolution of the directors and the shareholders of each of the Security Parties and the Guarantor (together, where appropriate,

with signed waivers of notice of any directors' or shareholders' meetings) approving, and authorising or ratifying the execution of, the Additional Security Documents and any document to be executed by each of the Security Parties and the Guarantor pursuant to the Additional Security Documents;

2.1.3 a notarially attested and legalised power of attorney of each of the Security Parties and the Guarantor under which the Additional Security Documents and any documents required pursuant to them are to be executed by each of the Security Parties and the Guarantor;

2.1.4 the Additional Security Documents, together with all other documents required by any of them, including, without limitation, all other notices of assignment and/or charge duly executed, and registered (where applicable) and evidence that those notices will be duly acknowledged by the recipients and in the case of the Collateral Addendum to Mortgage registered at the Ship's Registry (or equivalent office) of the Collateral Vessel's current flag;

2.1.5 a certificate of ownership and encumbrance (or equivalent) issued by the Registrar of Ships (or equivalent official) of the Collateral Vessel's current flag confirming that the Collateral Vessel is permanently registered under the flag of the Republic of Panama in the ownership of the Collateral Guarantor and that the Collateral Addendum to Mortgage in respect of the Collateral Vessel has been registered and that there are no further encumbrances registered apart from a first preferred Panamanian mortgage over the Collateral Vessel dated 23 February 2009 executed by the Collateral Guarantor in favour of the Lender;

2.1.6 confirmation satisfactory to the Lender that all legal opinions required by the Lender will be given substantially in the form required by the Lender;

2.1.7 evidence that any process agent referred to in clause 21.5 of the Loan Agreement and any process agent appointed under any Additional Security Document has accepted its appointment; and

2.1.8 a copy of any other consent, licence, approval, authorisation or other document, opinion or assurance which the Lender considers to be necessary or desirable (if it has notified the Borrower and/or the Collateral Guarantor accordingly) in connection with the entry into and performance of the transactions contemplated by this Second Supplemental Agreement and the other Additional Security Documents or for the validity and enforceability of this Second Supplemental Agreement and the other Additional Security Documents.

2.2 If the Lender agrees, in its sole discretion, to waive any conditions under Clause 2.1 prior to the Effective Date, the Borrower undertakes to deliver all outstanding documents and evidence to or to the order of the Lender no later than the date specified by the Lender, which however, shall not be taken as a waiver of the Lender's right to require production of all the documents and evidence required by Clause 2.1.

2.3 All documents and evidence delivered to the Lender pursuant to this Clause shall:

2.3.1 be in form and substance acceptable to the Lender;

2.3.2 be accompanied, if required by the Lender, by translations into the English language, certified in a manner acceptable to the Lender; and

2.3.3 if required by the Lender, be certified, notarised, legalised or attested in a manner acceptable to the Lender.

3 Representations and Warranties

Each of the representations and warranties contained in clause I 1 of the Loan Agreement and clause 2 of the Collateral Guarantee shall be deemed repeated by the Borrower and the Collateral Guarantor respectively at the Effective Date, by reference to the facts and circumstances then pertaining, as if references to the Security Documents included this Second Supplemental Agreement.

4 Amendments to Loan Agreement and Collateral Guarantee

With effect from the Effective Date:

4.1 the definitions of **"Collateral Assignment", "Collateral Manager's Confirmation". "Collateral Mortgage"** and **"Collateral Tripartite Agreement"** set forth in clause 1.1 of the Loan Agreement were deleted;

4.2 the definitions contained in Clause 1.1 (other than the definitions of **"Effective Date"** and **"Security Parties")** of this Second Supplemental Agreement shall be added to clause 1.1 of the Loan Agreement;

4.3 the definition of **"Security Documents"** set forth in clause **1.1** of the Loan Agreement was construed to include the Additional Security Documents;

4.4 clause 10.1 of the Loan Agreement shall be read and construed as including the Additional Security Documents;

4.5 clause 10.2 of the Loan Agreement was deleted and replaced as follows: -

"Earnings Account The Borrower shall maintain the Earnings Account with the Lender for the duration of the Facility Period free of Encumbrances and rights of set off other than those created by or under the Finance Documents and shall deposit to the Earnings Account each Repayment Instalment at least one calendar month prior to such Repayment Instalment becoming due and payable to the Lender. Interest shall accrue on a daily basis on any balance from time to time on the Earnings Account at a rate of interest determined by the Lender in its discretion as the rate of interest payable to its customers on deposits in the same currency and of similar amount and maturity, and shall be credited to the Earnings Account."; and

4.6 the definition of **"Guarantor's Security Documents"** set forth in clause 1.1 of the Collateral Guarantee was deleted and replaced as follows: -

""Guarantor's Security Documents" means this Guarantee and Indemnity and any and all documents which may at any time be executed by the Guarantor as security for the payment of all or any part of the Guarantor's Liabilities.".

For the avoidance of doubt, the Lender hereby consents to and permits the creation of additional Encumbrance over the Collateral Vessel by virtue of the Additional Security Documents. All other terms and conditions of the Loan Agreement shall remain unaltered and in full force and effect.

5 Confirmation and Undertaking

5.1 The Borrower confirms that all of its respective obligations under or pursuant to each of the Security Documents to which it is a party remain in full force and effect, despite the amendments to the Loan Agreement and the Collateral Guarantee made in this Second Supplemental Agreement, as if all references in any of the Security Documents to the Loan Agreement (however described) were references to the Loan Agreement as amended and supplemented by this Second Supplemental Agreement and as if all references in any of the Security Documents to the Collateral Guarantee (however described) were references to the Collateral Guarantee as amended and supplemented by this Second Supplemental Agreement.

5.2 The definition of any term defined in any of the Security Documents shall, to the extent necessary, be modified to reflect the amendments to the Loan Agreement and the Collateral Guarantee made in this Second Supplemental Agreement.

6 Notices, Law and Jurisdiction

The provisions of clauses 17 and 21 of the Loan Agreement shall apply to this Second Supplemental Agreement as if they were set out in full and as if references to the Loan Agreement were references to this Second Supplemental Agreement and references to the Borrower were references to the Security Parties.

IN WITNESS of which the parties to this Second Supplemental Agreement have executed this Second Supplemental Agreement as a deed the day and year first before written.

SIGNED and DELIVERED as a DEED by)
JAPAN III SHIPPING COMPANY LIMITED)
acting by Andreas Louka) /s/ Andreas Louka
its duly authorized)
in the presence of:)

Stephenson Harwood
2 Filellion Str. & Akti Miaouli
Pireaus 18536
VAT No. 998711156
Tel. No. 2104925160

SIGNED and DELIVERED as a DEED by)
LICHTENSTEIN SHIPPING COMPANY LIMITED)
acting by Andreas Louka) /s/ Andreas Louka
its duly authorized)
in the presence of:)

Stephenson Harwood
2 Filellion Str. & Akti Miaouli
Pireaus 18536
VAT No. 998711156
Tel. No. 2104925160

SIGNED and DELIVERED as a DEED by)
ALPHA BANK A.E.)
acting by Gregorios Coutilio) /s/ Gregorios Kondilis
and by Constantinos Flokos)
its duly authorized) /s/ Constatinos Flokos
in the presence of:)

Stephenson Harwood
2 Filellion Str. & Akti Miaouli
Pireaus 18536
VAT No. 998711156
Tel. No. 2104925160

Exhibit 4.19

DATED 25 November 2009

JAPAN III SHIPPING COMPANY LIMITED
(as borrower)

-and-

ALPHA BANK A.E.

(as lender)

THIRD SUPPLEMENTAL AGREEMENT
TO SECURED LOAN FACILITY AGREEMENT
DATED 17 DECEMBER 2007 AS AMENDED AND SUPPLEMENTED BY A FIRST SUPPLEMENTAL AGREEMENT DATED 3 APRIL 2009
AND A SECOND SUPPLEMENTAL AGREEMENT
DATED 21 MAY 2009

STEPHENSON HARWOOD
One, St. Paul's Churchyard
London EC4M 8SH
Tel: +44 (0)20 7329 4422
Fax: +44 (0)20 7329 7100
Ref: F28.062

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THIRD SUPPLEMENTAL AGREEMEN

Dated: 25 November 2009

BETWEEN:

(1) **JAPAN HI SHIPPING COMPANY LIMITED,** a company incorporated under the laws of the Republic of Liberia whose registered office is at 80, Broad Street, Monrovia, Liberia (the **"Borrower") ;** and

(2) **ALPHA BANK A.E.,** acting through its office at 89 Akti Miaouli, GR 185 38 Piraeus, Greece (the **"Lender").**

SUPPLEMENTAL TO a secured loan agreement dated 17 December 2007 (the **"Original Loan Agreement")** as amended and supplemented by a first supplemental agreement dated 3 April 2009 (the **"First Supplemental Agreement")** and as further amended and supplemented by a second supplemental agreement dated 21 May 2009 (the **"Second Supplemental Agreement"** and together with the First Supplemental Agreement and the Second Supplemental Agreement and as the same may be amended, supplemented, novated and/or replaced from time to time, the **"Loan Agreement")** each made between, amongst others, the Borrower, as borrower and the Lender, as lender on the terms and subject to the conditions of which the Lender has agreed to advance to the Bonrower an aggregate amount not exceeding forty eight million Dollars ($48,000,000) (the **"Loan").**

WHEREAS:

(A) Pursuant to the clause 12.2.1 of the Original Loan Agreement, the Borrower would procure that the Guarantor shall at all times during the Facility Period on a consolidated basis, commencing from the date of the Original Loan Agreement, maintain a Minimum Liquidity of not less than twenty five million Dollars ($25,000,000).

(B) Further to the request of the Borrower and pursuant to the terms and conditions of the First Supplemental Agreement, the parties to the First Supplemental Agreement agreed to reduce the requisite amount of Minimum Liquidity referred to in clause 12.2.1 of the Original Loan Agreement to an amount not less than fifteen million Dollars ($15,000,000) with effect from the Effective Date (as defined in the First Supplemental Agreement) up to and including 31 March 2010, whereupon and for the remainder of the Facility Period, the

requisite amount of the Minimum Liquidity will be increased again to an amount of not less than twenty five million Dollars ($25,000,000).

(C) The Borrower has now requested that the Lender agree to waive the financial covenant referred to in clause 12.2.1 of the Loan Agreement with effect from the Effective Date until and including 31 March 2010, whereupon and for the remainder of the Facility Period, the requisite amount of the Minimum Liquidity will be increased again to an amount of not less than twenty five million Dollars ($25,000,000).

(D) The Lender is willing to agree to all the foregoing requests and amend the Loan Agreement and the Security Documents subject to the terms and conditions set forth in this Third Supplemental Agreement.

(E) At the date of this Third Supplemental Agreement the outstanding amount of the Loan is thirty million two hundred and fifty thousand Dollars ($30,250,000).

IT IS AGREED THAT:

1 Interpretation

1.1 In this Third Supplemental Agreement:

"Collateral Addenda to Mortgages" means the first addendum to the first preferred Liberian mortgage over the Vessel to be granted by the Borrower, as owner of the Vessel in favour of the Lender and the second addendum to the first preferred Panamanian mortgage over the Collateral Vessel to be granted by the Collateral Guarantor, as owner of the Collateral Vessel, each in form and substance acceptable to the Lender in all respects and **"Collateral Addendum to Mortgage"** means any one of them.

"Effective Date" means the date of this Third Supplemental Agreement.

"New Security Documents" means this Third Supplemental Agreement, the Third Supplemental Deeds of Confirmation, the Collateral Addenda to Mortgages and any other agreement or document which may at any time be executed by any person as additional security for the payment of all or any part of the Indebtedness and **"New Security Document"** means any one of them.

"Third Supplemental Deeds of Confirmation" means the deeds of confirmation to be executed by each of the Guarantor and the Collateral Guarantor in favour of the Lender in form and substance acceptable to the Lender in all respects and **"Third Supplemental Deed of Confirmation"** means any one of them.

1.2 Unless otherwise defined, all words and expressions defined in the Loan Agreement shall have the same meaning when used in this Third Supplemental Agreement unless the context otherwise requires, and clause 1.2 of the Loan Agreement shall apply to the interpretation of this Third Supplemental Agreement as if it was set out in full.

2 Conditions

2.1 As conditions for the agreement of the Lender to the requests specified in Recital (C) above, the Borrower shall deliver or cause to be delivered to or to the order of the Lender the following documents and evidence:

2.1.1 **Officer's bringdown certificates — Borrower and Guarantor** A certificate from a duly authorised officer of each of the Borrower and the Guarantor confirming that none of the documents delivered to the Lender pursuant to Schedule 1, Part **I,** Paragraphs 1(a), (c), (d) and (g) of the Original Loan Agreement and clauses 2.1.2, 2.1.3 and 2.1.4 of the First Supplemental Agreement and clauses 2.1.2 and 2.1.3 of the Second Supplemental Agreement have been amended or modified in any way since the date of their delivery to the Lender, or copies, certified by a duly authorised officer of each of the Borrower and the Guarantor as true, complete, accurate and neither amended nor revoked, of any documents which have been amended or modified.

2.1.2 **Officer's bringdown certificates — Collateral Guarantor** A certificate from a duly authorised officer of the Collateral Guarantor confirming that none of the documents delivered to the Lender pursuant to clauses 2.1.2, 2.1.3 and 2.1.4 of the First Supplemental Agreement and clauses 2.1.2 and 2.1.3 of the Second Supplemental Agreement have been amended or modified in any way since the date of their delivery to the Lender, or copies, certified by a duly authorised officer of the Collateral Guarantor as true, complete, accurate and neither

amended nor revoked, of any documents which have been amended or modified.

2.1.3 **Board and shareholder resolutions** The original resolution of the directors and the shareholders of each Security Party (together, where appropriate, with signed waivers of notice of any directors' or shareholders' meetings) approving, and authorising or ratifying the execution of, the New Security Documents (as applicable) and any document to be executed by the Security Party in question pursuant to the New Security Documents.

2.1.4 **Power of attorney** A notarially attested and legalised power of attorney of each of the Security Parties under which the New Security Documents (as applicable) and any documents required pursuant to any such New Security Document is to be executed by the Security Party in question.

2.1.5 **Goodstanding certificates** A certificate of good standing in respect of each of the Security Parties.

2.1.6 **New Security Documents** The New Security Documents together with all other documents required by any of them.

2.1.7 **Legal opinions** Confirmation satisfactory to the Lender that all legal opinions required by the Lender will be given substantially in the form required by the Lender.

2.1.8 **Process agent** Evidence that the process agent referred to in clause 21.5 of the Loan Agreement has accepted its appointment as agent for service of process in relation to any proceedings before the English courts in connection with the New Security Documents.

2.1.9 **Other authorisations** A copy of any other consent, licence, approval, authorisation or other document, opinion or assurance which the Lender considers to be necessary or desirable (if it has notified the Borrower accordingly) in connection with the entry into and performance of the

transactions contemplated by the New Security Documents or for the validity and enforceability of the New Security Documents.

2.2 If the Lender agrees, in its sole discretion, to waive any conditions under Clause 2.1 prior to the Effective Date, the Borrower undertakes to deliver all outstanding documents and evidence to or to the order of the Lender no later than the date specified by the Lender, which however, shall not be taken as a waiver of the Lender's right to require production of all the documents and evidence required by Clause 2.1.

2.3 All documents and evidence delivered to the Lender pursuant to this Clause shall:

2.3.1 be in form and substance acceptable to the Lender;

2.3.2 be accompanied, if required by the Lender, by translations into the English language, certified in a manner acceptable to the Lender; and

2.3.3 if required by the Lender, be certified, notarised, legalised or attested in a manner acceptable to the Lender.

3 Representations and Warranties

Each of the representations and warranties contained in clause 11 of the Loan Agreement shall be deemed repeated by the Borrower at the Effective Date, by reference to the facts and circumstances then pertaining, as if references to the Security Documents included this Third Supplemental Agreement.

4 Amendments to Loan Agreement and the Guarantee

With effect from the Effective Date:

4.1 the definitions contained in Clause 1.1 (other than the definition of **"Effective Date")** of this Third Supplemental Agreement and the following new definition shall be added to clause 1.1 of the Loan Agreement in alphabetical order;

"'Waiver Period' means the period commencing on 25 November ***),***
2009 until 31 March 2010 (inclusive).";

4.2 the definition of the term **“Margin”,** as is set out in clause 1.1 of the Loan Agreement, shall be substituted as follows:-

“‘Margin’ means:-

(a) commencing on the date of this Agreement and until 2 April 2009 (inclusive), one point thirty percent (1.30%) per annum;

(b) commencing on 3 April 2009 and until 16 September 2009 (inclusive), two point fifty percent (2.50%) per annum;

(c) commencing on 17 September 2009 (the next rollover date) and until 31 March 2010 (inclusive), three point zero percent (3.00%) per annum; and

(d) commencing on 1 April 2010 and throughout the remainder of the Facility Period, two point twenty five percent (2.25%) per annum”;

4.3 the definition of “Security Documents”, as set forth in clause 1.1 of the Loan Agreement, shall be construed to include the New Security Documents;

4.4 clause 10.1 of the Loan Agreement shall be read and construed as including the New Security Documents;

4.5 clause 12.2 of the Loan Agreement shall be deleted and replaced with the following clause 12.2:-

“12.2 Fi **nancial covenants**

The Borrower shall procure that the Guarantor shall at all times during the Facility Period on a consolidated basis (assessed semi-annually and certified in accordance with Clause 12.1.2 (a)) commencing from the date of this Agreement:-

12.2.1 other than during the Waiver Period during which there is no Minimum Liquidity requirement, maintain a Minimum Liquidity of (i) not less than twenty ftve million Dollars ($25,000,000) from the date of this Agreement until 2 April 2009 (inclusive), (ii) not less

than fifteen million Dollars ($15,000,000) from 3 April 2009 until the commencement of the Waiver Period and (iii) not less than twenty five million Dollars ($25,000,000) from 1 April 2010 and throughout the remainder of the Facility Period; and

12.2.2 maintain a Minimum Adjusted Net Worth of not less than two hundred and fifty million Dollars ($250,000,000) with the exception of the period between 3 April 2009 and 31 March 2010 (inclusive); and

12.2.3 maintain Minimum Equity of not less than one hundred million Dollars ($100,000,000).";

4.6 clause 6.7 of the Guarantee shall be deleted and replaced with the following clause 6.7: -

"6.7 **Financial covenants**

The Guarantor shall at all times during the Facility Period on a consolidated basis (assessed semi-annually and certified in accordance with Clause 6.5) commencing from the date of the Loan Agreement: -

6.7.1 other than during the Waiver Period, maintain a Minimum Liquidity of (i) not less than twenty five million Dollars ($25,000,000) from the date of this Agreement until 2 April 2009 (inclusive), (ii) not less than fifteen million Dollars ($15,000,000) from 3 April 2009 until the commencement of the Waiver Period and (iii) not less than twenty five million Dollars ($25,000,000) from 1 April 2010 and throughout the remainder of the Facility Period; and

6.7.2 maintain a Minimum Adjusted Net Worth of not less than two hundred and fifty million Dollars ($250,000,000) with the exception of the period between 3 April 2009 and 31 March 2010 (inclusive); and

6.7.3 maintain Minimum Equity of not less than one hundred million Dollars ($100,000,000).";

4.7 all references to "this Agreement" (howsoever defined in the Loan Agreement and the Security Documents) shall be references to the Loan Agreement as amended and supplemented by this Third Supplemental Agreement; and

4.8 all references in the Finance Documents to the Loan Agreement (however it may be defined) shall be read and construed as the Loan Agreement as amended and supplemented by this Third Supplemental Agreement.

All other terms and conditions of the Loan Agreement, the Guarantee and the other Security Documents shall remain unaltered and in full force and effect.

5 Confirmation and Undertaking

5.1 The Borrower confirms that all of its respective obligations under or pursuant to each of the Security Documents to which it is a party remain in full force and effect, despite the amendments to the Loan Agreement and the Guarantee made in or pursuant to this Third Supplemental Agreement, as if all references in any of the Security Documents to the Loan Agreement (however described) and the Guarantee (however described) were references to the Loan Agreement and the Guarantee (as applicable) as amended and supplemented by this Third Supplemental Agreement.

5.2 The definition of any term defined in any of the Security Documents shall, to the extent necessary, be modified to reflect the amendments to the Loan Agreement and the Guarantee made in this Third Supplemental Agreement.

6 Further Assurance

The Borrower covenants that from time to time at the request of the Lender it will execute and deliver to the Lender or procure the execution and delivery to the Lender of all such documents as the Lender shall deem necessary or desirable in its absolute discretion for giving full effect to this Third Supplemental Agreement and for perfecting and protecting the value of or enforcing any rights or securities granted to the Lender under or pursuant to the Loan Agreement and/or this Third Supplemental Agreement and/or the Security Documents.

7 Miscellaneous

7.1 Clauses 20.1 *(No oral variations),* 20.5 *(Counterparts)* and 20.6 *(Contracts (Rights of Third Parties) Act 1999)* of the Loan Agreement shall (mutatis mutandis) apply to this Third Supplemental Agreement.

7.2 With effect from the Effective Date, this Third Supplemental Agreement shall be construed with and shall constitute an instrument supplemental to the Loan Agreement and the Guarantee (as applicable). Save as otherwise provided herein and as- hereby expressly varied and supplemented, the Loan Agreement and the Guarantee shall remain valid and binding and in full force and effect after the Effective Date.

8 Notices, Law and Jurisdiction

The provisions of clauses 17 and 21 of the Loan Agreement shall apply to this Third Supplemental Agreement as if they were set out in full and as if references to the Loan Agreement were references to this Third Supplemental Agreement and references to the Borrower were references to the Security Parties.

9 Costs and Expenses

The Security Parties shall, on demand of the Lender and upon a full indemnity basis, reimburse the Lender for all costs and expenses (including legal fees and disbursements plus any value added tax payable thereon) incurred by the Lender in connection with the preparation, negotiation and execution of this Third Supplemental Agreement and any other documents required.

IN WITNESS of which the parties to this Third Supplemental Agreement have executed this Third Supplemental Agreement as a deed the day and year first before written.

SIGNED and **DELIVERED**	)	
as a **DEED**	)	
by Andreas Louka	)	
duly authorized Attorney-in-Fact	)	/s/ Andreas Louka
for and on behalf of	)	
JAPAN III SHIPPING COMPANY LIMITED	)	
in the presence of:-	)	

/s/ Georgia Asimakopous
Georgia Asimakopous

Stephenson Harwood
Ariston Building
2 Filellion Str. & Akti Miaouli
Pireaus 18536
VAT No. 998711156
Tel. No. 2104925160

SIGNED and **DELIVERED**	)	
as a **DEED**	)	
by Gregorios N. Kondilis	)	
and by Constantinos Flokos	)	/s/ Gregorios N. Kondilis
duly authorised Attorney-in-Fact	)	
for and on behalf of	)	/s/ Contantinos Flokos
ALPHA BANK A.E.	)	
in the presence of:-	)	

/s/ Georgia Asimakopous
Georgia Asimakopous

Stephenson Harwood
Ariston Building
2 Filellion Str. & Akti Miaouli
Pireaus 18536
VAT No. 998711156
Tel. No. 2104925160

Exhibit 4.20

DATED 25 NOVEMBER 2009

LICHTENSTEIN SHIPPING COMPANY LIMITED
(as borrower)

-and-

ALPHA BANK A.E.

(as lender)

THIRD AGREEMENT
DATED 3 APRIL 2009 AND A SIDE SUPPLEMENTAL AGREEMENT
TO SECURED LOAN FACILITY AGREEMENT
DATED 18 AUGUST 2008
AS AMENDED AND SUPPLEMENTED BY A FIRST SUPPLEMENTAL AGREEMENT
DATED 23 FEBRUARY 2009
AND A SECOND SUPPLEMENTAL LETTER DATED 2 JULY 2009

STEPHENSON HARWOOD
One, St. Paul's Churchyard
London EC4M 8SH
Tel: +44 (0)20 7329 4422
Fax: +44 (0)20 7329 7100
Ref: F28.063

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THIRD SUPPLEMENTAL AGREEMENT

Dated: 25 November 2009

BETWEEN:

(1) **LICHTENSTEIN SHIPPING COMPANY LIMITED,** a company incorporated under the laws of the Republic of Liberia whose registered office is at 80, Broad Street Monrovia, Liberia (the **"Borrower");** and

(2) **ALPHA BANK A.E.,** acting through its office at 89 Akti Miaouli, GR 185 38 Piraeus, Greece (the **"Lender").**

SUPPLEMENTAL TO a secured loan agreement dated 18 August 2008, as amended and supplemented by a first supplemental agreement dated 23 February 2009 (the **"First Supplemental Agreement"),** as further amended and supplemented by a second supplemental agreement dated 3 April 2009 (the **"Second Supplemental Agreement")** and a side letter dated 2 July 2009, and as the same may be amended, supplemented, novated and/or replaced from time to time (the **"Original Loan Agreement")** each made between, amongst others, the Borrower, as borrower, and the Lender, as lender, on the terms and subject to the conditions of which the Lender has agreed to advance to the Borrower an aggregate amount not exceeding thirty nine million Dollars ($39,000,000) (the **"Loan").**

WHEREAS:

(A) Pursuant to the clause 12.2.1 of the Original Loan Agreement, the Borrower would procure that the Guarantor shall at all times during the Facility Period on a consolidated basis, commencing from the date of the Original Loan Agreement, maintain a Minimum Liquidity of not less than twenty five million Dollars ($25,000,000).

(B) Further to the request of the Borrower and pursuant to the terms and conditions of the Second Supplemental Agreement, the Borrower and the Lender agreed to reduce the requisite amount of Minimum Liquidity referred to in clause 12.2.1 of the Original Loan Agreement to an amount not less than fifteen million Dollars ($15,000,000) with effect from the Effective Date (as defined in the Second Supplemental Agreement) up to and including 31 March 2010, whereupon and for the remainder of the Facility Period, the requisite amount of the Minimum Liquidity will be increased again to an amount of not less than twenty five million Dollars ($25.000.000).

(C) The Borrower has now requested that the Lender agree to waive the financial covenant referred to in clause 12.2.1 of the Original Loan Agreement with effect from the Effective Date until and including 31 March 2010, whereupon and for the remainder of the Facility Period, the requisite amount of the Minimum Liquidity will be increased again to an amount of not less than twenty five million Dollars ($25,000,000).

(D) The Lender is willing to agree to all the foregoing requests and amend the Original Loan Agreement and the Security Documents subject to the terms and conditions set forth in this Third Supplemental Agreement.

(E) At the date of this Third Supplemental Agreement the outstanding amount of the Loan is thirty seven million eight hundred thousand Dollars ($37,800,000).

IT IS AGREED THAT:

1 Interpretation

1.1 In this Third Supplemental Agreement:

"Collateral Addenda to Mortgages" means any addendum to the first preferred Panamanian mortgage over the Vessel to be granted by the Borrower, as owner of the Vessel in favour of the Lender and any addendum to the second preferred Liberian mortgage over the Collateral Vessel to be granted by the Collateral Guarantor, as owner of the Collateral Vessel, each in form and substance acceptable to the Lender in all respects and **"Collateral Addendum to Mortgage"** means any one of them.

"Effective Date" means the date of this Third Supplemental Agreement.

"New Security Documents" means this Third Supplemental Agreement, the Third Supplemental Deeds of Confirmation, the Collateral Addenda to Mortgages and any other agreement or document which may at any time be executed by any person as additional security for the payment of all or any part of the Indebtedness and **"New Security Document"** means any one of them.

"Third Supplemental Deeds of Confirmation" means the deeds of confirmation to be executed by each of the Guarantor and the Collateral Guarantor in favour of the Lender in form and substance acceptable to the Lender in all respects and " **Third Supplemental Deed of Confirmation** " means any one of them.

1.2 Unless otherwise defined, all words and expressions defined in the Original Loan Agreement shall have the same meaning when used in this Third Supplemental Agreement unless the context otherwise requires, and clause 1.2 of the Original Loan Agreement shall apply to the interpretation of this Third Supplemental Agreement as if it was set out in full.

2 Conditions

2.1 As conditions for the agreement of the Lender to the requests specified in Recital (C) above, the Borrower shall deliver or cause to be delivered to or to the order of the Lender the following documents and evidence:

2.1.1 **Officer's bringdown certificates — Borrower and Guarantor** A certificate from a duly authorised officer of each of the Borrower and the Guarantor confirming that none of the documents delivered to the Lender pursuant to Schedule 1, Part **I,** Paragraphs 1(a), (c), (d) and (g) of the Original Loan Agreement and clauses 2.1.2 and 2.1.3 of the First Supplemental Agreement and clauses 2.1.3 and 2.1.4 of the Second Supplemental Agreement have been amended or modified in any way since the date of their delivery to the Lender, or copies, certified by a duly authorised officer of each of the Borrower and the Guarantor as true, complete, accurate and neither amended nor revoked, of any documents which have been amended or modified.

2.1.2 **Officer's bringdown certificates — Collateral Guarantor** A certificate from a duly authorised officer of the Collateral Guarantor confirming that none of the documents delivered to the Lender pursuant to clauses 2.1.2, 2.1.3 and 2.1.4 of the Second Supplemental Agreement have been amended or modified in any way since the date of their delivery to the Lender, or copies, certified by a duly authorised officer of the Collateral Guarantor as true, complete, accurate and neither amended nor revoked, of any documents which have been amended or modified.

2.1.3 **Board and shareholder resolutions** The original resolution of the directors and the shareholders of each Security Party (together, where appropriate, with signed waivers of notice of any directors' or shareholders' meetings) approving, and authorising or ratifying the execution of, the New Security Documents (as applicable) and any document to be executed by the Security Party in question pursuant to the New Security Documents.

2.1.4 **Power of attorney** A notarially attested and legalised power of attorney of each of the Security Parties under which the New Security Documents (as applicable) and any documents required pursuant to any such New Security Document is to be executed by the Security Party in question.

2.1.5 **Goodstanding certificates** A certificate of good standing in respect of each of the Security Parties.

2.1.6 **New** Security **Documents** The New Security Documents together with all other documents required by any of them.

2.1.7 **Legal opinions** Confirmation satisfactory to the Lender that all legal opinions required by the Lender will be given substantially in the form required by the Lender.

2.1.8 **Process agent** Evidence that the process agent referred to in clause 21.5 of the Original Loan Agreement has accepted its appointment as agent for service of process in relation to any proceedings before the English courts in connection with the New Security Documents.

2.1.9 **Other authorisations** A copy of any other consent, licence, approval, authorisation or other document, opinion or assurance which the Lender considers to be necessary or desirable (if it has notified the Borrower accordingly) in connection with the entry into and performance of the transactions contemplated by the New Security Documents or for the validity and enforceability of the New Security Documents.

2.2 If the Lender agrees, in its sole discretion, to waive any conditions under Clause 2.1 prior to the Effective Date, the Borrower undertakes to deliver all outstanding documents and evidence to or to the order of the Lender no later than the date specified by the Lender, which however, shall not be taken as a waiver of the Lender's right to require production of all the documents and evidence required by Clause 2.1.

2.3 All documents and evidence delivered to the Lender pursuant to this Clause shall:

2.3.1 be in form and substance acceptable to the Lender;

2.3.2 be accompanied, if required by the Lender, by translations into the English language, certified in a manner acceptable to the Lender; and

2.3.3 if required by the Lender, be certified, notarised, legalised or attested in a manner acceptable to the Lender.

3 Representations and Warranties

Each of the representations and warranties contained in clause 11 of the Original Loan Agreement shall be deemed repeated by the Borrower at the Effective Date, by reference to the facts and circumstances then pertaining, as if references to the Security Documents included this Third Supplemental Agreement.

4 Amendments to Original Loan Agreement and the Guarantee

With effect from the Effective Date:

4.1 the definitions contained in Clause 1.1 (other than the definition of **"Effective Date")** of this Third Supplemental Agreement and the following new definitions shall be added to clause 1.1 of the Original Loan Agreement in alphabetical order;

"Daelim Corporation' means Daelim Corporation of 1OF KCCI Bldg, 45 4ga Namdaemunre, Jung gu Seoul, Republic of Korea.";

"'Tripartite Deed' means the deed of assignment of Insurances, Earnings, Charter Rights and Requisition Compensation in respect

of the Bareboat Charter referred to in Clause 10.1.5 S *ecurity Documents).";*

"'Waiver Period' means the period commencing on :25 November 2009 until 31 March 2010 (inclusive).";

4.2 the definition of **"Bareboat Charter" and "Bareboat Charterer",** as set out in clause 1.1 of the Original Loan Agreement, shall be substituted as follows:-

"'Bareboat Charter' means the bareboat charter dated 8 April 2008, as amended and supplemented by Addendum No.1 dated 20 August 2008, as further amended and supplemented by Addendum No.2 dated 21 November 2008 and as the same may be further amended, supplemented, novated and/or replaced from time to time, on the terms and subject to the conditions of which the Borrower will bareboat charter the Vessel to the Bareboat Charterer, for a duration of ten (10) years at a minimum net daily rate of hire of fourteen thousand five hundred and fifty Dollars ($14,550).";

"'Bareboat Charterer' means Daelim Corporation (formerly known as and legal successor in title of Daelim) or any of its one hundred per cent (100%) owned subsidiaries which is guaranteed by Daelim Corporation.";

4.3 the definition of the term **"Margin",** as is set out in clause 1.1 of the Original Loan Agreement, shall be substituted as follows:-

"'Margin' means:-

(a) commencing on the date of this Agreement and until 2 April 2009 (inclusive), one point sixty-five percent (1.65%) per annum;

(b) commencing on 3 April 2009 and until 25 October 2009 (inclusive), two point twenty five percent (2.25%) per annum;

(c) commencing on 26 October 2009 (the next rollover date) and until 31 March 2010 (inclusive), three point zero percent (3.00%) per annum; and

(d) commencing on 1 April 2010 and throughout the remainder of the Facility Period, two point twenty five percent (2.25%) per annum.";

4.4 the definition of **"New Tripartite Deed",** as incorporated pursuant to the First Supplemental Agreement, shall be deleted and any reference thereto as a Security Document shall also be deleted;

4.5 the definition of **"Security Documents",** as set forth in clause 1.1 of the Original Loan Agreement, shall be construed to include the New Security Documents;

4.6 clause 10.1 of the Original Loan Agreement shall be read and construed as including the New Security Documents;

4.7 clause 10.1.5 of the Original Loan Agreement shall be deleted and replaced as follows:-

"10.1.5 a first priority deed or deeds of assignment of the Insurances, Earnings, Bareboat Charter and Requisition Compensation of the Vessel from the Borrower and the Bareboat Charterer, including (in the case of the Bareboat Charterer) any agreement whereby its interests under the Bareboat Charter are subordinated to the interests of the Lender under the Mortgage and an assignment of any performance guarantee from Daelim Corporation (if the Bareboat Charterer is a one hundred per cent (100%) subsidiary of Daelim Corporation).";

4.8 clause 12.2 of the Loan Agreement shall be deleted and replaced with the following clause 12.2:-

"12.2 **Financial covenants**

The **Borrower** shall procure that the Guarantor shall at all times during the Facility Period on a consolidated basis (assessed semi-annually and certified in accordance with Clause 12.1.2 (a)) commencing from the date of this Agreement:-

12.2.1 other than during the Waiver Period during which there is no Minimum Liquidity requirement, maintain a Minimum Liquidity of (i) not less than twenty five million Dollars ($25,000,000) from the date of this Agreement until 2 April 2009 (inclusive), (ii) not less than fifteen million Dollars ($15,000,000) from 3 April 2009 until the commencement of the Waiver Period and (iii) not less than twenty five million Dollars ($25,000,000) from 1 April 2010 and throughout the remainder of the Facility Period; and

12.2.2 maintain a Minimum Adjusted Net Worth of not less than two hundred and fifty million Dollars ($250,000,000) with the exception of the period between 3 April 2009 and 31 March 2010 (inclusive); and

12.2.3 maintain Minimum Equity of not less than one hundred million Dollars ($100,000,000).";

4.9 clause 6.7 of the Guarantee shall be deleted and replaced with the following clause 6.7:-

"6.7 **Financial covenants**

The Guarantor shall at all times during the Facility Period on a consolidated basis (assessed semi-annually and certified in accordance with Clause 6.5) commencing from the date of the Loan Agreement:-

6.7.1 other than during the Waiver Period, maintain a Minimum Liquidity of (i) not less than twenty five million Dollars ($25,000,000) from the date of this Agreement until 2 April 2009 (inclusive), (ii) not less than fifteen million Dollars ($15,000,000) from 3 April 2009 until the commencement of the Waiver Period and (iii) not less than twenty five million Dollars ($25,000,000) from 1 April 2010 and throughout the remainder of the Facility Period; and

6.7.2 maintain a Minimum Adjusted Net Worth of not less than two hundred and fifty million Dollars ($250,000,000) with the exception of the period between 3 April 2009 and 31 March 2010 (inclusive); and

6.7.3 maintain Minimum Equity of not less than one hundred million Dollars ($100,000,000).";

4.11 all references to "this Agreement" (howsoever defined in the Original Loan Agreement and the Security Documents) shall be references to the Original Loan Agreement as amended and supplemented by this Third Supplemental Agreement; and

4.12 all references in the Finance Documents to the Original Loan Agreement (however it may be defined) shall be read and construed as the Original Loan Agreement as amended and supplemented by this Third Supplemental Agreement.

All other terms and conditions of the Original Loan Agreement, the Guarantee and the other Security Documents shall remain unaltered and in full force and effect .

5 Confirmation and Undertaking

5.1 The Borrower confirms that all of its respective obligations under or pursuant to each of the Security Documents to which it is a party remain in full force and effect, despite the amendments to the Original Loan Agreement and the Guarantee made in or pursuant to this Third Supplemental Agreement, as if all references in any of the Security Documents to the Original Loan Agreement (however described) and the Guarantee (however described) were references to the Original Loan Agreement and the Guarantee (as applicable) as amended and supplemented by this Third Supplemental Agreement.

5.2 The definition of any term defined in any of the Security Documents shall, to the extent necessary, be modified to reflect the amendments to the Original Loan Agreement and the Guarantee made in this Third Supplemental Agreement.

6 Further Assurance

The Borrower covenants that from time to time at the request of the Lender it will execute and deliver to the Lender or procure the execution and delivery to the Lender of all such

documents as the Lender shall deem necessary or desirable in its absolute discretion for giving full effect to this Third Supplemental Agreement and for perfecting and protecting the value of or enforcing any rights or securities granted to the Lender under or pursuant to the Original Loan Agreement and/or this Third Supplemental Agreement and/or the Security Documents.

7 Miscellaneous

7.1 Clauses 20.1 *(No oral variations),* 20.5 *(Counterparts)* and 20.6 *(Contracts (Rights of Third Parties) Act 1999)* of the Original Loan Agreement shall (mutatis mutandis) apply to this Third Supplemental Agreement.

7.2 With effect from the Effective Date, this Third Supplemental Agreement shall be construed with and shall constitute an instrument supplemental to the Original Loan Agreement and the Guarantee (as applicable). Save as otherwise provided herein and as hereby expressly varied and supplemented, the Original Loan Agreement and the Guarantee shall remain valid and binding and in full force and effect after the Effective Date.

8 Notices, Law and Jurisdiction

The provisions of clauses 17 and 21 of the Original Loan Agreement shall apply to this Third Supplemental Agreement as if they were set out in full and as if references to the Original Loan Agreement were references to this Third Supplemental Agreement and references to the Borrower were references to the Security Parties.

9 Costs and Expenses

The Security Parties shall, on demand of the Lender and upon a full indemnity basis, reimburse the Lender for all costs and expenses (including legal fees and disbursements plus any value added tax payable thereon) incurred by the Lender in connection with the preparation, negotiation and execution of this Third Supplemental Agreement and any other documents required.

IN WITNESS of which the parties to this Third Supplemental Agreement have executed this Third Supplemental Agreement as a deed the day and year first before written.

SIGNED and **DELIVERED**	)	
as a **DEED**	)	
by Andreas Louka	)	
duly authorized Attorney-in-Fact	)	/s/ Andreas Louka
for and on behalf of	)	
LICHTENSTEIN SHIPPING COMPANY LIMITED	)	
in the presence of:-	)	

/s/ Georgia Asimakopous
Georgia Asimakopous

Stephenson Harwood
Ariston Building
2 Filellion Str. & Akti Miaouli
Pireaus 18536
VAT No. 998711156
Tel. No. 2104925160

SIGNED and **DELIVERED**	)	
as a **DEED**	)	
by Gregorios Kondilis	)	
and by Constantinos Flokos	)	/s/ Gregorios N. Kondilis
duly authorised Attorney-in-Fact	)	
for and on behalf of	)	/s/ Contantinos Flokos
ALPHA BANK A.E.	)	
in the presence of:-	)	

/s/ Georgia Asimakopous
Georgia Asimakopous

Stephenson Harwood
Ariston Building
2 Filellion Str. & Akti Miaouli
Pireaus 18536
VAT No. 998711156
Tel. No. 2104925160

Exhibit 4.21

Dated: 5 th August, 2009

EMPORIKI BANK OF GREECE S.A.
(as lender)

- and -

JAPAN I SHIPPING COMPANY LIMITED
(as borrower)

- and -

TOP SHIPS INC
(as corporate guarantor)

FIRST SUPPLEMENTAL AGREEMENT
in relation to a Loan Agreement No. 185
dated 5 th March, 2008
for a loan facility of up to US$50,000,000

THIS AGREEMENT is made this 5 th day of August, 2009 made **BETWEEN:**

(1) **EMPORIKI BANK OF GREECE S.A.,** a Greek banking societe anonyme duly incorporated under the laws of Greece, having its registered office at 11, Sofokleous Street, Athens, Greece, acting for the purposes of this Agreement through its office at 114 Kolokotroni Street, Piraeus, Greece and includes its successors in title, as lender (the ***"Bank");*** and

(2) **JAPAN I SHIPPING COMPANY LIMITED,** a company incorporated in the Republic of Liberia and having its registered office at 80, Broad Street, Monrovia, Liberia and includes its successors in title, as borrower (hereinafter called the **"Borrower");** and

(3) **TOP SHIPS INC.,** a company duly incorporated under the laws of the Republic of the Marshall Islands having its registered office at Trust Company Complex, Ajeltake Island, Majuro, Marshall Islands MH 96960, a company listed in the Nasdaq, as Guarantor (hereinafter called the **"Corporate Guarantor",** which expression shall include its successors);

IS SUPPLEMENTAL to a Loan Agreement dated 5 th March, 2008 made between (1) the Bank and (2) the Borrower (the **"Principal Agreement"),** on the terms and conditions of which the Bank agreed to advance and has advanced to the Borrower a secured floating interest rate term loan facility in the amount of fifty million ($50,000,000) (the **"Loan")** for the purpose therein specified (the Principal Agreement as hereby amended and/or supplemented and as the same may hereinafter be amended and/or supplemented called the **"Loan Agreement").**

WHEREAS:

(A) The Borrower and the Corporate Guarantor hereby jointly and severally acknowledge and confirm that (a) the Bank has advanced to the Borrower the full amount of the Loan and (b) as the date hereof the principal amount of $43,325,000 (US Dollars Forty three million three hundred twenty five thousand) remains outstanding.

(B) Pursuant to a Guarantee dated Stn March, 2008 (the **"Corporate Guarantee")** the Corporate Guarantor irrevocably and unconditionally guaranteed the due and timely repayment of the Loan and interest and default interest accrued thereon and the performance of all the obligations of the Borrower under the Loan Agreement and the Security Documents executed in accordance thereto;

(C) The Borrower and the other Security Parties have requested the Bank to provide a waiver to the covenants of the Borrower under Clause 8.3 (a) and 8.6 (c) for the period starting from March 31 st 2009 until the 31 st March, 2010;

and the Bank has agreed so to do against:

(a) an increase in loan margin to two and a half per cent (2.5%) per annum for the whole Waiver Period (as hereinafter defined); and

(b) an increase in loan margin to one and three quarters per centum (1.75%) per annum thereafter and until the end of the Security Period,

conditionally upon terms that (inter alia) the Principal Agreement shall be amended in the manner hereinafter set out.

NOW THEREFORE IT IS HEREBY AGREED AS FOLLOWS:

1. Definitions

1.1 Words and expressions defined in the Principal Agreement and not otherwise defined herein (including the Preamble and Recitals hereto) shall have the same meanings when used in this Agreement.

"Waiver Period" means a period starting on the 31 st March, 2009 and terminating on the 31 st March, 2010;

"Effective Date" means the 31 st March, 2009;

"Loan Agreement" means the Principal Agreement as hereby amended as the same may from time to time be further amended and/or supplemented;

"Mortgage Addendum" means the addendum to the first preferred Liberian Naval mortgage registered over the Vessel in favour of the Bank, whereby the said first mortgage shall be amended, executed or (as the context may require) to be executed by the Borrower in favour of the Bank in form satisfactory to the Bank;

1.2 In this Agreement the term "Security Documents" shall be construed as to include the Security Documents as defined in the Principal Agreement as amended and/or supplemented by this Agreement and the Mortgage Addendum.

1.3 (a) where the context so admits words importing the singular number only shall include the plural and vice versa and words importing persons shall include firms and corporations, (b) clause headings are inserted for convenience of reference only and shall be ignored in construing this Agreement, (c) references to Clauses are to clauses of this Agreement save as may be otherwise expressly provided in this Agreement and (d) all capitalised terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Loan Agreement.

2. Representations and Warranties

2.1 Each corporate Security Party hereby jointly and severally represent and warrant to the Bank as at the date hereof that the representations and warranties set forth in the Principal Agreement and the Security Documents (updated mutatis mutandis to the date of this Agreement) are (and will be on the Effective Date) true and correct as if all references therein to "this Agreement" were references to the Principal Agreement as amended and supplemented by this Agreement.

2.2 In addition to the above, the Borrower and the Corporate Guarantor hereby jointly and severally represent and warrant to the Bank as at the date of this Agreement that:

(a) each of the corporate Security Parties is duly formed, is validly existing and in good standing under the laws of the place of its incorporation has full power to carry on its business as it is now being conducted and to enter into and perform its obligations under the Principal Agreement, this Agreement and the Mortgage Addendum and has complied with all statutory and other requirements relative to its business;

(b) all necessary licences, consents and authorities, governmental or otherwise under this Agreement, the Principal Agreement and the Mortgage Addendum have been obtained and, as of the date of this Agreement, no further consents or authorities are necessary for any of the Security Parties to enter into this Agreement or otherwise perform its obligations hereunder;

(c) this Agreement constitutes and the Mortgage Addendum on the execution thereof will constitute, the legal, valid and binding obligations of the Security Parties thereto enforceable in accordance with their respective terms;

(d) the execution and delivery of, and the performance of the provisions of this Agreement and the Mortgage Addendum do not, and will not contravene any applicable law or regulation existing at the date hereof or any contractual restriction binding on any of the Security Parties or its respective constitutional documents;

(e) no action, suit or proceeding is pending or threatened against any of the Borrower and the other Security Parties or their assets before any court, board of arbitration or administrative agency which could or might result in any material adverse change in the business or condition (financial or otherwise) of such Borrower or such Security Party;

(f) none of the Borrower and the other Security Parties is and at the Effective Date will be in default under any agreement by which it is or will be at the Effective Date bound or in respect of any financial commitment, or obligation.

3. Conditions

3.1 The agreement of the Bank contained in Clause 4 shall be expressly subject to the fulfilment of the conditions set out in Clause 7 of the Principal Agreement and further subject to the condition that the Bank shall have received on or before the date hereof in form and substance satisfactory to the Bank and its legal advisers:

(a) a recent certificate of incumbency of the Borrower and the Corporate Guarantor signed by the secretary or a director thereof, stating the officers and the directors and the shareholders of each of them;

(b) certified and duly legalised copies of resolutions passed at a meeting of the Board of Directors and Shareholders of the Borrower evidencing approval of this Agreement and the Mortgage Addendum to which it is a party and authorising appropriate officers or attorneys to execute the same and to sign all notices required to be given under this Agreement on its behalf or other evidence of such approvals and authorisations as shall be acceptable to the Bank;

(c)the original of any power(s) of attorney issued in favour of any person executing this Agreement or the Mortgage Addendum to which it is a party on behalf of the Borrower;

(d) the Mortgage Addendum duly executed by the respective parties thereto;

(e) evidence that the Vessel is classed with a classification society member of IACS to be specifically approved by the Bank, and remains free from outstanding or overdue recommendations, notations or conditions of class; such certificate to be dated no more than three (3) business days prior to the date hereof; and

(f) payment of any and all fees payable by the Borrower in accordance with Clause 8 hereof.

4. Agreement of the Bank

The Bank, relying upon each of the representations and warranties set out in Clause 2 hereby agrees with the Borrower, subject to and upon the terms and conditions of this Agreement and in particular, but without limitation, subject to the fulfilment of the conditions precedent set out in Clause 3, to consent to the amendment of the Loan Agreement as set out in Clause 5 hereof.

5. Variations to the Loan Agreement

The Borrower hereby agree with the Bank, subject to the Bank's consent and further subject to and upon the terms and conditions contained in this Agreement, that the provisions of the Principal Agreement shall be and are hereby agreed to be varied and/or amended and/or supplemented as follows:

5.1 As from the Effective Date, the following new definitions, shall be added to Clause 1.2 of the Principal Agreement reading as follows:

"Waiver Period" *means a period starting on the 31 st March, 2009 and terminating on the 31 st March, 2010;*

"First Mortgage Addendum" *means in respect of the Mortgage, a first addendum thereto executed or to be executed by the Borrower in favour of the Bank in such form as the Bank may approve or require and, in the plural, means both of them;"*

5.2 With effect as from the Effective Date, the following definitions set out in Clause 1.2 of the Principal Agreement shall be deleted and shall be replaced as follows:

"Margin" *means:*

(a) in respect of the period from the 31 st March 2009 until the 31 st March 2010, two and a half per cent (2.5%) per annum and (b) thereafter and until the end of the Security Period, one and three quarters per centum (1.75%) per annum ;

"Mortgage" means the first preferred Liberian mortgage of the Vessel executed by the Borrower in favour of the Bank as amended by the First Mortgage Addendum;"

5.3 With effect from the Effective Date the following shall be added at the end of respective para (a) of Clause 8.3 and para (c) of Clause 8.6 of the Principal Agreement:

"Provided however that subject to no Default then existing this covenant shall not be applicable to the Borrower throughout the Waiver Period"

5.4 With effect from the Effective Date, the definition **"Security Documents"** shall be deemed to include the Security Documents as amended and/or supplemented in pursuance to the terms hereof and any document or documents (including if the context requires the Loan Agreement) that may now or hereafter be executed as security for the repayment of the Loan, interest thereon and any other moneys payable by the Bank under the Principal Agreement and the Security Documents (as herein defined) as well as for the performance by the Borrower and the other Security Parties (as herein defined) of all obligations, covenants and agreements pursuant to the Principal Agreement this Agreement and/or the Security Documents;

5.5 With effect from the Effective Date hereof, the definition and all references in the Principal Agreement and in the Security Documents to the **"Mortgage"** as references to the Mortgage as amended and supplemented by the Mortgage Addendum.

5.6. With effect from the Effective Date hereof, the definition and all references in the Principal Agreement and in the Security Documents to **"this Agreement", "hereunder"** and the like and in the Security Documents to the **"Loan Agreement"** shall be construed as references to the Principal Agreement as amended and/or supplemented by this Agreement.

6. Continuance of Principal Agreement and the Security Documents

Save for the alterations to the Principal Agreement made or deemed to be made pursuant to this Agreement and such further modifications (if any) thereto as may be necessary to make the same consistent with the terms of this Agreement, the Principal Agreement shall remain in full force and effect and the security constituted by the Security Documents executed by the Borrower and the other Security Parties shall continue and remain valid and enforceable and each of the Borrower hereby reconfirms its obligations under the Principal Agreement as hereby amended and under the Security Documents to which it is party.

7. Reconfirmation of the Corporate Guarantee

Notwithstanding the variation to the Loan Agreement contained herein the Corporate Guarantee granted by the Corporate Guarantor (which such Guarantor hereby reconfirms in all respects) shall remain in full force and effect as guarantee and/or security of the obligations of the Borrower under the Principal Agreement, this Agreement and the Security Documents (as hereby amended), and in respect of all outstanding balance of the Loan and other sums due to the Bank under the Loan Agreement and the Security Documents.

7. **ENTIRE AGREEMENT AND AMENDMENT; EFFECT ON PRINCIPAL AGREEMENT-WAIVERS**

7.1 The Principal Agreement, the Security Documents and this Agreement represent the entire agreement among the parties hereto with respect to the subject matter hereof and supersede any prior expressions of intent or understanding with respect to this transaction and may be amended only by an instrument in writing executed by the party or parties to be bound or burdened thereby.

7.2 Except to the extent that the Principal Agreement is expressly amended or supplemented by this Agreement, all terms and conditions of the Principal Agreement remain in full force and effect. This Agreement is supplementary to and incorporated in the Principal Agreement, all terms and conditions whereof, including, but not limited to, provisions on payments, calculation of interest and Events of Default, shall apply to the performance and interpretation of this Agreement.

7.3 No waiver of any such right, remedy or power, or any consent to any departure from the strict application of the provisions of this Agreement, the Loan Agreement or of any other Security Document shall in any way prejudice or affect the powers conferred upon the Bank under this Agreement, the Loan Agreement and the other Security Documents or the right of the Bank thereafter to act strictly in accordance with the terms of this Agreement, the Loan Agreement and the other Security Documents nor shall, any delay or omission by the Bank to exercise any right, remedy or power vested in the Bank under this Agreement, the Loan Agreement and/or the other Security Documents or by law, impair such right or power, or be construed as a waiver of, or as an acquiescence in any default by the Borrower and/or any other Security Party, nor shall any single or partial exercise by the Bank of any power, right or remedy preclude any other or further exercise thereof or the exercise of any other power, right or remedy.

8. Fees and Expenses

(a) The Borrower and the Corporate Guarantor, jointly and severally, agree to pay to the Bank all costs, charges and expenses (including legal fees) incurred by the Bank in connection with the negotiation, preparation, execution and enforcement or attempted enforcement of this Agreement and any document executed pursuant thereto and/or in preserving or protecting or attempting to preserve or protect the security created hereunder and/or under the Security Documents.

(c) The Borrower and the Corporate Guarantor, jointly and severally, covenant and agree to pay and discharge any and all stamp duties, registration and recording fees and charges and any other charges whatsoever and wheresoever payable or due in respect of this Agreement and/or any document executed pursuant hereto.

9. NOTICES

The provisions of clause 15.1 of the Principal Agreement shall extend and apply to the giving or making of notices or demands hereunder as if the same were expressly stated herein save that notices or demands hereunder as regards the Borrower and the Corporate Guarantor should be sent to such address or facsimile number as the Borrower and the Corporate Guarantor have advised in writing to the Bank on the date of the Principal Agreement.

10. APPLICABLE LAW AND JURISDICTION AND MISCELLANEOUS

This provisions of Clause 16.3 (Process Agent) and of Clause 16.1 (Law and Jurisdiction) of the Principal Agreement shall apply to this Agreement as if the same were set out herein in full.

IN WITNESS whereof the parties hereto have caused this Agreement to be duly executed the date first above written.

THE BORROWER

SIGNED by)
Mr. Andreas Louka)
for and on behalf of)
JAPAN I SHIPPING COMPANY LIMITED) /s/ Andreas Louka
of Liberia, in the presence of:) Attorney-in-Fact

/s/ Efstratios Kalantzis
Witness:
Name: Efstratios Kalantzis
Address: 13, Defteras Merarchias Street
Piraeus, Greece
Occupation: Occupation: Attorney-at-law

THE GUARANTOR

EXECUTED as a DEED)
for and on behalf of)
TOP SHIPS INC.,)
of The Marshall Islands)
by Mr. Andreas Louka)
its duly authorised Attorney-in-fact) /s/ Andreas Louka
in the presence of:) Attorney-in-Fact

/s/ Efstratios Kalantzis
Witness:
Name: Efstratios Kalantzis
Address: Defteras Merarchias Street 13,
Piraeus, Greece
Occupation: Attorney-at-law

THE BANK

SIGNED by)
Mrs. Christina Margelou and) /s/ Christina Margelou
Mrs. Maria Antoniou) Attorney-in-Fact
for and on behalf of)
EMPORIKI BANK OF GREECE S.A.) /s/ Maria Antoniou
in the presence of:) Attorney-in-Fact

/s/ Efstratios Kalantzis
Witness:
Name: Efstratios Kalantzis
Address: 13 Defteras Merarchias Street
185 35 Piraeus, Greece
Occupation: Attorney-at-law

AMENDMENT NO. 1
to

CREDIT FACILITY PROVIDING FOR A

SENIOR SECURED TERM LOAN

OF UP TO US$95,000,000

MADE AVAILABLE TO

JEKE SHIPPING COMPANY LIMITED,
NOIR SHIPPING S.A.,
AND
AMALFI SHIPPING COMPANY LIMITED,
as joint and several Borrowers,

BY

HSH NORDBANK AG,
as Mandated Lead Arranger, Underwriter, Administrative Agent and Security Trustee,

and the Banks and Financial Institutions
identified on Schedule 1, as Lenders

November 8, 2007

May 11, 2009

AMENDMENT NO. 1 TO SENIOR SECURED TERM CREDIT FACILITY AGREEMENT

THIS AMENDMENT NO. 1 TO SENIOR SECURED TERM CREDIT FACILITY AGREEMENT (this "Amendment") is made as of the 11th day of May, 2009, and amends and is supplemental to that certain senior secured term credit facility agreement dated as of November 8, 2007 (the "Credit Facility Agreement"), and is by and among (1) JEKE SHIPPING COMPANY LIMITED, a corporation organized and existing under the laws of the Republic of Liberia, NOIR SHIPPING S.A., a corporation organized and existing under the laws of the Republic of the Marshall Islands and AMALFI SHIPPING COMPANY LIMITED, a corporation organized and existing under the laws of the Republic of the Marshall Islands, as joint and several borrowers (together the "Borrowers" and each a "Borrower"), (2) the banks and financial institutions listed on Schedule 1 thereto, as lenders (together with any bank or financial institution which becomes a Lender pursuant to Section 10 thereof, the "Lenders") and (3) HSH NORDBANK AG ("HSH"), as mandated lead arranger, underwriter, administrative agent for the Lenders (in such capacity, the "Administrative Agent") and security trustee for the Lenders. Unless otherwise defined herein, the capitalized terms used herein shall have the meanings assigned to such terms in the Credit Facility Agreement.

W I T N E S S E T H

WHEREAS, pursuant to the terms of the Credit Facility Agreement, the Lenders provided to the Borrowers a senior secured credit facility for a term loan made available in three tranches, one per Vessel, in the aggregate amount of the lesser of US$95,000,000 or 65% of the Fair Market Value of the Vessels, to partly finance the acquisition of the Vessels;

WHEREAS, the parties to this Amendment desire to amend the Credit Facility Agreement as set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above, the covenants and agreements hereinafter set forth, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. Amendment of the Credit Facility Agreement . The parties hereto agree that effective as of the date hereof:

(a) All references to "this Agreement" shall be deemed to refer to the Credit Facility Agreement as amended hereby.

(b) All references to this Agreement in each of the Security Documents shall be deemed to be references to the Credit Facility Agreement as amended hereby.

(c) Section 1.1 of the Credit Facility Agreement is hereby amended as follows:

(i) The definition of "Accounting Period" is hereby deleted in its entirety and replaced with the following:

"means each consecutive period of three months falling during the period (ending on the last day in March, June, September and December of each year) for which quarterly accounting information is required to be provided to the Administrative Agent hereunder, provided , however , that until March 31, 2010, Accounting Period shall mean each consecutive period of twelve months;"

(ii) The definition of "BRITTO" is hereby inserted as follows:

"means that certain vessel owned or to be owned by Britto Shipping Company Limited, with Hull Number S-1031 to be registered under the flag of Panama pursuant to the $121,286,500 Credit Facility Agreement;"

(iii) The definition of "BRITTO Deposit" is hereby inserted as follows:

"shall have the meaning ascribed thereto in Section 9.1(t);"

(iv) The definition of "EBITDA" is hereby deleted in its entirety and replaced with the following:

"means, in respect of an Accounting Period, the aggregate amount of consolidated pre-tax profits of the Guarantor and its Subsidiaries before extraordinary or exceptional items (including dry-docking costs for all Accounting Periods ending on or before March 31, 2010, but excluding dry-docking costs for all Accounting Periods thereafter), depreciation, interest, rentals under finance leases and similar charges payable but after the deduction of payments made under bareboat charters in each case as stated in the then most recent accounting information;"

(v) The definition of Mandatory Costs" is hereby deleted in its entirety and replace with the following:

"means the cost of complying with any applicable regulatory requirements of any relevant regulatory authority and, for purposes of any enforcement action taken with respect to any mortgage over the BRITTO in favor of the Security Trustee, shall be calculated in accordance with Schedule 4 hereof;"

(vi) The definition of "Margin" is hereby deleted in its entirety and replaced with the following:

"shall mean (a) 2.50% per annum from March 24, 2009 to March 31, 2010 and (b) after March 31, 2010 (1) 1.00% per annum while each of the Vessels are employed under time charter party agreements acceptable to the Agent for periods of at least twelve (12) months and (b) 1.125% per annum at all other times;"

(vii) The definition of "MISS MARILENA" shall be inserted as follows:

"means that certain vessel owned by Warhol Shipping Company Limited, registered under the laws of the Republic of the Marshall Islands having Official Number 3501, and mortgaged to HSH Nordbank AG as security for the obligations of the borrowers under the $121,286,500 Credit Facility Agreement;"

(viii) The definition of "Original Credit Facility Agreement" is hereby inserted as follows:

"means the Credit Facility Agreement before it was amended by Amendment No. 1 thereto;"

(ix) The definition of "TYRRHENIAN WAVE" shall be inserted as follows:

"means that certain vessel owned by Indiana R Shipping Company Limited, registered under the laws of the Republic of Liberia having Official Number 14235, and mortgaged to HSH Nordbank AG as security for the obligations of the borrowers under the $121,286,500 Credit Facility Agreement;"

(x) The definition of "$121,286,500 Credit Facility Agreement" is hereby inserted as follows:

"means that certain senior secured term credit facility agreement made as of the 1st day of October, 2008, by and among (1) Warhol Shipping Company Limited, Indiana R Shipping Company Limited and Britto Shipping Company Limited, each a corporation organized and existing under the laws of the Republic of Liberia, as joint and several borrowers, (2) the banks and financial institutions listed on Schedule 1 thereto, as lenders, and (3) HSH, as mandated lead arranger, underwriter, administrative agent, and security trustee, as such agreement may be amended, supplemented, modified or restated from time to time."

(d) Section 5.1(d) of the Credit Facility Agreement is hereby inserted as follows:

"(d) Starting in August 2009 with respect to the repayment of Tranche A and starting in September 2009 with respect to the repayment of Tranche C, (i) 50% of the amounts held in the Debt Service Reserve Account (excluding the Debt Service Deposits made for each Vessel) shall be applied pro rata against the first six (6) upcoming payment installments for each of Tranche A and Tranche C, which are in respect of (1) Tranche A, August 2009, November 2009, February 2010, May 2010, August 2010, and November 2010, and (2) Tranche C, September 2009, December 2009, March 2010, June 2010, September 2010 and December 2010, unless in regards to Tranche A and Tranche C, agreed otherwise among the parties hereto and (ii) the remaining 50% of the amounts held in the Debt Service Reserve Account (excluding the Debt Service Deposits made for each Vessel) shall be applied pro rata against all remaining payment installments, including balloon payments."

(e) Section 8.1(o) of the Credit Facility Agreement is hereby deleted in its entirety and replaced with the following:

"(o) Cross-Default . any of the Borrowers, any Security Party, any Subsidiary or any Affiliate of the Guarantor defaults under any material contract or material agreement, including the $121,286,500 Credit Facility Agreement, to which it is a party or by which it is bound."

(f) Section 9.1(d) of the Credit Facility Agreement is hereby amended as follows:

(i) Insert subsection (vii) as follows: "(vii) monthly projections of the cash position of the Guarantor on a rolling monthly basis;"

(ii) Insert subjection (viii) as follows: "(viii) quarterly cash flow projections of the Guarantor for all quarters during the then upcoming two-year period on a quarterly basis; and"

(iii) Insert subsection (ix) as follows: "(ix) quarterly reports describing all developments with regard to the Guarantor's financial status and to any and all vessels owned by the Guarantor and/or its Subsidiaries."

(g) Section 9.1(s) of the Credit Facility Agreement is hereby inserted as follows:

"(s) Sale of Vessels and Proceeds from Offerings . until the date on which the Borrowers and the Guarantor are in compliance with all of the covenants set forth in the Original Credit Facility Agreement, (i) ensure that all sale proceeds (excluding any debt prepayment) from the sale of a Vessel or the sale of a vessel financed by the $121,286,500 Credit Facility Agreement are applied towards complying with all covenant requirements in each of the Original Credit Facility Agreement and the $121,286,500 Credit Facility Agreement; (ii) deliver, or cause to be delivered, to the Administrative Agent, in repayment of the Facility, an amount equal to the Sale Percentage of the proceeds (excluding any debt prepayment or any other financial obligation towards the financing bank in respect of the sold vessel) from the sale of a vessel that is not financed by the Credit Facility Agreement or the $121,286,500 Credit Facility Agreement by the Guarantor or any of its Subsidiaries; and (iii) deliver, or cause to be delivered, to the Administrative Agent, in repayment of the Facility, an amount equal to the Sale Percentage of 50% of the offering proceeds of a successful public offering of stock of the Guarantor or its Subsidiaries; provided , however , that the remaining offering proceeds shall be used solely for working capital purposes and not for investments. For purposes of this Section 9.1(s), "Sale Percentage" shall mean a fraction, (1) the numerator of which shall be the aggregate of (A) the outstanding amount of the Facility and (B) the outstanding amount under the $121,286,500 Credit Facility Agreement and (2) the denominator of which shall be the aggregate Financial Indebtedness of the Guarantor and its Subsidiaries on a consolidated basis."

(h) Section 9.1(t) of the Credit Facility Agreement is hereby inserted as follows:

"(t) Debt Service Reserve Account. Subject to any repayments of the Facility made pursuant to Section 5.1(d), in addition to the Debt Service Deposits made for each Vessel, the Guarantor and its Subsidiaries shall maintain at all times at least Six Million Five Hundred Forty Eight Thousand Eight Hundred Fourteen Dollars ($6,548,814) in the Debt Service Reserve Account until the Facility hereunder and the facility under the $121,286,500 Credit Facility Agreement has been repaid in full. On or before the earlier of (i) the delivery of the BRITTO or (ii) June 15, 2009 (the "BRITTO Deposit Due Date"), the Security Parties shall deposit an additional amount of Four Million Five Hundred Ten Thousand Nine Hundred Ninety Three Dollars ($4,510,993) (the "BRITTO Deposit") into the Debt Service Reserve Account and the Security Parties shall thereafter maintain, subject to any repayments of the Facility made pursuant to Section 5.1(d), the BRITTO Deposit in the Debt Service Reserve Account, provided, however, that if the Borrowers provide the Administrative Agent with sufficient evidence that they will be unable to make the BRITTO Deposit on or before the BRITTO Deposit Due Date, the Administrative Agent shall have received, on or before the BRITTO Deposit Due Date, such documentation as it may deem necessary, in its sole discretion, to effectively secure the obligations of the Borrowers hereunder with the collateral provided to the administrative agent and the security trustee under the $121,286,500 Credit Facility Agreement including, without limitation, second mortgages over each of the MISS MARILENA and the TYRRHENIAN WAVE, and upon its delivery, the BRITTO and second earnings assignments, second charter assignments and second insurances assignments with respect to each of the MISS MARILENA, the TYRRHENIAN WAVE and the BRITTO."

(i) Section 9.2(l) of the Credit Facility Agreement is hereby deleted in its entirety and replaced with the following:

"(l) Use of Corporate Funds. permit any Borrower to pay out any funds to any company or person except (i) in the ordinary course of business in connection with the management of the business of the Guarantor and its Subsidiaries, including the operation and/or repair of any of the Vessels and other vessels owned or operated by such parties and (ii) the servicing of the Debt permitted hereunder; and permit any Security Party to pay out any funds to any company or person except in connection with the repurchase of shares or other equity interests of any Security Party or the redemption of any investment in an amount in the aggregate for all such repurchases or redemptions up to Five Million Dollars ($5,000,000)."

(j) Section 9.2(r) of the Credit Facility Agreement is hereby inserted as follows:

"(r) Guarantor Distributions. with respect to the Guarantor, pay dividends or make any other distributions of its capital stock other than distributions under the Guarantor's stock incentive plan for its employees so long as: (1) the ratio of EBITDA to Fixed Charges is below 120%; or (2) the Fair Market Value of the Vessels is below 140% of (i) the aggregate of the outstanding amount of the Facility and (ii) the cost of terminating any Interest Rate Agreement."

(k) Section 9.3(a) of the Credit Facility Agreement is hereby deleted in its entirety and replaced with the following:

" Adjusted Net Worth. maintain at all times an Adjusted Net Worth of not less than (i) One Hundred Twenty Five Million Dollars ($125,000,000) from the date hereof until March 31, 2010, and (ii) after March 31, 2010, Two Hundred Fifty Million Dollars ($250,000,000) provided that such Adjusted Net Worth shall not be less than (i) Fifteen Percent (15%) of the Total Assets from the date hereof until March 31, 2010 and (ii) Thirty Five Percent (35%) of the Total Assets thereafter;"

(l) Section 9.3(b) of the Credit Facility Agreement is hereby deleted in its entirety and replaced with the following:

"(b) EBITDA to Fixed Charges. beginning on March 31, 2010 and at all times thereafter, ensure that EBITDA shall at all times exceed 120% of the aggregate amount of Fixed Charges; and"

(m) Section 9.3(c) of Credit Facility Agreement is hereby deleted in its entirety and replaced with the following:

"(c) Minimum Liquidity. (i) from the date hereof until March 31, 2010, maintain Liquid Funds in the amount of Twenty Five Million Dollars ($25,000,000), such Liquid Funds to include cash held in any of the Guarantor's accounts that have been or will be pledged in the Guarantor's ordinary course of business and cash held in any of the Guarantor's Subsidiaries' accounts that have been or will be pledged in the Guarantor's Subsidiaries' ordinary course of business, and (ii) after March 31, 2010, maintain Liquid Funds in the greater of Twenty Five Million Dollars ($25,000,000), or Five Hundred Thousand Dollars ($500,000) per vessel directly or indirectly owned or bareboat chartered-in and/or leased-back by the Guarantor (the "Minimum Liquidity")."

(n) Section 9.4 of the Credit Facility Agreement is hereby deleted in its entirety and replaced with the following:

"9.4 Asset Maintenance. If at any time after March 31, 2010 and during the term of the Credit Facility Agreement, the Fair Market Value of Vessels is less than the Required Percentage, the Borrowers shall, within a period of thirty (30) days following receipt by the Borrowers of written notice from the Administrative Agent notifying the Borrowers of such shortfall and specifying the amount thereof (which amount shall, in the absence of manifest error, be deemed to be conclusive and binding on the Borrowers), either (i) deliver to the Security Trustee such additional collateral as may be satisfactory to the Lenders in their sole discretion of sufficient value to make the aggregate Fair Market Value of said Vessel plus the additional collateral, equal to the Required Percentage of the outstanding amount of the Tranche relating to that Vessel or (ii) the Borrowers shall prepay such amount of the Facility (together with interest thereon and any other monies payable in respect of such prepayment pursuant to Section 5.4) as shall result in the Fair Market Value of that Vessels being not less than the Required Percentage."

(o) Exhibit A attached hereto shall be inserted as Schedule 4 of the Credit Facility Agreement.

2. Conditions Precedent to the Effectiveness of this Amendment. The effectiveness of this Amendment shall be expressly subject to the following conditions precedent:

(a) This Amendment. Each of the Borrowers shall have duly executed and delivered this Amendment to the Administrative Agent and Lenders;

(b) Consent, Agreement and Affirmation. The Guarantor shall have duly executed and delivered the Consent, Agreement and Affirmation attached hereto;

(c) Corporate Authority. The Administrative Agent shall have received:

(i) copies, certified as true and complete by an officer of each of the Borrowers, of the resolutions of their respective board of directors evidencing approval of this Amendment and authorizing an appropriate officer or officers or attorney-in-fact or attorneys-in-fact to execute the same on its behalf, or other evidence of such approvals and authorizations;

(ii) copies, certified as true and complete by an officer of the Guarantor, of the resolutions of the board of directors evidencing approval of the Consent, Agreement and Affirmation and authorizing an appropriate officer or officers or attorney-in-fact or attorneys-in-fact to execute the same on its behalf, or other evidence of such approvals and authorizations;

(iii) copies, certified as true and complete by an officer of each Security Party, of all documents evidencing any other necessary action (including actions by such parties thereto other than the Security Parties as may be required by the Administrative Agent), approvals or consents with respect to this Amendment;

(iv) copies, certified as true and complete by an officer of each Security Party, of the certificate of incorporation and by-laws or equivalent instruments thereof;

(v) certificate of an authorized officer of the Guarantor certifying that it legally and beneficially owns, directly or indirectly, all of the issued and outstanding capital stock of each of the Borrowers and that such capital stock are free and clear of any liens, claims, pledges or other encumbrances whatsoever and have been paid in full; and

(vi) certificates of the jurisdiction of incorporation of each Security Party as to the good standing thereof;

(d) Mortgage Amendments . Amendments to the following Mortgages shall have been duly executed and delivered to the Administrative Agent:

(1) the Mortgage over the M/V AMALFI (ex OCEAN SPIRIT), and (2) the Mortgage over the VOC GALLANT.

(e) Legal Opinions . the Administrative Agent, on behalf of the Agents and the Lenders, shall have received legal opinions addressed to the Administrative Agent from (i) G.C. Economou & Associates, counsel for the Security Parties in respect of, inter alia , no material litigation or breach of contract by the Security Parties and no filings are required in Greece and (ii) Seward & Kissel LLP, special United States, New York, Liberian and Marshall Islands counsel to the Agents and Lenders in respect of inter alia , the corporate authority of the Security Parties and the enforceability of this Amendment, in each case in such form as the Administrative Agent may require, as well as such other legal opinions as the Administrative Agent shall have required as to all or any matters under the laws of the United States of America, the Republic of Greece, the State of New York, the Republic of Liberia and the Republic of the Marshall Islands or any other relevant Permitted Jurisdiction.

3. Representations and Warranties. Each of the Borrowers hereby represents and warrants to the Administrative Agent that immediately after giving effect to this Amendment, the representations and warranties set forth in the Credit Facility Agreement as amended hereby are true and correct in all material respects and no Default or Event of Default shall have occurred and be continuing.

4. No Defaults. Each of the Borrowers hereby represents and warrants that as of the date hereof there exists no Event of Default or any condition which, with the giving of notice or passage of time, or both, would constitute an Event of Default.

5. Covenants. Each of the Borrowers hereby reaffirms that, except as disclosed to the Administrative Agent, it has duly performed and observed the covenants and undertakings set forth in the Credit Facility Amendment, and covenants and undertakes to continue to duly perform and observe such covenants and undertakings, as amended hereby, so long as the Credit Facility Agreement as amended hereby shall remain in effect.

6. No Other Amendment. All other terms and conditions of the Credit Facility Agreement shall remain in full force and effect and the Credit Facility Agreement shall be read and construed as if the terms of this Amendment were included therein by way of addition or substitution, as the case may be.

7. Fees and Expenses. Each of the Borrowers agrees to pay to the Lenders, upon the execution hereof, all costs and expenses (including reasonable legal fees) of the Lenders and the Agents in connection with the preparation and execution of this Amendment.

8. Execution in Counterparts. This Amendment may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement.

9. Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK.

10. Effect of Amendment. All references in any Security Document to the Credit Facility Agreement on and after the date hereof shall be deemed to refer to the Credit Facility Agreement as amended hereby, and the parties hereto agree that, except as amended by this Amendment, all of the terms and provisions of the Credit Facility Agreement shall remain in full force and effect.

11. Electronic Delivery. Delivery of an executed copy of this Amendment by facsimile or electronic transmission shall be deemed as effective as delivery of an originally executed copy. In the event that any party delivers an executed copy of this Amendment by facsimile or electronic transmission, such party shall also deliver an originally executed copy as soon as practicable, but the failure of such party to deliver an originally executed copy of this Amendment shall not affect the validity or effectiveness of this Amendment.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered by their duly authorized officers as of the date first above written.

JEKE SHIPPING COMPANY LIMITED

By: /s/ Eirini Alexandropoulou
Name: Eirini Alexandropoulou
Title: Attorney-in-Fact

NOIR SHIPPING S.A.

By: /s/ Eirini Alexandropoulou
Name: Eirini Alexandropoulou
Title: Attorney-in-Fact

AMALFI SHIPPING COMPANY LIMITED

By: /s/ Eirini Alexandropoulou
Name: Eirini Alexandropoulou
Title: Attorney-in-Fact

HSH NORDBANK AG,
as Mandated Lead Arranger, Underwriter,
Administrative Agent and Security Trustee

By: /s/ Bj ö rn Kaufmann /s/ Marcus Engel
Name: Bj ö rn Kaufmann Marcus Engel
Title: Attorney-in-Fact

HSH NORDBANK AG,
as Lender

By: /s/ Bj ö rn Kaufmann /s/ Marcus Engel
Name: Bj ö rn Kaufmann Marcus Engel
Title: Attorney-in-Fact

CONSENT, AGREEMENT AND AFFIRMATION

The undersigned, referred to in the Credit Facility Agreement as the "Guarantor", hereby consents and agrees to all of the terms and conditions of the foregoing Amendment No. 1 to Senior Secured Term Credit Facility Agreement dated as of the 11th day of May, 2009 amending that certain Senior Secured Term Credit Facility Agreement dated as of November 8, 2007, among (1) JEKE SHIPPING COMPANY LIMITED ("Jeke"), a corporation organized and existing under the laws of the Republic of Liberia, NOIR SHIPPING S.A. ("Noir"), a corporation organized and existing under the laws of the Republic of the Marshall Islands and AMALFI SHIPPING COMPANY LIMITED ("Amalfi"), a corporation organized and existing under the laws of the Republic of the Marshall Islands, as joint and several borrowers (together the "Borrowers" and each a "Borrower"), (2) the banks and financial institutions listed on Schedule 1 thereto, as lenders (together with any bank or financial institution which becomes a Lender pursuant to Section 10 thereof, the "Lenders") and (3) HSH NORDBANK AG ("HSH"), as mandated lead arranger (in such capacity, the "Mandated Lead Arranger"), underwriter (in such capacity, the "Underwriter"), administrative agent for the Lenders (in such capacity, the "Administrative Agent") and security trustee for the Lenders (in such capacity, the "Security Trustee").

TOP SHIPS, INC.,
as Guarantor

By: /s/ Eirini Alexandropoulou
Name: Eirini Alexandropoulou
Title: Attorney-in-Fact

Schedule 4

MANDATORY COSTS CALCULATION

1. Mandatory Costs are an addition to the interest rate to compensate Lenders for the cost of compliance with (a) the requirements of the Financial Services Authority (or any other authority which replaces all or any of its functions), (b) the requirements of the European Central Bank, (c) the Federal Reserve Bank or (d) any similar institution with which the Lender(s) comply (including any institution which replaces all or any of its functions of the aforementioned institutions) (items (a) through (d) inclusive, the " **Regulatory Institutions** ").

2. On the first day of each Interest Period (or as soon as possible thereafter) theAgent as a weighted average of the Lenders' Additional Cost Agent shall calculate, as a percentage rate, a rate (the **"Additional Cost Rate"**)Rates (weighted in proportion to the percentage participation for each Lender, in accordance with the paragraphs set out below. Theof each Lender in the relevant Advance) and will be expressed Mandatory Costs will be calculated by the Administrative as a percentage rate per annum.

3. The Additional Cost Rate for any Lender lending from a lending office in a Participating Member State will be the percentage notified by that Lender to the Administrative Agent. This percentage will be certified by that Lender in its notice to the Administrative Agent to be its reasonable determination of the cost (expressed as a percentage of that Lender's participation in all Advances made from that lending office) of complying with the minimum reserve requirements of the European Central Bank in respect of loans made from that lending office.

4. The Additional Cost Rate for any Lender lending from a lending office in the United Kingdom will be calculated by the Administrative Agent as follows:

$$\frac{E \text{ x } 0.01}{300} \text{ per cent. per annum}$$

Where:

E is designed to compensate Lenders for amounts payable under the Fees Rules and is calculated by the Administrative Agent as being the average of the most recent rates of charge supplied by the Reference Bank to the Administrative Agent pursuant to paragraph 6 below and expressed in pounds per £1,000,000.

5. For the purposes of this Schedule:

(a) **"Eligible Liabilities"** and **"Special Deposits"** have the meanings given to them from time to time under or pursuant to the Bank of England Act 1998 or (as may be appropriate) by the Bank of England;

(b) **"Fees Rules"** means the rules on periodic fees contained in the FSA Supervision Manual or such other law or regulation as may be in force from time to time in respect of the payment of fees for the acceptance of deposits;

(c) **"Fee Tariffs"** means the fee tariffs specified in the Fees Rules under the activity group A.1 Deposit acceptors (ignoring any minimum fee or zero rated fee required pursuant to the Fees Rules but taking into account any applicable discount rate);

(d) **"Participating Member State"** means any member state of the European Union that adopts or has adopted the euro as its lawful currency in accordance with legislation of the European Union relating to European Monetary Union; and

(e) **"Tariff Base"** has the meaning given to it in, and will be calculated in accordance with, the Fees Rules.

6. If requested by the Administrative Agent, each Reference Bank shall, as soon as practicable, after publication by the Financial Services Authority, supply to the Administrative Agent, the rate of charge payable by that Reference Bank to the Financial Services Authority pursuant to the Fees Rules in respect of the relevant financial year of the Financial Services Authority (calculated for this purpose by that Reference Bank as being the average of the Fee Tariffs applicable to that Reference Bank for that financial year) and expressed in pounds per £1,00,000 of the Tariff Base of that Reference Bank.

7. Each Lender shall supply any information required by the Administrative Agent for the purpose of calculating its Additional Cost Rate. In particular, but without limitation, each Lender shall supply the following information in writing on or prior to the date on which it becomes a Lender;

(a) the jurisdiction of its lending office; and

(b) any other information that the Administrative Agent may reasonably require for such purpose.

Each Lender shall promptly notify the Administrative Agent in writing of any change to the information provided by it pursuant to this paragraph.

8. The rates of charge of the Reference Bank for the purpose of (e) above shall be determined by the Administrative Agent based upon the information supplied to it pursuant to paragraph 6 above and on the assumption that, unless a Lender notifies the Administrative Agent to the contrary, each Lender's obligations in relation to cash ratio deposits and special Deposits are the same as those of a typical bank from its jurisdiction of incorporation with a lending office in the same jurisdiction as its lending office.

9. The Administrative Agent shall have no liability to any person if such determination results in an Additional Cost Rate which over or under compensates any Lender and shall be entitled to assume that the information provided by any Lender or the Reference Bank pursuant to paragraphs 3, 6 and 7 above is true and correct in all respects.

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10. The Administrative Agent shall distribute the additional amounts received as a result of the Mandatory Costs to the Lenders on the basis of the Additional Cost Rate for each Lender based on the information provided by each Lender and the Reference Bank pursuant to paragraphs 3, 6 and 7 above.

11. Any determination by the Administrative Agent pursuant to this Schedule in relation to a formula, the Mandatory Costs, an Additional Cost Rate or any amount payable to a Lender shall, in the absence of manifest error, be conclusive and binding on all parties.

12. The Administrative Agent may from time to time, after consultation with the Borrowers and the Lenders, determine and notify to all parties any amendments which are required to be made to this Schedule in order to comply with any change in law, regulation or any requirements from time to time imposed by the Regulatory Institutions (or, in any case, any other authority which replaces all or any of its functions) and any such determination shall, in the absence of manifest error, be conclusive and binding on all parties.

AMENDMENT NO. 1
to

CREDIT FACILITY PROVIDING FOR A

SENIOR SECURED TERM LOAN

OF UP TO US$121,286,500

TO BE MADE AVAILABLE TO

WARHOL SHIPPING COMPANY LIMITED,
INDIANA R SHIPPING COMPANY LIMITED,
AND
BRITTO SHIPPING COMPANY LIMITED,
as joint and several Borrowers,

BY

HSH NORDBANK AG,
as Mandated Lead Arranger, Underwriter, Administrative Agent and Security Trustee,

and the Banks and Financial Institutions
identified on Schedule 1, as Lenders

October 1, 2008

May 11, 2009

AMENDMENT NO. 1 TO SENIOR SECURED TERM CREDIT FACILITY AGREEMENT

THIS AMENDMENT NO. 1 TO SENIOR SECURED TERM CREDIT FACILITY AGREEMENT (this "Amendment") is made as of the 11th day of May, 2009, and amends and is supplemental to that certain senior secured term credit facility agreement dated as of October 1, 2008, by and among (1) WARHOL SHIPPING COMPANY LIMITED, INDIANA R SHIPPING COMPANY LIMITED, and BRITTO SHIPPING COMPANY LIMITED, each a corporation organized and existing under the laws of the Republic of Liberia, as joint and several borrowers (together the "Borrowers" and each a "Borrower"), (2) the banks and financial institutions listed on Schedule 1 thereto, as lenders (together with any bank or financial institution which becomes a Lender pursuant to Section 10, the "Lenders") and (3) HSH NORDBANK AG ("HSH"), as mandated lead arranger, underwriter, administrative agent for the Lenders (in such capacity, the "Administrative Agent") and security trustee for the Lenders. Unless otherwise defined herein, the capitalized terms used herein shall have the meanings assigned to such terms in the Credit Facility Agreement.

W I T N E S S E T H

WHEREAS, pursuant to the terms of the Credit Facility Agreement, the Lenders have agreed to provide to the Borrowers a senior secured credit facility for a term loan to be made available in three tranches, one per Vessel, in the aggregate amount of the least of US$121,286,500 or 85% of the Construction Costs of the Vessels or 80% of the Fair Market Value of the Vessels, to partly re-finance and finance the construction and delivery costs of the Vessels;

WHEREAS, the parties to this Amendment desire to amend the Credit Facility Agreement as set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above, the covenants and agreements hereinafter set forth, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. Amendment of the Credit Facility Agreement. The parties hereto agree that effective as of the date hereof:

(a) All references to "this Agreement" shall be deemed to refer to the Credit Facility Agreement as amended hereby.

(b) All references to this Agreement in each of the Security Documents shall be deemed to be references to the Credit Facility Agreement as amended hereby.

(c) All references to "INDIANA" in each of the Credit Facility Agreement and Security Documents shall be deemed to be references to "TYRRHENIAN WAVE".

(d) All references to "WARHOL" in each of the Credit Facility Agreement and Security Documents shall be deemed to be references to "MISS MARILENA".

(e) Section 1.1 of the Credit Facility Agreement is hereby amended as follows:

(i) The definition of "Accounting Period" is hereby deleted in its entirety and replaced with the following:

"means each consecutive period of three months falling during the period (ending on the last day in March, June, September and December of each year) for which quarterly accounting information is required to be provided to the Administrative Agent hereunder, provided , however , that until March 31, 2010, Accounting Period shall mean each consecutive period of twelve months;"

(ii) The definition of "BRITTO" is hereby deleted in its entirety and replaced with the following:

"means that certain vessel owned or to be owned by Britto, with Hull Number S-1031 and registered or to be registered under the flag of Panama;"

(iii) The definition of "BRITTO Charterer" is hereby deleted in its entirety and replaced with the following:

"means Daelim Corporation Co. Ltd.;"

(iv) The definition of "EBITDA" is hereby deleted in its entirety and replaced with the following:

"means, in respect of an Accounting Period, the aggregate amount of consolidated pre-tax profits of the Guarantor and its Subsidiaries before extraordinary or exceptional items (including dry docking costs for all Accounting Periods ending on or before March 31, 2010, but excluding dry-docking costs for all Accounting Periods thereafter), depreciation, interest, rentals under finance leases and similar charges payable but after the deduction of payments made under bareboat charters in each case as stated in the then most recent accounting information;"

(v) The definition of "INDIANA" is hereby deleted in its entirety.

(vi) The definition of Mandatory Costs" is hereby deleted in its entirety and replace with the following:

"means the cost of complying with any applicable regulatory requirements of any relevant regulatory authority and, for purposes of any enforcement action taken with respect to the BRITTO Mortgage, shall be calculated in accordance with Schedule 4 hereof;"

(vii) The definition of "Margin" is hereby deleted in its entirety and replaced with the following:

"shall mean (a) 2.00% per annum from March 24, 2009 to March 31, 2010 and (b) after March 31, 2010, with respect to any Advance under a Tranche, (1) 1.75% per annum until and including the Margin Final Date and (2) after the Margin Final Date, the Margin as determined between the Lenders and the Borrowers in accordance with Section 6.1(b);"

(viii) The definition of "MISS MARILENA" shall be inserted as follows:

"means that certain vessel owned by Warhol, registered under the laws of the Republic of the Marshall Islands having Official Number 3501, and mortgaged to HSH as security for the obligations of the Borrowers hereunder;"

(ix) The definition of "Original Credit Facility Agreement" is hereby inserted as follows:

"means the Credit Facility Agreement before it was amended by Amendment No. 1 thereto;"

(x) The definition of "Performance Guarantee(s)" is hereby deleted in its entirety and replace with the following:

""Performance Guarantee" means the irrevocable performance guarantee to be executed by the Performance Guarantor in respect of the TYRRHENIAN WAVE Charter Party Agreement;"

(xi) The definition of "Performance Guarantor(s)" is hereby deleted in its entirety and replace with the following:

""Performance Guarantor" means Marco Polo Seatrade B.V. in respect of the TYRRHENIAN WAVE Charter Party Agreement;"

(xii) The definition of "Required Percentage" shall be deleted in its entirety and replaced with the following:

"means, (i) until March 31, 2010, one hundred and twenty five percent (125%), (ii) from April 1, 2010 until the fourth anniversary of this Credit Facility Agreement, one hundred and twenty percent (120%), and (iii) at all times thereafter, one hundred and twenty five percent (125%) of the amount of the outstanding Facility and the notional cost or actual cost (if any) as determined by the Lender of terminating any interest rate swap entered into by the Borrowers;"

(xiii) The definition of "TYRRHENIAN WAVE" shall be inserted as follows:

"means that certain vessel owned by Indiana, registered under the laws of the Republic of Liberia having Official Number 14235, and mortgaged to HSH as security for the obligations of the Borrowers hereunder;"

(f) Section 9.1(d) of the Credit Facility Agreement is hereby amended as follows:

(i) Insert subsection (vii) as follows: "(vii) monthly projections of the cash position of the Guarantor on a rolling monthly basis;";

(ii) Insert subjection (viii) as follows: "(viii) quarterly cash flow projections of the Guarantor for all quarters during the then upcoming two-year period on a quarterly basis; and"; and

(iii) Insert subsection (ix) as follows: "(ix) quarterly reports describing all developments with regard to the Guarantor's financial status and to any and all vessels owned by the Guarantor and/or its Subsidiaries."

(g) Section 9.1(t) of the Credit Facility Agreement is hereby inserted as follows:

"(t) Sale of Vessels and Proceeds from Offerings . until the date on which the Borrowers and the Guarantor are in compliance with all of the covenants set forth in the Original Credit Facility Agreement, (i) ensure that all sale proceeds (excluding any debt prepayment) from the sale of a Vessel or the sale of a vessel financed by the $95M Credit Agreement are applied towards complying with all covenant requirements in each of the Original Credit Facility Agreement and the $95M Credit Agreement; (ii) deliver, or cause to be delivered, to the Administrative Agent, in repayment of the Facility, an amount equal to the Sale Percentage of the proceeds (excluding any debt prepayment or any other financial obligation towards the financing bank in respect of the sold vessel) from the sale of a vessel that is not financed by the Credit Facility Agreement or the $95M Credit Agreement by the Guarantor or any of its Subsidiaries; and (iii) deliver, or cause to be delivered, to the Administrative Agent, in repayment of the Facility, an amount equal to the Sale Percentage of 50% of the offering proceeds of a successful public offering of stock of the Guarantor or its Subsidiaries; provided , however , that the remaining offering proceeds shall be used solely for working capital purposes and not for investments. For purposes of this Section 9.1(t), "Sale Percentage" shall mean a fraction, (1) the numerator of which shall be the aggregate of (A) the outstanding amount of the Facility and (B) the outstanding amount under the $95M Credit Agreement and (2) the denominator of which shall be the aggregate Financial Indebtedness of the Guarantor and its Subsidiaries on a consolidated basis."

(h) Section 9.1(u) of the Credit Facility Agreement is hereby inserted as follows:

"(u) Debt Service Reserve Account . The Guarantor and its Subsidiaries shall maintain at least Six Million Five Hundred Forty Eight Thousand Eight Hundred Fourteen Dollars ($6,548,814) in the Debt Service Reserve Account (as defined in the $95M Credit Agreement), as reduced quarterly by repayments of the facility under the $95M Credit Facility Agreement, until the Facility hereunder and the facility under the $95M Credit Facility Agreement has been repaid in full."

(i) Section 9.2(l) of the Credit Facility Agreement is hereby deleted in its entirety and replaced with the following:

"(l) Use of Corporate Funds . permit any Borrower to pay out any funds to any company or person except (i) in the ordinary course of business in connection with the management of the business of the Guarantor and its Subsidiaries, including the operation and/or repair of any of the Vessels and other vessels owned or operated by such parties and (ii) the servicing of the Debt permitted hereunder; and permit any Security Party to pay out any funds to any company or person except in connection with the repurchase of shares or other equity interests of any Security Party or the redemption of any investment in an amount in the aggregate for all such repurchases or redemptions up to Five Million Dollars ($5,000,000);"

(j) Section 9.2(r) of the Credit Facility Agreement is hereby inserted as follows:

"(r) Guarantor Distributions . with respect to the Guarantor, pay dividends or make any other distributions of its capital stock other than distributions under the Guarantor's stock incentive plan for its employees so long as: (1) the ratio of EBITDA to Fixed Charges is below 120%; or (2) the Fair Market Value of the AMALFI and the VOC GALLANT is below 140% of (i) the aggregate of the outstanding amount of the Facility (as defined in the $95M Credit Agreement) and (ii) the cost of terminating any Interest Rate Agreement (as defined in the $95M Credit Agreement)."

(k) Section 9.3(a) of the Credit Facility Agreement is hereby deleted in its entirety and replaced with the following:

" Adjusted Net Worth . maintain at all times an Adjusted Net Worth of not less than (i) One Hundred Twenty Five Million Dollars ($125,000,000) from the date hereof until March 31, 2010, and (ii) after March 31, 2010, Two Hundred Fifty Million Dollars ($250,000,000) provided that such Adjusted Net Worth shall not be less than (i) Fifteen Percent (15%) of the Total Assets from the date hereof until March 31, 2010 and (ii) Thirty Five Percent (35%) of the Total Assets thereafter;"

(l) Section 9.3(b) of the Credit Facility Agreement is hereby deleted in its entirety and replaced with the following:

"(b) EBITDA to Fixed Charges . beginning on March 31, 2010 and at all times thereafter, ensure that EBITDA shall at all times exceed 120% of the aggregate amount of Fixed Charges; and"

(m) Section 9.3(c) of the Credit Facility Agreement is hereby deleted in its entirety and replaced with the following:

"(c) Minimum Liquidity . (i) from the date hereof until March 31, 2010, maintain Liquid Funds in the amount of Twenty Five Million Dollars ($25,000,000), such Liquid Funds to include cash held in any of the Guarantor's accounts that have been or will be pledged in the Guarantor's ordinary course of business and cash held in any of the Guarantor's Subsidiaries' accounts that have been or will be pledged in the Guarantor's Subsidiaries' ordinary course of business, and (ii) after March 31, 2010, maintain Liquid Funds in the greater of Twenty Five Million Dollars ($25,000,000), or Five Hundred Thousand Dollars ($500,000) per vessel directly or indirectly owned or bareboat chartered-in and/or leased-back by the Guarantor (the "Minimum Liquidity")."

(n) Schedule 2 of the Credit Facility Agreement shall be deleted in its entirety and replaced with Exhibit A attached hereto.

(o) Exhibit B attached hereto shall be inserted as Schedule 4 of the Credit Facility Agreement.

2. Conditions Precedent to the Effectiveness of this Amendment . The effectiveness of this Amendment shall be expressly subject to the following conditions precedent:

(a) This Amendment . Each of the Borrowers shall have duly executed and delivered this Amendment to the Administrative Agent and Lenders;

(b) Consent, Agreement and Affirmation . The Guarantor and Collateral Obligors shall have duly executed and delivered the Consent, Agreement and Affirmation attached hereto;

(c) Corporate Authority . The Administrative Agent shall have received:

(i) copies, certified as true and complete by an officer of each of the Borrowers and the Collateral Obligors, of the resolutions of their respective board of directors and, in the case of the Collateral Obligors, their respective shareholders evidencing approval of this Amendment and authorizing an appropriate officer or officers or attorney-in-fact or attorneys-in-fact to execute the same on its behalf, or other evidence of such approvals and authorizations;

(ii) copies, certified as true and complete by an officer of the Guarantor, of the resolutions of the board of directors evidencing approval of the Consent, Agreement and Affirmation and authorizing an appropriate officer or officers or attorney-in-fact or attorneys-in-fact to execute the same on its behalf, or other evidence of such approvals and authorizations;

(iii) copies, certified as true and complete by an officer of each Security Party, of all documents evidencing any other necessary action (including actions by such parties thereto other than the Security Parties as may be required by the Administrative Agent), approvals or consents with respect to this Amendment;

(iv) copies, certified as true and complete by an officer of each Security Party, of the certificate of incorporation and by-laws or equivalent instruments thereof;

(v) certificate of an authorized officer of the Guarantor certifying that it legally and beneficially owns, directly or indirectly, all of the issued and outstanding capital stock of each of the Borrowers and Collateral Obligors and that such capital stock are free and clear of any liens, claims, pledges or other encumbrances whatsoever and have been paid in full; and

(vi) certificates of the jurisdiction of incorporation of each Security Party as to the good standing thereof;

(d) Mortgage Amendments . Amendments to the following Mortgages shall have been duly executed and delivered to the Administrative Agent:

(1) the Mortgage over the MISS MARILENA, (2) the Mortgage over the TYRRHENIAN WAVE, (3) the Collateral Mortgage over the AMALFI, and (4) the Collateral Mortgage over the VOC GALLANT.

(e) Legal Opinions . the Administrative Agent, on behalf of the Agents and the Lenders, shall have received legal opinions addressed to the Administrative Agent from (i) G.C. Economou & Associates, counsel for the Security Parties in respect of, inter alia , no material litigation or breach of contract by the Security Parties and no filings are required in Greece, (ii) Seward & Kissel LLP, special United States, New York, Liberian and Marshall Islands counsel to the Agents and Lenders in respect of inter alia , the corporate authority of the Security Parties and the enforceability of this Amendment, in each case in such form as the Administrative Agent may require, as well as such other legal opinions as the Administrative Agent shall have required as to all or any matters under the laws of the United States of America, the State of New York, the Republic of Greece, the Republic of Liberia, the Republic of the Marshall Islands.

3. Representations and Warranties. Each of the Borrowers hereby represents and warrants to the Administrative Agent that immediately after giving effect to this Amendment, the representations and warranties set forth in the Credit Facility Agreement as amended hereby are true and correct in all material respects and no Default or Event of Default shall have occurred and be continuing.

4. No Defaults. Each of the Borrowers hereby represents and warrants that as of the date hereof there exists no Event of Default or any condition which, with the giving of notice or passage of time, or both, would constitute an Event of Default.

5. Covenants. Each of the Borrowers hereby reaffirms that, except as disclosed to the Administrative Agent, it has duly performed and observed the covenants and undertakings set forth in the Credit Facility Amendment, and covenants and undertakes to continue to duly perform and observe such covenants and undertakings, as amended hereby, so long as the Credit Facility Agreement as amended hereby shall remain in effect.

6. No Other Amendment. All other terms and conditions of the Credit Facility Agreement shall remain in full force and effect and the Credit Facility Agreement shall be read and construed as if the terms of this Amendment were included therein by way of addition or substitution, as the case may be.

7. Fees and Expenses. Each of the Borrowers agrees to pay to the Administrative Agent a waiver fee of One Hundred Fifty Thousand Dollars ($150,000) to be paid by the earlier of (i) the delivery of the BRITTO and (ii) June 15, 2009. In addition, each of the Borrowers agrees to pay to the Lenders, upon the execution hereof, all costs and expenses (including reasonable legal fees) of the Lenders and the Agents in connection with the preparation and execution of this Amendment.

8. Execution in Counterparts. This Amendment may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement.

9. Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK.

10. Effect of Amendment. All references in any Security Document to the Credit Facility Agreement on and after the date hereof shall be deemed to refer to the Credit Facility Agreement as amended hereby, and the parties hereto agree that, except as amended by this Amendment, all of the terms and provisions of the Credit Facility Agreement shall remain in full force and effect.

11. Electronic Delivery. Delivery of an executed copy of this Amendment by facsimile or electronic transmission shall be deemed as effective as delivery of an originally executed copy. In the event that any party delivers an executed copy of this Amendment by facsimile or electronic transmission, such party shall also deliver an originally executed copy as soon as practicable, but the failure of such party to deliver an originally executed copy of this Amendment shall not affect the validity or effectiveness of this Amendment.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered by their duly authorized officers as of the date first above written.

WARHOL SHIPPING COMPANY LIMITED

By: /s/ Eirini Alexandropoulou
Name: Eirini Alexandropoulou
Title: Attorney-in-Fact

INDIANA R SHIPPING COMPANY LIMITED

By: /s/ Eirini Alexandropoulou
Name: Eirini Alexandropoulou
Title: Attorney-in-Fact

BRITTO SHIPPING COMPANY LIMITED

By: /s/ Eirini Alexandropoulou
Name: Eirini Alexandropoulou
Title: Attorney-in-Fact

HSH NORDBANK AG,
as Mandated Lead Arranger, Underwriter,
Administrative Agent and Security Trustee

By: /s/ Bj ö rn Kaufmann /s/ Marcus Engel
Name: Bj ö rn Kaufmann Marcus Engel
Title: Attorney-in-Fact

HSH NORDBANK AG,
as Lender

By: /s/ Bj ö rn Kaufmann /s/ Marcus Engel
Name: Bj ö rn Kaufmann Marcus Engel
Title: Attorney-in-Fact

CONSENT, AGREEMENT AND AFFIRMATION

The undersigned, referred to in the Credit Facility Agreement as the "Guarantor" or as a "Collateral Obligor", as the case may be, hereby consents and agrees to all of the terms and conditions of the foregoing Amendment No. 1 to Senior Secured Term Credit Facility Agreement dated as of the 11th day of May, 2009 amending that certain Senior Secured Term Credit Facility Agreement dated as of October 1, 2008, among (1) WARHOL SHIPPING COMPANY LIMITED, INDIANA R SHIPPING COMPANY LIMITED, and BRITTO SHIPPING COMPANY LIMITED, each a corporation organized and existing under the laws of the Republic of Liberia, as joint and several borrowers, (2) the banks and financial institutions listed on Schedule 1 thereto, as lenders (together with any bank or financial institution which becomes a Lender pursuant to Section 10) and (3) HSH NORDBANK AG, as mandated lead arranger, underwriter, administrative agent for the Lenders, and security trustee for the Lenders.

TOP SHIPS, INC.,
as Guarantor

By: /s/ Eirini Alexandropoulou
Name: Eirini Alexandropoulou
Title: Attorney-in-Fact

AMALFI SHIPPING COMPANY LIMITED,
as Collateral Obligor

By: /s/ Eirini Alexandropoulou
Name: Eirini Alexandropoulou
Title: Attorney-in-Fact

JEKE SHIPPING COMPANY LIMITED,
as Collateral Obligor

By: /s/ Eirini Alexandropoulou
Name: Eirini Alexandropoulou
Title: Attorney-in-Fact

EXHIBIT

SCHEDULE 2

THE VESSELS

Name of Vessel	Owner	Hull Number	Official Number	Flag	DWT	Classification Society
MISS MARILENA	Warhol Shipping Company Limited	S-1025	3501	Marshall Islands	50,000	Det Norske Veritas ("DNV")
TYRRHENIAN WAVE	Indiana R Shipping Company Limited	S-1029	14235	Liberia	50,000	DNV
BRITTO	Britto Shipping Company Limited	S-1031	38901 - PEXT	Panama	50,000	DNV

Schedule 4

MANDATORY COSTS CALCULATION

SCHEDULE 5

MANDATORY COST FORMULA

1. Mandatory Costs are an addition to the interest rate to compensate Lenders for the cost of compliance with (a) the requirements of the Financial Services Authority (or any other authority which replaces all or any of its functions), (b) the requirements of the European Central Bank, (c) the Federal Reserve Bank or (d) any similar institution with which the Lender(s) comply (including any institution which replaces all or any of its functions of the aforementioned institutions) (items (a) through (d) inclusive, the " **Regulatory Institutions** ").

2. On the first day of each Interest Period (or as soon as possible thereafter) the Agent shall calculate, as a percentage rate, a rate (the **"Additional Cost Rate"**) for each Lender, in accordance with the paragraphs set out below. The Mandatory Costs will be calculated by the Administrative Agent as a weighted average of the Lenders' Additional Cost Rates (weighted in proportion to the percentage participation of each Lender in the relevant Advance) and will be expressed as a percentage rate per annum.

3. The Additional Cost Rate for any Lender lending from a lending office in a Participating Member State will be the percentage notified by that Lender to the Administrative Agent. This percentage will be certified by that Lender in its notice to the Administrative Agent to be its reasonable determination of the cost (expressed as a percentage of that Lender's participation in all Advances made from that lending office) of complying with the minimum reserve requirements of the European Central Bank in respect of loans made from that lending office.

4. The Additional Cost Rate for any Lender lending from a lending office in the United Kingdom will be calculated by the Administrative Agent as follows:

$$\frac{E \times 0.01}{300} \text{ per cent. per annum}$$

Where:

E is designed to compensate Lenders for amounts payable under the Fees Rules and is calculated by the Administrative Agent as being the average of the most recent rates of charge supplied by the Reference Bank to the Administrative Agent pursuant to paragraph 6 below and expressed in pounds per £1,000,000.

5. For the purposes of this Schedule:

(a) **"Eligible Liabilities"** and **"Special Deposits"** have the meanings given to them from time to time under or pursuant to the Bank of England Act 1998 or (as may be appropriate) by the Bank of England;

(b) **"Fees Rules"** means the rules on periodic fees contained in the FSA Supervision Manual or such other law or regulation as may be in force from time to time in respect of the payment of fees for the acceptance of deposits;

(c) **"Fee Tariffs"** means the fee tariffs specified in the Fees Rules under the activity group A.1 Deposit acceptors (ignoring any minimum fee or zero rated fee required pursuant to the Fees Rules but taking into account any applicable discount rate);

(d) **"Participating Member State"** means any member state of the European Union that adopts or has adopted the euro as its lawful currency in accordance with legislation of the European Union relating to European Monetary Union; and

(e) **"Tariff Base"** has the meaning given to it in, and will be calculated in accordance with, the Fees Rules.

6. If requested by the Administrative Agent, each Reference Bank shall, as soon as practicable, after publication by the Financial Services Authority, supply to the Administrative Agent, the rate of charge payable by that Reference Bank to the Financial Services Authority pursuant to the Fees Rules in respect of the relevant financial year of the Financial Services Authority (calculated for this purpose by that Reference Bank as being the average of the Fee Tariffs applicable to that Reference Bank for that financial year) and expressed in pounds per £1,00,000 of the Tariff Base of that Reference Bank.

7. Each Lender shall supply any information required by the Administrative Agent for the purpose of calculating its Additional Cost Rate. In particular, but without limitation, each Lender shall supply the following information in writing on or prior to the date on which it becomes a Lender;

(a) the jurisdiction of its lending office; and

(b) any other information that the Administrative Agent may reasonably require for such purpose.

Each Lender shall promptly notify the Administrative Agent in writing of any change to the information provided by it pursuant to this paragraph.

8. The rates of charge of the Reference Bank for the purpose of (e) above shall be determined by the Administrative Agent based upon the information supplied to it pursuant to paragraph 6 above and on the assumption that, unless a Lender notifies the Administrative Agent to the contrary, each Lender's obligations in relation to cash ratio deposits and special Deposits are the same as those of a typical bank from its jurisdiction of incorporation with a lending office in the same jurisdiction as its lending office.

9. The Administrative Agent shall have no liability to any person if such determination results in an Additional Cost Rate which over or under compensates any Lender and shall be entitled to assume that the information provided by any Lender or the Reference Bank pursuant to paragraphs 3, 6 and 7 above is true and correct in all respects.

10. The Administrative Agent shall distribute the additional amounts received as a result of the Mandatory Costs to the Lenders on the basis of the Additional Cost Rate for each Lender based on the information provided by each Lender and the Reference Bank pursuant to paragraphs 3, 6 and 7 above.

11. Any determination by the Administrative Agent pursuant to this Schedule in relation to a formula, the Mandatory Costs, an Additional Cost Rate or any amount payable to a Lender shall, in the absence of manifest error, be conclusive and binding on all parties.

12. The Administrative Agent may from time to time, after consultation with the Borrowers and the Lenders, determine and notify to all parties any amendments which are required to be made to this Schedule in order to comply with any change in law, regulation or any requirements from time to time imposed by the Regulatory Institutions (or, in any case, any other authority which replaces all or any of its functions) and any such determination shall, in the absence of manifest error, be conclusive and binding on all parties.

Exhibit 4.24

Date : 27th day of July, 2009

Parties

I. " The Borrower " : Top Ships Inc. of the Marshall Islands, Trust Company Complex, Ajeltake Road, Ajeltake Islands, Majuro, Marshall IslandsMH96960, duly represented by Mr. Alexandros Tsirikos, CFO.

II. " The Lender " : Cape Manuel Shipping Company Limited, of 284 Archbishop Makarios Ave, Limassol, Cyprus duly represented by Mr. Michael McBride, Director.

Interpretation

" Banking" or "Business day " means any day on which the banks generally and foreign exchange markets in Greece and Cyprus are open for business.

" Default" or "Event of Default " means any of the events specified in Section 13 whether or not any requirement for the giving of notice or the lapse of time or both or the happening of any other condition has been satisfied.

" the Loan " means the principal amount of €2,500,000 (Two million five hundred).
Advance 1: €1,000,000 (One Million) on the 29th July 2009
Advance 2: €1,500,000 (One Million Five Hundred) on August 5th 2009.

" Repayment Date " means the date on which the principal amount of the Loan is to be repaid in accordance with the provisions of Section 2 of this Agreement.

1. **Purpose of Loan**

The Loan is to be used as working capital of 1:he Borrower.

2. **Repayment**

2.1 The Borrower undertakes to repay the principal amount of the Loan within three months of its receipt.

2.2 In case, however, the Borrower collects any funds such as claims proceed then the Borrower is obliged to pay these funds to the Lender in settlement or part payment of the Loan.

3. **Interest Rate - Default Interest**

3.1 The rate of interest applicable to the Loan shall be nine per cent (9%) per annum.

3.2 In the event of failure by the E3orrower to settle the Loan on the appointed date, the Borrower shall pay interest on such amount on demand from the date of such default upto the date of actual payment (as well after as before judgment) at the default rate imposed by the Greek Courts. Any interest not paid when due shall be compounded every three months.

4. **Payments**

4.1 All payments to be made by the Borrower shall be made at the free disposal of the Lender in freely transferable Euros, by remitting funds to the account of the Lender or at such account as the Lender may have specified for such purpose.

4.2 All payments by the Borrower under this Agreement (whether in respect of principal, interest, or otherwise) shall be made in full, without any set-off, counterclaim or retention and free and clear of and without any deduction or withholding in respect of duties, taxes, charges, levies, impost duties or fees of any nature.

4.3 In the event that the Borrower or the Lender is required by law to make any such deduction or withholding from any payment then the Borrower shall forthwith pay to the Lender such additional amounts as will result in the immediate receipt by the Lender of the full amount which would have been received hereunder had no deduction or withholding been made. The obligations set forth in this Section shall survive the termination of this Agreement and the repayment of the Loan.

5. **Representations and warranties of the Borrower**

The Borrower represents and warrants that:

5.1 this Agreement constitutes a legal, valid and binding obligation of the Borrower, enforceable in accordance with Its terms. All consents, licenses, approvals, registrations, authorizations or declarations in the jurisdiction to which the Borrower is subject required to enable it to borrow hereunder and lawfully to enter into and perform and discharge its duties and liabilities under this Agreement have been obtained or made and are in full force and effect.

5.2 the signing and delivery of this Agreement and performance of any of the transactions contemplated in it will not contravene or constitute a default under any provision contained in any agreement, instrument, law, judgment, order, licence, permit or consent by which the Borrower or any of its assets is bound or affected.

5.3 no condition, event or act has occurred and is continuing or would result from the making of the Loan which constitutes an Event of Default or a Default;

5.4 the Borrower is not in default under any agreement to which it is a party or by which it may be bound and no litigation, arbitration or administrative proceedings are presently current or pending, or to the knowledge of the Borrower, threatened, which in any such case would have an adverse effect upon the Borrower to perform and observe the obligations and provisions binding upon him under this Agreement.

6. **Default**

On the occurrence of any of the events specified below the Lender may, by giving written notice cancel this Agreement and/or demand immediate repayment of the whole outstanding balance of the Loan and all accrued interest, and all costs and expenses and any other moneys due hereunder and the Lender may exercise its rights under any security which it holds:

(a) If the Borrower fails to fulfill payment obligations arising hereunder and such failure continues to be unremedied for five days;

(b) If the Borrower fails to observe or perform any of its obligations under this Agreement and such default continues to be unremedied for five days;

(c) Any representation, warranty or statement which is made or deemed to have been made by the Borrower in this Agreement or in any certificate, statement, or notice provided under or in connection with this Agreement proves to be incorrect in any respect which the Lender deems material;

(d) If the Borrower fails to fulfil its obligations in respect of any other indebtedness for borrowed money to the extent that such indebtedness becomes repayable or capable of being declared repayable prior to its stated maturity;

(e) If an order is made or resolution passed for the liquidation or the winding up of the Borrower other than for the purposes of amalgamation or reconstruction agreed to in writing by the Lender or if the Borrower makes or seeks to make any composition or arrangement with its creditors;

(f) If an encumbrancer takes possession of, or trustee, administrator, receiver or other similar officer is appointed in respect of all or any part of the business or assets of the Borrower or distress or any form of execution is levied or enforced upon any property of the Borrower;

(g) If the Borrower ceases or threatens to cease to carry on its business or substantially the whole of its business;

(h) If the Borrower becomes or is declared insolvent or bankrupt;

7. **Fees**

7.1 The Borrower shall pay to the Lender an arrangement fee of EURO €375,000. Payment of the arrangement fee shall be made together with the repayment of the Loan. The arrangement fee shall bear interest at the rate provided herein from the date of execution of this Agreement.

7.2 The Borrower shall pay all legal fees and expenses incurred in connection with the preparation, negotiation and conclusion of this Agreement.

8. **Stamp Duties**

The Borrower shall pay any and all stamp, registration and similar taxes and charges of whatsoever nature which may be payable or determined to be payable on, or in connection with, the execution, registration, notarisation, performance or enforcement of this Agreement. The Borrower shall indemnify the Lender against any and all liabilities with respect to or resulting from delay or omission on the part of the Borrower to pay any such taxes.

9. **No Waiver**

Time shall be of the essence of this Agreement but no failure to exercise nor any delay in exercising on the part of the Lender any right, power, privilege or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power, privilege or remedy prevent any further or other exercise thereof or the exercise of any other right, power, privilege or remedy. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies provided by law.

10. **Severance**

If at any time any one or more provisions hereof is or becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

11. **Notices**

Every notice, request, demand or other communication under this Agreement shall:

a) be in writing delivered personally or by fax or e-mail;

b) be deemed to have been received, in the case of fax or e-mail, at the time of dispatch as per transmission report (provided that if the date of despatch is not a business day it shall be deemed to have been received at the opening of business on the next such business day), and in the case of a letter when delivered or served personally; and

c) be sent:

(2) if to the Borrower

Top Ships Inc.
1, Vas. Sofias & Meg. Alexandrou Str. 151 24 Maroussi
Greece
Tel. +30 210 8128180
Fax +30 210 6141275
e-mail: atsirikos@topships.com

(2) if to be sent to the Lender

c/o Chrysses Demetriades & CO LLC
284 Arch. Makarios Ill Avenue
Fortuna Court
Block B
2nd Floor
3105 Limassol
Cyprus
Tel. +357 25 800000
Fax +357 25
e-mail:mmdemetriades.com

or to such other person, address, fax number or e-mail as is notified by a Party (as the case may be) to the other Party to this Agreement.

12. **Assignment**

12.1 Without prior written approval of the Lender (which the Lender may refuse at his absolute discretion) the Borrower shall not assign or transfer any rights and obligations under this Agreement.

12.2 The Lender may at any time at its discretion without the prior consent of the Borrower assign or transfer in whole or in part to a third party any rights, accessory rights and claims already existing or in future arising under this Agreement.

13. **Confidentiality**

13.1 Each of the parties hereto agree and undertake to keep confidential any documentation and any confidential information concerning the business, affairs, etc. which comes into its possession during this Agreement and not to use any such documentation information for any purpose other than for which it was provided.

13.2 The Borrower acknowledges and accepts that the Lender may be required by law or that it may be appropriate for the Lender to disclose information and deliver documentation relating to the Borrower and the transactions and matters in relation to this Agreement to governmental or regulatory agencies and authorities.

13.3 The Borrower acknowledges and accepts that in case of occurrence of any of the Events of Default the Lender may disclose information and deliver documentation relating to the Borrower arid the transactions and matters in relation to this Agreement to third parties (including in particular any technical advisors, accountants, any legal advisors) io the extend that this is necessary for the enforcement or the contemplation of enforcement of the Lender's rights or for any other purpose for which in the opinion of the Lender, such disclosure should be useful or appropriate for the interests of the Lender or otherwise and the Borrower expressly authorises any such disclosure and delivery.

13.4 The Borrower acknowledges and accepts that the Lender may be prohibited or it may be inappropriate for the Lender to disclose information to the Borrower by reason of law or duties of confidentiality owed or to be owed to other persons.

14. **Law and Jurisdiction**

14.1 This Agreement shall be governed by and construed in accordance with Cyprus Law.

14.2 For the exclusive benefit of the Lender, the Borrower hereby irrevocably submits to the non-exclusive jurisdiction of the Courts of Cyprus in respect of any disputes which may arise out or in connection with this Agreement. The foregoing shall not limit the right of the Lender to start proceedings in any other country.

14.3 If it is decided by the Lender that any such proceedings should be commenced in any other country, then any objections as to the jurisdiction or any claim as to the inconvenience of the forum is hereby waived by the Borrower and it is agreed and undertaken by the Borrower to instruct lawyers in that country to accept service of legal process and not to contest the validity of such proceedings as far as the jurisdiction of the court or courts involved is concerned.

IN WITNESS WHEREOF the parties have caused this Agreement to be executed as of the date first above written.

SIGNED for and on behalf of)
TOP SHIPS INC.) /s/ Alexandros Tsirikos
Alexandros Tsirikos
CFO

Witness
Signature: /s/ Andreas Louka
Full name: Andreas Louka
Address: 12 Evryalis St. Glyfade
Occupation: Advocate

SIGNED for and on behalf of)
CAPE MANUEL SHIPPING COMPANY LIMITED) /s/ Michael McBride
MICHAEL MCBRIDE
Director

Witness
Signature: /s/ Dimosthenis Eleftheriadis
Full name: Dimosthenis Eleftheriadis
Address: 11 th Str., Kanari Athens
Occupation: Advocate

Exhibit 8.1

Name of Significant Subsidiary	*Country of Incorporation*	*Portion of Ownership Interest*
Agion Oros Shipping Company Limited	Marshall Islands	100%
Agrafa Shipping Company Limited	Marshall Islands	100%
Amalfi Shipping Company Limited	Marshall Islands	100%
Ardas Shipping Company Limited	Marshall Islands	100%
Banksy Shipping Company Limited	Liberia	100%
Britto Shipping Company Limited	Liberia	100%
Falakro Shipping Company Limited	Liberia	100%
Giona Shipping Company Limited	Marshall Islands	100%
Gramos Shipping Company Inc.	Marshall Islands	100%
Helidona Shipping Company Limited	Marshall Islands	100%
Hongbo Shipping Company Limited	Liberia	100%
Idi Shipping Company Limited	Liberia	100%
Ilisos Shipping Company Limited	Marshall Islands	100%
Imitos Shipping Company Limited	Marshall Islands	100%
Indiana R Shipping Company Limited	Liberia	100%
Japan I Shipping Company Limited	Liberia	100%
Japan II Shipping Company Limited	Liberia	100%
Japan III Shipping Company Limited	Liberia	100%
Jeke Shipping Company Limited	Liberia	100%
Kalidromo Shipping Company Limited	Marshall Islands	100%
Kifisos Shipping Company Limited	Marshall Islands	100%
Kisavos Shipping Company Limited	Marshall Islands	100%
Lefka Shipping Company Limited	Marshall Islands	100%
Lichtenstein Shipping Company Limited	Liberia	100%
Litochoro Shipping Company Limited	Marshall Islands	100%
Menalo Shipping Company Limited	Cyprus	100%
Mytikas Shipping Company Limited	Marshall Islands	100%
Nedas Shipping Company Limited	Marshall Islands	100%
Noir Shipping S.A.	Marshall Islands	100%
Olympos Shipping Company Limited	British Cayman Islands	100%
Olympos Shipping Company Limited	Marshall Islands	100%
Pageon Shipping Company Limited	Cyprus	100%
Parnasos Shipping Company Limited	Liberia	100%
Parnis Shipping Company Limited	Marshall Islands	100%
Parnon Shipping Company Limited	Cyprus	100%
Pintos Shipping Company Limited	Cyprus	100%
Psiloritis Shipping Company Limited	Liberia	100%
Pylio Shipping Company Limited	Liberia	100%
Rupel Shipping Company Inc.	Marshall Islands	100%
Sperhios Shipping Company Limited	Marshall Islands	100%
Taygetus Shipping Company Limited	Liberia	100%
Top Bulker Management Inc.	Marshall Islands	100%
TOP Tanker Management Inc.	Marshall Islands	100%
Top Tankers (U.K.) Limited	England and Wales	100%
Vardousia Shipping Company Limited	Cyprus	100%
Vermio Shipping Company Limited	Marshall Islands	100%
Vitsi Shipping Company Limited	Liberia	100%
Warhol Shipping Company Limited	Liberia	100%

Exhibit 12.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

I, Evangelos Pistiolis, certify that:

1. I have reviewed this annual report on Form 20-F of Top Ships Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 18, 2010

/s/ Evangelos Pistiolis
Evangelos Pistiolis
President and Chief Executive Officer (Principal Executive Officer)

SK 23116 0006 1099574

Exhibit 12.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER

I, Alexandros Tsirikos, certify that:

1. I have reviewed this annual report on Form 20-F of Top Ships Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 18, 2010

/s/ Alexandros Tsirikos
Alexandros Tsirikos
Chief Financial Officer (Principal Financial Officer)

SK 23116 0006 1099578

Exhibit 13.1

PRINCIPAL EXECUTIVE OFFICER CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with this Annual Report of Top Ships Inc. (the "Company") on Form 20-F for the year ended December 31, 2009 as filed with the Securities and Exchange Commission (the "SEC") on or about the date hereof (the "Report"), I, Evangelos Pistiolis, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: June 18, 2010

/s/ Evangelos Pistiolis
Evangelos Pistiolis
President and Chief Executive Officer (Principal Executive Officer)

SK 23116 0006 1099576

Exhibit 13.2

PRINCIPAL FINANCIAL OFFICER CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with this Annual Report of Top Ships Inc. (the "Company") on Form 20-F for the year ended December 31, 2009 as filed with the Securities and Exchange Commission (the "SEC") on or about the date hereof (the "Report"), I, Alexandros Tsirikos, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: June 18, 2010

/s/ Alexandros Tsirikos
Alexandros Tsirikos
Chief Financial Officer (Principal Financial Officer)

SK 23116 0006 1099579

Exhibit 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements No. 333-152150 on Form F-3, No. 333-160412 on Form F-3 and No. 333-161022 on Form F-3 of our report dated June 18, 2010, relating to the consolidated financial statements and financial statement schedule of TopShips Inc. and subsidiaries (the "Company"), (which report expresses an unqualified opinion on those consolidated financial statements and financial statement schedule and includes an explanatory paragraph regarding substantial doubt about the Company's ability to continue as a going concern), appearing in this Annual Report on Form 20-F of the Company for the year ended December 31, 2009.

We also consent to the reference to us under the headings "Selected Financial Data" in this Annual Report on Form 20-F.

/s/Deloitte. Hadjipavlou, Sofianos & Cambanis S.A.
Athens, Greece

June 18, 2010