DIANA SHIPPING INC.
Form F-1
November 16, 2005

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Registration Statement No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM F-1

**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

DIANA SHIPPING INC.

(Exact name of registrant as specified in its charter)

Republic of the Marshall Islands	**4412**	**N/A**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

Diana Shipping Inc.
Pendelis 16
175 64 Palaio Faliro
Athens, Greece
(30) 210 947-0100
(Address and telephone number of Registrant's principal executive offices)

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

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

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

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Security(2)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common Stock, par value $.01	6,000,000	$14	$84,000,000	$9,886.80

(1) Includes shares of Common Stock, if any, that may be sold pursuant to the underwriters' over-allotment option.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, based on the average of the high and low intra-day prices per shares of the Registrant's common stock as reported on the New York Stock Exchange on November , 2005.

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

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

Subject to Completion Dated November , 2005

Shares

Diana Shipping Inc.

Common Stock

We are offering shares of our Common Stock in this offering. Our common stock is listed on the New York Stock Exchange under the symbol "DSX." On November , 2005, the closing price of our common stock on the New York Stock Exchange was $ per share.

See the section of this prospectus entitled "Risk Factors" beginning on page 9 to read about the risks you should consider before buying shares of our common stock.

Each share of our common stock includes one right that, under certain circumstances, entitles the holder to purchase from us a unit consisting of one-thousandth of a share of our preferred stock at a purchase price of $25.00 per unit, subject to specified adjustments.

	Per Share	Total
Public Offering Price	$	$
Underwriting Discount	$	$
Proceeds, Before Expenses, To Us	$	$

The underwriters have a 30-day option to purchase up to additional shares of our common stock from us to cover any over-allotments.

Delivery of shares will be made on or about November , 2005.

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

Bear, Stearns & Co. Inc.

UBS Investment Bank

Jefferies

Fortis Securities LLC

The date of this prospectus is November , 2005

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

ENFORCEABILITY OF CIVIL LIABILITIES

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

DRY BULK SHIPPING INDUSTRY DATA

The discussions contained under the sections of this prospectus entitled "Business" and "The International Dry Bulk Shipping Industry" have been reviewed by Drewry Shipping Consultants Ltd., or Drewry, which has confirmed to us that they accurately describe the international dry bulk shipping industry, subject to the reliability of the data supporting the statistical and graphical information presented in this prospectus.

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

PROSPECTUS SUMMARY

This section summarizes some of the information and consolidated financial statements that appear later in this prospectus. As an investor or prospective investor, you should review carefully the risk factors and the more detailed information and financial statements that appear later. In this prospectus, references to "Diana Shipping Inc.", "we", "us", "our company" and "our" refer to Diana Shipping Inc. and its subsidiaries. References to our "operating fleet" refer to the nine Panamax dry bulk carriers and one Capesize dry bulk carrier that we owned and operated as of September 30, 2005. References to our "combined fleet" refer to the vessels in our operating fleet and to two additional secondhand Panamax dry bulk carriers that we expect to take delivery of in November 2005 and one Panamax newly built dry bulk carrier that we expect to take delivery of in March 2006. References to our "fleet" are to our operating fleet or our combined fleet, as the context requires. References to our "fleet manager" are to Diana Shipping Services S.A., an affiliated entity that manages our fleet.

Our Company

We are Diana Shipping Inc., a Marshall Islands company that owns and operates dry bulk carriers that transport iron ore, coal, grain and other dry cargoes along worldwide shipping routes. We priced the initial public offering of our common stock on March 17, 2005, at which time our common stock commenced trading on the New York Stock Exchange.

Our operating fleet consists of nine modern Panamax dry bulk carriers and one Capesize dry bulk carrier that, as of September 30, 2005, had a combined carrying capacity of 842,278 dwt and a weighted average age of 4.0 years. During 2004 and the nine month period ended September 30, 2005, we had a fleet utilization of 99.8% and 99.7%, respectively, our vessels achieved average daily time charter equivalent rates of $25,661 and $29,719, respectively, and we generated revenues of $63.8 million and $79.1 million, respectively. During 2002, 2003 and 2004 and the nine months ended September 30, 2005, we recorded net income of $0.1 million, $9.5 million, $60.1 million and $51.1 million, respectively.

Our strategy is to expand our presence in the dry bulk shipping industry. In furtherance of this strategy, during the first half of 2005 we took delivery of two newly built Panamax dry bulk carriers, each with a carrying capacity of 73,691 dwt, and one secondhand Capesize dry bulk carrier with a carrying capacity of 169,883 dwt. In addition, we have entered into agreements to acquire two additional secondhand Panamax dry bulk carriers, each of which we expect to take delivery of in November 2005, and one Panamax dry bulk carrier currently under construction that we expect to take delivery of in March 2006. Upon the delivery of these three additional vessels, our combined fleet will consist of twelve Panamax dry bulk carriers and one Capesize dry bulk carrier that will have a combined carrying capacity of 1.1 million dwt and a weighted average of 3.7 years. We are currently exploring opportunities for the acquisition of additional dry bulk carriers. We expect to use the net proceeds from this offering, cash remaining on hand from our initial public offering and funds drawn under our credit facility to fund our acquisitions of additional vessels.

The following table presents certain information concerning the dry bulk carriers in our combined fleet.

Vessel	Operating Status	Dwt	Age(1)	Sister Ship(2)
Nirefs	Delivered Jan. 2001	75,311	4.7 years	A
Alcyon	Delivered Feb. 2001	75,247	4.6 years	A
Triton	Delivered March 2001	75,336	4.5 years	A
Oceanis	Delivered May 2001	75,211	4.3 years	A
Dione	Acquired May 2003	75,172	4.7 years	A
Danae	Acquired July 2003	75,106	4.7 years	A
Protefs	Delivered Aug. 2004	73,630	1.1 years	B

Calipso	Delivered Feb. 2005	73,691	0.7 years	B
Pantelis SP	Delivered Feb. 2005	169,883	6.6 years	
Clio	Delivered May 2005	73,691	0.4 years	B
Thetis(3)	Delivery expected November 2005	73,583	1.1 years	B
Erato(4)	Delivery expected November 2005	74,500	1.1 years	C
Coronis(5)	Delivery expected March 2006	74,500	0.0 years	C

(1) As of September 30, 2005.

(2) Each dry bulk carrier is a sister ship of each other bulk carrier that has the same letter.

(3) The vessel will be given the name *Thetis* upon its delivery to us.

(4) The vessel will be given the name *Erato* upon its delivery to us.

(5) The vessel will be given the name *Coronis* upon its delivery to us.

We charter our dry bulk carriers to customers primarily pursuant to time charters. Under our time charters, the charterer typically pays us a fixed daily charter hire rate and bears all voyage expenses, including the cost of bunkers (fuel oil) and canal and port charges. We remain responsible for paying the chartered vessel's operating expenses, including the cost of crewing, insuring, repairing and maintaining the vessel. We also pay (through our fleet manager) commissions ranging from 1.25% to 5.0% of the total daily charter hire rate of each charter to unaffiliated ship brokers and to in-house brokers associated with the charterer, depending on the number of brokers involved with arranging the charter.

We strategically monitor developments in the dry bulk shipping industry on a regular basis and, subject to market demand, adjust the charter hire periods for our vessels according to prevailing market conditions. Historically, we have employed our vessels on primarily short-term time charters that have ranged in duration from 12 days to 12 months, which we believe have provided us with flexibility in responding to market developments and have assisted us in enhancing the amount of charter hire that we are paid. As contemplated by our business strategy, however, we have also entered into time charters in excess of two and one-half years for three of the vessels in our combined fleet. We may in the future extend the charter periods for additional vessels in our fleet to take advantage of the relatively stable cash flow and high utilization rates that are associated with long-term time charters.

Our Fleet Manager

The commercial and technical management of our fleet is carried out by Diana Shipping Services S.A., to which we refer as DSS, or our fleet manager, and we carry out the strategic management of our fleet in house. DSS is majority owned and controlled by Mr. Simeon Palios, our Chairman and Chief Executive Officer. The stockholders of DSS also include Mr. Anastassis Margaronis, our President and a member of our board of directors, and Mr. Ioannis Zafirakis, our Vice President and a member of our board of directors.

We have entered into an agreement with the stockholders of DSS pursuant to which the DSS stockholders may sell all, but not less than all, of their outstanding shares of DSS to us prior to March 16, 2006, 12 months from the date of our initial public offering, for $20.0 million in cash. Under the terms of the agreement, if the DSS stockholders do not sell their outstanding shares to us prior to March 16, 2006, we may purchase the DSS shares from them for the same consideration at any time prior to March 16, 2007. We expect the DSS stockholders to sell their outstanding shares of DSS to us prior to March 16, 2006, and intend to exercise our option if they do not do so. We intend to finance our expected acquisition of our fleet manager with borrowings under our credit facility and to refinance the acquisition related debt with the net proceeds of future equity issuances. Upon our acquisition of

DSS, DSS will become our wholly-owned subsidiary and we will conduct the strategic, commercial and technical management of our fleet internally.

Our Competitive Strengths

We believe that we possess a number of strengths that provide us with a competitive advantage in the dry bulk shipping industry:

We own a modern, high quality fleet of dry bulk carriers. We believe that owning a modern, high quality fleet reduces operating costs, improves safety and provides us with a competitive advantage in securing favorable time charters. We maintain the quality of our vessels by carrying out regular inspections, both while in port and at sea, and adopting a comprehensive maintenance program for each vessel.

Our combined fleet includes three groups of sister ships. We believe that maintaining a fleet that includes sister ships enhances the revenue generating potential of our fleet by providing us with operational and scheduling flexibility. The uniform nature of sister ships also improves our operating efficiency by allowing our fleet manager to apply the technical knowledge of one vessel to all vessels of the same series, and creates economies of scale that enable us to realize cost savings when maintaining, supplying and crewing our vessels.

We have an experienced management team. Our management team consists of experienced executives who have on average more than 20 years of operating experience in the shipping industry and have demonstrated ability in managing the commercial, technical and financial areas of our business. Our management team is led by Mr. Simeon Palios, a qualified naval architect and engineer who has 38 years of experience in the shipping industry.

We benefit from strong relationships with members of the shipping and financial industries. We have developed strong relationships with major international charterers, shipbuilders and financial institutions that we believe are the result of the quality of our operations, the strength of our management team and our reputation for dependability.

We have a strong balance sheet and do not have any outstanding indebtedness. A portion of the proceeds of our initial public offering in March 2005 was used to repay all of our outstanding indebtedness. Our strong balance sheet and lack of outstanding indebtedness increases the amount of funds that we may draw under our credit facility in connection with future acquisitions and enable us to use cash flow that would otherwise be dedicated to debt service for other purposes, including funding operations and making dividend payments.

Our Business Strategy

Our main objective is to manage and expand our fleet in a manner that enables us to pay attractive dividends to our stockholders. To accomplish this objective, we intend to:

Continue to operate a high quality fleet. We intend to limit our acquisition of ships to vessels that meet rigorous industry standards and that are capable of meeting charterer certification requirements. We intend to preserve the quality of our fleet through regular inspections of our vessels and a comprehensive maintenance program.

Strategically expand the size of our fleet. We intend to grow our fleet through timely and selective acquisitions of vessels in a manner that is accretive to dividends per share. We expect to focus our dry bulk carrier acquisitions primarily on Panamax and Capesize dry bulk carriers. We intend to continue to monitor developments in market conditions regularly, and expect to acquire vessels in the future when those acquisitions would, in our view, present favorable investment opportunities.

Pursue an appropriate balance of short-term and long-term time charters. We historically have chartered our vessels to customers primarily pursuant to short-term time charters, which we believe have generally increased our flexibility in responding to market developments and assisted us in enhancing the amount of charter hire rates that we are paid. We have also entered into time charters in excess of two and one-half years for three of the vessels in our combined fleet and may in the future extend the charter periods for additional vessels to take advantage of the relatively stable cash flow and high utilization rates that are associated with long-term time charters.

Maintain a strong balance sheet with low leverage. In the future, we expect to draw funds under our credit facility to fund vessel acquisitions and to finance our acquisition of our fleet manager. We intend to repay our acquisition related debt from time to time with the net proceeds of equity issuances. We intend to limit the amount of indebtedness that we have outstanding at any time to relatively conservative levels.

Maintain low cost, highly efficient operations. We intend to actively monitor and control vessel operating expenses without compromising the quality of our vessel management by utilizing regular inspection and maintenance programs, employing and retaining qualified crew members and taking advantage of the economies of scale that result from operating sister ships.

Capitalize on our established reputation. We intend to capitalize on our reputation for maintaining high standards of performance, reliability and safety in establishing and maintaining relationships with major international charterers who consider the reputation of a vessel owner and operator when entering into time charters and with shipyards and financial institutions who consider reputation to be an indicator of creditworthiness.

Dividend Policy

Our policy is to declare quarterly distributions to stockholders by each February, May, August and November substantially equal to our available cash from operations during the previous quarter after cash expenses and reserves for scheduled drydockings, intermediate and special surveys and other purposes as our board of directors may from time to time determine are required, after taking into account contingent liabilities, the terms of our credit facility, our growth strategy and other cash needs and the requirements of Marshall Islands law.

In times when we have debt outstanding, we intend to limit our dividends per share to the amount that we would have been able to pay if we were financed entirely with equity as described in the section of this prospectus entitled "Dividend Policy."

We have entered into agreements to acquire three additional Panamax dry bulk carriers and are currently exploring opportunities to acquire other vessels. We believe that acquiring additional vessels with the net proceeds of this offering, cash remaining on hand from our initial public offering and funds drawn under our credit facility, will be accretive to our dividends per share. We believe that we will realize the full accretive effect of the acquisitions only after all of the vessels have been delivered to us and have commenced operations. To limit the impact of the issuance of common stock in this offering on our dividends per share, we intend to calculate and pay our dividend per share in respect of the fourth quarter of 2005 as if we had not issued the additional [   ] shares of common stock in this offering or acquired any vessels during the period. Because we do not expect to be able to fully pay such a dividend with our available cash from operations for the period, we may fund a portion of the dividend with excess working capital. Our board of directors may review and amend our dividend policy from time to time in light of our plans for future growth and other factors.

Since our initial public offering, we have paid a dividend of $0.08 per share in June 2005, representing 14 days of operations, and a dividend of $0.54 per share in August 2005, representing our results of operations for the full second quarter of 2005. On October 28, 2005, we declared a dividend of $0.465 per share, representing our results of operations for the third quarter of 2005, to holders of record of our common shares as of November 7, 2005. Investors who purchase shares issued in this offering will not receive this dividend with respect to those shares.

We believe that under current law, our dividend payments from earnings and profits constitute "qualified dividend income" and as such will generally be subject to a 15% United States federal income tax rate with respect to non-corporate individual stockholders. Distributions in excess of our earnings and profits will be treated first as a non-taxable return of capital to the extent of a United States stockholder's tax basis in its common stock on a dollar-for-dollar basis and thereafter as capital gain. We note that legislation has been recently introduced in the United States Senate, which, if enacted in its present form, would preclude dividends received after the date of enactment from qualifying as "qualified dividend income". Please see the sections of this prospectus entitled "Dividend Policy" and "Tax Considerations" for additional information regarding dividend payments generally.

Corporate Structure

Diana Shipping Inc. is a holding company existing under the laws of the Marshall Islands. We maintain our principal executive offices at Pendelis 16, 175 64 Palaio Faliro, Athens, Greece. Our telephone number at that address is +30 (210) 947-0100.

The Offering

Common stock offered by us	[ ] shares
Underwriters' over-allotment option	[ ] shares
Common stock to be outstanding immediately after this offering(1)	[ ] shares
Use of proceeds	We estimate that we will receive net proceeds of approximately $ million from the issuance of new shares of our common stock in this offering assuming that the underwriter's over-allotment option is not exercised. We intend to use such proceeds to repay $ million of indebtedness that we expect to incur under our revolving credit facility in connection with our acquisition of two additional Panamax dry bulk carriers during November 2005. We intend to use any additional proceeds from this offering to pay a portion of the balance of the purchase price of the third Panamax dry bulk carrier that we have agreed to acquire. We intend to apply any amounts not used for such purposes for general corporate purposes.
New York Stock Exchange listing	Shares of our common stock are listed on the New York Stock Exchange under the symbol "DSX."

(1) Assuming the over-allotment option is not exercised.

Risk Factors

Investing in our common stock involves substantial risk. You should carefully consider all the information in this prospectus prior to investing in our common stock. In particular, we urge you to consider carefully the factors set forth in the section of this prospectus entitled "Risk Factors" beginning on page 9.

Summary Consolidated Financial and Other Data

The following table sets forth our summary consolidated financial and other operating data. The summary consolidated financial data in the table as of and for the three years ended December 31, 2004 are derived from our audited consolidated financial statements. The summary consolidated financial data as of and for the nine months ended September 30, 2004 and 2005 are derived from unaudited consolidated financial statements. We refer you to the footnotes to our consolidated financial statements for a discussion of the basis on which our consolidated financial statements are presented. Operating results for the nine months ended September 30, 2005 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2005. In accordance with standard shipping industry practice, we have not obtained historical operating data for secondhand vessels that we have acquired from third parties, as that data was not material to our decision to purchase the vessels. Accordingly, we have not included any historical financial data relating to the results of operations of secondhand vessels from the period before our acquisitions of those vessels. The following data should be read in conjunction with the consolidated financial statements, related notes and other financial information included herein.

	As of and for the Year Ended December 31,			As of and for the Nine Months Ended September 30,	
	2002	**2003**	**2004**	**2004**	**2005**
	(in thousands of U.S. dollars, except for share and per share data)				
Income Statement Data:					
Voyage and time charter revenues	$ 11,942	$ 25,277	$ 63,839	$ 45,387	$ 79,099
Voyage expenses	946	1,549	4,330	3,087	5,189
Vessel operating expenses	3,811	6,267	9,514	6,767	10,668
Depreciation and amortization of deferred charges	3,004	3,978	5,087	3,666	6,967
Management fees	576	728	947	660	1,245
Executive management services and rent	1,404	1,470	1,528	1,146	417
General and administrative expenses	140	123	300	211	2,030
Foreign currency (gains) losses	5	20	3	2	(29)
Operating income	2,056	11,142	42,130	29,848	52,612
Interest and finance cost	(2,001)	(1,680)	(2,165)	(1,408)	(2,162)
Interest income	21	27	136	73	665
Gain on sale of vessel			19,982		
Net income	$ 76	$ 9,489	$ 60,083	$ 28,513	$ 51,115
Basic earnings per share	$ 0.02	$ 0.37	2.17	$ 1.03	$ 1.40
Weighted average basic shares outstanding	4,297,161	25,340,596	27,625,000	27,625,000	36,554,945
Diluted earnings per share	$ 0.00	$ 0.37	$ 2.17	$ 1.03	$ 1.40
Weighted average diluted shares outstanding	18,416,667	25,340,596	27,625,000	27,625,000	36,554,945
Other Financial Data:					
Cash and cash equivalents	$ 1,867	$ 7,441	$ 1,758		$ 29,984
Total current assets	3,347	9,072	3,549		32,091
Total assets	79,947	134,494	155,636		270,693
Total current liabilities	5,863	9,107	11,344		4,657
Long-term debt (including current portion)	53,810	82,628	92,246		

	As of and for the Year Ended December 31,			As of and for the Nine Months Ended September 30,	
Total stockholders' equity	23,482	48,441	59,052		265,760
Net cash flow provided by operating activities	$ 5,451	$ 15,218	$ 47,379	$ 33,060	$ 57,664
Net cash flow used in investing activities		(52,723)	(11,778)	(25,739)	(91,487)
Net cash flow provided by (used in) financing activities	(4,894)	43,079	(41,284)	(6,101)	62,049

Fleet Data (1)**:**					
Average number of vessels (2)	4.0	5.1	6.3	6.1	9.2
Number of vessels at end of period	4.0	6.0	7.0	7.0	10.0
Weighted average age of fleet (in years)	1.8	2.9	3.4	3.3	4.0
Fleet utilization (3)	99.9%	99.6%	99.8%	99.8%	99.7%
Time charter equivalent (TCE) rate (4)	$ 7,532	$ 12,812	$ 25,661	$ 25,269	$ 29,719

(1) The fleet and other data presented above does not give effect to the sale of the *Amfitrite*, a newbuilding Panamax dry bulk carrier that was constructed for us. In October 2004, prior to the delivery of the *Amfitrite* to us, we entered into a memorandum of agreement to sell the vessel to an unaffiliated third party upon its delivery to us for a total purchase price of $42.0 million. We elected to sell the *Amfitrite* rather than include it in our fleet in order to take advantage of strong market conditions and to sell the vessel at a favorable price. In November 2004, we took delivery of the *Amfitrite* from the shipyard and thereupon delivered the vessel to the buyer. Because we did not operate the *Amfitrite* prior to the sale, and because we took possession of the vessel only for the purpose of redelivering it to the buyer, we do not consider the vessel to have been part of our fleet and have not presented the vessel in this prospectus as constituting part of our business. Please see the section of this prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations Factors Affecting Our Results of Operations Sale of the Amfitrite."

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

(3) We calculate fleet utilization by dividing the number of our operating days during a period by the number of our available days during the period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the amount of days that its vessels are off-hire for reasons other than scheduled repairs or repairs under guarantee, vessel upgrades or special surveys. 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 any reason, including unforeseen circumstances, and are used to measure the aggregate number of days in a period during which the vessels actually generate revenues. Available days are the number of our ownership days, which are the aggregate number of days in a period during which each vessel in our fleet has been owned by us, less the aggregate number of days that our vessels are off-hire due to scheduled repairs or repairs under guarantee, vessel upgrades or special surveys and the aggregate amount of time that we spend positioning our vessels, and are used to measure the number of days in a period during which vessels should be capable of generating revenues.

(4) Time charter equivalent rates, or TCE rates, are defined as our voyage and time charter revenues less voyage expenses during a period divided by the number of our available days during the period, which is consistent with industry standards. Voyage expenses include port charges, bunker (fuel) expenses, canal charges and commissions. TCE rate is a standard shipping industry performance measure used primarily to compare daily earnings generated by vessels on time charters with daily earnings generated by vessels on voyage charters because charter hire rates for vessels on voyage charters are generally not expressed in per day amounts while charter hire rates for vessels on time charters are generally expressed in such amounts. The following table reflects the calculation of our TCE rates for the periods presented:

	Year Ended December 31,			**Nine Months Ended September 30,**	
	2002	**2003**	**2004**	**2004**	**2005**
	(in thousands of U.S. dollars, except for TCE rates, which are expressed in U.S. dollars, and available days)				
Voyage and time charter revenues	$ 11,942	$ 25,277	$ 63,839	$ 45,387	$ 79,099
Less: voyage expenses	(946)	(1,549)	(4,330)	(3,087)	(5,189)

	Year Ended December 31,			Nine Months Ended September 30,	
Time charter equivalent revenues	$ 10,996	$ 23,728	$ 59,509	$ 42,300	$ 73,910
Available days	1,460	1,852	2,319	1,674	2,487
Time charter equivalent (TCE) rate	$ 7,532	$ 12,812	$ 25,661	$ 25,269	$ 29,719

RISK FACTORS

You should consider carefully the following factors, as well as the other information set forth in this prospectus, before making an investment in our common stock. Some of the following risks relate principally to the industry in which we operate and our business in general. Other risks relate principally to the securities market and ownership of our common stock. The occurrence of any of the events described in this section could significantly and negatively affect our business, financial condition, operating results or cash available for dividends or the trading price of our common stock and cause you to lose all or part of your investment.

Industry Specific Risk Factors

Charter hire rates for dry bulk carriers may decrease in the future, which may adversely affect our earnings

The dry bulk shipping industry is cyclical with attendant volatility in charter hire rates and profitability. The degree of charter hire rate volatility among different types of dry bulk carriers has varied widely. Charter hire rates for Panamax and Capesize dry bulk carriers have recently declined from their historically high levels. Because we generally charter our vessels pursuant to short-term time charters, we are exposed to changes in spot market rates for dry bulk carriers and such changes may affect our earnings and the value of our dry bulk carriers at any given time. We cannot assure you that we will be able to successfully charter our vessels in the future or renew existing charters at rates sufficient to allow us to meet our obligations or to pay dividends to our stockholders. Because the factors affecting the supply and demand for vessels are outside of our control and are unpredictable, the nature, timing, direction and degree of changes in industry conditions are also unpredictable.

Factors that influence demand for vessel capacity include:

- demand for and production of dry bulk products;
- global and regional economic and political conditions;
- the distance dry bulk is to be moved by sea; and
- changes in seaborne and other transportation patterns.

The factors that influence the supply of vessel capacity include:

- the number of newbuilding deliveries;
- port and canal congestion;
- the scrapping rate of older vessels;
- vessel casualties; and
- the number of vessels that are out of service.

We anticipate that the future demand for our dry bulk carriers will be dependent upon continued economic growth in the world's economies, including China and India, seasonal and regional changes in demand, changes in the capacity of the global dry bulk carrier fleet and the sources and supply of dry bulk cargo to be transported by sea. The capacity of the global dry bulk carrier fleet seems likely to increase and there can be no assurance that economic growth will continue. Adverse economic, political, social or other developments could have a material adverse effect on our business and operating results.

The market values of our vessels may decrease, which could limit the amount of funds that we can borrow under our credit facility

The fair market values of our vessels have generally experienced high volatility. The market prices for secondhand Panamax and Capesize dry bulk carriers have recently declined somewhat from historically high levels. You should expect the market value of our vessels to fluctuate depending on general economic and market conditions affecting the shipping industry and prevailing charter hire rates, competition from other shipping companies and other modes of transportation, types, sizes and age of vessels, applicable governmental regulations and the cost of newbuildings. If the market value of our fleet declines, we may not be able to draw down the full amount of our credit facility and we may not be able to obtain other financing or incur debt on terms that are acceptable to us or at all. Please see the section of this prospectus entitled "The International Dry Bulk Shipping Industry" for information concerning historical prices of dry bulk carriers.

The market values of our vessels may decrease, which could cause us to breach covenants in our credit facility and adversely affect our operating results

We believe that the market value of our fleet is in excess of amounts required under our credit facility. However, if the market values of our vessels, which have recently declined somewhat from historically high levels, decrease, we may breach some of the covenants contained in the financing agreements relating to our indebtedness at the time, including covenants in our credit facility. If we do breach such covenants and we are unable to remedy the relevant breach, our lenders could accelerate our debt and foreclose on our fleet. In addition, if the book value of a vessel is impaired due to unfavorable market conditions or a vessel is sold at a price below its book value, we would incur a loss that could adversely affect our operating results.

World events could affect our results of operations and financial condition

Terrorist attacks such as those in New York on September 11, 2001 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, continues to cause uncertainty in the world's financial markets and may affect our business, operating results and financial condition. The continuing conflict in Iraq may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further economic instability in the global financial markets. These uncertainties could also adversely affect our ability to obtain additional financing on terms acceptable to us or at all. In the past, political conflicts have also resulted in attacks on vessels, mining of waterways and other efforts to disrupt international shipping, particularly in the Arabian Gulf region. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea. Any of these occurrences could have a material adverse impact on our operating results, revenues and costs.

Our operating results are subject to seasonal fluctuations, which could affect our operating results and the amount of available cash with which we can pay dividends

We operate our vessels in markets that have historically exhibited seasonal variations in demand and, as a result, in charter hire rates. This seasonality may result in quarter-to-quarter volatility in our operating results, which could affect the amount of dividends that we pay to our stockholders from quarter to quarter. The dry bulk carrier market is typically stronger in the fall and winter months in anticipation of increased consumption of coal and other raw materials in the northern hemisphere during the winter months. In addition, unpredictable weather patterns in these months tend to disrupt vessel scheduling and supplies of certain commodities. As a result, our revenues have historically been weaker during the fiscal quarters ended June 30 and September 30, and, conversely, our revenues have historically been stronger in fiscal quarters ended December 31 and March 31. While this seasonality has not materially affected our operating results, it could materially affect our operating results and cash available for distribution to our stockholders as dividends in the future.

Rising fuel prices may adversely affect our profits

While we generally do not bear the cost of fuel (bunkers) under our charters, fuel is a significant, if not the largest, expense for many of our shipping operations when our vessels are under voyage charter. Upon redelivery of vessels at the end of a time charter, we may be obligated to repurchase the fuel on board at prevailing market prices, which could be materially higher than fuel prices at the inception of the time charter period. As a result, an increase in the price of fuel may adversely affect our profitability. 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 the future, which may reduce the profitability and competitiveness of our business versus other forms of transportation, such as truck or rail.

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 United Nations' International Maritime Organization'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 prospectus, each of our vessels is ISM code-certified.

Maritime claimants could arrest one or more of our vessels, which could interrupt our cash flow

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages. In many jurisdictions, a claimant may seek to obtain security for its claim 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 or attachment 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 attempt to assert "sister ship" liability against one vessel in our fleet for claims relating to another of our vessels.

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

A government could requisition one or more of our vessels for title or for hire. Requisition for title occurs when a government takes control of a vessel and becomes her owner, while 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 periods of war or emergency, although governments may elect to requisition vessels in other circumstances. Although we would be entitled to compensation in the event of a requisition of one or more of our vessels, the amount and timing of payment would be uncertain. Government requisition of one or more of our vessels may negatively impact our revenues and reduce the amount of cash we have available for distribution as dividends to our stockholders.

Company Specific Risk Factors

We are dependent on short-term time charters in a volatile shipping industry and a decline in charter hire rates would affect our results of operations and ability to pay dividends

We charter our vessels primarily pursuant to short-term time charters, although we have also entered into time charters in excess of two and one-half years for three of the vessels in our combined fleet and we may in the future employ additional vessels on longer term time charters. Currently, seven of our vessels are employed on time charters scheduled to expire within the next six months, at which time we expect to enter into new charters for those vessels. Although dependence on short-term time charters is not unusual in the dry bulk shipping industry, the short-term time charter market is highly competitive and spot market charter hire rates (which affect time charter rates) may fluctuate significantly based upon available charters and the supply of, and demand for, seaborne shipping capacity. While our focus on the short-term time charter market may enable us to benefit in periods of increasing charter hire rates, we must consistently renew our charters and this dependence makes us vulnerable to declining charter rates. As a result of the volatility in the dry bulk carrier charter market, we may not be able to employ our vessels upon the termination of their existing charters at their current charter hire rates. The dry bulk carrier charter market is volatile, and in the past short-term time charter and spot market charter rates for dry bulk carriers have declined below operating costs of vessels. We cannot assure you that future charter hire rates will enable us to operate our vessels profitably or to pay you dividends. Please see the sections of this prospectus entitled "Business" for the current charter rates for each of our vessels and "Industry" for historical time charter rates for dry bulk charters.

We cannot assure you that our board of directors will declare dividends

Our policy is to declare quarterly distributions to stockholders by each February, May, August and November substantially equal to our available cash from operations during the previous quarter after cash expenses and reserves for scheduled drydockings, intermediate and special surveys and other purposes as our board of directors may from time to time determine are required, after taking into account contingent liabilities, the terms of our credit facility, our growth strategy and other cash needs and the requirements of Marshall Islands law. The declaration and payment of dividends, if any, will always be subject to the discretion of our board of directors. The timing and amount of any dividends declared will depend on, among other things, our earnings, financial condition and cash requirements and availability, our ability to obtain debt and equity financing on acceptable terms as contemplated by our growth strategy and provisions of Marshall Islands law affecting the payment of dividends. The international dry bulk shipping industry is highly volatile, and we cannot predict with certainty the amount of cash, if any, that will be available for distribution as dividends in any period. Also, there may be a high degree of variability from period to period in the amount of cash that is available for the payment of dividends.

We may incur expenses or liabilities or be subject to other circumstances in the future that reduce or eliminate the amount of cash that we have available for distribution as dividends, including as a result of the risks described in this section of the prospectus. Our growth strategy contemplates that we will finance the acquisition of additional vessels through a combination of debt and equity financing on terms acceptable to us. If financing is not available to us on acceptable terms, our board of directors may determine to finance or refinance acquisitions with cash from operations, which would reduce or even eliminate the amount of cash available for the payment of dividends.

Marshall Islands law generally prohibits the payment of dividends other than from surplus (retained earnings and the excess of consideration received for the sale of shares above the par