FREESEAS INC.
Form F-1
June 29, 2012
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As filed with the Securities and Exchange Commission on June 29, 2012

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form F-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

FREESEAS INC.

(Exact name of Registrant as specified in its charter)

Republic of the Marshall Islands	**4412**	**Not Applicable**
(State or other jurisdiction of	**(Primary Standard Industrial**	**(I.R.S. Employer**

incorporation or organization)	**Classification Code Number)**	**Identification Number)**

10 Eleftheriou Venizelou Street

(Panepistimiou Ave.)

10671 Athens, Greece

011-30-210-452-8770

(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

Broad and Cassel

Attention: A. Jeffry Robinson, P.A.

2 S. Biscayne Boulevard, 21st Floor

Miami, Florida 33131

Telephone: (305) 373-9400

Facsimile: (305) 995-6402

(Name, address, including zip code, and telephone number, including area code, of agent for service)

With a copy to:

A. Jeffry Robinson, Esq.

Broad and Cassel

2 S. Biscayne Blvd., 21st Floor

Miami, Florida 33131

Telephone: (305) 373-9400

Facsimile: (305) 995-6402

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 to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. x

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

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities To Be Registered	Amount to Be Registered (1)	Proposed Maximum Offering Price Per Share (2)	Proposed Maximum Aggregate Offering Price (1)(2)	Amount of Registration Fee
Common Stock, par value U.S. $0.001 per share	1,839,721	$0.805	$1,480,975.41	$169.72
Preferred Share Purchase Rights (3)				
Total				$169.72

(1) Represents shares offered by the selling stockholder. Includes (i) 100,000 shares issued to the selling stockholder as a commitment fee, (ii) up to 1,739,721 shares to be issued pursuant to a Standby Equity Distribution Agreement, as amended, between the Registrant and the selling stockholder, and (iii) an indeterminable number of additional shares of common stock, pursuant to Rule 416 under the Securities Act of 1933, as amended, that may be issued to prevent dilution from stock splits, stock dividends or similar transactions that could affect the shares to be offered by the selling stockholder.

(2) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended. The price per share and aggregate offering price are based on the average of the high and low prices of the Registrant s common stock on June 28, 2012, as quoted on the NASDAQ Global Market.

(3) The preferred stock purchase rights are initially attached to and trade with the shares of our common stock registered hereby. Value attributed to such rights, if any, is reflected in the market price of the Registrant s common stock.

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.

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

SUBJECT TO COMPLETION, DATED JUNE 29, 2012

PRELIMINARY PROSPECTUS

FreeSeas Inc.

1,839,721 Shares of Common Stock

This prospectus relates to the resale of up to 1,839,721 shares of our common stock by YA Global Master SPV Ltd. (YA Global), the selling stockholder. We may from time to time issue up to $3,218,485 of shares of our common stock to the selling stockholder at 96% of the market price at the time of such issuance determined in accordance with the terms of our Standby Equity Distribution Agreement dated as of May 11, 2012, as amended, with YA Global. We have issued 100,000 shares to YA Global as a commitment fee. The selling stockholder may sell these shares from time to time in regular brokerage transactions, in transactions directly with market makers or in privately negotiated transactions.

For additional information on the methods of sale that may be used by the selling stockholder, see the section titled Plan of Distribution beginning on page 36. We will not receive any of the proceeds from the sale of these shares. We will, however, receive proceeds from the selling stockholder from the initial sale to such stockholder of these shares. We have and will continue to bear the costs relating to the registration of these shares.

Our common stock is currently quoted on the NASDAQ Global Market under the symbol FREE. On June 28, 2012, the last reported sale price of our common stock was $0.74 per share. You are urged to obtain current market quotations for the common stock.

We may amend or supplement this prospectus from time to time by filing amendments or supplements as required. You should read the entire prospectus and any amendments or supplements carefully before you make your investment decision.

See Risk Factors beginning on page 5 to read about risks you should consider before buying our common stock.

With the exception of YA Global, which has informed us it is an underwriter within the meaning of the Securities Act of 1933, as amended, or Securities Act, to the best of our knowledge, no other underwriter or person has been engaged to facilitate the sale of shares of our stock in this offering. The Securities and Exchange Commission may take the view that, under certain circumstances, any broker-dealers or agents that participate with the selling stockholder in the distribution of the shares may be deemed to be underwriters within the meaning of the Securities Act. Commissions, discounts or concessions received by any such broker-dealer or agent may be deemed to be underwriting commissions under the Securities Act.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this registration statement. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2012.

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If it is against the law in any state to make an offer to sell these shares, or to solicit an offer from someone to buy these shares, then this prospectus does not apply to any person in that state, and no offer or solicitation is made by this prospectus to any such person.

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer and sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

We obtained statistical data, market data and other industry data and forecasts used throughout this prospectus from publicly available information. While we believe that the statistical data, industry data, forecasts and market research are reliable, we have not independently verified the data, and we do not make any representation as to the accuracy of the information.

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ENFORCEABILITY OF CIVIL LIABILITIES

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

ABOUT THIS PROSPECTUS

References in this prospectus to FreeSeas, we, us, our or company refer to FreeSeas Inc. and our subsidiaries, but, if the context otherwise requires, may refer only to FreeSeas Inc.

We use the term deadweight tons, or dwt, in describing the capacity of our drybulk carriers. Dwt, expressed in metric tons, each of which is equivalent to 1,000 kilograms, refers to the maximum weight of cargo and supplies that a vessel can carry. Drybulk carriers are generally categorized as Handysize, Handymax, Panamax and Capesize. The carrying capacity of a Handysize drybulk carrier typically ranges from 10,000 to 39,999 dwt and that of a Handymax drybulk carrier typically ranges from 40,000 to 59,999 dwt. By comparison, the carrying capacity of a Panamax drybulk carrier typically ranges from 60,000 to 79,999 dwt and the carrying capacity of a Capesize drybulk carrier typically is 80,000 dwt and above.

Unless otherwise indicated:

- All references to $ and dollars in this prospectus are to U.S. dollars;

- Financial information presented in this prospectus is derived from financial statements included in our Annual Report on Form 20-F for the fiscal year ended December 31, 2011, as filed with the SEC. Please see Incorporation of Certain Information by Reference. These financial statements were prepared in accordance with the U.S. generally accepted accounting principles; and

- All references to dollar amounts in this prospectus are expressed in thousands of U.S. dollars, except for dollar amounts relating to the Standby Equity Distribution Agreement.

All share-related and per share information in this prospectus have been adjusted to give effect to the one share for five share reverse stock split that was effective on October 1, 2010.

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COMPANY INFORMATION

This summary highlights certain information appearing elsewhere in this prospectus. For a more complete understanding of this offering, you should read the entire prospectus carefully, including the risk factors and the financial statements.

Our Company

We are an international drybulk shipping company incorporated under the laws of the Republic of the Marshall Islands with principal executive offices in Athens, Greece. Our existing fleet consists of six Handysize vessels and one Handymax vessel that carry a variety of drybulk commodities, including iron ore, grain and coal, which are referred to as major bulks, as well as bauxite, phosphate, fertilizers, steel products, cement, sugar and rice, or minor bulks. As of June 28, 2012, the aggregate dwt of our operational fleet was approximately 197,200 dwt and the average age of our fleet was approximately 14.7 years.

Our investment and operational focus is in the Handysize sector, which is generally defined as less than 40,000 dwt of carrying capacity. Handysize vessels are, we believe, more versatile in the types of cargoes that they can carry and trade routes they can follow, and offer less volatile returns than larger vessel classes. We believe this segment also offers better demand and supply demographics than other drybulk asset classes.

We have contracted the management of our fleet to our Manager, Free Bulkers S.A., an entity controlled by Ion G. Varouxakis, our Chairman, President and Chief Executive Officer, and one of our principal shareholders. Our Manager provides technical management of our fleet, financial reporting and accounting services and office space. While the Manager is responsible for finding and arranging charters for our vessels, the final decision to charter our vessels remains with us.

Our Fleet

The following table presents our fleet information as of June 28, 2012:

Vessel Name	Type	Built	Dwt	Employment
M/V Free Jupiter	Handymax	2002	47,777	About 20-25 day time charter trip at $6,000 per day through July 2012
M/V Free Knight	Handysize	1998	24,111	About 20-25 day time charter trip at $6,500 per day for the first 45 days and $7,500 per day thereafter through June 2012
M/V Free Maverick	Handysize	1998	23,994	About 25-30 day time charter trip at $11,500 per day through July 2012
M/V Free Impala	Handysize	1997	24,111	About 15 day time charter trip at $7,000 per day through July 2012
M/V Free Neptune	Handysize	1996	30,838	About 45-60 days time charter trip presently at $8,000 per day through July 2012
M/V Free Hero	Handysize	1995	24,318	About 20-30 day time charter trip at $9,750 per day through July 2012
M/V Free Goddess	Handysize	1995	22,051	Currently seized by pirates

Standby Equity Distribution Agreement

On May 11, 2012, FreeSeas and YA Global Master SPV Ltd., or YA Global, entered into a Standby Equity Distribution Agreement, as amended on June 28, 2012, or SEDA. Pursuant to the SEDA, we have the right, for a 24-month period, to sell up to $3,218,485 of our shares of our common stock to YA Global. YA Global is a fund managed by Yorkville Advisors, LLC, or Yorkville. We have agreed to pay $15,000 to Yorkville as a structuring fee and have issued 100,000 shares of our common stock to YA Global as a commitment fee. If the SEDA has not been terminated as of the one-year anniversary, we will owe Yorkville an additional cash fee of $50,000. As of the date of this prospectus, we had not sold any shares of common stock to YA Global under the SEDA.

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The shares of common stock issued to YA Global have been, and the shares to be issued to YA Global under the SEDA will be, issued pursuant to an exemption from registration under the Securities Act. Pursuant to the SEDA, we have filed a registration statement on Form F-1, of which this prospectus is a part, covering the possible resale by YA Global of any shares issued to or to be issued to YA Global under the SEDA.

The SEDA entitles us to sell and obligates YA Global to purchase, from time to time over a period of 24 months from the first trading day following the effectiveness of the registration statement of which this prospectus is a part, shares of our common stock for cash consideration up to an aggregate of $3,218,485, subject to conditions we must satisfy as set forth in the SEDA. For each share of common stock purchased under the SEDA, YA Global will pay 96% of the lowest daily volume weighted average price during the pricing period, which is the five consecutive trading days after we provide notice to YA Global. Each such advance may be for an amount not to exceed the greater of $200,000 or 100% of the average daily trading volume of our common stock for the 10 consecutive trading days prior to the notice date. In no event, however, shall the number of shares of common stock issuable to YA Global pursuant to an advance cause the aggregate number of shares of common stock beneficially owned by YA Global and its affiliates to exceed 9.99% of the outstanding common stock at the time.

Our right to deliver an advance notice and the obligations of YA Global hereunder with respect to an advance is subject to our satisfaction of a number of conditions, including:

- That our common stock is trading on a principal market, defined in the SEDA to mean the NASDAQ Global Market or such other trading market on which our shares are then trading, and that we believe our common stock will continue for the foreseeable future to trade on the principal market;

- That the issuance of shares of common stock with respect to the applicable advance notice will not violate any applicable shareholder approval requirements of the principal market; and

- That a registration statement is effective.

If the volume weighted average price on any trading day during a pricing period is less than 85% of the volume weighted average price on the trading day immediately before the date on which we deliver a notice of an advance, then the amount of the advance will be reduced by 20% of the original amount requested and this trading day will not be included in the determination of the price of the shares sold.

In addition, without the written consent of YA Global, we may not, directly or indirectly, offer to sell, sell, contract to sell, grant any option to sell or otherwise dispose of any shares of common stock (other than the shares offered pursuant to the SEDA) or securities convertible into or exchangeable for common stock, warrants or any rights to purchase or acquire, common stock during the period beginning on the fifth trading day immediately prior to an advance notice date and ending on the fifth trading day immediately following the settlement date.

We may terminate the SEDA upon 15 trading days prior written notice to YA Global, as long as there are no advances outstanding and we have paid to YA Global all amounts then due. Neither the SEDA nor the rights of the parties to the SEDA may be assigned. Please see Exhibit 99.2 to our Current Report on Form 6-K filed with the SEC on May 15, 2012 and Exhibit 99.1 to our Current Report on Form 6-K filed with the SEC on June 29, 2012 for a complete copy of the SEDA.

The issuance of our common stock under the SEDA will dilute the voting and economic rights of the existing holders of our common stock, because these shares will represent a smaller percentage of our total shares that will be outstanding after any issuances of common stock to YA Global. For example, if the price at which we issue shares to YA Global equaled the closing price of our common stock on June 28, 2012, $0.74, and we were to sell the entire $3,218,485 of shares under the SEDA, we would issue 4,349,304 shares of our common stock, although only 1,739,721 shares issuable under the SEDA are covered by this prospectus. If we deliver advance notices under the SEDA when our share price is decreasing, we will need to issue more shares to raise the amount than if we were to issue shares when our stock price is higher. Such issuances will have a dilutive effect and may further decrease our stock price. Please see Risk Factors Risks Relating to this Offering and Our Common Stock elsewhere in this prospectus for a further discussion of the impact of the SEDA on our stockholders and the market price of our common stock.

In addition to the SEDA, YA Global has agreed to provide us with a short-term note, in the amount of $500,000, subject to satisfaction of conditions set forth in the Note Purchase Agreement dated May 11, 2012 between YA Global and us. If we determine to request the note, it would bear interest at 8% per annum, be repaid in 10 equal weekly installments beginning on the 10th business day following the date of funding, and mature 90 days from the date of funding. The note would be prepayable upon the payment of outstanding principal and interest and a 2% prepayment fee. YA Global would be due an 8% monitoring fee upon the funding of this note. A copy of the Note Purchase Agreement is attached as Exhibit 99.3 to our Current Report on Form 6-K filed with the SEC on May 15, 2012.

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Recent Developments

On January 27, 2012, FreeSeas entered into a First Supplemental Agreement with First Business Bank, or FBB, which amends our existing credit facility to defer the repayment installment of $837.5 and the interest payment of $197 both due on December 16, 2011 until the next repayment date on March 16, 2012. In addition, FBB granted a waiver to the security value covenant and the financial covenants, whose testing was waived until March 16, 2012. On March 23, 2012, FreeSeas received a notice from FBB according to which failure to (i) pay the $1,675 repayment installment due in March 2012, (ii) pay accrued interest and (iii) pay default interest constitute an event of default. On April 12, 2012, FreeSeas received notice from FBB according to which along with the previously mentioned events, failure to make periodic monthly installments into the retention account since September 2011 and violation of the loan to value covenant constituted events of default, and that if all of the above events are not remedied on or before April 20, 2012, FBB will take whatever action is available to it. FreeSeas is in discussions to permanently amend the amortization schedule and resolve the foregoing defaults.

M/V *Free Goddess* was hijacked by Somali pirates on February 7, 2012 while transiting the Indian Ocean eastbound. The vessel is held off the coast of Somalia and FreeSeas is currently in communication with the pirates for the release of the vessel and her crew. The vessel was on a time charter trip at the time she was hijacked. Under the charterparty agreement, the BIMCO Piracy clause was applied which provided, among other things, for the charterers to have the vessel covered with kidnap and ransom insurance and loss of hire insurance. The vessel was also covered by the war risk underwriters who were duly informed about the transit and had confirmed cover.

On February 15, 2012, FreeSeas received notice from Deutsche Bank Nederland, or Deutsche Bank, according to which FreeSeas failure to (i) repay the installment due in December 2011, (ii) pay regular interest on the loan, (iii) pay default interest on the loan, (iv) pay the success fee due in November 2011, (v) set new financial covenants and (vi) comply with the loan to value covenant, are considered events of default. Deutsche Bank requested that FreeSeas fulfill its obligations by March 15, 2012. FreeSeas has not paid the aforementioned amounts or the $750 repayment installment along with accrued interest due in March 2012. On April 26, 2012, FreeSeas was advised by Deutsche Bank that it would approve the request to permanently amend the amortization schedule including refinancing of the balloon due in November 2012. FreeSeas and Deutsche Bank are in the process of documenting this amendment.

By letter dated February 25, 2012, FreeSeas received notice from the shipyard pursuant to its newbuilding contracts that it had failed to pay the payment of $3,660 due on February 11, 2012 under the first contract and was therefore in default under its obligations under this contract. The shipyard terminated this contract by notice dated April 28, 2012 to FreeSeas. By letter dated May 7, 2012, FreeSeas received notice from the shipyard that it had failed to pay the payment of $3,660 due on April 21, 2012 under the second contract and was therefore in default under its obligations under this contract and received notice of cancellation of this contract by letter dated June 4, 2012 from the shipyard.

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Pursuant to a settlement agreement entered into on April 13, 2012, ABN AMRO, which had agreed to provide us financing for the newbuilding vessels, has agreed to return to FreeSeas all commitment fees paid to date less expenses and all further obligations of the parties have been terminated.

At its April 2012 meeting, FreeSeas Board of Directors approved the issuance of 1,660,694 shares of FreeSeas common stock to the Manager in payment of the $926 in unpaid fees due to the Manager for the first quarter of 2012 under the management and services agreements with FreeSeas. The number of shares to be issued to the Manager was based on the closing prices of FreeSeas common stock on the first day of each month during the quarter, which are the dates the management and services fees were due and payable. Upon issuance of these restricted shares, Mr. Varouxakis, who is our Chairman, Chief Executive Officer and President and the owner of the Manager, will beneficially own 26% of FreeSeas outstanding common stock. The Board also approved the issuance of an aggregate of 199,642 shares of FreeSeas common stock to the non-executive members of its Board of Directors in payment of $31 per person in unpaid Board fees for the last three quarters of 2011. The aggregate number of shares to be issued to the directors was based on the closing prices of FreeSeas common stock on the last day of each of the last three quarters of 2011, which are the dates that the Board fees were due and payable. All of the foregoing shares will be restricted shares under applicable U.S. securities laws.

On May 31, 2012, FreeSeas entered a Sixth Supplemental Agreement with Credit Suisse AG, or Credit Suisse, which amends and restates the Facility Agreement dated December 24, 2007, as amended, between FreeSeas and Credit Suisse. The Sixth Supplemental Agreement, among other things, modifies the Facility Agreement to:

- Defer further principal repayments until March 31, 2014;
- Reduce the interest rate on the facility to LIBOR plus 1% until March 31, 2014 from a current interest margin of 3.25%;
- Release restricted cash of $1.125 million;
- Waive compliance through March 31, 2014 with the requirement to maintain a minimum ratio of aggregate fair market value of the financed vessels to loan balance, after which date the required minimum ratio will be 115% beginning April 1, 2014, 120% beginning October 1, 2014, and 135% beginning April 1, 2015;
- Establish certain financial covenants, including an interest coverage ratio, which must be complied with starting January 1, 2013, a consolidated leverage ratio, which must be complied with starting January 1, 2014, and a minimum liquidity ratio, which must be complied with starting July 1, 2014; and
- Require the amount of any Excess Cash, as determined in accordance with the Facility Agreement at each fiscal quarter end beginning June 30, 2012, to be applied to pay the amendment and restructuring fee described below and prepay the outstanding loan balance, depending on FreeSeas compliance at the time with the vessel market value to loan ratio and the outstanding balance of the loan.

As of the date of this prospectus, the outstanding balance under the Facility Agreement totaled $36.45 million. An amendment and restructuring fee equal to 5% of the current outstanding indebtedness, $1.823 million, will be due and payable on the earlier of March 31, 2014, the date of a voluntary prepayment, or the date the loan facility becomes due or is repaid in full. The modifications provided by the Sixth Supplemental Agreement will provide FreeSeas with greater ability to operate in the current challenging rate environment by reducing its debt service obligations, which in turn significantly reduces its cash break-even rate. FreeSeas is also no longer required to sell additional vessels, as it had been under the terms of the Facility Agreement as previously in effect.

FreeSeas received letters dated June 21, 2012 and June 25, 2012 from The Nasdaq Stock Market, or NASDAQ, stating that for the previous 30 consecutive business days, the bid price of FreeSeas common stock closed below the minimum $1.00 per share and the market value of FreeSeas publicly held common stock, or MVPHS, was below the minimum of $5,000,000. These are both requirements for continued listing on the NASDAQ Global Market pursuant to NASDAQ Marketplace Rules 5450(a)(1), the Minimum Bid Price Rule, and 5450(b)(1), the MVPHS Rule, respectively. These letters have no immediate effect on the listing of the Company s common stock. FreeSeas has been provided a grace period of 180 calendar days to regain compliance by maintaining a closing bid price of at least $1.00 per share (which grace period ends December 18, 2012) and a closing MVPHS of $5,000,000 or more for a minimum of ten consecutive business days (which grace period ends December 24, 2012). If at any time before those dates, the bid price of FreeSeas common stock closes at $1.00 per share or more and its MVPHS closes at $5,000,000 or more for a minimum of 10 consecutive business days, NASDAQ will notify FreeSeas that it has achieved compliance with the Minimum Bid Price Rule and the MVPHS Rule. FreeSeas intends to evaluate available options to resolve the deficiencies and regain compliance with the Minimum Bid Price Rule and the MVPHS Rule.

Our Corporate History

We were incorporated on April 23, 2004 under the name Adventure Holdings S.A. pursuant to the laws of the Republic of the

Marshall Islands to serve as the parent holding company of our ship-owning entities. On April 27, 2005, we changed our name to FreeSeas Inc.

We became a public reporting company on December 15, 2005, when we completed a merger with Trinity Partners Acquisition Company Inc., or Trinity, a blank check company formed to serve as a vehicle to complete a business combination with an operating business, in which we were the surviving corporation. At the time of the merger we owned three drybulk carriers. We currently own seven vessels, each of which is owned through a separate wholly owned subsidiary.

In January 2007, Ion G. Varouxakis purchased all of the common stock owned by our two other co-founding shareholders. He simultaneously sold a portion of the common stock owned by him to FS Holdings Limited, an entity controlled by the Restis family, and to certain other investors. Immediately following these transactions, our Board of Directors appointed Ion G. Varouxakis Chairman of the Board and President, our two other co-founding shareholders and one other director resigned from the Board of Directors, and two new directors were appointed to fill the vacancies.

On September 30, 2010, our shareholders approved a one-for-five reverse split of our outstanding common stock effective October 1, 2010.

As of June 28, 2012, we had outstanding 6,575,625 shares of our common stock.

Our common stock currently trades on the NASDAQ Global Market under the trading symbol FREE.

Our Executive Offices

Our principal executive offices are located at 10, Eleftheriou Venizelou Street (Panepistimiou Ave.), 10671, Athens, Greece and our telephone number is 011-30-210-452-8770.

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RISK FACTORS

An investment in our common stock involves a high degree of risk. In addition to those risks described in our Annual Report on Form 20-F for the fiscal year ended December 31, 2011 filed with the SEC, you should consider carefully the risks described below, together with the other information contained in this prospectus before making a decision to invest in our common stock.

Risk Factors Relating to FreeSeas

At December 31, 2011 FreeSeas current liabilities exceeded its current assets, which could impair its ability to successfully operate its business and could have material adverse effects on its revenues, cash flows and profitability and its ability to comply with its debt covenants and pay its debt service and other obligations.

At December 31, 2011, FreeSeas current liabilities exceeded its current assets by $47,186. As a result of the historically low charter rates for drybulk vessels which have been affecting FreeSeas for over one year, and the resulting material adverse impact on FreeSeas results from operations, FreeSeas has undertaken negotiations with each of its lenders to restructure FreeSeas debt repayments. On May 31, 2012, FreeSeas and Credit Suisse entered in a Sixth Supplemental Agreement to its Facility Agreement with Credit Suisse, which provided for, among other things, a deferral of principal payments until March 31, 2014.

In February, March and April 2012, FreeSeas received notifications from the Deutsche Bank and FBB that FreeSeas is in default under its loan agreements as a result of the breach of certain covenants and the failure to pay principal and interest due under the loan agreements. FreeSeas and Deutsche Bank are currently documenting an amendment to the Deutsche Bank facility agreement that is expected to provide for, among other things, a deferral of principal payments and other relief. FreeSeas is seeking and will continue to seek similar restructured loan terms from FBB. If FreeSeas is not able to enter into a definitive amendment with Deutsche Bank or reach agreement with FBB as to restructured loan terms, or if FreeSeas is unable to comply with its restructured loan terms, this could lead to the acceleration of the outstanding debt under its debt agreements. FreeSeas failure to satisfy its covenants under its debt agreements, and any consequent acceleration and cross acceleration of its outstanding indebtedness would have a material adverse effect on FreeSeas business operations, financial condition and liquidity.

All of the above raises doubt regarding FreeSeas ability to continue as a going concern.

FreeSeas is currently exploring several alternatives aiming to manage its working capital requirements and other commitments if current market charter hire rates continue, including a share capital increase, disposition of certain vessels in its current fleet, and taking steps to achieve additional reductions in operating and other costs.

Generally accepted accounting principles require that long term debt be classified as a current liability when a covenant violation gives the lender the right to call the debt at the balance sheet date, absent a waiver. Accordingly, as of December 31, 2011, FreeSeas is required to reclassify its long term debt as current liabilities in its consolidated balance sheet since FreeSeas has not received waivers in respect of the covenants that are breached at such time. As FreeSeas believes it will succeed in restructuring its debt and receive the necessary waivers, the consolidated financial statements as of December 31, 2011, were prepared assuming that FreeSeas would continue as a going concern. Accordingly, the financial statements did 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 in the event FreeSeas is unable to continue as a going concern, except for the current classification of debt.

The market values of our vessels have declined and may further decrease, and we may incur losses when we sell vessels or we may be required to write down their carrying value, which may adversely affect our earnings and our ability to implement our fleet renewal program.

The market values of our vessels will 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, the types, sizes and ages of our vessels, applicable governmental regulations and the cost of newbuildings.

If a determination is made that a vessel s future useful life is limited or its future earnings capacity is reduced, it could result in an impairment of its carrying amount on our financial statements that would result in a charge against our earnings and the reduction of our shareholders equity. If for any reason we sell our vessels at a time when prices have fallen, the sale price may be less than the vessels carrying amount on our financial statements, and we would incur a loss and a reduction in earnings. During the year ended December 31, 2011, we incurred an impairment loss of $69,998 due to expected sales of certain vessels.

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We have incurred secured debt under loan agreements for all of our vessels. The market value of our vessels is based, in part, on charter rates and the stability of charter rates over a period of time. As a result of global economic conditions, volatility in charter rates, generally declining charter rates, and other factors, we have recently experienced a decrease in the market value of our vessels. Due to the decline of the market value of our fleet, we were not in compliance with certain covenants of our existing loan agreements that relate to maintenance of asset values and, as a result, we may not be able to refinance our debt or obtain additional financing. There can be no assurances that charter rates will stabilize or increase, that the market value of our vessels will stabilize or increase or that we will regain compliance with the financial covenants in our loan agreements or that our lenders will agree to waivers or forbearances.

On November 8, 2011, we sold the M/V *Free Lady* for a sale price of $21.9 million. If we fail to sell our other vessels currently held for sale (the M/V *Free Hero*, the M/V *Free Jupiter*, the M/V *Free Impala*, and the M/V *Free Neptune*), or fail to sell them at prices acceptable to us, we may not be able to acquire the vessels necessary to implement our fleet renewal program which, in turn, could have a material adverse effect on our competitiveness and business operations.

We have been in breach of certain loan covenants contained in our loan agreements. Although we have entered into an amendment to one of our loan facilities, if we are not successful in obtaining waivers and amendments from our other lenders 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, which raises substantial doubt about our ability to continue as a going concern.

Our loan agreements require that we comply with certain financial and other covenants. As a result of the drop in our drybulk asset values we were not in compliance with covenants relating to vessel values as of December 31, 2011. In addition, we were in breach of interest cover ratios, leverage and minimum liquidity covenants with certain banks not previously waived. 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, increase our interest payments and/or pay down our indebtedness to a level where we are in compliance with our loan covenants. Furthermore, our lenders may accelerate our indebtedness and foreclose their liens on our vessels, in which case our vessels may be auctioned or otherwise transferred which would impair our ability to continue to conduct our business. As a result of these breaches, our total indebtedness of $88.9 million is presented within current liabilities in the December 31, 2011 consolidated balance sheet.

Pursuant to letter agreements dated September 6, 2011 and September 19, 2011 with Credit Suisse, which resolved a default by us under the Credit Suisse facility agreement, FreeSeas agreed to execute a sale contract in respect of either of the M/V *Free Jupiter* or the M/V *Free Lady* no later than October 10, 2011. On November 8, 2011, FreeSeas sold the M/V *Free Lady* for a sale price of $21.9 million. Pursuant to the Fifth Supplemental Agreement dated November 7, 2011 with Credit Suisse, FreeSeas agreed to enter into a period time charter of at least 12 months for all its mortgaged vessels no later than December 31, 2011, which charter would cover the vessel s debt service plus $1.0 million. If the foregoing time charter was not entered into by the required date, FreeSeas agreed that it would sell either the M/V *Free Jupiter* or both the M/V *Free Goddess* and the M/V *Free Hero* by January 31, 2012. FreeSeas did not conclude any time charter agreement or any agreement for the sale of the above-mentioned vessels. On May 31, 2012, FreeSeas and Credit Suisse entered in a Sixth Supplemental Agreement to its Facility Agreement with Credit Suisse, which provided for, among other things, a deferral of principal payments until March 31, 2014.

In February, March and April 2012, FreeSeas received notifications from Deutsche Bank and FBB that it is in default under its loan agreements as a result of the breach of certain covenants and the failure to pay principal and interest due under the loan agreements. FreeSeas and Deutsche Bank are currently documenting an amendment to the Deutsche Bank facility agreement that is expected to provide for, among other things, a deferral of principal payments and other relief. FreeSeas is seeking and will continue to seek similar restructured loan terms from FBB. If FreeSeas is not able to enter into a definitive amendment with Deutsche Bank or reach agreement with FBB as to restructured loan terms, or if FreeSeas is unable to comply with its restructured loan terms, this could lead to the acceleration of the outstanding debt under its debt agreements. FreeSeas failure to satisfy its covenants under its debt agreements, and any consequent acceleration and cross acceleration of its outstanding indebtedness would have a material adverse effect on FreeSeas business operations, financial condition and liquidity.

All of the above raises doubt regarding FreeSeas ability to continue as a going concern.

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Our loan agreements contain covenants that may limit our liquidity and corporate activities, including our ability to pay dividends.

If the drybulk market remains depressed or further declines, we may require further waivers and/or covenant amendments to our loan agreements relating to our compliance with certain covenants for certain periods of time. The waivers and/or covenant amendments may impose additional operating and financial restrictions on us and modify the terms of our existing loan agreements. Any such waivers or amendments, if needed, could contain such additional restrictions and might not be granted at all.

Our loan agreements require that we maintain certain financial and other covenants. The low drybulk charter rates and drybulk vessel values have previously affected, and may in the future affect, our ability to comply with these covenants. A violation of these covenants constitutes an event of default under our credit facilities and would provide our lenders with various remedies, including the right to require us to post additional collateral, enhance our equity and liquidity, withhold payment of dividends, increase our interest payments, pay down our indebtedness to a level where we are in compliance with our loan covenants, sell vessels in our fleet, or reclassify our indebtedness as current liabilities. Our lenders could also accelerate our indebtedness and foreclose their liens on our vessels. The exercise of any of these remedies could materially adversely impair our ability to continue to conduct our business. Moreover, our lenders may require the payment of additional fees, require prepayment of a portion of our indebtedness to them, accelerate the amortization schedule for our indebtedness and increase the interest rates they charge us on our outstanding indebtedness.

As described above, FreeSeas was in breach of its financial covenants as of December 31, 2011 and received in February, March and April 2012 notifications from Deutsche Bank and FBB that it is in default under its loan agreements as a result of the breach of certain covenants and the failure to pay principal and interest due under the loan agreements. FreeSeas and Deutsche Bank are currently documenting an amendment to the Deutsche Bank facility agreement that is expected to provide for, among other things, a deferral of principal payments and other relief. FreeSeas is seeking and will continue to seek similar restructured loan terms from FBB. If FreeSeas is not able to enter into a definitive amendment with Deutsche Bank or reach agreement with FBB as to restructured loan terms, or if FreeSeas is unable to comply with its restructured loan terms, this could lead to the acceleration of the outstanding debt. FreeSeas failure to satisfy its covenants under its debt agreements, and any consequent acceleration and cross acceleration of its outstanding indebtedness, would have a material adverse effect on its business operations, financial condition and liquidity.

All of the above raises doubt regarding FreeSeas ability to continue as a going concern.

As a result of our loan covenants, our lenders have imposed operating and financial restrictions on us. These restrictions may limit our ability to:

- incur additional indebtedness;
- create liens on our assets;
- sell capital stock of our subsidiaries;
- make investments;
- engage in mergers or acquisitions;
- pay dividends;
- make capital expenditures;

- change the management of our vessels or terminate or materially amend our management agreements; and

- sell our vessels.

The amended and restated credit agreement dated September 15, 2009 with Deutsche Bank does not allow us to pay dividends without their prior written approval, such approval not to be unreasonably withheld. If we need covenant waivers, our lenders may impose additional restrictions and may require the payment of additional fees, require prepayment of a portion of our indebtedness to them, accelerate the amortization schedule for our indebtedness, and increase the interest rates they charge us on our outstanding indebtedness. We may be required to use a significant portion of the net proceeds from any future capital raising to repay a portion of our outstanding indebtedness. We agreed to pay Deutsche Bank up to 10% of the net proceeds of any capital raises up to a maximum of $3.0 million in the aggregate. We have already paid approximately $1.7 million from our proceeds from the July 2009 follow-on offering. Deutsche Bank has verbally advised us that it will agree to amend our existing loan agreement and modify this requirement. Following such anticipated amendment, this provision will not apply to the proceeds from sales of our common stock under the SEDA. These potential restrictions and requirements may limit our ability to pay dividends to you, finance our future operations, make acquisitions or pursue business opportunities.

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

To finance our fleet, we incurred secured debt under various loan agreements. As of December 31, 2011, we had outstanding an aggregate of $88,946 in debt. We will be required to dedicate a significant portion of our cash flow from operations to pay the principal and interest on our debt. These payments will limit funds otherwise available for working capital, capital expenditures and other purposes. We will need to incur additional indebtedness as we further renew and expand our fleet, which may increase our ratio of debt to equity. We may not be able to obtain such financing when desired or on terms acceptable to us. The need to service our debt may limit funds available for other purposes, including distributing cash to our shareholders, and our inability to service debt could lead to acceleration of our debt and foreclosure of our fleet. We may not be able to generate cash flow in amounts that are sufficient for these purposes.

We have failed to make payments due under our contracts to purchase newbuilding vessels. As a result, the contracting shipyard has terminated both contracts and could claim losses as a result of our default.

We have entered into contracts with a Chinese shipyard to purchase two newbuilding Handysize drybulk vessels, of approximately 33,600 dwt each, for an aggregate purchase price of approximately $48.8 million (excluding extra costs of approximately $1,080). As of December 31, 2011, we have paid the Chinese shipyard $9.76 million in the aggregate. By letter dated February 25, 2012, FreeSeas received notice from the shipyard that it had failed to pay the payment of $3,660 due on February 11, 2012 under the first contract and was therefore in default under its obligations under this contract. The shipyard terminated this contract by notice dated April 28, 2012 to FreeSeas. By letter dated May 7, 2012, FreeSeas received notice from the shipyard pursuant to its newbuilding contracts that it had failed to pay the payment of $3,660 due on April 21, 2012 under the second contract and was therefore in default under its obligations under this contract and received notice of cancellation of this contract by letter dated June 4, 2012 from the shipyard.

The shipyard may claim losses incurred as a result of our default. In such event, we may not be able to reclaim the payments made by us. Further, the payment of any claims arising from such default and failure to successfully implement our fleet renewal plan could adversely affect our earnings, our financial conditions and our business opportunities. In addition, FreeSeas agreement with ABN AMRO Bank (ABN AMRO) to finance these newbuilding vessels was terminated by ABN AMRO. Pursuant to a settlement agreement entered into on April 13, 2012, ABN AMRO agreed to return to FreeSeas all commitment fees paid to date, totaling $418 less legal fees, and all further obligations of the parties have been terminated. As a result, FreeSeas no longer has financing committed for the remaining installments due under the remaining newbuilding contract, making it unlikely that it will be able to take delivery of this newbuilding.

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

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

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

Economic conditions and regulatory pressures impacting banks in Greece may cause disruptions to one of our lenders, which may cause an increase in the cost of our borrowings from that lender.

One of our lenders is FBB, located in Greece. As a result of the recent financial crisis in Greece, Greek banks have been under significant pressure from the applicable banking regulators to increase capital, increase earnings or merge with other banks. There can

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be no assurances that our banking relationship with FBB would continue if FBB were to merge with another bank or that FBB might not attempt to invoke provisions in our loan agreement that permits it to pass along increases in its cost of regulations. In either event, our financial condition and results of operations could be materially adversely affected.

The Public Company Accounting Oversight Board is currently unable to inspect the audit work and practices of auditors operating in Greece, including our auditor.

Auditors of U.S. public companies are required by law to undergo periodic Public Company Accounting Oversight Board, or PCAOB, inspections that assess their compliance with U.S. law and professional standards in connection with performance of audits of financial statements filed with the SEC. Certain European Union, or EU, countries do not permit the PCAOB to conduct inspections of accounting firms established and operating in EU countries, even if they are part of major international firms. Accordingly, unlike for most U.S. public companies, the PCAOB is prevented from evaluating our auditor s performance of audits and its quality control procedures, and, unlike the shareholders of most U.S. public companies, our shareholders are deprived of the possible benefits of such inspections.

Risks Related to this Offering and Our Common Stock

There are substantial risks associated with the Standby Equity Distribution Agreement with YA Global Master SPV Ltd., which could contribute to the decline of our stock price and have a dilutive impact on our existing stockholders.

The sale of shares of our common stock pursuant to the SEDA will have a dilutive impact on our stockholders. YA Global may resell some, if not all, of the shares we issue to it under the SEDA and such sales could cause the market price of our common stock to decline significantly. To the extent of any such decline, any subsequent advances would require us to issue a greater number of shares of common stock to YA Global in exchange for each dollar of the advance. Under these circumstances, our existing stockholders would experience greater dilution. Although YA Global is precluded from short sales, the sale of our common stock under the SEDA could encourage short sales by third parties, which could contribute to the further decline of our stock price.

Our executive officers, directors and principal stockholders own a large percentage of our voting common stock and could limit our stockholders influence on corporate decisions or could delay or prevent a change in corporate control.

As of June 28, 2012, our directors, executive officers and certain holders of more than 5% of our outstanding common stock, together with their affiliates and related persons, beneficially own, in the aggregate, approximately 19% of our outstanding common stock; if the 199,642 shares issuable to our non-executive directors and the 1,660,694 shares issuable to our Manager, which were granted by our Board of Directors at its April 2012 meeting, were included, that percentage would increase to approximately 37%. As a result, these stockholders, if acting together, have the ability to determine the outcome of all matters submitted to our stockholders for approval, including the election and removal of directors and any merger, consolidation or sale of all or substantially all of our assets and other extraordinary transactions. The interests of this group of stockholders may not always coincide with our corporate interests or the interest of other stockholders, and they may act in a manner with which you may not agree or that may not be in the best interests of other stockholders. This concentration of ownership may have the effect of:

- delaying, deferring or preventing a change in control of our company;
- entrenching our management and/or board;
- impeding a merger, consolidation, takeover or other business combination involving our company; or
- discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of our company.

The market price of our common stock has been and may in the future be subject to significant fluctuations.

The market price of our common stock has been and may in the future be subject to significant fluctuations as a result of many factors, some of which are beyond our control. Among the factors that have in the past and could in the future affect our stock price are:

quarterly variations in our results of operations;

our lenders willingness to extend our loan covenant waivers, if necessary;

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

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

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

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

the thin trading market for our common stock, which makes it somewhat illiquid;

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- the current ineligibility of our common stock to be the subject of margin loans because of its low current market price;
- regulatory developments;
- additions or departures of key personnel;
- general market conditions; and
- domestic and international economic, market and currency factors unrelated to our performance.

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

As long as our stock price remains below $5.00 per share, our shareholders will face restrictions in using our shares as collateral for margin accounts. Further, if our stock price remains below $1.00 or our market capitalization falls below $5 million, we may be subject to delisting or be forced to take action to cure this problem.

The last reported sale price of our common stock on the NASDAQ Global Market on June 28, 2012 was $0.74 per share. If the market price of our shares of common stock remains below $5.00 per share, under Federal Reserve regulations and account maintenance rules of many brokerages, our shareholders will face restrictions in using such shares as collateral for borrowing in margin accounts. These restrictions on the use of our common stock as collateral may lead to sales of such shares creating downward pressure on and increased volatility in, the market price of our shares of common stock. In addition, many institutional investors will not invest in stocks whose prices are below $5.00 per share.

If we are unable to achieve compliance with NASDAQ s listing requirements, our common stock could be delisted from the NASDAQ Global Market, which would negatively impact our liquidity, our stockholders ability to sell shares and our ability to raise capital.

Our listing on the NASDAQ Global Market is conditioned upon our continued compliance with the NASDAQ Marketplace Rules, including a rule that requires that we continue to meet the minimum bid price requirement as well as certain equity or market standards including maintenance of a minimum stockholders equity level, having a minimum number of publicly held shares, and a minimum number of registered and active market makers. We received letters dated June 21, 2012 and June 25, 2012 from NASDAQ stating that for the previous 30 consecutive business days, the bid price of our common stock closed below the minimum $1.00 per share and the market value of our publicly held common stock, or MVPHS, was below the minimum of $5,000,000. These are both requirements for continued listing on the NASDAQ Global Market pursuant to NASDAQ Marketplace Rules 5450(a)(1), the Minimum Bid Price Rule, and 5450(b)(1), the MVPHS Rule, respectively. These letters have no immediate effect on the listing of the Company s common stock. We have been provided a grace period of 180 calendar days to regain compliance by maintaining a closing bid price of at least $1.00 per share (which grace period ends December 18, 2012) and a closing MVPHS of $5,000,000 or more for a minimum of ten consecutive business days (which grace period ends December 24, 2012). If at any time before those dates, the bid price of our common stock closes at $1.00 per share or more and its MVPHS closes at $5,000,000 or more for a minimum of 10 consecutive business days, NASDAQ will notify us that we have achieved compliance with the Minimum Bid Price Rule and the MVPHS Rule.

If we fail to comply with NASDAQ s continued listing requirements, our common stock could be delisted from the NASDAQ Global Market. The delisting of our common stock would significantly affect the ability of investors to trade our securities and would significantly negatively affect the value and liquidity of our common stock. In addition, the delisting of our common stock could materially adversely affect our ability to raise capital on terms acceptable to us or at all. Delisting from the NASDAQ Global Market could also have other negative results, including the potential loss of confidence by suppliers and employees, the loss of institutional investor interest and fewer business development opportunities.

As a foreign private issuer whose shares are listed on the NASDAQ Global Market, we may follow certain home country corporate governance practices instead of certain NASDAQ requirements and are not required to obtain shareholder approval for the sale of shares under the SEDA.

As a foreign private issuer whose shares are listed on the NASDAQ Global Market, we are permitted to follow certain home country corporate governance practices instead of certain requirements of the NASDAQ Marketplace Rules. For example, we may follow home country practice with regard to, among other things, the composition of the board of directors, compensation of officers, director nomination process and quorum at shareholders meetings. In addition, we may follow home country practice instead of the NASDAQ requirement to obtain shareholder approval for certain dilutive events, such as for the establishment or amendment of certain equity-based compensation plans, a stock issuance that will result in a change of control of the company, certain transactions other than a public offering involving issuances of a 20% or more interest in the company and certain acquisitions of the stock or assets of another company. In particular, we are not required to obtain shareholder approval for our sale of shares pursuant to the SEDA, which may result in the issuance of shares totaling more than 20% of our outstanding shares. Accordingly, our shareholders may not be afforded the same protections as provided under NASDAQ s corporate governance rules.

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

Issuance of a substantial number of shares of our common stock in public or private offerings, including pursuant to the SEDA, or in payment of obligations due, or the perception that these issuances could occur, may depress the market price for our common stock. These issuances could also impair our ability to raise additional capital through the sale of our equity securities in the future. We may issue additional shares of our common stock in the future and our shareholders may elect to sell large numbers of shares held by them from time to time. Also, we may need to raise additional capital to achieve our business plans.

Because the Republic of the Marshall Islands, where we are incorporated, does not have a well-developed body of corporate law, shareholders may have fewer rights and protections than under typical United States law, such as Delaware, and shareholders may have difficulty in protecting their interest with regard to actions taken by our Board of Directors.

Our corporate affairs are governed by amended and restated articles of incorporation and by-laws and by the Marshall Islands Business Corporations Act, or BCA. The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. However, there have been few judicial cases in the Republic of the Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors under the law of the Republic of the Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in certain U.S. jurisdictions. Shareholder rights may differ as well. For example, under Marshall Islands law, a copy of the notice of any meeting of the shareholders must be given not less than 15 days before the meeting, whereas in Delaware such notice must be given not less than 10 days before the meeting. Therefore, if immediate shareholder action is required, a meeting may not be able to be convened as quickly as it can be convened under Delaware law. Also, under Marshall Islands law, any action required to be taken by a meeting of shareholders may only be taken without a meeting if consent is in writing and is signed by all of the shareholders entitled to vote, whereas under Delaware law action may be taken by consent if approved by the number of shareholders that would be required to approve such action at a meeting. Therefore, under Marshall Islands law, it may be more difficult for a company to take certain actions without a meeting even if a majority of the shareholders approve of such action. While the BCA does specifically incorporate the non-statutory law, or judicial case law, of the State of Delaware and other states with substantially similar legislative provisions, public shareholders may have more difficulty in protecting their interests in the face of actions by the management, directors or controlling shareholders than would shareholders of a corporation incorporated in a U.S. jurisdiction.

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

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

Provisions in our organizational documents, our management agreement and under Marshall Islands corporate law could make it difficult for our shareholders to replace or remove our current Board of Directors or have the effect of discouraging, delaying or preventing a merger or acquisition, which could adversely affect the market price of our common stock.

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

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

- providing for a classified Board of Directors with staggered, three year terms;

prohibiting cumulative voting in the election of directors;

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

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- limiting the persons who may call special meetings of shareholders;
- establishing advance notice requirements for election to our Board of Directors or proposing matters that can be acted on by shareholders at shareholder meetings; and
- limiting our ability to enter into business combination transactions with certain shareholders.

Pursuant to the terms of our management agreement, our Manager is entitled to a termination fee if such agreement is terminated upon a change of control, which term includes, but is not limited to, the election of a director not recommended by the then-current Board of Directors, any person or entity or group of affiliated persons or entities that becomes a beneficial owner of 15% or more of our voting securities, a merger of FreeSeas where less than a majority of the shares of the resulting entity are held by the FreeSeas shareholders or the sale of all or substantially all of FreeSeas assets. The termination fee as of December 31, 2011 would have been approximately $101 million. In addition, we have implemented a shareholder rights plan pursuant to which the holders of our common stock receive one right to purchase one one-thousandth of a share of our Series A Participating Preferred Stock at an exercise price of $90.00 per share, subject to adjustment. The rights become exercisable upon the occurrence of certain change in control events. These provisions and our shareholder rights plan could substantially impede the ability of public shareholders to benefit from a change in control and, as a result, may adversely affect the market price of our common shares and your ability to realize any potential change of control premium.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements. These forward-looking statements include information about possible or assumed future results of our operations and our performance. Our forward-looking statements include, but are not limited to, statements regarding us or our management s expectations, hopes, beliefs, intentions or strategies regarding the future and other statements other than statements of historical fact. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words anticipates, forcasts, believe, continue, could, estimate, expect, intends, may, might, plan, possible, potential, predicts, project, should, would and similar expressions may identify statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements in this prospectus may include, for example, statements about:

our future operating or financial results;

our financial condition and liquidity, including our ability to comply with our loan covenants, to repay our indebtedness and to continue as a going concern;

potential liability from future litigation and incidents involving our vessels, including seizures by pirates, and our expected recoveries of claims under our insurance policies;

our ability to comply with the continued listing standards on the exchange or trading market on which our common stock is listed for trading;

our ability to pay dividends in the future;

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

business strategy, areas of possible expansion, and expected capital spending or operating expenses and general and administrative expenses;

the useful lives and value of our vessels;

our ability to receive in full or partially our accounts receivable and insurance claims;

greater than anticipated levels of drybulk vessel new building orders or lower than anticipated rates of drybulk vessel scrapping;

changes in the cost of other modes of bulk commodity transportation;

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

- changes in condition of our vessels or applicable maintenance or regulatory standards (which may affect, among other things, our anticipated dry-docking costs);
- competition in the seaborne transportation industry;
- global and regional economic and political conditions;
- fluctuations in currencies and interest rates;
- our ability to leverage to our advantage the relationships and reputation Free Bulkers S.A., our Manager, has in the drybulk shipping industry;
- the overall health and condition of the U.S. and global financial markets;
- changes in seaborne and other transportation patterns;
- changes in governmental rules and regulations or actions taken by regulatory authorities;
- acts of terrorism and other hostilities; and
- other factors discussed in the section titled Risk Factors in this prospectus.

The forward-looking statements contained in this prospectus are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these

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forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described under the heading Risk Factors. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws and/or if and when management knows or has a reasonable basis on which to conclude that previously disclosed projections are no longer reasonably attainable.

PRICE RANGE OF OUR PUBLICLY TRADED SECURITIES

Our common stock began trading on the NASDAQ Global Market on November 8, 2007 under the trading symbol FREE. Prior to that time, our common stock was traded on the NASDAQ Capital Market under the symbol FREE.

The closing high and low sales prices of our common stock as reported by the NASDAQ Stock Market, for the years, quarters and months indicated, are as follows (adjusted to give effect of our one share for five share reverse stock split that was effective on October 1, 2010):

	Common Stock	
For the Years Ended:	**High**	**Low**
December 31, 2007	$ 51.20	$ 13.80
December 31, 2008	39.85	4.50
December 31, 2009	17.45	5.85
December 31, 2010	7.95	3.61
December 31, 2011	3.89	0.40

	Common Stock	
For the Quarters Ended:	**High**	**Low**
March 31, 2010	$ 6.70	$ 6.40
June 30, 2010	7.45	5.85
September 30, 2010	6.00	4.50
December 31, 2010	5.08	3.61
March 31, 2011	3.89	2.75
June 30, 2011	2.80	1.75
September 30, 2011	2.27	0.82
December 31, 2011	1.13	0.40
March 31, 2012	0.93	0.80
June 29, 2012	1.85	0.63

	Common Stock	
For the Months Ended:	**High**	**Low**
January 31, 2012	$ 0.50	$ 0.36
February 29, 2012	1.11	0.86
March 31, 2012	1.20	1.10
April 30, 2012	1.85	0.99
May 31, 2012	1.20	0.63
June 29, 2012	0.75	0.64

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DIVIDEND POLICY

In light of a lower freight environment and a highly challenging financing environment, which has adversely affected our results of operations and our compliance with our debt obligations, our Board of Directors, beginning in February 2009, suspended the cash dividend on our common stock. Our dividend policy will be assessed by our Board of Directors from time to time; however, it is not likely that we will reinstate the payment of dividends until market conditions improve. In addition, our loan agreements do not allow us to pay dividends without the prior written approval of our lenders. Therefore, there can be no assurance that, if we were to determine to resume paying cash dividends, our lenders would provide any required consent.

USE OF PROCEEDS

We will not receive any proceeds from the sale of shares by the selling stockholder. All net proceeds from the sale of the common stock covered by this prospectus will go to the selling stockholder. We will, however, receive proceeds from any sale of shares of common stock to YA Global pursuant to the SEDA. For each share of common stock purchased under the SEDA, YA Global will pay 96% of the lowest daily volume weighted average price during the five consecutive trading days after we deliver an advance notice to YA Global. Each such advance may be for an amount not to exceed the greater of $200,000 or the average daily trading volume of our common stock for the 10 consecutive trading days prior to the notice date.

We anticipate, and have represented to YA Global in the SEDA, that the proceeds received under the SEDA will be utilized only for working capital and general corporate purposes.

Deutsche Bank has verbally advised us that it will agree to amend our existing loan agreement and modify the requirement to pay to Deutsche Bank up to 10% of the net proceeds of any capital raises up to a maximum of $3.0 million in the aggregate, of which we have already paid approximately $1.7 million. Following such anticipated amendment, this provision will not apply to the proceeds from sales of our common stock under the SEDA.

For a description of our loan facilities, please see Item 5. Operating and Financial Review and Prospects Long-Term Debt in our Annual Report on Form 20-F for the fiscal year ended December 31, 2011. Our annual Report on Form 20-F is incorporated by reference into this prospectus. Please see Incorporation of Certain Information by Reference below.

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CAPITALIZATION

The following table sets forth our consolidated capitalization as of December 31, 2011. There have been no material changes in our capitalization between December 31, 2011 and the date of this prospectus.

	(U.S. dollars in thousands, except share amounts)	
Debt:		
Long-term debt, current portion	$	88,946
Long-term debt, net of current portion		
Total debt	$	88,946
Shareholders equity:		
Preferred stock, $0.001 par value; 5,000,000 shares authorized, none issued		
Common stock, $0.001 par value; 250,000,000 shares authorized, 6,475,625 shares issued and outstanding(1)		6
Additional paid-in capital		127,759
Retained earnings		(92,646)
Total shareholders equity		35,119
Total capitalization	$	124,065

(1) Does not include:

1,660,694 shares of common stock to be issued to our Manager in payment of the $926 in unpaid fees due to the Manager for the first quarter of 2012 under the management and services agreements with us. The number of shares to be issued to the Manager was based on the closing prices of our common stock on the first day of each month during the quarter, which are the dates the management and services fees were due and payable. Also does not include an aggregate of 199,642 shares of our common stock to be issued to the non-executive members of our Board of Directors in payment of $31 per person in unpaid Board fees for the last three quarters of 2011. The aggregate number of shares to be issued to the directors was based on the closing prices of our common stock on the last day of each of the last three quarters of 2011, which are the dates that the Board fees were due and payable; and

100,000 shares issued to YA Global as a commitment fee under the SEDA.

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SELECTED HISTORICAL FINANCIAL INFORMATION AND OTHER DATA

The following summary financial information and data were derived from our audited consolidated financial statements for the years ended December 31, 2011, 2010, 2009, 2008 and 2007. The information is only a summary and should be read in conjunction with our historical consolidated financial statements and related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations, included in our Annual Report on Form 20-F for the fiscal year ended December 31, 2011, as filed with the SEC. Please see Incorporation of Certain Information by Reference. The historical data included below and elsewhere in this prospectus are not necessarily indicative of our future performance.

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

	Year Ended December 31,				
	2011	**2010**	**2009**	**2008**	**2007**
Statement of Operations Data:					
Operating revenues	$ 29,538	$ 57,650	$ 57,533	$ 66,689	$ 20,147
Voyage expenses	(807)	(1,887)	(1,394)	(527)	(267)
Commissions	(1,777)	(3,357)	(3,089)	(3,383)	(1,095)
Vessel operating expenses	(14,563)	(18,607)	(17,813)	(16,354)	(6,001)
Depreciation expense	(8,664)	(15,365)	(16,006)	(13,349)	(4,435)
Amortization of deferred charges	(915)	(1,888)	(1,742)	(788)	(757)
Management fees to a related party	(1,900)	(1,978)	(1,874)	(2,634)	(875)
General and administrative expenses	(4,734)	(4,494)	(4,156)	(2,863)	(2,207)
Provision and write-offs of insurance claims and bad debts	(133)	(1,250)		(221)	(118)
Gain on sale of vessel	1,561	807			1,369
Vessel impairment loss	(69,998)	(26,631)			
Impairment of advances for vessels under construction	(11,717)				
Income / (loss) from operations	**$ (84,109)**	**$ (17,000)**	**$ 11,459**	**$ 26,570**	**$ 5,761**
Interest and finance costs	(4,003)	(4,375)	(4,323)	(6,453)	(5,774)
Loss on derivative instruments	(178)	(465)	(111)	(1,456)	(749)
Interest income	4	37	24	580	639
Other	90	(18)	(190)	(49)	(33)
Net income / (loss)	**$ (88,196)**	**$ (21,821)**	**$ 6,859**	**$ 19,192**	**$ (156)**
Basic earnings / (loss) per share	$ (13.60)	$ (3.46)	$ 1.35	$ 4.57	$ (0.09)
Diluted earnings / (loss) per share	$ (13.60)	$ (3.46)	$ 1.35	$ 4.56	$ (0.09)
Basic weighted average number of shares	6,485,072	6,313,606	5,092,772	4,201,299	1,757,613
Diluted weighted average number of shares	6,485,072	6,313,606	5,092,772	4,210,393	1,757,613
Dividends per share	$	$	$	$ 2.25	$ 0.875

	Year Ended December 31,				
	2011	**2010**	**2009**	**2008**	**2007**
Balance Sheet Data:					
Current assets, including cash	$ 52,675(A)	$ 27,691(B)	$ 22,125	$ 27,184	$ 81,440
Vessels, net	81,419	213,691	270,701	275,405	108,021
Total assets	134,980	250,984	297,321	307,861	191,972
Total current liabilities, including current portion of long-term debt	99,861(D)	29,819(C)	29,488	50,768	34,097
Derivative financial instruments, net of current portion		538	684	1,337	749
Long-term debt, including shareholder loans net of current portion		97,437	122,559	133,650	44,500
Total liabilities	99,861	127,794	152,869	187,006	79,346
Total shareholders equity	35,119	123,190	144,452	120,855	112,626

(A) Includes vessels held for sale in the amount of $45,272.
(B) Includes a vessel held for sale in the amount of $13,606.
(C) Includes the estimated loan prepayment amount of $8,760 relating to the vessel held for sale.
(D) Includes the amounts of long-term debt and interest rate swaps amounting to $88,946 and $760, respectively, classified as current at December 31, 2011.

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	Year Ended December 31, 2011	2010	2009	2008	2007
Other Financial Data:					
Net cash provided by operating activities	$ 4,470	$ 20,802	$ 21,391	$ 32,563	$ 5,071
Net cash provided by (used in) investing activities	18,422	(2,819)	(11,302)	(182,539)	(86,979)
Net cash provided by (used in) financing activities	(26,255)	(20,630)	(7,126)	89,960	144,930

	Year Ended December 31, 2011	2010	2009	2008	2007
Performance Indicators:					
Adjusted EBITDA(1)	**$ 5,833**	**$ 26,834**	**$ 30,337**	**$ 41,517**	**$ 8,249**
Fleet Data:					
Average number of vessels(2)	8.21	9.65	9.35	7.36	3.30
Ownership days(3)	2,998	3,523	3,414	2,688	1,206
Available days(4)	2,960	3,430	3,373	2,605	1,177
Operating days(5)	2,865	3,329	3,294	2,441	1,048
Fleet utilization(6)	97%	97%	98%	94%	89%
Average Daily Results:					
Average TCE rate(7)	$ 9,408	$ 15,742	$ 16,105	$ 25,719	$ 17,925
Vessel operating expenses(8)	4,858	5,282	5,218	6,084	4,976
Management fees(9)	634	561	549	616	601
General and administrative expenses(10)	1,538	1,117	1,073	1,390	1,875
Total vessel operating expenses(11)	5,491	5,843	5,767	6,700	5,577

(1) Adjusted EBITDA represents net earnings before taxes, depreciation and amortization, amortization of deferred revenue, back log asset, (gain)/loss on derivative instruments, stock-based compensation expense, vessel impairment loss, impairment of advances for vessels under construction, interest and finance cost net, provision and write-offs of insurance claims and bad debts, and (gain)/loss on sale of vessel. Under the laws of the Marshall Islands, we are not subject to tax on international shipping income. However, we are subject to registration and tonnage taxes, which have been included in vessel operating expenses. Accordingly, no adjustment for taxes has been made for purposes of calculating Adjusted EBITDA. Adjusted EBITDA is a non-GAAP measure and does not represent and should not be considered as an alternative to net income or cash flow from operations, as determined by U.S. GAAP, and our calculation of Adjusted EBITDA may not be comparable to that reported by other companies. The shipping industry is capital intensive and may involve significant financing costs. FreeSeas uses Adjusted EBITDA because it presents useful information to management regarding FreeSeas ability to service and/or incur indebtedness by excluding items that it does not believe are indicative of its core operating performance, and therefore is an alternative measure of its performance. FreeSeas also believes that Adjusted EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in its industry. Adjusted EBITDA has limitations as an analytical tool, however, and should not be considered in isolation or as a substitute for analysis of FreeSeas results as reported under U.S. GAAP. Some of these limitations are: (i) Adjusted EBITDA does not reflect changes in, or cash requirements for, working capital needs; and (ii) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such capital expenditures.

	Year Ended December 31, 2011	2010	2009	2008	2007
Net income (loss)	$ (88,196)	$ (21,821)	$ 6,859	$ 19,192	$ (156)
Depreciation and amortization	9,579	17,253	17,748	14,137	5,192
Amortization of deferred revenue	(136)	(1,034)	(81)	(368)	(1,516)
Back log asset			907	899	
Stock-based compensation expense	122	559	494	107	96
Vessel impairment loss	69,998	26,631			
Impairment of advances for vessels under construction	11,717				
(Gain) / Loss on derivative instruments	178	465	111	1,456	749
Interest and finance cost, net of interest income	3,999	4,338	4,299	5,873	5,135
(Gain) on sale of vessel	(1,561)	(807)			(1,369)
Provision and write-offs of insurance claims and bad debts	133	1,250		221	118

Adjusted EBITDA	**$ 5,833**	**$ 26,834**	**$ 30,337**	**$ 41,517**	**$ 8,249**

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

	Year Ended December 31,				
	2011	**2010**	**2009**	**2008**	**2007**
Operating revenues	$ 29,538	$ 57,650	$ 57,533	$ 66,689	$ 20,147
Voyage expenses and commissions	(2,584)	(5,244)	(4,483)	(3,910)	(1,362)
Net operating revenues	26,954	52,406	53,050	62,779	18,785
Operating days	2,865	3,329	3,294	2,441	1,048
Time charter equivalent daily rate	**$ 9,408**	**$ 15,742**	**$ 16,105**	**$ 25,719**	**$ 17,925**

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

	Year Ended December 31,				
	2011	**2010**	**2009**	**2008**	**2007**
Vessel operating expenses	$ 14,563	$ 18,607	$ 17,813	$ 16,354	$ 6,001
Ownership days	2,998	3,523	3,414	2,688	1,206
Daily vessel operating expenses	**$ 4,858**	**$ 5,282**	**$ 5,218**	**$ 6,084**	**$ 4,976**

(9) Daily management fees are calculated by dividing total management fees paid on ships owned by ownership days for the relevant time period.
(10) Average daily general and administrative expenses are calculated by dividing general and administrative expenses (excluding stock-based compensation expense) by ownership days for the relevant period.
(11)

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

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OTHER INFORMATION ABOUT THE COMPANY

Additional information regarding our business, assets, loan facilities, legal proceedings, quantitative and qualitative disclosures about market risk, Operating and Financial Review and Prospects, liquidity and capital resources, our directors and executive officers, compensation of management and our directors, security ownership of certain beneficial owners and management, and certain relationships and related transactions, as well as our consolidated financial statements at December 31, 2011, 2010 and 2009 and for the years then ended, are incorporated in this prospectus by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2011. Please see Incorporation of Certain Information by Reference, below.

There have been no material changes in our affairs that have occurred since December 31, 2011 that have not been described in our Form 20-F or in a Form 6-K filed under the Exchange Act.

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DESCRIPTION OF SECURITIES

We have summarized below the material features of our capital stock. This summary is not a complete discussion of our organizational documents and other instruments that create the rights of our shareholders. We urge you to carefully read those documents and instruments. Please see Where You Can Find Additional Information for information on how to obtain copies of those documents and instruments.

Our authorized capital stock consists of 250,000,000 shares of common stock, par value, $.001 per share, and 5,000,000 shares of blank check preferred stock, par value, $.001 per share, none of which are outstanding. All of our shares of stock must be in registered form.

Common Stock

As of June 28, 2012, 6,575,625 shares of common stock were outstanding out of 250,000,000 shares authorized to be issued. As of June 28, 2012, 12,000 shares of common stock were reserved for issuance upon the exercise of outstanding options.

At its April 2012 meeting, our Board of Directors approved the issuance of 1,660,694 shares of common stock to our Manager in payment of the $926 in unpaid fees due to the Manager for the first quarter of 2012 under the management and services agreements with us. The number of shares to be issued to the Manager was based on the closing prices of our common stock on the first day of each month during the quarter, which are the dates the management and services fees were due and payable. Upon issuance of these restricted shares, Mr. Varouxakis, who is our Chairman, Chief Executive Officer and President and the owner of the Manager, will beneficially own 26% of the outstanding common stock of the Company. The Board also approved the issuance of an aggregate of 199,642 shares of our common stock to the non-executive members of our Board of Directors in payment of $31 per person in unpaid Board fees for the last three quarters of 2011. The aggregate number of shares to be issued to the directors was based on the closing prices of our common stock on the last day of each of the last three quarters of 2011, which are the dates that the Board fees were due and payable. All of the foregoing shares, when issued, will be restricted shares under applicable U.S. securities laws.

Each outstanding share of common stock entitles the holder to one vote on all matters submitted to a vote of shareholders. Subject to preferences that may be applicable to shares of preferred stock that may be issued in the future, holders of shares of common stock are entitled to receive dividends, if any, declared by our Board of Directors out of funds legally available for dividends. Holders of common stock do not have conversion, redemption or preemptive rights to subscribe to any of our securities. All outstanding shares of common stock are fully paid and nonassessable. The rights, preferences and privileges of holders of common stock are subject to the rights of the holders of any shares of preferred stock that FreeSeas may issue in the future.

Our previously outstanding Class A warrants expired on July 29, 2011 and Class Z warrants expired on August 12, 2011.

Preferred Stock

As of the date of this prospectus, we are authorized to issue up to 5,000,000 shares of blank check preferred stock. Our Board of Directors can determine the rights, designations and preferences of the preferred stock, and authorize the issuance of shares of preferred stock without any further vote or action by our shareholders.

We have entered into a shareholders rights agreement with American Stock Transfer & Trust Company, LLC effective January 14, 2009 and declared a dividend of one purchase right, or a Right, to purchase one one-thousandth of a share of our Series A Participating Preferred Stock, par value $0.001 per share, for each outstanding share of our common stock. The dividend was paid on January 23, 2009 to our shareholders of record on that date. In addition, we authorized the issuance of one Right in respect of each share of common stock that shall become outstanding at any time between January 23, 2009 and the earliest of the distribution date, the redemption date or the final expiration date, as such terms are defined in the shareholders rights agreement, including shares of common stock that become outstanding upon the exercise or conversion of options, warrants or convertible securities as long as they are outstanding on the distribution date. Each Right entitles the registered holder, upon the occurrence of certain events, to purchase from us one one-thousandth of a share of Preferred Stock at an exercise price of $90.00, subject to adjustment. The Rights become exercisable under certain circumstances set forth in the shareholders rights agreement.

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Other Securities

Employee Options

Pursuant to our Amended and Restated 2005 Stock Incentive Plan, there are outstanding options to purchase a total of 12,000 shares of our common stock, all of which options have vested. The options entitle the holders to purchase shares of our common stock at an exercise price of $41.25 per share until December 24, 2012.

Other Matters

Our Amended and Restated Articles of Incorporation and By-Laws

Our purpose, as stated in section 3.B. of our amended and restated articles of incorporation, 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 by-laws do not impose any limitations on the ownership rights of our shareholders.

Under our by-laws, annual shareholders 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 Republic of the Marshall Islands. Special meetings may be called by the Board of Directors, by our Chairman or by our President. Our Board of Directors may set a record date between 15 and 60 days before the date of any meeting to determine the shareholders that will be eligible to receive notice and vote at the meeting.

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. There is no provision for cumulative voting. The Board of Directors has the authority to fix the amounts that shall be payable to the members of our Board of Directors for attendance at any meeting or for services rendered to us. Our by-laws provide, generally