

Star Maritime Acquisition Corp.  
Form 10-K  
March 14, 2007

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-K  
ANNUAL REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

(Mark one)

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

For the fiscal year ended December 31, 2006

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No.: 001-32685

**Star Maritime Acquisition Corp.**

(Exact Name of issuer as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

20-202873585  
(I.R.S. Employer  
Identification No.)

\_\_\_\_\_  
103 Foulk Road  
Wilmington, DE 19803  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 302-656-1950

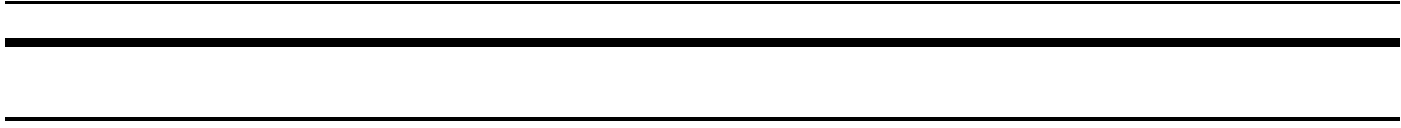
**Securities registered pursuant to Section 12(b) of the Act:**

**Common Stock, \$.0001 par value**  
(Title of Class)

**Common Stock Purchase Warrants**

(Title of Class)

**Securities registered pursuant to Section 12(g) of the Act: None**



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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark if the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

State the aggregate market value of the voting and non-voting stock held by non-affiliates of the Issuer: \$191,693,800 (based upon the closing price of Issuer's Common Stock, \$.0001 par value, as of the last business day of the Issuer's most recently completed second fiscal quarter (June 30, 2006).

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable.

Common Stock, \$.0001 Par Value  
(Title of Class)

29,026,924  
(No. of Shares Outstanding at March \_\_\_\_, 2007)

**DOCUMENTS INCORPORATED BY REFERENCE: NONE**

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## PART I

### Item 1. Business

#### Overview

Star Maritime is a blank check company organized under the laws of the State of Delaware on May 13, 2005 to acquire, through a merger, capital stock exchange, asset acquisition or similar business combination, one or more “target businesses” in the shipping industry. A “target business” includes one or more entities with agreements to acquire vessels or an operating business in the shipping industry. Following our formation, our officers and directors were the holders of 9,026,924 shares of common stock representing all of our issued and outstanding capital stock at such time. On December 21, 2005, we consummated our initial public offering of 18,867,500 units, which we refer to as the Initial Public Offering, with each unit consisting of one share of Star Maritime common stock and one warrant to purchase one share of Star Maritime common stock. In addition, we completed the Private Placement of an aggregate of 1,132,500 units, which we refer to as the Private Placement, to Messrs. Tsirigakis and Syllantavos, our senior executive officers and Messrs. Pappas and Erhardt, two of our directors. The gross proceeds of the Private Placement of \$11,325,500 were used to pay all fees and expenses of the Initial Public Offering. After deducting the underwriting discounts and commissions, the placement fee and the offering expenses, the total net proceeds to us from the Initial Public Offering and the Private Placement were approximately \$189,125,000 of which \$188,675,000 was deposited into a trust account, \$599,163 was used to repay interest and debt to our Chairman and Chief Executive Officer, Mr. Akis Tsirigakis, for a loan advanced to us to cover expenses related to the Initial Public Offering and the remaining proceeds of \$533,172, which after payment of approximately \$170,000 of additional financing fees, provided us with approximately \$363,172, which was deposited and held outside of the trust account to be used to provide for business, legal and accounting due diligence on prospective business combinations and continuing operating expenses. During the fiscal year ended December 31, 2006, we incurred \$1,211,100 of operating expenses. \$363,172 of such operating expenses were provided by the net proceeds of the Initial Public Offering that were not deposited in the trust account, and \$847,928 of such operating expenses were provided by distributions of interest income from the trust account, made in accordance with the procedures set forth in the Investment Management Trust Agreement, dated December 21, 2005 between Star Maritime and American Stock Transfer & Trust Company. The net proceeds deposited into the trust account remain on deposit in the trust account earning interest. As of December 31, 2006, there was \$192,915,257 held in the trust account, including interest income of \$4,240,257.

#### Shipping Industry Overview

The shipping industry provides a practical and cost-effective means of transporting large volumes of cargoes. This is accomplished predominantly by the dry bulk and tanker sectors, while other related sectors tend to be specialized. The dry bulk sector involves the transportation of dry bulk and general cargoes, including, among other products, coal, minerals, ore, steel products, forest products, agricultural products, construction materials and heavy equipment, machinery and spare parts via dry bulk cargo vessels. The tanker sector involves the transportation of wet products such as crude oil, refined petroleum cargoes and liquid chemicals via different types of tankers. Related sectors comprise, but are not limited to, the operation of vessels such as containerships, liquefied gas carriers, offshore supply and anchor-handling vessels.

We may seek to acquire a company with agreements to purchase individual vessels, a company with a fleet of vessels, a number of such companies as a group, or an entity which provides commercial management, operational and technical management or other services to one or more segments of the shipping industry. A target company might be a holding company, the sole assets of which are one or more agreements to acquire individual vessels. If a company we acquire is a holding company rather than an operating company, we will need to retain current management, seek to retain new management or outsource the commercial and technical management of the vessels by contracting with a shipping company engaged in this business.



### ***Dry bulk sector overview***

Dry bulk vessels are used to transport commodities such as iron ore, minerals, grains, forest products, fertilizers, coking and steam coal. The dry bulk sector can be divided into four major vessel categories with reference to size. We may explore acquisitions of either one or more vessels and/or operating companies that are focused on these segments of the dry bulk sector, including:

- *Capesize*. The largest of the dry bulk carrier vessels, with typical cargo capacity over 80,000 dead weight tons, or dwt. Capesize vessels are used primarily for transporting cargoes consisting of iron ore and coal. Due to the size of the vessels, there are a limited number of ports around the world that have the infrastructure to accommodate them. Capesize vessels cannot traverse through the Panama Canal due to their size.
- *Panamax*. The second largest of the dry bulk vessels, with cargo capacity typically between 60,000 and 80,000 dwt. Panamax vessels are the largest bulk carriers able to transit the Panama Canal. These vessels typically carry cargoes consisting of coal, grains, fertilizers.
- *Handymax*. Versatile vessels that are dispersed in various geographic locations throughout the world. Handymax vessels typically have cargo capacity of 35,000 to 60,000 dwt, and are primarily used to transport grains, forest products and fertilizers. These vessels are equipped with onboard cranes which allow for the loading and unloading of cargo. Supramax vessels are a sub-category of Handymax vessels which have cargo capacity in excess of 50,000 dwt.
- *Handysize*. The smallest of the dry bulk carrier vessels with cargo capacity up to 35,000 dwt. These vessels are used mainly for regional voyages, are extremely versatile and can be used in smaller ports that lack infrastructure. Like Handymax vessels, Handysize vessels are also equipped with onboard cranes.

Prices for individual vessels vary widely depending on the type, quality, age and discounted future earnings.

### ***Tanker sector overview***

The world tanker fleet is divided into two primary categories, crude oil and product tankers. Tanker charterers of wet cargoes will typically charter the appropriate sized tanker based on the length of journey, cargo size and port and canal restrictions. Crude oil tankers are typically larger than product tankers. The four major tanker categories with reference to size are:

- *Very Large Crude Carriers, or VLCCs*. Tanker vessels that are used to transport crude oil with cargo capacity typically 200,000 to 320,000 dwt that are more than 300 meters in length. VLCCs are highly automated and their advanced computer systems allow for a minimal crew. The majority of the world's crude oil is transported via VLCCs.
- *Suezmax*. Tanker vessels with cargo capacity typically 120,000 to 200,000 dwt. These vessels carry primarily crude oil and are used in some of the fastest growing oil producing regions of the world, including the Caspian Sea and West Africa. Suezmax tankers are the largest ships able to transit the Suez Canal with a full payload and are capable of both long and short haul voyages.
- *Aframax*. Tanker vessels with cargo capacity typically 80,000 to 120,000 dwt. These tankers carry crude oil and serve various trade routes from short to medium distances mainly in the North Sea and Venezuela. These vessels are able to enter a larger number of ports throughout the world as compared to the larger crude oil tankers.
- *Product*. Tanker vessels with cargo capacity typically less than 60,000 dwt. Product tankers are capable of carrying refined petroleum products, such as fuel oils, gasoline and jet fuel, as well as various edible oils, such as vegetable

and palm oil.

Prices for individual vessels vary widely depending on the type, quality, age and discounted future earnings.

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### ***Container sector overview***

As opposed to dry bulk vessels, which carry raw materials such as iron ore, minerals, grains, forest products, coking and steam coal, container vessels transport finished goods that are shipped in large containers. Instead of the number of dead weight tons that they can carry, container vessels are sized according to the number of containers that they can carry and whether the vessels can traverse the Panama Canal. We may explore acquisitions of one or more vessels and/or operating companies that operate container vessels that can ship products regionally or globally. Prices for individual vessels vary widely depending on the type, quality, age and discounted future earnings.

### ***Related sectors***

Related sectors in which we might seek a business combination include, but are not limited to, supply vessels, service vessels and anchor handlers that perform various functions related to the supply and maintenance of offshore oil rigs.

### ***Shipping services sector overview***

In addition to acquiring individual vessels and/or an operating company or companies with a fleet of vessels, service businesses we may seek to acquire could be engaged in, among other activities, operational management, brokerage, maintenance and technical support. Service businesses we may seek to acquire would typically be engaged in:

- Technical management services, such as crew retention and training, maintenance, repair, capital expenditures, dry-docking, payment of vessel tonnage tax, maintaining insurance and other vessel operating activities; or
- Commercial management services, such as finding employment for vessels, vessel acquisition and disposition, freight and charter hire collection, accounts control, appointment of agents, bunkering and cargo claims handling and settlements.

### **Government Regulations**

Government regulation significantly affects the ownership and operation of vessels including international conventions, national, state and local laws and regulations in force in the countries in which vessels may operate or are registered.

A variety of governmental and private entities subject vessels to both scheduled and unscheduled inspections. These entities include the local port authorities (U.S. Coast Guard, harbor master or equivalent), classification societies, flag state administration (country of registry) and charterers, particularly terminal operators. Certain of these entities require vessel owners to obtain permits, licenses and certificates for the operation of their vessels. Failure to maintain necessary permits or approvals could require a vessel owner to incur substantial costs or temporarily suspend operation of one or more of its vessels.

We believe that the heightened level of environmental and quality concerns among insurance underwriters, regulators and charterers is leading to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the industry. Increasing environmental concerns have created a demand for vessels that conform to the stricter environmental standards. Vessel owners are required to maintain operating standards for all vessels that will emphasize operational safety, quality maintenance, continuous training of officers and crews and compliance with United States and international regulations. Because these laws and regulations are frequently changed and may impose increasingly stricter requirements, we cannot predict the ultimate cost of complying with these requirements, or the impact of these requirements on our proposed business.

***Environmental regulations***

The International Maritime Organization or “IMO” has negotiated international conventions that impose liability for oil pollution in international waters and a signatory’s territorial waters. In September 1997, the IMO adopted Annex VI to the International Convention for the Prevention of Pollution from Ships, which was ratified on May 18, 2004, and became effective on May 19, 2005. Annex VI sets limits on sulfur oxide and nitrogen oxide emissions from ship exhausts and prohibits deliberate emissions of ozone depleting substances, such as chlorofluorocarbons. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions. Annex VI and new conventions, laws and regulations that may be adopted, in the future, could adversely affect our ability to manage vessels we acquire or operate.

Under the International Safety Management Code or “ISM Code”, promulgated by the IMO, the party with operational control of a vessel is required to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies.

The ISM Code requires that vessel operators obtain a safety management certificate for each vessel they operate. This certificate evidences compliance by a vessel’s management with code requirements for a safety management system. No vessel can obtain a certificate unless its manager has been awarded a document of compliance, issued by the respective flag state for the vessel, under the ISM Code.

Noncompliance with the ISM Code and other IMO regulations may subject a ship owner to increased liability, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports. For example, the United States Coast Guard and European Union authorities have indicated that vessels not in compliance with the ISM Code will be prohibited from trading in ports in the United States and European Union.

***The United States Oil Pollution Act of 1990***

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

Under OPA, vessel owners, operators and bareboat charterers are “responsible parties” and are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or threatened discharges of oil from their vessels. OPA defines these other damages broadly to include:

- natural resources damages and the costs of assessment thereof;
- real and personal property damages;
- net loss of taxes, royalties, rents, fees and other lost revenues;
- lost profits or impairment of earning capacity due to property or natural resources damage; and
- net cost of public services necessitated by a spill response, such as protection from fire, safety or health hazards, and loss of subsistence use of natural resources.

OPA limits the liability of responsible parties to the greater of \$600 per gross ton or \$500,000 per dry bulk vessel that is over 300 gross tons (subject to possible adjustment for inflation). These limits of liability do not apply if an incident was directly caused by violation of applicable United States federal safety, construction or operating regulations or by a responsible party's gross negligence or willful misconduct, or if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with oil removal activities.

OPA requires owners and operators of vessels to establish and maintain with the U.S. Coast Guard evidence of financial responsibility sufficient to meet their potential liabilities under OPA. In December 1994, the U.S. Coast Guard implemented regulations requiring evidence of financial responsibility in the amount of \$1,500 per gross ton, which includes the OPA limitation on liability of \$1,200 per gross ton and the United States Comprehensive Environmental Response, Compensation, and Liability Act liability limit of \$300 per gross ton. Under the regulations, vessel owners and operators may evidence their financial responsibility by showing proof of insurance, surety bond, self-insurance or guaranty. Under OPA, an owner or operator of a fleet of vessels is required only to demonstrate evidence of financial responsibility in an amount sufficient to cover the vessels in the fleet having the greatest maximum liability under OPA.

The United States Coast Guard's regulations concerning certificates of financial responsibility provide, in accordance with OPA, that claimants may bring suit directly against an insurer or guarantor that furnishes certificates of financial responsibility. In the event that such insurer or guarantor is sued directly, it is prohibited from asserting any contractual defense that it may have had against the responsible party and is limited to asserting those defenses available to the responsible party and the defense that the incident was caused by the willful misconduct of the responsible party. Certain organizations, which had typically provided certificates of financial responsibility under pre-OPA laws, including the major protection and indemnity organizations, have declined to furnish evidence of insurance for vessel owners and operators if they are subject to direct actions or required to waive insurance policy defenses.

The United States Coast Guard's financial responsibility regulations may also be satisfied by evidence of surety bond, guaranty or by self-insurance. Under the self-insurance provisions, the vessel owner or operator must have a net worth and working capital, measured in assets located in the United States against liabilities located anywhere in the world, that exceeds the applicable amount of financial responsibility.

OPA specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, and some states have enacted legislation providing for unlimited liability for oil spills. Some states which have enacted such legislation have not yet issued implementing regulations defining vessels owners' responsibilities under these laws.

#### ***Other environmental initiatives***

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

Although the United States is not a party thereto, many countries have ratified and follow the liability scheme adopted by the IMO and set out in the International Convention on Civil Liability for Oil Pollution Damage, 1969, as amended, or the CLC, and the Convention for the Establishment of an International Fund for Oil Pollution of 1971, as amended. Under these conventions, a vessel's registered owner is strictly liable for pollution damage caused on the territorial waters of a contracting state by discharge of persistent oil, subject to certain complete defenses. Many of the countries that have ratified the CLC have increased the liability limits through a 1992 Protocol to the CLC. The liability limits in the countries that have ratified this Protocol are currently approximately \$4 million plus approximately \$566 per gross registered ton above 5,000 gross tons with an approximate maximum of \$80.5 million per vessel, with the exact amount tied to a unit of account which varies according to a basket of currencies. The right to limit liability is forfeited under the CLC where the spill is caused by the owner's actual fault or privity and, under the 1992 Protocol, where the spill is caused by the owner's intentional or reckless conduct. Vessels trading to contracting states must provide evidence of insurance covering the limited liability of the owner. In jurisdictions where the CLC has not been adopted, various legislative schemes or common law govern, and liability is imposed either on the basis of fault or in a manner similar to the CLC.



### ***Security regulation***

Since the terrorist attacks of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. On November 25, 2002, the Maritime Transportation Security Act of 2002, or MTSA, came into effect. To implement certain portions of the MTSA, in July 2003, the United States Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. Similarly, in December 2002, amendments to the International Convention for the Safety of Life at Sea, or SOLAS, created a new chapter of the convention dealing specifically with maritime security. The new chapter went into effect on July 1, 2004 and imposes various detailed security obligations on vessels and port authorities, most of which are contained in the newly created International Ship and Port Facilities Security, or ISPS Code. Among the various requirements are:

- on-board installation of automatic information systems, or AIS, to enhance vessel-to-vessel and vessel-to-shore communications;
- on-board installation of ship security alert systems;
- the development of vessel security plans; and
- compliance with flag state security certification requirements.

The United States Coast Guard regulations, intended to align with international maritime security standards, exempt non-U.S. vessels from MTSA vessel security measures provided such vessels have on board, by July 1, 2004, a valid International Ship Security Certificate, or ISSC, that attests to the vessel's compliance with SOLAS security requirements and the ISPS Code.

### **Opportunity for stockholder approval of business combination**

Prior to the completion of a business combination, we will submit the transaction to our stockholders for approval, even if the nature of the acquisition is such as would not ordinarily require stockholder approval under applicable state law. In connection with seeking stockholder approval of a business combination, we will furnish our stockholders with proxy solicitation materials prepared in accordance with the Securities Exchange Act of 1934.

In connection with the vote required for any business combination, all of our officers and directors, have agreed to vote their respective shares of common stock owned by them immediately prior to the Private Placement and the Initial Public Offering in accordance with the majority of the shares of common stock voted by the public stockholders. Our officers and directors have agreed to vote all the shares of our common stock acquired in the Private Placement, the Initial Public Offering or in the aftermarket in favor of any transaction that they negotiate and present for approval to our stockholders. We will proceed with the business combination only if a majority of the shares of common stock voted by the public stockholders are voted in favor of the business combination and public stockholders owning less than 33% of the shares sold in our Initial Public Offering and the Private Placement exercise their redemption rights.

### ***Redemption rights***

At the time we seek stockholder approval of any business combination, we will offer each public stockholder the right to have such stockholder's shares of common stock redeemed for cash if the stockholder votes against the business combination and the business combination is approved and completed. The actual per-share redemption price will be equal to \$10.00 plus any interest not previously released to us earned on their pro rata portion of the trust account and on that pro rata portion of the underwriters' contingent compensation comprising the redemption price (calculated as of two business days prior to the consummation of the proposed business combination (net of taxes payable)). An

eligible stockholder may request redemption at any time after the mailing to our stockholders of the proxy statement and prior to the vote taken with respect to a proposed business combination at a meeting held for that purpose, but the request will not be granted unless the stockholder votes against the business combination and the business combination is approved and completed. If a stockholder votes against the business combination but fails to properly exercise its redemption rights, such stockholder will not have its shares of common stock redeemed. Any request for redemption, once made, may be withdrawn at any time up to the date of the meeting. It is anticipated that the funds to be distributed to stockholders entitled to redeem their shares who elect redemption will be distributed promptly after completion of a business combination. Public stockholders who redeem their stock for their share of the trust account still have the right to exercise the warrants that they received as part of the units. We will not complete any business combination if public stockholders, owning 33% or more of the shares sold in our Initial Public Offering and the Private Placement, exercise their redemption rights.

***Liquidation if no business combination***

If we do not complete a business combination on or prior to June 21, 2007, or December 21, 2007 if the extension criteria described below have been satisfied, we will dissolve, the trust account will be liquidated and we will distribute to all of our public stockholders in proportion to their respective equity interests, an aggregate sum equal to the amount in the trust account, inclusive of any interest (net of taxes payable) not previously released to us, plus any remaining net assets. Messrs. Tsirigakis, Syllantavos, Anagnostou, Nikiforos, Pappas, Erhardt and Søfteland have waived their rights to participate in any liquidation distribution with respect to the shares of common stock owned by them. In addition, Maxim Group LLC and EarlyBirdCapital, Inc. have agreed to waive their rights to the \$4,000,000 of contingent underwriting compensation and placement fees deposited in the trust account for their benefit. There will be no distribution from the trust account with respect to our warrants, which will expire worthless.

If we are unable to consummate a business combination and expend all of the funds in our trust account, other than the proceeds deposited in the trust account, and without taking into account interest, if any, earned on the trust account, the initial per-share liquidation price to holders of the 18,867,500 shares entitled to participate in liquidation distributions would be equal to the \$10.00 per unit offering price. The funds in the trust account could, however, become subject to the claims of our creditors which could be prior to the claims of our public stockholders. Each member of our board of directors has agreed pursuant to agreements with us and Maxim Group LLC, if we liquidate prior to the consummation of a business combination, they will be personally liable to pay debts and obligations to target businesses or vendors that are owed money by us for services rendered or products sold to us in excess of the net proceeds of the Initial Public Offering not held in the trust account at that time. We cannot assure you, however, that they would be able to satisfy those obligations. Accordingly, we cannot assure you that the actual per-share liquidation price will not be less than \$10.00, plus interest (net of taxes payable), due to claims of creditors.

If we enter into either a letter of intent, an agreement in principle or a definitive agreement to complete a business combination on or prior to June 21, 2007, but are unable to complete the business combination by such date, then we will have an additional six months in which to complete the business combination contemplated by the letter of intent, agreement in principle or definitive agreement. If we are unable to do so on or prior to December 21, 2007, we will then liquidate. Upon notice from us, the trustee of the trust account will commence liquidating the investments constituting the trust account and will turn over the proceeds to our transfer agent for distribution to our public stockholders.

Our public stockholders shall be entitled to receive funds from the trust account only in the event of liquidation or if the stockholders seek to redeem their respective shares for cash upon a business combination which the stockholder voted against and which is actually completed by us. In no other circumstances shall a stockholder have any right or interest of any kind to or in the trust account.



## **Competition**

In identifying, evaluating and selecting a target business, we may encounter intense competition from other entities having a business objective similar to ours. Many of these entities are well established and have extensive experience identifying and effecting business combinations directly or through affiliates. Many of these competitors possess greater technical, human and other resources than us and our financial resources will be relatively limited when contrasted with those of many of these competitors, which may limit our ability to compete in acquiring certain sizable target businesses. This inherent competitive limitation gives others an advantage in pursuing the acquisition of a target business. Further:

- our obligation to seek stockholder approval of a business combination or obtain the necessary financial information to be included in the proxy statement to be sent to stockholders in connection with such business combination may delay or prevent the completion of a transaction;
- our obligation to redeem for cash up to 6,599,999 shares of common stock held by our public stockholders in certain instances will limit the manner in which we may structure a business combination (i.e., we will not be able to undertake an all cash acquisition transaction) and may reduce the resources available to us for this purpose, as well as for funding a target company's business;
- our outstanding warrants, and the future dilution they potentially represent, may not be viewed favorably by certain target businesses; and
- the requirement to acquire either an entity with purchase agreements for one or more vessels or an operating business that has a fair market value equal to at least 80% of our net assets at the time of the acquisition could require us to acquire several companies or closely related operating businesses at the same time, all of which sales would be contingent on the closings of the other sales, which could make it more difficult to consummate the business combination.

Any of these factors may place us at a competitive disadvantage in successfully negotiating a business combination. Our management believes, however, that to the extent that our target business is a privately held entity, our status as a well-financed public entity may give us a competitive advantage over entities having a similar business objective as ours in acquiring a target business with significant growth potential on favorable terms.

If we succeed in effecting a business combination, there will be, in all likelihood, intense competition from competitors of the target business. We cannot assure you that, subsequent to a business combination, we will have the resources or ability to compete effectively.

## **Employees**

We have four officers, two of whom are also members of our board of directors. These individuals are not obligated to contribute any specific number of hours per week and intend to devote only as much time as they deem necessary to our affairs. The amount of time they will devote in any time period will vary based on the availability of suitable target businesses to investigate, although we expect Mr. Tsirigakis to devote an average of approximately 10 hours per week to our business during the target identification stage, and close to full time during due diligence and negotiation of a business combination. We do not intend to have any full time employees prior to the consummation of a business combination.

## **SUBSEQUENT EVENTS**

### **Proposed Business Combination**

On January 12, 2007, we agreed to purchase, through our newly-formed, wholly-owned subsidiary Star Bulk Carriers Corp., a Marshall Islands company ("Star Bulk"), eight drybulk carriers (the "Vessels") from certain wholly-owned subsidiary affiliates of TMT Co., Ltd., a Taiwan corporation (TMT Co., Ltd. and such subsidiary affiliates, collectively, "TMT"), pursuant to separate definitive Memoranda of Agreement by and between the Star Bulk and TMT (collectively, the "MOAs"), as supplemented by a Supplemental Agreement by and among the Company, Star Bulk and TMT (the "Supplemental Agreement") and a Master Agreement by and among the Company, Star Bulk and TMT (the "Master Agreement" and collectively with the MOAs and the Supplemental Agreement, the "Acquisition Agreements"), which transaction is hereinafter referred to as the "Asset Acquisition". As required under our Third Amended and Restated Certificate of Incorporation, we will hold a special meeting of our stockholders to vote on the Asset Acquisition and a proposed merger of the Company into Star Bulk in which Star Bulk will be the surviving entity (the "Redomiciliation Merger" and together with the Asset Acquisition, the "Business Combination"). The Redomiciliation Merger shall occur promptly following the approval by our stockholders of the Business Combination.

On February 7, 2007, Star Bulk formed the following wholly-owned subsidiaries registered in the Marshall Islands. The share capital of each of the subsidiaries consists of 500 authorized and issued shares without par value:

Star Alpha Inc.  
Star Beta Inc.  
Star Gamma Inc.  
Star Epsilon Inc.  
Star Iota Inc.  
Star Theta Inc.  
Star Zeta Inc.  
Star Bulk Management Inc.

### ***Purchase Price***

Pursuant to the Acquisition Agreements, Star Bulk will acquire the vessels in its initial fleet from TMT for an aggregate purchase price of \$345,237,520, consisting of \$224,500,000 in cash and 12,537,645 shares of Star Bulk's common stock. Under the Master Agreement, Star Bulk has also agreed to issue to TMT or its nominated affiliates up to an additional 1,606,962 shares of common stock of Star Bulk, which we refer to as the Additional Stock, as follows: (i) 803,481 shares of Star Bulk's common stock, no more than 10 business days following Star Bulk's filing of its Annual Report on Form 20-F for the fiscal year ended December 31, 2007, if the gross revenue of Star Bulk and its consolidated subsidiaries which own the vessels exceeds 80% of Star Bulk's forecasted annual consolidated revenue for such subsidiaries for the fiscal year commencing as of the effective time of the Redomiciliation Merger and ending on December 31, 2007, as will be agreed between Star Bulk and TMT prior to the effective time of the Redomiciliation Merger; and (ii) an additional 803,481 shares of Star Bulk's common stock, no more than 10 business days following Star Bulk's filing of its Annual Report on Form 20-F for the fiscal year ended December 31, 2008, if the gross revenue of Star Bulk and its consolidated subsidiaries owning the vessels exceeds 80% of the forecasted annual consolidated revenue for such subsidiaries as will be agreed between Star Bulk and TMT prior to the effective time of the Redomiciliation Merger.

On February 28, 2007, Star Bulk and TMT amended the Master Agreement to provide that Star Bulk's forecasted annual consolidated revenue for the fiscal year commencing on the effective date of the Redomiciliation Merger and ending December 31, 2007 will be \$40,000,000, assuming that the Redomiciliation Merger occurs on June 30, 2007, adjusted pro rata if the Redomiciliation Merger occurs after June 30, 2007, and \$90,000,000 for the fiscal year ended December 31, 2008.

### ***The Fleet***

TMT is obligated to deliver each vessel not later than the completion of such vessel's cargo discharge at the last port of the laden voyage following the Redomiciliation Merger. Star Maritime expects that all vessels in the initial fleet will be delivered to Star Bulk by TMT within 60 days following the Redomiciliation Merger. TMT had undertaken to procure the employment of six of the eight vessels under time charters with first class charterers, subject to such minimum terms and aggregate targeted daily time charter hire rates as provided in the table below and upon standard industry terms for employment of the vessels. Each time charter will be novated to the relevant Star Bulk-vessel-owning subsidiary upon delivery of the relevant vessel. TMT has also agreed to procure the time charters with third party charterers or, in the case of the Panamax vessel and, at its sole option, one of the Supramax vessels, with a TMT affiliate as charterer. If the aggregate target daily time charter hire rate is not achieved, TMT has agreed to pay Star Bulk the difference between the aggregate daily hire rate fixed by TMT for the vessels under the time charters and the agreed aggregate minimum daily time charter hire rate. Subsequent to the execution of the Master Agreement, Star Bulk entered into time charters with TMT for two of the six vessels in the initial fleet, the *C Duckling* (to be renamed the *Star Gamma*) and the *Mommy Duckling* (to be renamed the *Star Iota*). The charter rate for the *Star Gamma* will be \$28,500 per day for a term of one year. The charter rate for the *Star Iota* will be \$18,000 per day for a

term of one year.

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The table below provides summary information about Star Bulk's fleet:

| Vessel                | Type     | Dwt            | Year Built | Type/Term (1)          | Employment                       |
|-----------------------|----------|----------------|------------|------------------------|----------------------------------|
|                       |          |                |            |                        | Daily Time Charter Hire Rate (1) |
| <i>A Duckling</i>     | Capesize | 175,075        | 1992       | Time charter/3 years   | \$ 47,500                        |
| <i>B Duckling</i>     | Capesize | 174,691        | 1993       | Spot(2)                | N/A                              |
| <i>C Duckling</i>     | Supramax | 53,098         | 2002       | Time charter/1 year(3) | \$ 28,500                        |
| <i>F Duckling</i>     | Supramax | 52,434         | 2000       | Time charter/2years    | \$ 25,800                        |
| <i>G Duckling</i>     | Supramax | 52,402         | 2001       | Time charter/2years    | \$ 25,550                        |
| <i>I Duckling</i>     | Supramax | 52,994         | 2003       | Time charter/1 year    | \$ 30,500                        |
| <i>J Duckling</i>     | Supramax | 52,425         | 2003       | Spot(2)                | N/A                              |
| <i>Mommy Duckling</i> | Panamax  | 78,585         | 1983       | Time charter/1 year(3) | \$ 18,000                        |
| <b>Totals</b>         |          | <b>691,704</b> |            |                        | <b>\$ 175,850</b>                |

(1) Represents the actual daily time charter rates that TMT has procured subsequent to the date of the Master Agreement and the Supplemental Agreement.

(2) May operate in the spot charter market.

(3) Subsidiaries of Star Bulk have entered into time charters with TMT for these vessels.

If TMT is unable to deliver a vessel pursuant to the applicable MOA, Star Bulk and TMT have agreed to confer and cooperate to identify a replacement vessel and enter into a binding purchase agreement for such replacement vessel. If a binding purchase agreement for a replacement vessel is not entered into within 45 days from the required delivery date of the vessel being replaced, Star Bulk will have the right to terminate the MOA for the vessel being replaced. Star Bulk has agreed to pay TMT for the price difference in cash if the purchase price (based on prevailing market rates) of any replacement vessel will be higher than the portion of the purchase price allocated to the vessel being replaced. The payment will be made concurrently with the delivery of the replacement vessel. If the purchase price (based on prevailing market rates) of any replacement vessel is lower than the portion of the purchase price allocated to the vessel being replaced, Star Bulk will benefit from such price reduction. Star Bulk expects that the replacement vessel would be a drybulk carrier of the type being replaced (Capesize, Panamax or Supramax) or if another type of drybulk carrier, would be able to generate equivalent revenue.

Under each of the MOAs, TMT warrants that each vessel, at the time of its delivery, will be free of all encumbrances, mortgages and maritime liens or any other debts. TMT will indemnify Star Bulk against all claims made against each vessel incurred prior to delivery and Star Bulk will indemnify TMT against all claims made against each vessel incurred after delivery.

Star Gamma Inc., a wholly-owned subsidiary of Star Bulk, entered into a time charter agreement dated, February 23, 2007, with TMT for the *C Duckling* (to be renamed the *Star Gamma*). The charter rate for the *Star Gamma* will be \$28,500 per day for a term of one year. Star Iota Inc., a wholly-owned subsidiary of Star Bulk, entered into a time charter agreement, dated February 26, 2007, with TMT for the *Mommy Duckling* (to be renamed the *Star Iota*). The charter rate for the *Star Iota* will be \$18,000 per day for a term of one year. Each charter will commence as of the date the vessel is delivered to the purchaser. Pursuant to the Supplemental Agreement, these time charters will be null and void if the Redomiciliation Merger is not consummated.

### ***TMT Lock-Up Period***

The Master Agreement generally restricts TMT and its affiliates holding Star Bulk's common stock issued to TMT as the Stock Consideration, without the prior written consent of Star Bulk, from directly or indirectly offering, selling, hedging or otherwise disposing of Star Bulk's common stock and from engaging in certain other transactions relating to such securities for a period of 180 days commencing on the effective date of the Redomiciliation Merger.

### ***Registration Rights***

Under the Master Agreement, Star Bulk has agreed, with some limited exceptions, to include the shares of Star Bulk's common stock comprising the stock consideration portion of the aggregate purchase price of the vessels in the initial fleet and the Additional Stock, which we collectively refer to as the Registrable Securities, in Star Bulk's registration statement on Form F-1/F-4. In addition, Star Bulk has granted TMT (on behalf of itself or its affiliates that hold Registrable Securities) the right, under certain circumstances and subject to certain restrictions, including lock-up and market stand-off restrictions, to require Star Bulk to register the Registrable Securities under the Securities Act of 1933, as amended, in the future. Under the Master Agreement, TMT also has the right to require Star Bulk to make available shelf registration statements permitting sales of shares into the market from time to time over an extended period. In addition, TMT will have the ability to exercise certain piggyback registration rights 180 days following the effective date of the Redomiciliation Merger. All expenses relating to such registration will be borne by Star Bulk. Following the Redomiciliation Merger, TMT and/or its affiliates will own 12,537,645 shares of Star Bulk's common stock entitled to these registration rights and TMT and/or its affiliates may own up to additional 1,606,962 shares of Star Bulk's common stock entitled to these registration rights in the event that Star Bulk achieves certain revenue targets.

### ***Director Nominees***

Under the Master Agreement, TMT has the right to nominate, and Star Bulk and Star Maritime have agreed to cause the appointment and election of two members of the board of directors of Star Bulk, Mr. Nobu Su and Mr. Peter Espig, each of whom shall serve upon the effective time of the Redomiciliation Merger, until their successors have been duly elected and qualified. For so long as Mr. Nobu Su serves on the board of directors of Star Bulk, he will receive the title of non-executive Co-Chairman of Star Bulk.

### ***Termination***

The Master Agreement will terminate and be of no further force or effect in the event that the Redomiciliation Merger is not authorized and approved by the requisite vote of Star Maritime's stockholders.



### ***Expenses***

Under the Master Agreement, each of Star Maritime, Star Bulk and TMT are responsible for its own expenses in connection with the preparation, negotiation, execution and delivery of the MOAs, the Supplemental Agreement and the Master Agreement; provided that, regardless of whether the Master Agreement or the transactions contemplated by the Master Agreement are terminated, Star Maritime will pay for or reimburse TMT for all reasonable fees and expenses of its legal counsel in connection with the preparation, negotiation, execution and delivery of the Acquisition Agreements up to \$25,000. In addition, Star Bulk has agreed to pay all reasonable expenses (including legal fees and expenses) of TMT in connection with soliciting the stockholders of Star Maritime to vote in favor of, and approve, the Redomiciliation Merger.

### ***Conditions to the Purchase of the Vessels***

#### Conditions to Star Bulk's and TMT's obligations

The obligations of Star Bulk to purchase the vessels in the initial fleet and the obligations of TMT to sell the vessels are subject to certain conditions. We cannot complete the Redomiciliation Merger unless (i) the holders of at least a majority of our issued and outstanding shares entitled to vote at the special meeting vote in favor of the Redomiciliation Merger; (ii) holders of at least a majority of the shares of common stock issued in the Initial Public Offering and the Private Placement vote in favor of the Redomiciliation Merger, and (iii) holders of less than 6,600,000 shares of common stock, such number representing 33.0% of the 20,000,000 shares of common stock issued in the Initial Public Offering and the Private Placement, vote against the Redomiciliation Merger and exercise their redemption rights to have their shares redeemed for cash.

#### Conditions to Star Bulk's obligations

The obligation of the Star Bulk to purchase the vessels from TMT is subject to the satisfaction or waiver of the following conditions:

- due authorization, execution and delivery by TMT of the Master Agreement;
- the representations and warranties of TMT contained in the Master Agreement must be true and correct;
- TMT and each vessel selling subsidiary have performed all obligations requested of them under the Acquisition Agreements in all material aspects.
- the performance of the transactions contemplated in the Master Agreement upon the terms and subject to the conditions set forth in the Master Agreement shall not, in the reasonable judgment of TMT, violate, and shall not subject TMT to any penalty or liability under, any law, rule or regulation binding upon TMT;
- no legal or governmental action, suit or proceeding shall have been instituted or threatened before any court, administrative agency or tribunal, nor shall any order, judgment or decree have been issued or proposed to be issued by any court, administrative agency or tribunal, to set aside, restrain, enjoin or prevent the consummation of the Master Agreement of the transactions contemplated thereby; and
- TMT and each vessel selling subsidiary have performed all obligations required of them under the Acquisition Agreements in all material respects.

#### Conditions to TMT's obligations



The obligation of the TMT to sell the vessels in the initial fleet to Star Bulk is subject to the satisfaction or waiver of the following conditions:

- due authorization, execution and delivery by Star Bulk of the Master Agreement;
- the representations and warranties of Star Bulk contained in the Master Agreement must be true and correct;

- the performance of the transactions contemplated in the Master Agreement upon the terms and subject to the conditions set forth in the Master Agreement shall not, in the reasonable judgment of Star Bulk, violate, and shall not subject Star Bulk, to any material penalty or liability under, any law, rule or regulation binding upon any of them;
- no legal or governmental action, suit or proceeding shall have been instituted or threatened before any court, administrative agency or tribunal, nor shall any order, judgment or decree have been issued or proposed to be issued by any court, restrain, enjoin or prevent the consummation of the Master Agreement or the transactions contemplated thereby.
- Star Maritime, Star Bulk or Star Bulk's vessel purchasing nominees have performed all obligations required of them under the Acquisition Agreements in all material respects.

### **Engagement of Financial Advisors**

Star Maritime entered into an agreement with Bongard Shipbrokers S.A., or Bongard, dated October 4, 2006, for purposes of engaging Bongard in connection with sourcing, developing contacts and making referrals for potential target businesses and providing evaluations of such potential target businesses. In exchange for such services, Star Maritime is obligated to pay a contingent fee of \$800,000 within thirty days of the closing of a business combination transaction. In the event that Star Maritime does not consummate a business combination transaction, no fees are payable to Bongard pursuant to the agreement.

Star Maritime entered into an agreement with Cantor Fitzgerald & Co., or CF&Co., dated December 20, 2006, for purposes of engaging CF&Co. as financial advisor in connection with a possible business combination transaction. Pursuant to the agreement, CF & Co. was engaged to provide such services as creating financial models, advising on the structure of a possible transaction with a target business, negotiating agreements on behalf of and in conjunction with management and assisting management with the preparation of marketing and roadshow materials. In exchange for such services, Star Maritime is obligated to pay a contingent fee of \$1,250,000, plus expenses of up to \$60,000, within thirty days of the closing of a business combination transaction if such transaction is consummated by December 31, 2007.

Star Maritime entered into an agreement with Maxim Group LLC, or Maxim, dated December 22, 2006, for purposes of engaging Maxim as co-lead financial advisor in connection with a possible business combination transaction. Pursuant to the agreement, Maxim was engaged to provide such services as creating financial models, advising on the structure of a possible transaction with a target business and assisting in the preparation of terms sheets or letters of intent. In exchange for such services, Star Maritime is obligated to pay a contingent fee of \$800,000 for any business combination transaction consummated during the term of the agreement (or within six months of the termination date). The agreement terminates on October 31, 2007, unless terminated earlier by either Star Maritime or Maxim upon thirty days' written notice, or extended by mutual agreement.

### **Item 1A. Risk Factors**

#### ***Risks associated with our business***

The following risks are associated with the Company's current status as a blank check company. If the Business Combination is not consummated, the Company will continue to face these risks.

**We are a development stage company with no operating history and, accordingly, you do not have any basis on which to evaluate our ability to achieve our business objective.**

We were incorporated in May 13, 2005 and are a development stage company with no operating results to date. Since we do not have an operating history, you have no basis upon which to evaluate our ability to achieve our business objective, which is to acquire an operating business. We will not generate any revenues until, at the earliest, after the consummation of a business combination.

**If we are forced to liquidate before a business combination, our warrants will expire worthless.**

If we are unable to complete a business combination and are forced to liquidate the trust account, there will be no distribution with respect to our outstanding warrants and, accordingly, the warrants will expire worthless.

**If third parties bring claims against us, the funds in the trust account could be reduced and the per-share liquidation price received by stockholders could be less than \$10.00 per share.**

Our placing of funds in trust may not protect those funds from third party claims against us. Although we will seek to have vendors, prospective target businesses or other entities we engage execute agreements with us waiving any right, title, interest or claim of any kind in or to any monies held in the trust account for the benefit of our public stockholders, there is no guarantee that they will execute such agreements or even if they execute such agreements that they would be prevented from bringing claims against the trust account. If any third party refused to execute an agreement waiving such claims to the monies held in the trust account, we would perform an analysis of the alternatives available to us if we chose not to engage such third party and evaluate if such engagement would be in the best interest of our stockholders if such third party refused to waive such claims. Examples of possible instances where we may engage a third party that refused to execute a waiver include the engagement of a third party consultant whose particular expertise or skills are believed by management to be significantly superior to those of other consultants that would agree to execute a waiver or in cases where management is unable to find a provider of required services willing to provide the waiver. In addition, there is no guarantee that such entities will agree to waive any claims they may have in the future as a result of, or arising out of, any negotiations, contracts or agreements with us and will not seek recourse against the trust account for any reason. Accordingly, the proceeds held in trust could be subject to claims which could take priority over the claims of our public stockholders and the per-share liquidation price could be less than \$10.00, plus interest not previously released to us (net of taxes payable), due to claims of such creditors. If we are unable to complete a business combination and are forced to liquidate the trust account, our officers and directors, severally, in accordance with their respective beneficial ownership interests in us, will be personally liable under certain circumstances to ensure that the proceeds in the trust account are not reduced by the claims of various vendors or other entities that are owed money by us for services rendered or contracted for or products sold to us or the claims of any target businesses. However, we cannot assure you that they will be able to satisfy those obligations.

**We may issue shares of our capital stock or debt securities to complete a business combination, which would reduce the equity interest of our current stockholders and likely cause a change in control of our ownership.**

We may issue a substantial number of additional shares of our common stock or preferred stock, or a combination of common and preferred stock, to complete a business combination. The issuance of additional shares of our common stock or any number of shares of our preferred stock:

- may significantly reduce the equity interest of our current stockholders;
- will likely cause a change in control if a substantial number of our shares of common stock are issued, which may affect, among other things, our ability to use our net operating loss carry forwards, if any, and most likely also result in the resignation or removal of our present officers and directors; and
- may adversely affect prevailing market prices for our common stock.

Additionally, the shipping industry is capital intensive, traditionally using substantial amounts of indebtedness to finance vessel acquisitions, capital expenditures and working capital needs. If we finance the purchase of any of our vessels through the issuance of debt securities, it could result in:

· default and foreclosure on our assets if our operating cash flow after a business combination were insufficient to pay our debt obligations;

- acceleration of our obligations to repay the indebtedness even if we have made all principal and interest payments when due if the debt security contained covenants that required the maintenance of certain financial ratios or reserves and any such covenant were breached without a waiver or renegotiation of that covenant;
- our immediate payment of all principal and accrued interest, if any, if the debt security was payable on demand; and
- our inability to obtain additional financing, if necessary, if the debt security contained covenants restricting our ability to obtain additional financing while such security was outstanding.

**Our officers and directors, control a substantial interest in us and thus may influence certain actions requiring stockholder vote.**

Our officers and directors and their nominees own 35% of our issued and outstanding shares of common stock which could permit them to effectively influence the outcome of all matters requiring approval by our stockholders at such time, including the election of directors and approval of significant corporate transactions, following the consummation of our initial business combination. In addition, our board of directors is divided into three classes, each of which will generally serve for a term of three years with only one class of directors being elected in each year. As a consequence of our “staggered” board of directors, only a minority of the board of directors will be considered for election and our officers and directors, because of their ownership position, will have considerable influence regarding the outcome. Accordingly, our officers and directors will continue to exert control at least until the consummation of a business combination.

**Limited ability to evaluate the target business’ management**

Although we expect certain of our management, particularly Mr. Tsirigakis, to remain associated with us following a business combination, it is likely that the management of the target business at the time of the business combination will remain in place, and we may employ other personnel following the business combination. Although we intend to closely scrutinize the management of a prospective target business when evaluating the desirability of effecting a business combination, we cannot assure you that our assessment of the target business’ management will prove to be correct. In addition, we cannot assure you that the future management will have the necessary skills, qualifications or abilities to manage a public company. Furthermore, the future role of our officers and directors, if any, in the target business cannot presently be stated with any certainty. Moreover, our current management will only be able to remain with the combined company after the consummation of a business combination if they are able to negotiate and agree to mutually acceptable employment terms in connection with any such combination, which terms would be disclosed to stockholders in any proxy statement relating to such transaction. While it is possible that one or more of our directors will remain associated in some capacity with us following a business combination, it is unlikely that any of them will devote their full efforts to our affairs subsequent to a business combination. Moreover, we cannot assure you that our officers and directors will have significant experience or knowledge relating to the operations of the particular target business.

Following a business combination, we may seek to recruit additional managers to supplement the incumbent management of the target business. We cannot assure you that we will have the ability to recruit additional managers, or that those additional managers will have the requisite skills, knowledge or experience necessary to enhance the incumbent management.

**We will be dependent upon interest earned on the trust account to fund our search for a target company and consummation of a business combination.**

Of the net proceeds of our Initial Public Offering, only approximately \$363,172 was available to us outside the trust account to fund our working capital requirements. During the fiscal year ended December 31, 2006, we received

distributions in the aggregate amount of \$2,500,000 from the interest earned on the trust account to provide us with additional working capital to search for a target business and consummate a business combination. As of December 31, 2006, we received the maximum amount distributable to us under the terms of the Investment Management Trust Agreement. If we do not have sufficient funds available as working capital to complete a business combination, we would need to borrow funds from our insiders or others or be forced to liquidate.

**Our ability to successfully effect a business combination and to be successful afterward will be totally dependent upon the efforts of our key personnel, some of whom may join us following a business combination and whom we would have only a limited ability to evaluate. It is also possible that our current officers and directors will resign upon the consummation of a business combination.**

Our ability to successfully effect a business combination will be totally dependent upon the efforts of our key personnel. The future role of our key personnel following a business combination, however, cannot presently be fully ascertained. Although we expect several of our management and other key personnel, particularly our chairman of the board and chief executive officer, to remain associated with us following a business combination, we may employ other personnel following the business combination. Moreover, our current management will only be able to remain with the combined company after the consummation of a business combination if they are able to negotiate and agree to mutually acceptable employment terms as part of any such combination, which terms would be disclosed to stockholders in any proxy statement relating to such transaction. If we acquired a target business in an all-cash transaction, it would be more likely that current members of management would remain with the combined company if they chose to do so. If a business combination were structured as a merger whereby the stockholders of the target company were to control the combined company following a business combination, it may be less likely that our current management would remain with the combined company unless it was negotiated as part of the transaction via the acquisition agreement, an employment agreement or other arrangement. In making the determination as to whether current management should remain with us following the business combination, management will analyze the experience and skill set of the target business' management and negotiate as part of the business combination that certain members of current management remain if it is believed that it is in the best interests of the combined company post-business combination. If management negotiates such retention as a condition to any potential business combination, management may look unfavorably upon or reject a business combination with a potential target business whose owners refuse to retain members of our management post-business combination, thereby resulting in a conflict of interest. While we intend to closely scrutinize any additional individuals we engage after a business combination, we cannot assure you that our assessment of these individuals will prove to be correct. These individuals may be unfamiliar with the requirements of operating a public company as well as United States securities laws which could cause us to have to expend time and resources helping them become familiar with such laws. This could be expensive and time-consuming and could lead to various regulatory issues which may adversely affect our operations.

**If we seek to effect a business combination with an entity that is directly or indirectly affiliated with our officers or directors, conflicts of interest could arise.**

Our officers and directors either currently have or may in the future have affiliations with companies in the shipping industry. If we were to seek a business combination with a target company with which one or more of our officers or directors is affiliated, conflicts of interest could arise in connection with negotiating the terms of and completing the business combination. If conflicts arise, they may not necessarily be resolved in our favor.

**Our officers and directors may allocate their time to other businesses thereby causing conflicts of interest in their determination as to how much time to devote to our affairs. This could have a negative impact on our ability to consummate a business combination.**

Our officers and directors are not required to commit their full time to our affairs, which may result in a conflict of interest in allocating their time between our operations and other businesses. We do not intend to have any full time employees prior to the consummation of a business combination. All of our executive officers are engaged in several other business endeavors and are not obligated to contribute any specific number of hours per week to our affairs. If our executive officers' other business affairs require them to devote more substantial amounts of time to such affairs, it could limit their ability to devote time to our affairs and could have a negative impact on our ability to consummate a business combination.





**Our officers and directors may in the future become affiliated with entities engaged in business activities similar to those intended to be conducted by us and accordingly, may have conflicts of interest in determining to which entity a particular business opportunity should be presented.**

Our officers and directors may in the future become affiliated with entities, including other “blank check” companies, engaged in business activities similar to those intended to be conducted by us. Additionally, our officers and directors may become aware of business opportunities which may be appropriate for presentation to us as well as the other entities with which they are or may be affiliated. Further, certain of our officers and directors are currently involved in other businesses that are similar to the business activities that we intend to conduct following a business combination. Due to these existing affiliations, they may have fiduciary obligations to present potential business opportunities to those entities prior to presenting them to us which could cause additional conflicts of interest. Accordingly, they may have conflicts of interest in determining to which entity a particular business opportunity should be presented.

**All of our officers and directors own shares of our common stock which will not participate in liquidation distributions and therefore they may have a conflict of interest in determining whether a particular target business is appropriate for a business combination.**

All of our officers and directors own shares of our common stock in our company but have waived their right to receive distributions with respect to those shares upon our liquidation upon our failure to complete a business combination. The shares and warrants owned by our officers and directors and their affiliates will be worthless if we do not consummate a business combination. The personal and financial interests of our directors may influence their motivation in identifying and selecting a target business and completing a business combination timely. Consequently, our directors’ and officers’ discretion in identifying and selecting a suitable target business may result in a conflict of interest when determining whether the terms, conditions and timing of a particular business combination are appropriate and in our stockholders’ best interest.

**Our officers and directors will not receive reimbursement for any out-of-pocket expenses incurred by them to the extent that such expenses exceed the amount in the trust account unless the business combination is consummated and therefore they may have a conflict of interest in determining whether a particular target business is appropriate for a business combination and in the public stockholders’ best interest.**

Our officers and directors, will not receive reimbursement for any out-of-pocket expenses incurred by them to the extent that such expenses exceed the available proceeds not deposited in the trust account and the portion of the interest on the trust account released to us (which, because interest rates are unknown, may be insufficient to fund all of our working capital requirements) unless the business combination is consummated. The financial interest of our officers and directors could influence their motivation in selecting a target business and thus, there may be a conflict of interest when determining whether a particular business combination is in the stockholders’ best interest. For instance, our officers and directors may, as part of any such combination, negotiate the repayment of some or all of their out-of-pocket expenses in excess of the amount not placed in the trust account, which if not agreed to by the target business’ owners, could cause our management to view such potential business combination unfavorably, thereby resulting in a conflict of interest.

**It is probable that our initial business combination will be with a single target business, which may cause us to be solely dependent on a single business and a limited number of services.**

Our initial business combination must be with a business or businesses with a collective fair market value of at least 80% of our net assets at the time of such acquisition. We may not be able to acquire more than one target business because of various factors, including possible complex accounting issues, which would include generating pro forma financial statements reflecting the operations of several target businesses as if they had been combined, and numerous logistical issues, which could include attempting to coordinate the timing of negotiations, proxy statement disclosure and closings with multiple target businesses. In addition, we would also be exposed to the risk that conditions to closings with respect to the acquisition of one or more of the target businesses would not be satisfied bringing the fair market value of the initial business combination below the required fair market value of 80% of our net assets threshold. Accordingly, while it is possible that we may attempt to effect our initial business combination with more than one target business, we are more likely to choose a single target business if deciding between one target business meeting such 80% threshold and comparable multiple target business candidates collectively meeting the 80% threshold. Consequently, it is probable that, unless the purchase price consists substantially of our equity, we will have the ability to complete only the initial business combination with the funds in the trust account. Accordingly, the prospects for our success may be:

- solely dependent upon the performance of a single business, or
- dependent upon the development or market acceptance of a single or limited number of processes or services.

In this case, we will not be able to diversify our operations or benefit from the possible spreading of risks or offsetting of losses, unlike other entities which may have the resources to complete several business combinations in different industries or different areas of a single industry.

**Because of our limited resources and the significant competition for business combination opportunities, we may not be able to consummate an attractive business combination.**

We expect to encounter intense competition from other entities having a business objective similar to ours, including venture capital funds, leveraged buyout funds and operating businesses competing for acquisitions. Many of these entities are well established and have extensive experience in identifying and effecting business combinations directly or through affiliates. Many of these competitors possess greater technical, human and other resources than we do and our financial resources will be relatively limited when contrasted with those of many of these competitors. While we believe that there are numerous potential target businesses that we could acquire with the funds in our trust account, our ability to compete in acquiring certain sizable target businesses will be limited by our available financial resources. This inherent competitive limitation gives others an advantage in pursuing the acquisition of certain target businesses. Further, the obligation we have to seek stockholder approval of a business combination may delay the consummation of a transaction, and our obligation to redeem for cash up to 32.99% of the shares of common stock sold in the Initial Public Offering and the Private Placement in certain instances will limit the manner in which we can structure a business combination (i.e. we will not be able to undertake an all cash acquisition) and may reduce the resources available to us for such purpose, as well as for funding a target company's business. Additionally, our outstanding warrants, and the future dilution they potentially represent, may not be viewed favorably by certain target businesses. Any of these obligations may place us at a competitive disadvantage in successfully negotiating a business combination.

**We may be unable to obtain additional financing, if required, to complete a business combination or to fund the operations and growth of the target business, which could compel us to restructure the transaction or abandon a particular business combination.**

We cannot ascertain the capital requirements for any particular transaction. If the net proceeds of our Initial Public Offering prove to be insufficient, either because of the size of the business combination or the depletion of the available net proceeds not held in trust (including interest earned on the trust account released to us) in search of a target business, or because we become obligated to redeem for cash a significant number of shares from dissenting stockholders, we will be required to seek additional financing. We cannot assure you that such financing would be available on acceptable terms, if at all. To the extent that additional financing proves to be unavailable when needed to consummate a particular business combination, we would be compelled to restructure the transaction or abandon that particular business combination and seek an alternative target business candidate. In addition, it is possible that we could use a portion of the funds not in the trust account (including amounts we borrowed, if any) to make a deposit, down payment or fund a "no-shop" provision with respect to a particular proposed business combination, although we do not have any current intention to do so. In the event that we were ultimately required to forfeit such funds (whether as a result of our breach of the agreement relating to such payment or otherwise), if such payment was large enough and we had already used up the funds allocated to due diligence and related expenses in connection with the aborted transaction, we could be left with insufficient funds to continue searching for, or conduct due diligence with respect to, other potential target businesses. If we were unable to secure additional financing (which could be provided by our officers and directors, though they are under no obligation to do so), we would most likely fail to consummate a business combination in the allotted time and would be forced to liquidate. In addition, if we consummate a business combination, we may require additional financing to fund the operations or growth of the target business. The failure to secure additional financing could have a material adverse effect on the continued development or growth of the target business. None of our officers, directors or stockholders is required to provide any financing to us in connection with or after a business combination.

*Risks associated with the shipping industry*

**If charter rates fluctuate and the shipping industry continues to undergo cyclical turns, it may have a negative impact on our profitability and operations.**

The shipping business, including the dry cargo market, has been cyclical in varying degrees, experiencing fluctuations in charter rates, profitability and, consequently, vessel values.

A significant contraction in demand for imported commodities, such as iron ore or coal, as a result of economic downturns or changes in government policies in certain regional markets could have a material adverse impact on dry cargo freight rates, as well as the demand, in general for vessels. For instance, a downturn in the economy of countries such as China, which has experienced substantial global economic growth during the past few years, could negatively affect the shipping industry. The demand for dry cargo vessels is also greatly affected by the demand for consumer goods and perishable foods, dry bulk commodities and bagged and finished products, as well as commodity prices, environmental concerns and competition. The supply of shipping capacity is also a function of the delivery of new vessels and the number of older vessels scrapped, in lay-up, converted to other uses, reactivated or removed from active service. Supply may also be affected by maritime transportation and other types of governmental regulation, including that of international authorities. These and other factors may cause a decrease in the demand for the services we may ultimately provide. As a result, the operations of any prospective target business we may ultimately complete a business combination with may be adversely affected.

**Changes in the shipping industry may reduce the demand for the types of vessels we seek to acquire or the services we may ultimately provide and thereby reduce our profitability.**

The future demand for vessels in the markets in which we may ultimately operate will be dependent, in large part, upon economic growth in the global economy, seasonal and regional changes in demand and changes to the capacity of the world fleet. Adverse economic, political, social or other negative developments could have a material adverse effect on the business that we may ultimately complete a business combination with. Many of the markets in which dry cargo vessels operate have been characterized by oversupply. This is frequently the result of an overestimated growth in demand for these vessels in the applicable shipping markets. For example, an oversupply of vessels carrying bulk cargo may be due to, among other factors, an overestimation in the demand for imports of bulk commodities like grain, sugar, iron ore or coal. While it is our intention to complete a business combination with a target business that operates in a market that will afford the greatest value for the vessels that we ultimately own and operate, we cannot assure you that we will be able to successfully acquire a business that provides the valuable market that we seek, or that the value of the vessels that we ultimately acquire will maintain their value in any of these markets. Operating results may be subject to seasonal fluctuations.

The shipping industry has historically exhibited seasonal variations in demand and, as a result, in charter hire rates. This seasonality may result in quarter-to-quarter volatility in our operating results. The dry bulk carrier market is typically stronger in the fall and winter months in anticipation of increased consumption of coal and other raw materials in the northern hemisphere during the winter months. In addition, unpredictable weather patterns in these months tend to disrupt vessel scheduling and supplies of certain commodities. As a result, revenues are typically weaker during the fiscal quarters ended June 30 and September 30, and, conversely, typically stronger in fiscal quarters ended December 31 and March 31.

**If we experienced a catastrophic loss and our insurance is not adequate to cover such loss, it could have a material adverse effect on our operations.**

The ownership and operation of vessels in international trade is affected by a number of risks, including mechanical failure, personal injury, vessel and cargo loss or damage, business interruption due to political conditions in foreign countries, hostilities, labor strikes, adverse weather conditions and catastrophic marine disaster, including environmental accidents and collisions. All of these risks could result in liability, loss of revenues, increased costs and loss of reputation. We intend to maintain insurance, consistent with industry standards, against these risks on any vessels and other business assets we may acquire upon completion of a business combination. However, we cannot assure you that we will be able to adequately insure against all risks, that any particular claim will be paid out of our insurance, or that we will be able to procure adequate insurance coverage at commercially reasonable rates in the future. Our insurers will also require us to pay certain deductible amounts, before they will pay claims, and insurance policies may contain limitations and exclusions, which, although we believe will be standard for the shipping industry, may nevertheless increase our costs and lower our profitability. Additionally, any increase in environmental and other regulations may also result in increased costs for, or the lack of availability of, insurance against the risks of environmental damage, pollution and other claims for damages that may be asserted against us. Our inability to obtain insurance sufficient to cover potential claims or the failure of insurers to pay any significant claims, could have a material adverse effect on our profitability and operations.

**We may incur significant costs in complying with environmental, safety and other governmental regulations and our failure to comply with these regulations could result in the imposition of penalties, fines and restrictions on our operations.**

The operation of vessels is subject to extensive and changing environmental protection, safety and other federal, state and local laws, rules, regulations and treaties, compliance with which may entail significant expense, including expenses for ship modifications and changes in operating procedures. We cannot assure you that we will be able to comply with all laws, rules, regulations and treaties following a business combination. If we are unable to adhere to these requirements, it could result in the imposition of penalties and fines against us, and could also result in the imposition of restrictions on our business and operations. Furthermore, the costs of compliance also could have a material adverse effect on our profitability and operations.

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

Terrorist attacks such as the attacks on the United States on September 11, 2001 and the continuing response of the United States to these attacks, as well the threat of future terrorist attacks in the United States or elsewhere, continue to cause uncertainty in the world financial markets and may affect our business, operating results and financial condition. The continuing conflict in Iraq may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further economic instability in the global financial markets. In the past, political conflicts have also resulted in attacks on vessels, mining of waterways and other efforts to disrupt international shipping, particularly in the Arabian Gulf region. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea. Any of these occurrences could have a material adverse impact on our operating results, revenues and costs. If a business combination involves the ownership of vessels, such vessels could be

arrested by maritime claimants, which could result in the interruption of business and have an adverse effect on revenue and profitability.

Crew members, tort claimants, claimants for breach of certain maritime contracts, vessel mortgagees, suppliers of goods and services to a vessel, shippers of cargo and other persons may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages, and in many circumstances a maritime lien holder may enforce its lien by “arresting” a vessel through court processes. Additionally, in certain jurisdictions, such as South Africa, under the “sister ship” theory of liability, a claimant may arrest not only the vessel with respect to which the claimant’s lien has arisen, but also any “associated” vessel owned or controlled by the legal or beneficial owner of that vessel. If any vessel ultimately owned and operated by us is “arrested”, this could result in a material loss of revenues, or require us to pay substantial amounts to have the “arrest” lifted.

**We anticipate re-domiciling in the Marshall Islands in connection with a business combination, and the laws of the Marshall Islands will likely govern all of our material agreements and we may not be able to enforce our legal rights.**

In connection with a business combination, we anticipate relocating the home jurisdiction of our business from Delaware to the Marshall Islands to take advantage of favorable tax laws. If we determine to do this, the laws of the Marshall Islands will likely govern all of our material agreements. We cannot assure you that the system of laws and the enforcement of existing laws in the Marshall Islands would be as certain in implementation and interpretation as in the United States. The inability to enforce or obtain a remedy under any of our future agreements could result in a significant loss of business, business opportunities or capital. Any such reincorporation and the international nature of the shipping industry will likely subject us to foreign regulation.

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

A government could requisition a company’s vessels for title or hire. Requisition for title occurs when a government takes control of a vessel and becomes her owner, while requisition for hire occurs when a government takes control of a vessel and effectively becomes her charterer at dictated charter rates. Generally, requisitions occur during periods of war or emergency, although governments may elect to requisition vessels in other circumstances. Although a target company would be entitled to compensation in the event of a requisition of any of its vessels, the amount and timing of payment would be uncertain.

**Because our directors and officers reside outside of the United States and, after the consummation of a business combination, substantially all of our assets may be located outside of the United States, it may be difficult for investors to enforce their legal rights against such individuals.**

All of our directors and officers reside outside of the United States and, after the consummation of a business combination, substantially all of our assets may be located outside of the United States. As a result, it may not be possible for investors in the United States to enforce their legal rights, to effect service of process upon our directors or officers or to enforce judgments of United States courts predicated upon civil liabilities and criminal penalties of our directors and officers under Federal securities laws.

**We may become subject to United States Federal income taxation on our United States source shipping income.**

Due to the nature of the shipping industry, we may complete a business combination with a target business outside of the United States and, if such acquisition involved our reincorporation as a foreign entity, would then attempt to qualify under Section 883 of the U.S. Internal Revenue Code of 1986, as amended, for an exemption from United States federal income tax on substantially all of our shipping income. This exemption may not be available, or may subsequently be lost, if 50% or more of our stock is owned, for more than half the number of days during the taxable year, by persons in the United States. We can give no assurance that the ownership of our stock will permit us to qualify for the Section 883 exemption. If we do not qualify for an exemption pursuant to Section 883, we will be



subject to United States federal income tax, likely imposed on a gross basis at 4%, on our United States source shipping income, which constitutes not more than 50% of our gross shipping income. In such case, we may seek to elect to be taxed under what is in essence an alternative tonnage tax created by the American Job Creation Act of 2004, which would likely provide for a substantially reduced tax to the extent it applies. In such a case, our net income and cash flow will be reduced by the amount of such tax.

**If we acquire a business that charters vessels on the spot market, it may increase our risk of doing business following the business combination.**

We may complete a business combination with a business that involves the chartering of vessels on a spot charter basis, either on voyage charters or short-term time charters of less than 12 months' duration. Although dependence on spot charters is not unusual in the shipping industry, the spot charter market is highly competitive and spot charter rates are subject to significant fluctuations based upon available charters and the supply of and demand for seaborne shipping capacity. Although our focus on the spot charter market may enable us to benefit from strengthening industry conditions should they occur, to do so we may be required to consistently procure spot charter business. We cannot assure you that spot charters will be available at rates that will be sufficient to enable us to operate our business profitably.

In addition, our dependence on the spot charter market may result in lower utilization of our vessels and consequently decreased profitability. We cannot assure you that rates in the spot charter market will not decline, that charters in the spot charter market will continue to be available or that our dependence on the spot charter market will not result in generally lower overall utilization or decreased profitability, the occurrence of any of which events could affect our ability to service our debt during these periods.

**If a target company has or obtains a vessel that is of second-hand or older nature, it could increase our costs and decrease our profitability.**

We believe that competition for employment of second-hand vessels may be intense in the dry cargo market. Additionally, second-hand vessels may carry no warranties from sellers with respect to their condition as compared to warranties from shipyards available for newly-constructed vessels, and may be subject to problems created by the use of their original owners. If we purchase any second-hand vessels, we may incur additional expenditures as a result of these risks, which may reduce our profitability.

While it will be our intention if we acquire a target business in this area to sell or retire our vessels before they are considered older vessels, under shipping standards, in the rare case where we continue to own and operate a vessel for a longer period, we could be faced with the additional expenditures necessary to maintain a vessel in good operating condition as the age of a vessel increases. Moreover, port-state authorities in certain jurisdictions may demand that repairs be made to this type of vessel before allowing it to berth at or depart a particular port, even though that vessel may be in class and in compliance with all relevant international maritime conventions. Should any of these types of problems or changes develop, income may be lost if a vessel goes off-hire and additional unforeseen and unbudgeted expenses may be incurred. If we choose to maintain any vessels past the age that we have planned, we cannot assure you that market conditions will justify expenditures with respect to any of the foregoing or enable us to operate these vessels profitably.

**Management services relating to a target company's vessels may be performed by management companies that are affiliates of our officers and directors which could result in potential conflicts of interest.**

If we complete a business combination which involves the acquisition of vessels, we anticipate engaging the services of one or more management companies to provide technical and management services, relating to the operation of such vessels. Whether or not members of existing management remain our officers or directors post business combination, it is possible that these management services will be performed by management companies that are controlled by one or more of our officers or directors (for example, by acting as our fleet's technical managers and performing all commercial management functions). The management companies may receive fees and commissions on gross revenue received by us in respect of each vessel managed, a commission on the gross sale or purchase price of vessels which we purchase or sell, and a commission on all insurance placed. If members of our existing management remain as members of management following a business combination, the relationships between our officers and directors and the applicable management companies may give rise to conflicts of interest between us on the one hand and the management companies on the other. In addition, some of our officers and directors also may hold senior management positions with one or more of these management companies. In light of their positions, these individuals may experience conflicts of interest in selecting between our interests and those of the applicable management companies. Because certain financial information will be required to be provided to our stockholders in connection with a proposed business combination, prospective target businesses may be limited.

In order to seek stockholder approval of a business combination with an operating business in the shipping industry, the proposed target business will be required to have certain financial statements which are prepared in accordance with, or which can be reconciled to, U.S. generally accepted accounting principles and audited in accordance with the standards of the United States Public Company Accounting Oversight Board. Some of the businesses in the shipping industry may not keep financial statements in accordance with, or that can be reconciled with, U.S. generally accepted accounting principles. To the extent that the required financial statements or information cannot be prepared or obtained, we will not be able to complete a business combination with such entities. Accordingly, these financial information requirements may limit the pool of potential target businesses or vessels which we may acquire.

*Risks associated with our common stock.*

**Our outstanding warrants may have an adverse effect on the market price of common stock and make it more difficult to effect a business combination.**

Currently, we have outstanding warrants to purchase 20,000,000 shares of common stock. To the extent we issue shares of common stock to effect a business combination, the potential for the issuance of substantial numbers of additional shares upon exercise of these warrants could make us a less attractive acquisition vehicle in the eyes of a target business as such securities, when exercised, will increase the number of issued and outstanding shares of our common stock and reduce the value of the shares issued to complete the business combination. Accordingly, our warrants may make it more difficult to effectuate a business combination or increase the cost of the target business. Additionally, the sale, or even the possibility of sale, of the shares underlying the warrants could have an adverse effect on the market price for our securities or on our ability to obtain future public financing. If and to the extent these warrants are exercised, you may experience dilution to your holdings.

**If our officers and directors exercise their registration rights, it may have an adverse effect on the market price of our common stock and the existence of these rights may make it more difficult to effect a business combination.**

Our officers and directors are entitled to demand that we register the resale of their 9,026,924 shares of common stock owned by them prior to the Initial Public Offering and the Private Placement at any time after the date on which their shares are released from escrow, which, except in limited circumstances, will not be before December 15, 2008. Furthermore, certain of our officers and directors are entitled to demand and "piggy-back" registration with respect to

the 1,132,500 shares, 1,132,500 warrants and 1,132,500 shares underlying the warrants comprising the units purchased in the Private Placement at any time after we announce that we have entered a letter of intent, an agreement in principle or a definitive agreement in connection with a business combination. If our officers and directors exercise their registration rights with respect to all of their shares of common stock, then there will be an additional 10,159,424 shares of common stock eligible for trading in the public market. The presence of this additional number of shares of common stock eligible for trading in the public market may have an adverse effect on the market price of our common stock. In addition, the existence of these rights may make it more difficult to effectuate a business combination or increase the cost of the target business, as the stockholders of the target business may be discouraged from entering into a business combination with us or request a higher price for their securities as a result of these registration rights and the potential future effect their exercise may have on the trading market for our common stock.

**The American Stock Exchange may delist our securities from quotation on its exchange which could limit investors' ability to make transactions in our securities and subject us to additional trading restrictions.**

Our securities are listed on the American Stock Exchange, a national securities exchange. We cannot assure you that our securities will continue to be listed on the American Stock Exchange in the future prior to a business combination. Additionally, in connection with our business combination, it is likely that the American Stock Exchange may require us to file a new initial listing application and meet its initial listing requirements as opposed to its more lenient continued listing requirements. We cannot assure you that we will be able to meet those initial listing requirements at that time.

If the American Stock Exchange delists our securities from trading on its exchange, we could face significant material adverse consequences including:

- a limited availability of market quotations for our securities;
- a determination that our common stock is a "penny stock" which will require brokers trading in our common stock to adhere to more stringent rules and possibly resulting in a reduced level of trading activity in the secondary trading market for our common stock;
- a limited amount of news and analyst coverage for our company; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

**If we are deemed to be an investment company, we may be required to institute burdensome compliance requirements and our activities may be restricted, which may make it difficult for us to complete a business combination.**

If we are deemed to be an investment company under the Investment Company Act of 1940, our activities may be restricted, including:

- restrictions on the nature of our investments;
- restrictions on the issuance of securities; and
- which may make it difficult for us to complete a business combination.

In addition, we may have imposed upon us burdensome requirements, including:

- registration as an investment company;
- adoption of a specific form of corporate structure; and
- reporting, record keeping, voting, proxy and disclosure requirements and other rules and regulations.

We do not believe that our anticipated principal activities will subject us to the Investment Company Act of 1940. To this end, the proceeds held in trust may only be invested by the trust agent in Treasury Bills issued by the United States with maturity dates of 180 days or less or in money market funds meeting certain conditions under Rule 2a-7 promulgated under the Investment Company Act of 1940. By restricting the investment of the proceeds to these instruments, we intend to meet the requirements for the exemption provided in Rule 3a-1 promulgated under the Investment Company Act of 1940. If we were deemed to be subject to the act, compliance with these additional regulatory burdens would require additional expense that we have not allotted for.



**Our directors may not be considered “independent” under the policies of the North American Securities Administrators Association, Inc.**

Under the policies of the North American Securities Administrators Association, Inc., an international organization devoted to investor protection, because each of our directors owns shares of our securities and may receive reimbursement for out-of-pocket expenses incurred by them in connection with activities on our behalf such as identifying potential target businesses and performing due diligence on suitable business combinations, state securities administrators could take the position that such individuals are not “independent.” If this were the case, they would take the position that we would not have the benefit of independent directors examining the propriety of expenses incurred on our behalf and subject to reimbursement. Additionally, there is no limit on the amount of out-of-pocket expenses that could be incurred and there will be no review of the reasonableness of the expenses by anyone other than our board of directors, which would include persons who may seek reimbursement, or a court of competent jurisdiction if such reimbursement is challenged. Although we believe that all actions taken by our directors on our behalf will be in our best interests, whether or not they are deemed to be “independent,” we cannot assure you that this will actually be the case. If actions are taken, or expenses are incurred that are actually not in our best interests, it could have a material adverse effect on our business and operations and the price of our stock held by the public stockholders.

**Because some of our directors and officers reside outside of the United States and, after the consummation of a business combination, substantially all of our assets may be located outside of the United States, it may be difficult for investors to enforce their legal rights against such individuals or such assets.**

Some of our directors and officers reside outside of the United States and, after the consummation of a business combination, substantially all of our assets may be located outside of the United States. As a result, it may not be possible for investors in the United States to enforce their legal rights, to effect service of process upon our directors or officers or to enforce judgments of United States courts predicated upon civil liabilities and criminal penalties of our directors and officers under Federal securities laws.

**Because we may acquire a company located outside of the United States, we may be subject to various risks of the foreign jurisdiction in which we ultimately operate.**

If we acquire a company that has sales or operations outside the United States, we could be exposed to risks that negatively impact our future sales or profitability following a business combination, especially if the acquired company is in a developing country or a country that is not fully market-oriented. If we were to acquire a business that operates in such a country, our operations might not develop in the same way or at the same rate as might be expected in the United States or another country with an economy similar to the market-oriented economies of member countries which are members of the Organization for Economic Cooperation and Development, or the OECD (an international organization helping governments through the economic, social and governance challenges of a globalized economy).

***Risks associated with the proposed Business Combination***

The following are risks the Company may face in the event the Business Combination is consummated:

**Star Bulk has no operating history and may not operate profitably in the future.**

Star Bulk was formed December 13, 2006. Star Bulk has entered into agreements to acquire eight drybulk carriers and expects to take delivery of the vessels within sixty days following the effective date of the Redomiciliation Merger. However, Star Bulk has no operating history. Its financial statements do not provide a meaningful basis for you to evaluate its operations and ability to be profitable in the future. Star Bulk may not be profitable in the future.





**Star Bulk's senior executive officers and directors may not be able to organize and manage a publicly traded operating company.**

Only one of Star Bulk's senior executive officers or directors have previously organized and managed a publicly traded operating company, and Star Bulk's senior executive officers and directors may not be successful in doing so. The demands of organizing and managing a publicly traded operating company are much greater as compared to a private or blank check company and some of Star Bulk's senior executive officers and directors may not be able to meet those increased demands.

**If any of the eight drybulk carriers in Star Bulk's fleet are not delivered on time or delivered with significant defect, Star Bulk's proposed business, results of operations and financial condition could suffer.**

Star Bulk has entered into separate memoranda of agreement with wholly-owned subsidiaries of TMT to acquire the eight drybulk carriers in its initial fleet. Star Bulk expects that the eight drybulk carriers will be delivered to it within sixty days following the effective date of the Redomiciliation Merger. A delay in the delivery of any of these vessels to Star Bulk or the failure of TMT to deliver a vessel at all could adversely affect Star Bulk's business, results of operations and financial condition. The delivery of these vessels could be delayed or certain events may arise which could result in Star Bulk not taking delivery of a vessel, such as a total loss of a vessel, a constructive loss of a vessel, or substantial damage to a vessel prior to delivery. In addition, the delivery of any of these vessels with substantial defects could have similar consequences.

**If Star Bulk fails to manage its planned growth properly, it may not be able to successfully expand its fleet.**

Star Bulk intends to continue to expand its fleet. Star Bulk's growth will depend on:

- locating and acquiring suitable vessels;
- identifying and consummating acquisitions or joint ventures;
- integrating any acquired vessels successfully with its existing operations;
- enhancing its customer base;
- managing its expansion; and
- obtaining required financing.

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

**Star Bulk's loan agreements may contain restrictive covenants that may limit its liquidity and corporate activities.**

The new senior secured credit facility that Star Bulk expects to enter into and any future loan agreements may impose operating and financial restrictions on it. These restrictions may limit its ability to:

- incur additional indebtedness;
- create liens on its assets;

- sell capital stock of its subsidiaries;
- make investments;
- engage in mergers or acquisitions;
- pay dividends;
- make capital expenditures;

·change the management of its vessels or terminate or materially amend the management agreement relating to each vessel; and

·sell its vessels.

Therefore, Star Bulk may need to seek permission from its lenders in order to engage in some important corporate actions. The lenders' interests may be different from those of Star Bulk, and Star Bulk cannot guarantee that it will be able to obtain the lenders' permission when needed. This may prevent Star Bulk from taking actions that are in its best interest.

**Servicing future debt would limit funds available for other purposes.**

Star Bulk expects to incur up to \$40,000,000 of indebtedness in connection with the purchase of the vessels in the initial fleet and may also incur additional secured debt to finance the acquisition of additional vessels. Star Bulk may also incur up to an additional \$70,000,000 of indebtedness to replace funds from our Trust Account that have been utilized to cover the cost of redeeming stockholders of Star Maritime. Star Bulk may be required dedicate a portion of its cash flow from operations to pay the principal and interest on its debt. These payments limit funds otherwise available for working capital expenditures and other purposes, including payment of dividends. If Star Bulk is unable to service its debt, it could have a material adverse effect on Star Bulk's financial condition and results of operations.

**Star Bulk's ability to obtain additional debt financing may be dependent on the performance and the creditworthiness of its charterers.**

The actual or perceived credit quality of Star Bulk's future charterers, and any defaults by them, may materially affect its ability to obtain the additional debt financing that Star Bulk may require to purchase additional vessels or may significantly increase its costs of obtaining such financing. Star Bulk's inability to obtain additional financing at all or at a higher than anticipated cost may materially affect its results of operations and its ability to implement its business strategy.

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

Star Bulk will employ its vessels in a highly competitive market that is capital intensive and highly fragmented. Competition arises primarily from other vessel owners, some of whom have substantially greater resources than Star Bulk. Competition for the transportation of drybulk cargoes can be intense and depends on price, location, size, age, condition and the acceptability of the vessel and its managers to the charterers. Due in part to the highly fragmented market, competitors with greater resources could operate larger fleets through consolidations or acquisitions that may be able to offer better prices and fleets.

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

Star Bulk's success will depend to a significant extent upon the abilities and efforts of its management team. Star Bulk has only two employees, its Chief Executive Officer and Chief Financial Officer. Star Bulk's wholly-owned subsidiary, Star Bulk Management Inc., plans to hire additional employees following the Redomiciliation Merger to perform the day to day management of the vessels in the initial fleet. Star Bulk Management does not currently have ally employees. Star Bulk's success will depend upon its ability to retain key members of its management team and the ability of Star Bulk Management to recruit and hire suitable employees. The loss of any of these individuals could adversely affect Star Bulk's business prospects and financial condition. Difficulty in hiring and retaining personnel could adversely affect Star Bulk's results of operations. Star Bulk does not intend to maintain "key man" life insurance

on ally of its officers.

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**As Star Bulk commences its business, it will need to implement its operations and financial systems and hire new vessel staff if it cannot implement these systems or recruit suitable employees, its performance may be adversely affected**

Star Bulk's operating and financial systems may not be adequate as it commences operations, and its attempts to implement those systems may be ineffective. In addition, as Star Bulk expands its fleet, it will have to rely on its wholly-owned subsidiary, Star Bulk Management Inc., to recruit suitable additional seafarers and shoreside administrative and management personnel. Star Bulk cannot assure you that Star Bulk Management will be able to continue to hire suitable employees as Star Bulk expands its fleet. If Star Bulk Management's unaffiliated crewing agent encounters business or financial difficulties, Star Bulk may not be able to adequately staff its vessels. If Star Bulk is unable to operate its financial and operations systems effectively or to recruit suitable employees, its performance may be materially adversely affected.

**Risks involved with operating ocean going vessels could affect Star Bulk's business and reputation, which would adversely affect its revenues.**

The operation of an ocean-going vessel carries inherent risks. These risks include the possibility of:

crew strikes and/or boycotts;

marine disaster;

piracy;

environmental accidents;

cargo and property losses or damage; and

business interruptions caused by mechanical failure, human error, war, terrorism, political action in various countries or adverse weather conditions.

Any of these circumstances or events could increase Star Bulk's costs or lower its revenues.

**Star Bulk's vessels may suffer damage and it may face unexpected drydocking costs, which could affect its cash flow and financial condition.**

If Star Bulk's vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs are unpredictable and can be substantial. Star Bulk may have to pay drydocking costs that its insurance does not cover. The loss of earnings while these vessels are being repaired and reconditioned, as well as the actual cost of these repairs, would decrease its earnings.

**Purchasing and operating secondhand vessels may result in increased operating costs and vessel off-hire, which could adversely affect Star Bulk's earnings.**

Star Bulk's inspection of secondhand vessels prior to purchase does not provide it with the same knowledge about their condition and cost of any required (or anticipated) repairs that it would have had if these vessels had been built for and operated exclusively by Star Bulk. Generally, Star Bulk will not receive the benefit of warranties on secondhand vessels.

In general, the costs to maintain a vessel in good operating condition increase with the age of the vessel. Older vessels are typically less fuel efficient and more costly to maintain than more recently constructed vessels. Cargo insurance rates increase with the age of a vessel, making older vessels less desirable to charterers.

Governmental regulations, safety or other equipment standards related to the age of vessels may require expenditures for alterations, or the addition of new equipment, to Star Bulk's vessels and may restrict the type of activities in which the vessels may engage. Star Bulk cannot assure you that, as Star Bulk's vessels age, market conditions will justify those expenditures or enable it to operate its vessels profitably during the remainder of their useful lives.

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**Star Bulk's worldwide operations will expose it to global risks that may interfere with the operation of its vessels.**

Star Bulk is expected to primarily conduct its operations worldwide. Changing economic, political and governmental conditions in the countries where Star Bulk is engaged in business or where Star Bulk's vessels are registered will affect Star Bulk's operations. In the past, political conflicts, particularly in the Arabian Gulf, resulted in attacks on vessels, mining of waterways and other efforts to disrupt shipping in the area. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea. The likelihood of future acts of terrorism may increase, and Star Bulk's vessels may face higher risks of being attacked. In addition, future hostilities or other political instability in regions where Star Bulk's vessels trade could have a material adverse effect on its trade patterns and adversely affect its operations and performance.

**Star Bulk may not have adequate insurance to compensate it if it loses its vessels.**

Star Bulk is expected to procure hull and machinery insurance, protection and indemnity insurance, which includes environmental damage and pollution insurance coverage and war risk insurance for its fleet. Star Bulk does not expect to maintain for all of its vessels insurance against loss of hire, which covers business interruptions that result from the loss of use of a vessel. Star Bulk may not be adequately insured against all risks. Star Bulk may not be able to obtain adequate insurance coverage for its fleet in the future. The insurers may not pay particular claims. Star Bulk's insurance policies may contain deductibles for which it will be responsible and limitations and exclusions which may increase its costs or lower its revenue. Moreover, Star Bulk cannot assure that the insurers will not default on any claims they are required to pay. If Star Bulk's insurance is not enough to cover claims that may arise, the deficiency may have a material adverse effect on Star Bulk's financial condition and results of operations.

**Star Bulk is incorporated in the Republic of the Marshall Islands, which does not have a well-developed body of corporate law.**

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

**Because Star Bulk is incorporated under the laws of the Marshall Islands, it may be difficult to serve Star Bulk with legal process or enforce judgments against Star Bulk, its directors or its management**

Star Bulk is incorporated under the laws of the Republic of the Marshall Islands, and all of its assets are located outside of the United States. Star Bulk's business will be operated primarily from its offices in Athens, Greece. In addition, Star Bulk's directors and officers generally are or will be non-residents of the United States, and all or a substantial portion of the assets of these non-residents are located outside the United States. As a result, it may be difficult or impossible for you to bring an action against Star Bulk or against these individuals in the United States if you believe that your rights have been infringed under securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Marshall Islands and of other jurisdictions may prevent or restrict you from enforcing a judgment against Star Bulk's assets or the assets of its directors and officers. For more information regarding the relevant laws of the Marshall Islands, please read "Enforceability of Civil Liabilities."





**There is a risk that Star Bulk could be treated as a U.S. domestic corporation for U.S. federal income tax purposes after the Redomiciliation Merger**

Section 7874(b) of the U.S. Internal Revenue Code, or the Code, provides that, unless certain requirements are satisfied, a corporation organized outside the United States which acquires substantially all of the assets of a corporation organized in the United States will be treated as a U.S. domestic corporation for U.S. federal income tax purposes if shareholders of the U.S. corporation whose assets are being acquired own at least 80 percent of the non-U.S. acquiring corporation after the acquisition. If Section 7874(b) of the Code were to apply to Star Maritime and the Redomiciliation Merger, then, among other consequences, Star Bulk, as the surviving entity of the Redomiciliation Merger, would be subject to U.S. federal income tax as a U.S. domestic corporation on its worldwide income after the Redomiciliation Merger. The Redomiciliation Merger has been structured so that upon completion of the Redomiciliation Merger and the concurrent issuance of stock to TMT is under the Acquisition Agreements, the stockholders of Star Maritime will own less than 80% of Star Bulk and therefore, Star Bulk should not be subject to Section 7874(b) of the Code after the Redomiciliation Merger. However, Star Maritime has not sought a ruling from the U.S. Internal Revenue Service, or the IRS, on this point. Therefore, there is no assurance that the IRS would not seek to assert that Star Bulk is subject to U.S. federal income tax on its worldwide income after the Redomiciliation Merger although Star Maritime believes that such an assertion should not be successful.

**Star Bulk may have to pay tax on United States source income, which would reduce its earnings.**

Under the Code, 50% of the gross shipping income of a vessel owning or chartering corporation, such as Star Bulk and its subsidiaries, that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States is characterized as U.S. source shipping income and such income is subject to a 4% U.S. federal income tax without allowance for deduction, unless that corporation qualifies for exemption from tax under Section 883 of the Code and the Treasury regulations promulgated thereunder.

Star Bulk expects that it and each of its subsidiaries will qualify for this statutory tax exemption and Star Bulk will take this position for U.S. federal income tax return reporting purposes. However, there are factual circumstances beyond our control that could cause Star Bulk to lose the benefit of this tax exemption and thereby become subject to U.S. federal income tax on Star Bulk's U.S. source income.

If Star Bulk or its subsidiaries are not entitled to this exemption under Section 883 for any taxable year, Star Bulk or its subsidiaries would be subject for those years to a 4% U.S. federal income tax on its U.S.-source shipping income. The imposition of this taxation could have a negative effect on Star Bulk's business and would result in decreased earnings.

**US. tax authorities could treat Star Bulk as a "passive foreign investment company," which could have adverse U.S. federal income tax consequences to US. holders.**

A foreign corporation will be treated as a "passive foreign investment company," or PFIC, for U.S. federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of certain types of "passive income" or (2) at least 50% of the average value of the corporation's assets produce or are held for the production of those types of "passive income." For purposes of these tests, "passive income" includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business. For purposes of these tests, income derived from the performance of services does not constitute "passive income." U.S. shareholders of a PFIC may be subject to a disadvantageous U.S. federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

Based on Star Bulk's proposed method of operation, Star Bulk does not believe that it will be a PFIC with respect to any taxable year. In this regard, Star Bulk intends to treat the gross income it will derive or will be deemed to derive from its time chartering activities as services income, rather than rental income. Accordingly, Star Bulk believes that its income from its time chartering activities will not constitute "passive income," and the assets that it will own and operate in connection with the production of that income will not constitute passive assets.

There is, however, no direct legal authority under the PFIC rules addressing Star Bulk's proposed method of operation. Accordingly, no assurance can be given that the U.S. Internal Revenue Service, or the IRS, or a court of law will accept our position, and there is a risk that the IRS or a court of law could determine that Star Bulk is a PFIC. Moreover, no assurance can be given that Star Bulk would not constitute a PFIC for any future taxable year if there were to be changes in the nature and extent of its operations.

If the IRS were to find that Star Bulk is or has been a PFIC for any taxable year, its U.S. shareholders will face adverse U.S. tax consequences. Under the PFIC rules, unless those shareholders make an election available under the Code (which election could itself have adverse consequences for such shareholders), such shareholders would be liable to pay U.S. federal income tax at the then highest income tax rates on ordinary income plus interest upon excess distributions and upon any gain from the disposition of Star Bulk's common shares, as if the excess distribution or gain had been recognized ratably over the shareholder's holding period of Star Bulk's common shares.

**Star Bulk cannot assure you that it will pay dividends.**

Star Bulk's intention is to pay quarterly dividends. However, Star Bulk may incur other expenses or liabilities that would reduce or eliminate the cash available for distribution as dividends. Star Bulk's loan agreements, including the credit facility agreement that Star Bulk expects to enter into, may also prohibit or restrict the declaration and payment of dividends under some circumstances.

In addition, the declaration and payment of dividends will be subject at all times to the discretion of Star Bulk's board of directors. The timing and amount of dividends will depend on Star Bulk's earnings, financial condition, cash requirements and availability, fleet renewal and expansion, restrictions in its loan agreements, the provisions of Marshall Islands law affecting the payment of dividends and other factors. Marshall Islands law generally prohibits the payment of dividends other than from surplus or while a company is insolvent or would be rendered insolvent upon the payment of such dividends, or if there is no surplus, dividends may be declared or paid out of net profits for the fiscal year in which the dividend is declared and for the preceding fiscal year. Star Bulk may not pay dividends in the anticipated amounts and frequency set forth in this joint proxy statement/prospectus or at all.

**Star Bulk is a holding company, and will depend on the ability of its subsidiaries to distribute funds to it in order to satisfy its financial obligations or to make dividend payments.**

Star Bulk is a holding company and its subsidiaries, all of which are, or upon their formation will be, wholly-owned by it either directly or indirectly, will conduct all of Star Bulk's operations and own all of Star Bulk's operating assets. Star Bulk will have no significant assets other than the equity interests in its wholly-owned subsidiaries. As a result, Star Bulk's ability to make dividend payments depends on its subsidiaries and their ability to distribute funds to Star Bulk. If Star Bulk is unable to obtain funds from its subsidiaries, Star Bulk's board of directors may exercise its discretion not to pay dividends.

**Servicing future debt would limit funds available for other purposes, such as the payment of dividends.**

To finance future fleet expansion, Star Bulk expects to incur secured debt. Star Bulk must dedicate a portion of its cash flow from operations to pay the principal and interest on its debt. These payments limit funds otherwise available for working capital, capital expenditures and other purposes. Star Bulk's need to service its debt may limit funds available for other purposes, including distributing cash to shareholders, and Star Bulk's inability to service debt could lead to acceleration of Star Bulk's debt and foreclosure on its fleet.

**Star Bulk may be unable to procure financing arrangements which may affect its ability to purchase the vessels in the initial fleet**

Star Bulk has entered into agreements to acquire the eight drybulk carriers in the initial fleet for an aggregate purchase price of \$345,237,520, consisting of \$224,500,000 in cash and 12,537,645 shares of common stock of Star Bulk. Star Bulk will fund the cash consideration portion of the aggregate purchase price with funds deposited in the Trust Account that are not utilized to pay our stockholders who have exercised their right to redeem their shares and approximately \$40,000,000 in borrowings under a new senior secured credit facility. If Star Bulk is unable to procure financing arrangements prior to the effective date of the Redomiciliation Merger, Star Bulk may not be able to complete the purchase of the all eight drybulk carriers.

**Star Bulk may not be able to borrow amounts under its' credit facility which may affect its ability to purchase the vessels in the initial fleet.**

Star Bulk's ability to borrow amounts under its credit facility to acquire the initial fleet from TMT will be subject to the satisfaction of customary conditions precedent and compliance with terms and conditions included in the loan documents, at the discretion of the bank; also, to circumstances that may be beyond its control such as world events, economic conditions, the financial standing of the bank or its willingness to lend to shipping companies such as Star Bulk. Prior to each drawdown, Star Bulk will be required, among other things, to provide the lender with acceptable valuations of the vessels in its fleet confirming that they are sufficient to satisfy minimum security requirements. To the extent that Star Bulk is not able to satisfy these requirements, including as a result of a decline in the value of its vessels, Star Bulk may not be able to draw down the full amount under its credit facility without obtaining a waiver or consent from the lender. Star Bulk will also not be permitted to borrow amounts under the facility if it experiences a change of control.

**The assumptions underlying Star Bulk's forecasted cash available for dividends, reserves and extraordinary expenses are inherently uncertain and are subject to significant business, economic, financial, regulatory and competitive risks and uncertainties that could cause actual results' to differ materially from those forecasted.**

Star Bulk's financial forecast has been prepared by the management of Star Bulk and Star Bulk has not received an opinion or report on it from any independent registered public accounting firm and the forecast has not been prepared in accordance with generally accepted accounting principles. The assumptions underlying the forecast are inherently uncertain and are subject to significant business, economic, regulatory and competitive risks and uncertainties that could cause actual results to differ materially from those forecasted. If Star Bulk does not achieve the forecasted results, Star Bulk may not be able to operate profitably, successfully implement our business strategy to expand its fleet or pay dividends to its shareholders in which event the market price of Star Bulk's common shares may decline materially.

**If the Redomiciliation Merger is completed, the warrants issued in the Initial Public Offering, which will be assumed by Star Bulk, become exercisable and you may experience dilution.**

Under the terms of the warrants issued in the Initial Public Offering, the warrants become exercisable upon the completion of a business combination transaction. If the Redomiciliation Merger is approved, we expect to complete the Redomiciliation Merger during the third quarter of 2007. We have 20,000,000 warrants to purchase common stock issued and outstanding at an exercise price of \$8.00 per common share. Our warrants will become exercisable upon the effective date of the Redomiciliation Merger and as a result, you may experience dilution.

**Registration rights held by our stockholders who purchased shares prior to the Initial Public Offering may have an adverse effect on the market price of Star Bulk's common stock.**

Our initial stockholders who purchased common stock prior to the Initial Public Offering are entitled to demand that Star Bulk register the resale of their shares at any time after they are released from escrow which, except in limited circumstances, will not be before December 21, 2008. If such stockholders exercise their registration rights with respect to all of their shares, there will be an additional 9,026,924 shares of common stock eligible for trading in the public market. In addition, the stockholders who purchased their shares in our Private Placement are entitled to demand the registration of the securities underlying the 1,132,500 units they purchased in the Private Placement at any time into a letter of intent, an agreement in principle or a definitive agreement in connection with a business combination. If all of these stockholders exercise their registration rights with respect to all of their shares of common stock, there will be an additional 10,159,424 shares of common stock eligible for trading in the public market. The presence of these additional shares may have an adverse effect on the market price of Star Bulk's common stock.

**If Star Bulk is unable to receive a listing of its securities on the Nasdaq Global Market, it may be more difficult for stockholders to sell their securities.**

Star Bulk is applying for listing of its common stock on the Nasdaq Global Market upon consummation of the Redomiciliation Merger. If they are not so listed, then it may be more difficult for stockholders to sell their securities.

**Our directors and executive officers have interests in the Redomiciliation Merger that are different from yours.**

In considering the recommendation of our directors to vote to approve the Redomiciliation Merger, you should be aware that they have agreements or arrangements that provide them with interests in the Redomiciliation Merger that differ from, or are in addition to, those of our stockholders generally. Our original stockholders, including our directors, are not entitled to receive any of the Initial Public Offering proceeds distributed upon liquidation of the trust account. Therefore, if the Redomiciliation Merger is not approved, the shares held by our initial stockholders will in all probability be worthless. The personal and financial interests of the members of our Board of Directors and executive officers may have influenced their motivation in identifying and selecting a target business and completing a business combination timely. Consequently, their discretion in identifying and selecting a suitable target business may result in a conflict of interest when determining whether the terms, conditions and timing of a particular business combination are appropriate and in our stockholders' best interest.

**We will dissolve and liquidate if we do not consummate the Redomiciliation Merger, or another business combination, in which event our stockholders may be held liable for claims by third parties against us to the extent of distributions received by them**

If we do not consummate the Redomiciliation Merger or another business combination by December 21, 2007, then, pursuant to Article SIXTH of our Third Amended and Restated Certificate of Incorporation, our officers must take all actions necessary in accordance with the Delaware General Corporation Law to dissolve and liquidate the Company within 60 days of that date. Therefore, we will dissolve and liquidate the trust account to our public stockholders if we do not complete the Redomiciliation Merger, or another business combination, by December 21, 2007.

Under Sections 280 through 282 of the Delaware General Corporation Law, stockholders of a corporation may be held liable for claims by third parties against the corporation to the extent of distributions received by them in a dissolution of the corporation. If a corporation complies with certain procedures intended to ensure that it makes reasonable provision for all claims against it, including a 60-day notice period during which any third-party claims can be brought against the corporation, a 90-day period during which the corporation may reject any claims brought, and an additional 150-day waiting period before any liquidating distributions are made to stockholders, any liability of stockholders with respect to a liquidating distribution is limited to the lesser of such stockholder's pro rata share of the

claim or the amount distributed to the stockholder, and any liability of the stockholder would be barred after the third anniversary of the dissolution. Although we will seek stockholder approval to liquidate the Trust Account to its public stockholders as part of a plan of dissolution and liquidation, it does not intend to comply with those procedures. In the event that our directors recommend, and the stockholders approve, a plan of dissolution and liquidation where it is subsequently determined that the reserve for claims and liabilities was insufficient, stockholders who received a return of funds from the trust account could be liable for claims made by creditors to the extent of distributions received by them. As such, our stockholders could potentially be liable for any claims to the extent of distributions received by them in a dissolution, and any such liability of our stockholders will likely extend beyond the third anniversary of such dissolution. Accordingly, we cannot assure its stockholders that third parties will not seek to recover from our stockholders amounts owed to them by us.

The procedures we must follow under Delaware law if we dissolve and liquidate may result in substantial delays in the liquidation of the trust account to our public stockholders as part of our plan of dissolution and distribution.

**If third parties bring claims against us, the proceeds held in the trust account could be reduced and the per-share liquidation value receivable by our public stockholders from the trust account as part of our plan of dissolution and liquidation will be less than \$10.00 per share.**

Placing the proceeds of the Initial Public Offering and the Private Placement in trust may not protect those funds from third party claims against it. Although we will seek to have most, if not all, significant creditors agree to arrangements that will involve them waiving any right, title, interest or claim of any kind in or to any monies held in the trust account for the benefit of our public stockholders, there is no guarantee that they will agree to such arrangements, or even if they do that they would be prevented from bringing claims against the trust account including, but not limited to, claims alleging fraudulent inducement, breach of fiduciary responsibility or other similar claims, as well as claims challenging the enforceability of the waiver, in each case in order to gain an advantage with a claim against our assets, including the funds held in the trust account.

Accordingly, the proceeds held in trust could be subject to claims that could take priority over the claims of our public stockholders and the per-share liquidation value receivable by our public stockholders could be less than the \$10.00 per share held in the trust account, plus interest (net of any taxes due on such interest), due to claims of such creditors.

In the event that our board recommends and our stockholders approve a plan of dissolution and liquidation where it is subsequently determined that the reserve for claims and liabilities is insufficient, stockholders who received a return of funds from the trust account as part of the liquidation could be liable for claims made by creditors.

Additionally, if we are forced to file a bankruptcy case or an involuntary bankruptcy case is filed against us which is not dismissed, the funds held in the trust account may be subject to applicable bankruptcy law, and may be included in our bankruptcy estate and subject to the claims of third parties with priority over the claims of our stockholders. Our stockholders could also be required to return any distributions received by them in a dissolution as a preference or under other avoidance or recovery theories under applicable bankruptcy law. To the extent any bankruptcy claims deplete the trust account, we cannot assure its public stockholders that we will be able to return the liquidation amounts due them.

**If the Redomiciliation Merger or another business combination is not approved by our stockholders by December 21, 2007, then the funds in the trust account may only be distributed upon our dissolution.**

If the Redomiciliation Merger or another business combination is not approved by our stockholders by December 21, 2007, then the funds held in the trust account may not be distributed except upon our dissolution. Unless and until stockholder approval to dissolve the Company is obtained from our stockholders, the funds held in the trust account will not be released. Consequently, holders of a majority of our outstanding stock must approve the dissolution in order to receive the funds held in the trust account and the funds will not be available for any other corporate purpose. The procedures required for us to liquidate under the Delaware General Corporation Law, or a vote to reject any plan of dissolution and distribution by our stockholders, may result in substantial delays in the liquidation of the trust account to our public stockholders as part of our plan of dissolution and distribution.

**If we do not consummate the Redomiliation Merger or another business combination, and dissolves, payments from the trust account to our public stockholders may be delayed.**

We currently believe that any plan of dissolution and liquidation subsequent to December 21, 2007 would proceed in approximately the following manner:

- Our directors would, consistent with Delaware law and the obligations described in our Third Amended and Restated Certificate of Incorporation to dissolve, prior to the passing of the December 21, 2007 deadline, convene and adopt a specific plan of dissolution and liquidation, which we would then vote to recommend to our stockholders; at such time we would also cause to be prepared a preliminary proxy statement setting out such plan of dissolution and liquidation as well as the board's recommendation of such plan;
- upon such deadline, we would file a preliminary proxy statement with the Securities and Exchange Commission;
- if the Securities and Exchange Commission does not review the preliminary proxy statement, then, approximately 10 days following the passing of such deadline, we would mail the proxy statements to our stockholders, and approximately 30 days following the passing of such deadline we would convene a meeting of stockholders, at which they would either approve or reject the plan of dissolution and liquidation; and
- if the Securities and Exchange Commission does review the preliminary proxy statement, we currently estimate that we would receive their comments approximately 30 days following the passing of such deadline. We would mail the proxy statements to stockholders following the conclusion of the comment and review process (the length of which cannot be predicted with any certainty, and which may be substantial) and we would convene a meeting of our stockholders at which they would either approve or reject the plan of dissolution and liquidation.

Pursuant to the terms of our Third Amended and Restated Certificate of Incorporation, our powers following the expiration of the permitted time periods for consummating a business combination would automatically thereafter be limited to acts and activities relating to dissolving and winding up affairs, including liquidation. The funds held in the trust account may not be distributed except upon dissolution and, unless and until such approval is obtained from stockholders, the funds held in the trust account would not be released. Consequently, holders of a majority of our outstanding stock must approve the dissolution in order to receive the funds held in the trust account and the funds would not be available for any other corporate purpose.

The procedures required for us to liquidate under the Delaware law, or a vote to reject any plan of dissolution and liquidation by our stockholders, may result in substantial delays in the liquidation of the trust account to our public stockholders as part of the plan of dissolution and liquidation.

### **Industry Risk Factors Relating to Star Bulk**

**The drybulk shipping industry is cyclical and volatile, and this may lead to reductions and volatility of charter rates, vessel values and results of operations.**

The degree of charter hire rate volatility among different types of drybulk carriers has varied widely. If Star Bulk enters into a charter when charter hire rates are low, its revenues and earnings will be adversely affected. In addition, a decline in charter hire rates likely will cause the value of the vessels that Star Bulk will own, to decline. Star Bulk cannot assure you that we will be able to successfully charter its vessels in the future at rates sufficient to allow it to operate its business profitably or meet its obligations. The factors affecting the supply and demand for drybulk carriers are outside of Star Bulk's control and are unpredictable. The nature, timing, direction and degree of changes in drybulk shipping market conditions are also unpredictable.





Factors that influence demand for seaborne transportation of cargo include:

- demand for and production of drybulk products;
- the distance cargo is to be moved by sea;
- global and regional economic and political conditions;
- environmental and other regulatory developments; and
- changes in seaborne and other transportation patterns, including changes in the distances over which cargo is transported due to geographic changes in where commodities are produced and cargoes are used.

The factors that influence the supply of vessel capacity include:

- the number of new building deliveries;
- the scrapping rate of older vessels;
- vessel casualties;
- price of steel;
- number of vessels that are out of service;
- changes in environmental and other regulations that may limit the useful life of vessels; and
- port or canal congestion.

Star Bulk anticipates that the future demand for its vessels will be dependent upon continued economic growth in the world's economies, including China and India, seasonal and regional changes in demand, changes in the capacity of the world's drybulk carrier fleet and the sources and supply of cargo to be transported by sea. If the global vessel capacity increases in the drybulk shipping market, but the demand for vessel capacity in this market does not increase or increases at a slower rate, the charter rates could materially decline. Adverse economic, political, social or other developments could have a material adverse effect on our business, financial condition, results of operations and ability to pay dividends.

**Charter rates in the drybulk shipping market are at historically high levels and future growth will depend on continued economic growth in the world economy that exceeds growth in vessel capacity.**

Charter rates for the drybulk carriers recently have been at historically high levels. Star Bulk anticipates that future demand for its vessels, and in turn future charter rates, will be dependent upon continued economic growth in the world's economy, particularly in China and India, as well as seasonal and regional changes in demand and changes in the capacity of the world's fleet. According to Drewry Shipping Consultants Limited, or Drewry, the world's drybulk carrier fleet is expected to increase in 2007 as a result of substantial scheduled deliveries of newly constructed vessels and low forecasts for scrapping of existing vessels. Continued economic growth in the world economy that exceeds growth in vessel capacity will be necessary to sustain current charter rates. There can be no assurance that economic growth will not decline or that vessel scrapping will occur at an even lower rate than forecasted. A decline in charter rates could have a material adverse effect on Star Bulk's business, financial condition and results of operations.

**An economic slowdown in the Asia Pacific region could have a material adverse effect on Star Bulk's business, financial position and results of operations**

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

**Star Bulk may become dependent on spot charters in the volatile shipping markets.**

Star Bulk may employ one or more of its vessels on spot charters, including when time charters on vessels expire. The spot charter market is highly competitive and rates within this market are subject to volatile fluctuations, while longer-term period time charters provide income at pre-determined rates over more extended periods of time. If Star Bulk decides to spot charter its vessels, there can be no assurance that Star Bulk will be successful in keeping all its vessels fully employed in these short-term markets or that future spot rates will be sufficient to enable its vessels to be operated profitably. A significant decrease in charter rates could affect the value of Star Bulk's fleet and could adversely affect its profitability and cash flows with the result that its ability to pay debt service to its lenders and dividends to its shareholders could be impaired.

**Star Bulk's operating results will be subject to seasonal fluctuations, which could affect its operating results and the amount of available cash with which Star Bulk can pay dividends.**

Star Bulk will operate its vessels in markets that have historically exhibited seasonal variations in demand and, as a result, in charter hire rates. This seasonality may result in quarter to quarter volatility in its operating results, which could affect the amount of dividends that Star Bulk pays to its shareholders from quarter to quarter. The drybulk carrier market is typically stronger in the fall and winter months in anticipation of increased consumption of coal and other raw materials in the northern hemisphere during the winter months. In addition, unpredictable weather patterns in these months tend to disrupt vessel scheduling and supplies of certain commodities. As a result, revenues of drybulk carrier operators in general have historically been weaker during the fiscal quarters ended June 30 and September 30, and, conversely, been stronger in fiscal quarters ended December 31 and March 31. This seasonality may materially affect Star Bulk's operating results and cash available for dividends.

**Star Bulk will be subject to regulation and liability under environmental laws that could require significant expenditures and effect its cash flows and net income.**

Star Bulk's business and the operation of its vessels will be materially affected by government regulation in the form<sup>a</sup> of international conventions, national, state and local laws and regulations in force in the jurisdictions in which its vessels operate, as well as in the country or countries of their registration. Because such conventions, laws, and regulations are often revised, Star Bulk cannot predict the ultimate cost of complying with such conventions, laws and regulations or the impact thereof on the resale prices or useful lives of its vessels. Additional conventions, laws and regulations may be adopted which could limit Star Bulk's ability to do business or increase the cost of its doing business and which may materially and adversely affect its operations. Star Bulk will be required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to its operations.

The operation of Star Bulk's vessels is affected by the requirements set forth in the United Nations' International Maritime Organization's International Management Code for the Safe Operation of Ships and Pollution Prevention, or ISM Code. The ISM Code requires shipowners, ship managers and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. The failure of a shipowner or bareboat charterer to comply with the ISM Code may subject it to increased liability, may invalidate existing insurance or decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports. Each of Star Bulk's vessels will be ISM code-certified but we cannot assure that such certificate will be maintained indefinitely.

Star Bulk expects to maintain, for each of its vessels, pollution liability coverage insurance in the amount of \$1 billion per incident. If the damages from a catastrophic incident exceeded Star Bulk's insurance coverage, it could have a material adverse effect on Star Bulk's financial condition and results of operations.



**The operation of drybulk carriers has particular operational risks which could affect our earnings and cash flow.**

The operation of certain ship types, such as drybulk carriers, has certain particular risks. With a drybulk carrier, the cargo itself and its interaction with the vessel can be an operational risk. By their nature, drybulk cargoes are often heavy, dense, easily shifted, and react badly to water exposure. In addition, drybulk carriers are often subjected to battering treatment during unloading operations with grabs, jackhammers (to pry encrusted cargoes out of the hold) and small bulldozers. This treatment may cause damage to the vessel. Vessels damaged due to treatment during unloading procedures may be more susceptible to breach while at sea. Null breaches in drybulk carriers may lead to the flooding of the vessels' holds. If a drybulk carrier suffers flooding in its forward holds, the bulk cargo may become so dense and waterlogged that its pressure may buckle the vessel's bulkheads leading to the loss of a vessel. If Star Bulk is unable to adequately maintain its vessels, it may be unable to prevent these events. Any of these circumstances or events could negatively impact Star Bulk's business, financial condition, results of operations and ability to pay dividends. In addition, the loss of any of its vessels could harm Star Bulk's reputation as a safe and reliable vessel owner and operator.

**If any of Star Bulk's vessels fails to maintain its class certification and/or fails any annual survey, intermediate survey, drydocking or special survey, it could have a material adverse impact on Star Bulk's financial condition and results of operations.**

The hull and machinery of every commercial vessel must be classed by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and the Safety of Life at Sea Convention or SOLAS. Star Bulk's vessels are expected to be classed with one or more classification societies that are members of the International Association of Classification Societies.

A vessel must undergo annual surveys, intermediate surveys, drydockings and special surveys. In lieu of a special survey, a vessel's machinery may be on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. Star Bulk's vessels are expected to be on special survey cycles for hull inspection and continuous survey cycles for machinery inspection. Every vessel will also be required to be drydocked every two to three years for inspection of the underwater parts of such vessel.

If any vessel does not maintain its class and/or fails any annual survey, intermediate survey, drydocking or special survey; the vessel will be unable to carry cargo between ports and will be unemployable and uninsurable. Any such inability to carry cargo or be employed, or any such violation of covenants, could have a material adverse impact on Star Bulk's financial condition and results of operations.

**Maritime claimants could arrest Star Bulk's vessels, which could interrupt its cash flow.**

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

**Governments could requisition Star Bulk's vessels during a period of war or emergency, resulting in loss of earnings.**

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

**World events outside Star Bulk's control may negatively affect its operations and financial condition.**

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

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

**Risks Factors Relating to the Redomiciliation Merger**

**There may not be an active market for Star Bulk's common stock or warrants, which may cause its common stock or warrants to trade at a discount and make it difficult to sell your common stock or warrants.**

Prior to the Redomiciliation Merger, there has been no public market for Star Bulk's common stock or warrants. Star Bulk cannot assure you that an active trading market for Star Bulk's common stock or warrants will develop or be sustained after the Redomiciliation Merger or that the price of Star Bulk's common stock or warrants in the public market will reflect its actual financial performance.

**The price of Star Bulk's shares after the Redomiciliation Merger may be volatile.**

The price of Star Bulk's shares after the Redomiciliation Merger may be volatile, and may fluctuate due to factors such as:

· actual or anticipated fluctuations in quarterly and annual results;

· limited operating history;

· mergers and strategic alliances in the shipping industry;

· market conditions in the industry;

- changes in government regulation;
- fluctuations in Star Bulk's quarterly revenues and earnings and those of its publicly held competitors;
- shortfalls in Star Bulk's operating results from levels forecasted by securities analysts;
- announcements concerning Star Bulk or its competitors; and
- the general state of the securities markets.

The international drybulk shipping industry has been highly unpredictable and volatile. The market for common shares in this industry may be equally volatile.



**Star Bulk may choose to redeem its outstanding warrants at a time that is disadvantageous to warrant holders.**

Star Bulk may redeem the warrants issued as a part of the units in the Initial Public Offering that will be assumed by Star Bulk in the Redomiciliation Merger at any time after the warrants become exercisable, in whole and not in part, at a price of \$.01 per warrant, upon a minimum of 30 days prior written notice of redemption, if and only if, the last sales price of our common stock equals or exceeds \$14.25 per share for any 20 trading days within a 30 trading day period ending three business days before the notice of redemption is sent. Redemption of the warrants could force the warrant holders to (i) exercise the warrants and pay the exercise price therefor at a time when it may be disadvantageous for the holders to do so, (ii) sell the warrants at the then-current market price when they might otherwise wish to hold them, or (iii) accept the nominal redemption price which, at the time the warrants are called for redemption, is likely to be substantially less than the market value of the warrants.

**We expect to incur significant costs associated with the Redomiciliation Merger, whether or not the Redomiciliation Merger is completed and the incurrence of these costs will reduce the amount of cash available to be used for other corporate purposes.**

We expect to incur significant costs associated with the Redomiciliation Merger, whether or not the Redomiciliation Merger is completed. The incurrence of these costs will reduce the amount of cash available to be used for other corporate purposes, including distribution upon a liquidation.

**As a result of the Redomiciliation Merger, Star Bulk stockholders will be solely dependent on a single business.**

As a result of the Redomiciliation Merger, Star Bulk stockholders will be solely dependent upon the performance of Star Bulk and its drybulk shipping business. Star Bulk will be subject to a number of risks that relate generally to the shipping industry and other risks that specifically relate to Star Bulk.

**We may waive one or more of the conditions to the Redomiciliation Merger without resoliciting stockholder approval for the Redomiciliation Merger.**

We may agree to waive, in whole or in part, some of the conditions to our obligations to complete the Redomiciliation Merger, to the extent permitted by applicable laws. Our board of directors will evaluate the materiality of any waiver to determine whether amendment of joint proxy statement/prospectus to be filed with the SEC and resolicitation of proxies is warranted. In some instances, if our board of directors determines that a waiver is not sufficiently material to warrant resolicitation of stockholders, we have the discretion to complete the Redomiciliation Merger without seeking further stockholder approval.

**Item 1B. Unresolved Staff Comments**

None

**Item 2. Properties**

From January 1, 2006 through December 1, 2006, we maintained our executive offices c/o Schwartz & Weiss, P.C. at 457 Madison Avenue, New York, New York 10022. The cost for this space and other additional services provided by the law firm of Schwartz & Weiss, P.C. was \$7,500 per month. On December 19, 2006, we entered into a sublease with Blue Diamond Realty, LLC, a Delaware limited liability company. Effective as of December 1, 2006, Blue Diamond Realty LLC agreed to sublet offices to the Company located at 103 Foulk Road, Wilmington, Delaware, and provide the Company with such office space and equipment, including a conference room, as well as administrative support necessary for the Company's business. The sublease is for thirteen months effective December 1, 2006 through December 31, 2007, with an automatic renewal each year for an additional one year period, unless either party gives the other party at least 90 days written notice of its intent to terminate the Agreement. The annual base rent and

administrative services fees for this space is \$4,000 payable on January 1 each year. We consider our current office space adequate for our current operations.

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**Item 3. Legal Proceedings**

To the knowledge of management, there is no litigation currently pending or contemplated against us or any of our officers or directors in their capacity as such.

**Item 4. Submission of Matters to a Vote of Security Holders**

During the fourth quarter of our fiscal year ended December 31, 2006, there were no matters submitted to a vote of security holders.

**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

The Company's units began trading on the American Stock Exchange under the symbols "SEAU," on December 16, 2005, and the Company's common stock and warrants began trading on AMEX under the "SEA" and "SEAW," respectively, on February 27, 2006. Effective on February 27, 2006, the Company's Common Stock and Warrant began to trade separately and the Units ceased trading. The following table sets forth the high and low sales information for the Company's securities from the commencement of trading through December 31, 2005, and for the fiscal year ended December 31, 2006, based upon information supplied by AMEX.

| 2005   | Units    |         | Warrants |     | Common Stock |     |
|--|----------|---------|----------|-----|--------------|-----|
|  | High     | Low     | High     | Low | High         | Low |
| First Quarter*                                 | N/A      | N/A     | N/A      | N/A | N/A          | N/A |
| Second Quarter*                                | N/A      | N/A     | N/A      | N/A | N/A          | N/A |
| Third Quarter*                                 | N/A      | N/A     | N/A      | N/A | N/A          | N/A |
| Fourth Quarter*<br>(October 1 to December 15)  | N/A      | N/A     | N/A      | N/A | N/A          | N/A |
| Fourth Quarter<br>(December 16 to December 31) | \$ 10.00 | \$ 9.82 | N/A      | N/A | N/A          | N/A |

\* No amounts are included as none of our securities commenced trading on AMEX prior to December 16, 2005.

| 2006                                     | Units*   |         | Warrants |      | Common Stock |      |
|--|----------|---------|----------|------|--------------|------|
|  | High     | Low     | High     | Low  | High         | Low  |
| First Quarter (January 1 to February 26) | \$ 10.25 | \$ 9.84 | N/A      | N/A  | N/A          | N/A  |
| First Quarter (February 27 to March 31)  | N/A      | N/A     | 1.25     | 0.87 | 9.92         | 9.62 |
| Second Quarter                           | N/A      | N/A     | 1.20     | 0.87 | 10.16        | 9.47 |
| Third Quarter                            | N/A      | N/A     | 1.06     | 0.70 | 9.74         | 9.45 |
| Fourth Quarter                           | N/A      | N/A     | 0.84     | 0.55 | 9.90         | 9.60 |

\* Units ceased trading on February 27, 2006 and the Common Stock and Warrants began trading separately.



| 2007                                  | Warrants |      |    |      | Common Stock |       |    |      |
|---------------------------------------|----------|------|----|------|--------------|-------|----|------|
|                                       |          | High |    | Low  |              | High  |    | Low  |
| First Quarter (January 1 to March 9)* | \$       | 1.72 | \$ | 0.72 | \$           | 10.02 | \$ | 9.86 |

\* The last full trading day prior to the announcement of a proposal for a business combination involving Star Bulk.

#### **Number of Holders of Common Stock and Warrants.**

On March 12, 2007, there were 9 holders of record of our Common Stock and 5 holders of record of our Warrants which does not include individual participants in security position listings that hold their securities in street name through CEDE & Co.

#### **Dividends.**

There were no cash dividends or other cash distributions made by us during the fiscal year ended December 31, 2006. Future dividend policy will be determined by our Board of Directors based on our earnings, financial condition, capital requirements and other then existing conditions. It is anticipated that cash dividends will not be paid to the holders of our common stock in the foreseeable future.

#### **Recent Sales of Unregistered Securities.**

There were no sales of unregistered securities during the period covered by this Annual Report on Form 10-K.

#### **Use of Proceeds**

On December 21, 2005, we consummated our Initial Public Offering of 18,867,500 units. Each unit consists of one share of common stock and one warrant. Each warrant entitles the holder to purchase from us one share of our common stock at an exercise price of \$8.00. The units were sold at an offering price of \$10.00 per unit, generating total gross proceeds of \$188,675,000. Maxim Group LLC acted as lead underwriter. The securities sold in the Initial Public Offering were registered under the Securities Act of 1933 on a registration statement on Form S-1 (No. 333-125662). The Securities and Exchange Commission declared the registration statement effective on December 15, 2005. The net proceeds of the Initial Public Offering are being held in a trust account and will continue to be invested in short-term U.S. Government Securities, specifically Treasury Bills, having a maturity date of 180 days or less until the earlier of (i) the consummation of the first business combination, of (ii) the distribution of the trust account if a business combination is not consummated.

#### **Equity Compensation Plan**

None.

**Performance Graph**

Currently, we have no business operations. We were formed as a blank check company for the sole purpose of acquiring, through a merger, capital stock exchange, asset acquisition or other similar business combination, one or more businesses in the shipping industry. Our current Standard Industrial Classification Code (SIC Code) is 6770 for a blank check company, and will remain as such until we complete a business combination. At such time that a business combination is consummated our SIC Code will change to reflect the industry in which we do business. Therefore, at this time we are unable to present stockholder return information since we do not currently have operations within an industry that can be compared to a peer group index by SIC Code or to the Amex Market Index.

**Repurchases of Equity Securities.**

None

**Item 6. Selected Financial Data**

The selected financial data presented below summarizes certain financial data which has been derived from and should be read in conjunction with our financial statements and notes thereto included in the section beginning on page F-1. See also "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

|  | <b>May 13, 2005<br/>(date of<br/>inception) to<br/>December 31,<br/>2005</b> | <b>May 13, 2005<br/>(date of<br/>inception) to<br/>December 31,<br/>2006</b> | <b>For the year<br/>Ended<br/>December 31,<br/>2006</b> |
|--|--|--|---|
| <b>Income Statement Data</b>           |  |  |   |
| Formation and Operating Costs          | \$ 50,211  | \$ 1,261,311   | \$ 1,211,100  |
| Interest income                        | 183,542  | 4,579,415  | 4,395,873   |
| Provision for income taxes             | 23,000   | 229,687  | 206,687   |
| Net income                             | 110,331  | 3,088,417  | 2,978,086   |
| Earnings per share (basic and diluted) | \$ 0.01  | \$ 0.14  | \$ 0.10   |

**Balance Sheet Data**

|                              | <b>As of<br/>December 31,<br/>2005</b> | <b>As of<br/>December 31,<br/>2006</b> |
|------------------------------|--|--|
| Investments in trust account | \$ 188,858,542                         | \$ 192,915,257                         |
| Cash                         | 593,281                                | 2,118,141                              |
| Working capital              | 185,225,951                            | 188,209,781                            |
| Total assets                 | 189,579,589                            | 195,186,301                            |
| Total stockholders' equity   | \$ 120,554,961                         | \$ 123,533,047                         |

|   | <b>For the<br/>Quarter ended<br/>03/31/06</b> | <b>For the Quarter<br/>ended 06/30/06</b> | <b>For the Quarter<br/>ended 09/30/06</b> | <b>For the Quarter<br/>ended 12/31/06</b> |
|---|---|---|---|---|
| <b>Quarterly Income Statement Data<br/>(unaudited):</b> |   |   |   |   |
| Interest income   | \$ 994,654                                    | \$ 1,162,544                              | \$ 1,117,933                              | \$ 1,120,742                              |
|   | 918,823                                       | 855,147                                   | 843,404                                   | 567,399                                   |

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Income before provision for income taxes

|  |    |         |    |         |    |         |    |         |
|--|----|---------|----|---------|----|---------|----|---------|
| Net income                             |    | 797,617 |    | 733,027 |    | 830,004 |    | 617,438 |
| Earnings per share (basic and diluted) | \$ | 0.03    | \$ | 0.03    | \$ | 0.03    | \$ | 0.02    |

**May 13, 2005**

**(date of**

**inception) to  
June 30, 2005**

**For the Quarter  
ended 9/30/05**

**For the Quarter  
ended 12/31/05**

|   |    |         |    |        |    |         |
|---|----|---------|----|--------|----|---------|
| Interest income                                 | \$ | -       | \$ | -      | \$ | 183,542 |
| Income/(loss) before provision for income taxes |    | (6,770) |    | (77)   |    | 140,178 |
| Net income (loss)                               |    | (6,847) |    | (77)   |    | 117,255 |
| Earnings per share (basic and diluted)          | \$ | (0.00)  | \$ | (0.00) | \$ | 0.01    |

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## **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **Overview**

We were formed on May 13, 2005 to acquire, through a merger, capital stock exchange, asset acquisition or other similar business combination, one or more businesses in the shipping industry. Our initial business combination must be with a target business or businesses whose fair market value is at least equal to 80% of our net assets at the time of such acquisition. We intend to utilize cash derived from the proceeds of our Initial Public Offering, our capital stock, debt or a combination of cash, capital stock and debt, in effecting a business combination.

If Star Maritime does not consummate the Redomiciliation Merger or another business combination by December 21, 2007, then, pursuant to Article SIXTH of its Certificate of Incorporation, Star Maritime's officers must take all actions necessary in accordance with the Delaware General Corporation Law to dissolve and liquidate Star Maritime within 60 days of that date. There is substantial doubt that Star Maritime will continue as a going concern if the Redomiciliation Merger is not approved.

### **Critical Accounting Policies**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No.109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainly in income taxes recognized in a company's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 is effective for fiscal years beginning after December 15, 2006.

Management does not believe that any recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying financial statements. Management is in the process of evaluating the impact of FIN 48 on its 2007 financial statements.

### **Results of Operations for the Fiscal Year Ended December 31, 2006 and the Period from May 13, 2005 (inception) to December 31, 2005**

For the fiscal year ended December 31, 2006, we incurred \$1,211,100 of operating expenses, compared to \$50,211 during the period from May 13, 2005 (date of inception) through December 31, 2005, which were paid from the net proceeds that were not deposited into the trust account. Our operating expenses consisted primarily of expenses related to professional and office fees of \$596,423, insurance costs of \$112,242, due diligence fees in connection with the search for a business target of \$262,877 and other expenses of \$239,558. The increase in operating expenses from the period from May 13, 2005 (date of inception) through December 31, 2005, was the result of our due diligence efforts in searching for a business target after the Initial Public Offering and the fee payable of \$7,500 per month for office space and certain other additional services from the law firm of Schwartz & Weiss, P.C..

For the fiscal year ended December 31, 2006, we earned net income after taxes of \$2,978,086 (\$5,141,143 before the deduction of \$2,163,057 of net interest attributable to common stock subject to possible redemption) compared to \$110,331 during the period from May 13, 2005 (date of inception) through December 31, 2005. Since we did not have any operations, all of our income was derived from the interest income earned on funds held in the trust account.



**Results of Operations for the Period from May 13, 2005 (inception) to December 31, 2006**

For the period from May 13, 2005 (date of inception) through December 31, 2006, we incurred \$1,261,311 of operating expenses, which were paid from the net proceeds that were not deposited into the trust account. Our operating expenses consisted primarily of expenses related to professional and office fees of \$616,023, insurance costs of \$116,476, due diligence fees in connection with the search for a business target of \$262,877 and other expenses of \$265,935.

For the period from May 13, 2005 (date of inception) through December 31, 2006, we earned net income after taxes of \$3,088,417 (\$5,251,474 before the deduction of \$2,163,057 of net interest attributable to common stock subject to possible redemption). Since we did not have any operations, all of our income was derived from the interest income earned on funds held in the trust account.

During the period from May 13, 2005 (date of inception) through December 31, 2005, Mr. Tsirigakis advanced a total of \$590,000 at an interest rate of 4% per annum for payment of Initial Public Offering expenses on our behalf. These loans were repaid following our Initial Public Offering from the proceeds of the Initial Public Offering .

### **Liquidity and Capital Resources.**

On December 15, 2005, we sold 1,132,500 units in the Private Placement to certain of our officers and directors. On December 21, 2005, we consummated our Initial Public Offering of 18,867,500 units. Each unit in the Private Placement and the Initial Public Offering consists of one share of common stock and one redeemable common stock purchase warrant. Each warrant entitles the holder to purchase from us one share of our common stock at an exercise price of \$8.00. Our common stock and warrants started trading separately as of February 27, 2006.

The net proceeds from the sale of our units, after deducting certain offering expenses of \$10,217,665 including underwriting discounts and commissions and placement fees, were \$189,807,335. Of this amount, \$188,675,000 was placed in the trust account, \$599,163 was used to repay debt and interest to Mr. Tsirigakis for a loan used to cover expenses related to the Initial Public Offering and the remaining proceeds of \$533,172, which after payment of approximately \$170,000 of additional financing fees, provided us with approximately \$363,172 which was deposited and held outside of the trust account to be used to provide for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses. The net proceeds deposited into the trust account remain on deposit in the trust account earning interest. As of December 31, 2006, there was approximately \$192,915,257 held in the trust account, of which up to \$4,000,000 will be paid to the underwriters if a business combination is consummated, but which will be forfeited in part if public stockholders elect to have their shares redeemed for cash if a business combination is not consummated. We will use substantially all of the net proceeds of the Initial Public Offering to acquire a target business, and will use the proceeds held outside of the trust account and disbursements of interest income to identify and evaluate prospective acquisition candidates, select the target business, and structure, negotiate and consummate the business combination. To the extent that our capital stock is used in whole or in part as consideration to effect a business combination, the proceeds held in the trust account as well as any other net proceeds not expended will be used to finance the operations of the target business.

At the time we seek stockholder approval of our initial business combination, we will offer each public stockholder the right to have such stockholder's shares of common stock redeemed for cash if the stockholder votes against the business combination and the business combination is approved and completed. The actual per-share redemption price will be equal to the amount in the trust account (calculated as of two business days prior to the consummation of the proposed business combination), inclusive of any interest, net of taxes payable, divided by the number of shares sold in the Initial Public Offering . We may effect a business combination so long as public stockholders owning no more than 32.99% of the shares sold in the Initial Public Offering vote against the business combination and exercise their redemption rights. In accordance with the terms of the Initial Public Offering , 6,599,999 shares of common stock are subject to possible redemption. Accordingly, at December 31, 2006, \$64,679,990 of the net proceeds from the Initial Public Offering , has been classified as common stock subject to possible redemption in the Company's balance sheet.

We believe we will have sufficient available funds outside of the trust account to operate through December 21, 2007, assuming that a business combination is not consummated during that time. We do not believe we will need to raise additional funds in order to meet the expenditures required for operating our business. However, we may need to raise additional funds through a private offering of debt or equity securities, or enter into a financing arrangement if such funds are required to consummate a business combination that is presented to us. We would only consummate such a financing simultaneously with the consummation of a business combination.

### **Off-Balance Sheet Arrangements**

Options and warrants issued in conjunction with our Initial Public Offering are equity linked derivatives and accordingly represent off balance sheet arrangements. The options and warrants meet the scope exception in paragraph 11(a) of FAS 133 and are accordingly not accounted for as derivatives for purposes of FAS 133, but instead are accounted for as equity. See Footnote 2 to the financial statements for more information.

### **Contractual Obligations.**

We do not have any long term debt, capital lease obligations, operating lease obligations, purchase obligations or other long term liabilities.

### **Forward Looking Statements**

This Annual Report on Form 10-K includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “may,” “should,” “could,” “would,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “continue,” or the negative of such terms or other similar expressions. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those described above under Item 1A “Risk Factors” and in our other Securities and Exchange Commission filings. The following discussion should be read in conjunction with our Financial Statements and related Notes thereto included elsewhere in this report.

### **Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

Market risk is the sensitivity of income to changes in interest rates, foreign exchanges, commodity prices, equity prices, and other market-driven rates or prices. We are not presently engaged in and, if a suitable business target is not identified by us prior to the prescribed liquidation date of the trust account, we may not engage in, any substantive commercial business. Accordingly, we are not and, until such time as we consummate a business combination, we will not be, exposed to risks associated with foreign exchange rates, commodity prices, equity prices or other market-driven rates or prices. The net proceeds of our Initial Public Offering held in the trust account have been invested only in money market funds meeting certain conditions under Rule 2a-7 promulgated under the Investment Company Act of 1940. Given our limited risk in our exposure to money market funds, we do not view the interest rate risk to be significant.

**Item 8. Financial Statements and Supplementary Data**

**Star Maritime Acquisition Corp.**

(a corporation in the development stage)

**Index to Financial Statements**

**Financial Statements**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors  
Star Maritime Acquisition Corp.

We have audited the accompanying balance sheet of Star Maritime Acquisition Corp. (a corporation in the development stage) as of December 31, 2006 and 2005 and the related statements of income, stockholders' equity and cash flows for the year ended December 31, 2006 and for the periods from May 13, 2005 (inception) to December 31, 2005 and May 13, 2005 (inception) to December 31, 2006. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The audits include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audits also include assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Star Maritime Acquisition Corp. as of December 31, 2006 and 2005 and the results of its operations and its cash flows for the year ended December 31, 2006 and for the periods from May 13, 2005 (inception) to December 31, 2005 and May 13, 2005 (inception) to December 31, 2006 in conformity with United States generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 10, 2007 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

The accompanying financial statements have been prepared assuming that Star Maritime Acquisition Corp. will continue as a going concern. As discussed in Note 1 to the financial statements, the Company may face a mandatory liquidation by December 21, 2007 if a business combination is not consummated, unless certain extension criteria are met, which raises substantial doubt its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**GOLDSTEIN GOLUB KESSLER LLP**

New York, New York  
March 10, 2007  
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**Star Maritime Acquisition Corp.**  
(a development stage company)

**Balance Sheet**

|   | December 31,<br>2006  | December 31,<br>2005  |
|---|-----------------------|-----------------------|
| <b>ASSETS</b>   |                       |                       |
| <b>Current Assets</b>   |                       |                       |
| Cash  | \$ 2,118,141          | \$ 593,281            |
| Investments in trust account  | 192,915,257           | 188,858,542           |
| Prepaid expenses and other current assets   | 149,647               | 118,766               |
| <b>Total Current Assets</b>   | <b>195,183,045</b>    | <b>189,570,589</b>    |
| Property and Equipment, net   | 3,256                 | -                     |
| Deferred tax asset  | -                     | 9,000                 |
| <b>TOTAL ASSETS</b>   | <b>\$ 195,186,301</b> | <b>\$ 189,579,589</b> |
| <b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>   |                       |                       |
| <b>Liabilities</b>  |                       |                       |
| Accounts payable & accrued expenses   | \$ 603,520            | \$ 344,638            |
| Deferred Interest on investments  | 2,163,057             |                       |
| Deferred underwriting fees  | 4,000,000             | 4,000,000             |
| Income taxes payable  | 206,687               |                       |
| <b>Total Liabilities</b>  | <b>6,973,264</b>      | <b>4,344,638</b>      |
| Common Stock, \$.0001 par value, 6,599,999 shares subject to possible redemption, at redemption value of \$9.80 per share   | 64,679,990            | 64,679,990            |
| <b>Commitments</b>  |                       |                       |
| <b>Stockholders' Equity</b>   |                       |                       |
| Preferred Stock, \$.0001 par value; authorized, 1,000,000 shares; none issued or outstanding  |                       | -                     |
| Common Stock, \$.0001 par value, authorized, 100,000,000 shares; 29,026,924 shares issued and outstanding.<br>(including 6,599,999 shares subject to possible redemption) | 2,903                 | 2,903                 |
| Additional paid in capital  | 120,441,727           | 120,441,727           |
| Earnings accumulated in the development stage   | 3,088,417             | 110,331               |
| <b>Total Stockholders' Equity</b>   | <b>123,533,047</b>    | <b>120,554,961</b>    |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>   | <b>\$ 195,186,301</b> | <b>\$ 189,579,589</b> |

The accompanying notes should be read in conjunction with the financial statements.

**Star Maritime Acquisition Corp.**  
(a development stage company)

**Statement of Income**

|   | <b>For the Year Ended<br/>December 31, 2006</b> | <b>May 13, 2005<br/>(date of<br/>inception) to<br/>December 31,<br/>2005</b> | <b>May 13, 2005<br/>(date of<br/>inception) to<br/>December 31,<br/>2006</b> |
|---|---|--|--|
| Operating expenses                                      |   |  |  |
| Professional fees                                       | \$ 596,423                                      | \$ 19,600  | \$ 616,023   |
| Insurance   | 112,242   | 4,234  | 116,476  |
| Due diligence costs                                     | 262,877   | -  | 262,877  |
| Other   | 239,558   | 26,377   | 265,935  |
| Total operating expenses                                | 1,211,100                                       | 50,211   | 1,261,311  |
| Interest income   | 4,395,873                                       | 183,542  | 4,579,415  |
| Income before provision for income taxes                | 3,184,773                                       | 133,331  | 3,318,104  |
| Provision for income taxes                              | 206,687   | 23,000   | 229,687  |
| Net income  | \$ 2,978,086                                    | \$ 110,331   | \$ 3,088,417   |
| Earnings per share (basic and diluted)                  | \$ 0.10   | \$ 0.01  | \$ 0.14  |
| Weighted average shares outstanding - basic and diluted | 29,026,924                                      | 9,918,282  | 21,601,120   |

The accompanying notes should be read in conjunction with the financial statements.

**Star Maritime Acquisition Corp.**  
(a development stage company)

**Statement of Stockholders' Equity**

|  | Common Stock<br>Shares | Common Stock<br>Amount | Additional<br>paid-in<br>capital | Earnings<br>accumulated<br>in the<br>development<br>stage | Total<br>stockholders'<br>equity |
|--|------------------------|------------------------|----------------------------------|---|----------------------------------|
| May 13, 2005 (inception) to<br>December 31, 2006                             |                        |                        |                                  |   |                                  |
| Stock Issuance on May 17, 2005<br>at \$.003 per share                        | 9,026,924              | \$ 903                 | \$ 24,097                        | \$ -  | 25,000                           |
| Private placement issued<br>December 15, 2005 at \$10 per<br>share           | 1,132,500              | 113                    | 11,324,887                       |   | 11,325,000                       |
| Common shares issued December<br>21, 2005 at \$10 per share                  | 18,867,500             | 1,887                  | 188,673,113                      |   | 188,675,000                      |
| Expenses of offerings  |                        |                        | (14,900,380)                     |   | (14,900,380)                     |
| Proceeds subject to possible<br>redemption of 6,599,999 shares               |                        |                        | (64,679,990)                     |   | (64,679,990)                     |
| Net income for the period May 13,<br>2005(inception) to December 31,<br>2005 | -                      | -                      | -                                | 110,331   | 110,331                          |
| <b>Balance, December 31, 2005</b>  | <b>29,026,924</b>      | <b>\$ 2,903</b>        | <b>\$ 120,441,727</b>            | <b>\$ 110,331</b>   | <b>\$ 120,554,961</b>            |
| Net Income for the year ended<br>December 31, 2006                           | -                      | -                      | -                                | 2,978,086   | 2,978,086                        |
| <b>Balance, December 31, 2006</b>  | <b>29,026,924</b>      | <b>\$ 2,903</b>        | <b>\$ 120,441,727</b>            | <b>\$ 3,088,417</b>                                       | <b>\$ 123,533,047</b>            |

The accompanying notes should be read in conjunction with the financial statements.



**Star Maritime Acquisition Corp.**  
(a development stage company)  
**Statement of Cash Flows**

|  | For the Year<br>Ended December<br>31, 2006 | May 13, 2005 (date<br>of inception) to<br>December 31, 2005 | May 13, 2005<br>(date of inception)<br>to December 31,<br>2006 |
|--|--|---|--|
| <b>Cash flows from operating activities:</b>   |  |   |  |
| <b>Net Income</b>  | \$ 2,978,086                               | \$ 110,331  | \$ 3,088,417   |
| <b>Adjustments to reconcile net income to net cash used in operating activities:</b> |  |   |  |
| Depreciation   | 408  |   | 408  |
| Changes in operating assets and liabilities:   |  |   | -  |
| Increase in value of trust account   | (4,056,715)                                | (183,542)   | (4,240,257)  |
| Increase in prepaid expenses and other current assets                                | (30,881)                                   | (118,766)   | (149,647)  |
| Decrease (increase) in deferred tax asset  | 9,000                                      | (9,000)   | -  |
| Increase in accounts payable and accrued expenses                                    | 429,467                                    | 174,053   | 603,520  |
| Increase in deferred interest  | 2,163,057                                  | -   | 2,163,057  |
| Increase in taxes payable  | 206,687                                    | -   | 206,687  |
| <b>Net cash provided by (used in) operating activities</b>                           | <b>1,699,109</b>                           | <b>(26,924)</b>   | <b>1,672,185</b>   |
| <b>Cash flows from investing activities:</b>   |  |   |  |
| Payment to trust account   | -  | (188,675,000)   | (188,675,000)  |
| Capital expenditures   | (3,664)                                    | -   | (3,664)  |
| <b>Net cash used in investing activities</b>   | <b>(3,664)</b>                             | <b>(188,675,000)</b>  | <b>(188,678,664)</b>   |
| <b>Cash flows from financing activities:</b>   |  |   |  |
| Gross proceeds from public offering  |  | 188,675,000   | 188,675,000  |
| Gross proceeds from private placement  |  | 11,325,000  | 11,325,000   |
| Proceeds of note payable to stockholder  | -  | 590,000   | 590,000  |
| Repayment of note payable to stockholder   | -  | (590,000)   | (590,000)  |
| Proceeds from sale of shares of common stock   | -  | 25,000  | 25,000   |
| Payment of offering costs  | (170,585)                                  | (10,729,795)  | (10,900,380)   |
| <b>Net cash provided by financing activities</b>                                     | <b>(170,585)</b>                           | <b>189,295,205</b>  | <b>189,124,620</b>   |
| <b>Net cash increase for period</b>  | <b>1,524,860</b>                           | <b>593,281</b>  | <b>2,118,141</b>   |
| <b>Cash at beginning of period</b>   | <b>593,281</b>                             | <b>-</b>  | <b>-</b>   |
| <b>Cash at end of period</b>   | <b>\$ 2,118,141</b>                        | <b>\$ 593,281</b>   | <b>\$ 2,118,141</b>  |
| <b>Supplemental cash disclosure</b>  |  |   |  |
| Interest paid  | \$ -                                       | \$ 9,163  | \$ 9,163   |
| <b>Supplemental schedule of non-cash financing activities</b>                        |  |   |  |
| Accrual of deferred underwriting fees  | \$ -                                       | \$ 4,000,000  | \$ 4,000,000   |
| Accrual of offering costs  | \$ -                                       | \$ 170,585  |  |

The accompanying notes should be read in conjunction with the financial statements.

**Star Maritime Acquisition Corp.**  
(a development stage company)

**Notes to the Financial Statements**  
**December 31, 2006**

**1. ORGANIZATION AND BUSINESS OPERATIONS**

Star Maritime Acquisition Corp. (the “Company”) was incorporated in Delaware on May 13, 2005. The Company was formed to serve as a vehicle for the acquisition through a merger, capital stock exchange, asset acquisition, or other similar business combination (“Business Combination”) with one or more businesses in the shipping industry. The company has not acquired an entity as of December 31, 2006. The Company has selected December 31 as its fiscal year end. The Company is considered to be in the development stage and is subject to the risks associated with activities of development stage companies. Certain amounts in the December 31, 2005 financial statements have been reclassified to conform to the current year presentation.

On December 13, 2006, the Company created a wholly-owned subsidiary, Star Bulk Carriers Corp. (“Star Bulk”) registered in the Marshall Islands. Star Bulk was not funded within 2006, therefore, there is no related effect on the financial statements.

The registration statement for the Company’s initial public offering (the “Public Offering”) was declared effective on December 15, 2005. The Company completed a private placement (the “Private Placement”) on such date and received net proceeds of \$10,532,250. The Company consummated the Public Offering on December 21, 2005 and received net proceeds of \$174,567,370. The Company’s management has broad discretion with respect to the specific application of the net proceeds of the Private Placement and the Public Offering (collectively the “Offerings”) (as described in Note 3), although substantially all of the net proceeds of the Offerings are intended to be generally applied toward consummating a business combination with a target company. As used herein, a “target business” shall include an operating business in the international maritime industry and a “business combination” shall mean the acquisition by the Company of a target business.

Of the proceeds of the Offerings, \$188,675,000 is being held in a trust account (“Trust Account”) and invested until the earlier of (i) the consummation of the first business combination or (ii) the distribution of the Trust Account as described below. The amount in the Trust Account includes \$3,773,500 of contingent underwriting compensation and \$226,500 of contingent private placement fees (collectively, the “Discount”) which will be paid to the underwriters if a business combination is consummated, but which will be forfeited in part if public stockholders elect to have their shares redeemed for cash if a business combination is consummated. The remaining proceeds may be used to pay for additional financing costs accrued but not yet paid, business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses.

The Company, after signing a definitive agreement for the acquisition of a target business, will submit such transaction for stockholder approval. In the event that public stockholders owning 33% or more of the outstanding stock sold in the Public Offering and Private Placement vote against the business combination and elect to have the Company redeem their shares for cash, the business combination will not be consummated. All of the Company’s stockholders prior to the Public Offering, including all of the officers and directors of the Company (“Initial Stockholders”), have agreed to vote their 9,026,924 founding shares of common stock in accordance with the vote of the majority in interest of all other stockholders of the Company with respect to any business combination and to vote the shares they acquired in the Private Placement or in the aftermarket in favor of the business combination. After consummation of the Company’s first business combination, all of these voting safeguards will no longer be applicable.

With respect to the first business combination which is approved and consummated, any holder of shares sold in the Public Offering, other than the Initial Stockholders and their nominees (the "Public Stockholders") who voted against the business combination may demand that the Company redeem his or her shares. The per share redemption price will equal \$10.00 per share, which amount represents \$9.80 per share plus their pro rata share of any accrued interest earned on the trust account (net of taxes payable) not previously distributed to us and \$0.20 per share plus interest thereon (net of taxes payable) of contingent underwriting compensation which the underwriters have agreed to forfeit to pay redeeming stockholders. Accordingly, Public Stockholders holding 32.99% of the aggregate number of shares sold in the Proposed Offerings may seek redemption of their shares in the event of a business combination.

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The accompanying financial statements have been prepared assuming that Star Maritime Acquisition Corp. will continue as a going concern. The Company's Certificate of Incorporation provides for mandatory liquidation of the Company by December 21, 2007, without stockholder approval, in the event that the Company does not consummate a business combination within 18 months from the date of consummation of the Public Offering, or 24 months from the consummation of the Public Offering if certain extension criteria have been satisfied. The Initial Stockholders have agreed to waive their rights to participate in any liquidation distribution occurring upon its failure to consummate a business combination with respect to those shares of common stock acquired by them prior to the Public Offering and with respect to the shares included in the 1,132,500 units purchased in the private placement. In addition, the underwriters have agreed to waive their rights to the \$3,773,500 of contingent compensation and \$226,500 of placement fees deposited in the trust account for their benefit. Accordingly, in the event of liquidation, the public stockholders will receive \$10.00 per unit plus interest (net of taxes payable and that portion of the earned interest previously released to the Company). The Company will pay the costs of liquidation and dissolution from remaining assets outside of the trust account. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

### **Concentration of Credit Risk**

Financial instruments that potentially subject the Company to credit risk consist of cash equivalents and short-term investments. The Company's policy is to place investments with financial institutions evaluated as being creditworthy, or in short-term money market funds which are exposed to minimal interest rate and credit risk.

### **Cash and cash equivalents**

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

The company maintains cash in bank deposit accounts which, at times, exceed federally insured limits. The company has not experienced any losses on these accounts.

### **Deferred Interest**

A portion (32.99%) of the interest earned on the Trust Account has been deferred on the balance sheet as it represents interest attributable to the common stock subject to possible redemption (See Note 1).

### **Income taxes**

Deferred income taxes are provided for the differences between the bases of assets and liabilities for financial reporting and income tax purposes. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized.

## **Property and Equipment**

Property and equipment, which is principally computer equipment, is recorded at cost and is depreciated using the straight-line method over its useful life.

## **Stock Based Compensation**

In December 2004, the Financial Accounting Standards Board issued statement of Financial Accounting Standards No. 123 (revised 2004) (“SFAS 123 (R)”), “Share Based Project.” SFAS 123 (R) required all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. The Company adopted SFAS 123(R) effective January 1, 2006. The adoption of this standard has no effect on the financial statements as of December 31, 2006.

## **Earnings per common share**

Basic earnings per share are computed by dividing the net income by the weighted average common shares outstanding during the period. Diluted earnings per share reflects the additional dilution for all potentially dilutive securities such as stock warrants and options. The effect of the 20,000,000 outstanding warrants, issued in connection with the initial public offering and the private placement described in Note 3 has not been considered in the diluted earnings per share since the warrants are contingently exercisable.

## **Recently issued accounting pronouncements**

In June 2006, the FASB issued Interpretation No. 48, “Accounting for Uncertainty in Income Taxes-an Interpretation of FASB Statement No. 109” (“FIN 48”). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company’s financial statements in accordance with SFAS No. 109, “Accounting for Income Taxes.” FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of the tax position taken or expected to be taken in a tax return. FIN 48 is effective for fiscal years beginning after December 15, 2006.

Management does not believe that any other recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying financial statements.

## **3. STOCKHOLDERS’ EQUITY**

### **Public Offering**

On December 21, 2005, the Company sold 18,867,500 units to the public at a price of \$10.00 per unit. Each unit consists of one share of the Company’s common stock, \$.0001 par value, and one redeemable common stock purchase warrant (“warrant”). Each warrant entitles the holder to purchase from the Company one share of common stock at an exercise price of \$8.00 commencing the later of the completion of a business combination with a target business or December 15, 2005 and expiring December 15, 2009. The warrants are redeemable at a price of \$.01 per warrant upon 30 days notice after the warrants become exercisable, only in the event that the last sale price of the common stock is at least \$14.25 per share for any 20 trading days within 30 trading day period ending on the third day prior to date on which notice of redemption is given.

### **Private Placement**

On December 15, 2005, the Company sold to certain of its officers and directors an aggregate of 1,132,500 units identical to the units sold in the Public Offering at a price of \$10.00 per unit.



**Common Stock Reserved For Issuance**

At December 31, 2006 20,000,000 shares of common stock were reserved for issuance upon exercise of redeemable warrants.

**Preferred Stock**

The Company is authorized to issue 1,000,000 shares of preferred stock with such designations, voting, and other rights and preferences, as maybe determined from time to time by the Board of Directors.

**4. - INCOME TAXES**

The provision for income taxes consists of the following:

|                          | <b>For the period ended<br/>December 31,</b> |                  |
|--------------------------|--|------------------|
|                          | <b>2006</b>                                  | <b>2005</b>      |
| Current-Federal          | \$ 206,687                                   | \$ -             |
| Current-State and Local  | -  | 32,000           |
| Deferred-Federal         | -  | -                |
| Deferred-State and Local | -  | (9,000)          |
| <b>Total</b>             | <b>\$ 206,687</b>                            | <b>\$ 23,000</b> |

The total provision for income taxes differs from the amount which would be computed by applying the U.S. Federal income tax rate to income before provision for income taxes as follows:

|  | <b>For the period ended<br/>December 31,</b> |             |
|--|--|-------------|
|  | <b>2006</b>                                  | <b>2005</b> |
| Statutory federal income tax rate                    | 34%  | 34%         |
| State and local income taxes                         | -  | 17%         |
| Valuation allowance                                  | 14%  | —           |
| Interest income not taxable for federal tax purposes | (41%)  | (34%)       |
| <b>Effective tax rate</b>                            | <b>7%</b>                                    | <b>17%</b>  |

The tax effect of temporary differences that give rise to the net deferred tax asset is as follows:

|                                    | <b>For the period ended<br/>December 31,</b> |                 |
|------------------------------------|--|-----------------|
|                                    | <b>2006</b>                                  | <b>2005</b>     |
| Expenses deferred for income taxes | \$ 447,712                                   | \$ 9,000        |
| Valuation allowance                | (447,712)                                    | -               |
| <b>Total deferred tax asset</b>    | <b>\$ 0</b>                                  | <b>\$ 9,000</b> |

## 5. COMMITMENTS

On December 19, 2006, the Company entered into a Sublease and Administrative Services Agreement with Blue Diamond Realty, LLC, a Delaware limited liability company ("Blue Diamond"). Effective as of December 1, 2006, Blue Diamond agreed to sublet offices to the Company located at 103 Foulk Road, Wilmington, Delaware and provide the Company with such office space and equipment, including a conference room, as well as administrative support necessary for the Company's business. The Agreement is for a one-year term effective December 1, 2006 through December 31, 2007, with an automatic renewal each year for an additional one year period, unless either party gives the other party at least 90 days written notice of its intent to terminate the Agreement. The Company shall pay Blue Diamond annual base rent and administrative services fees in the aggregate of \$4,000 payable on January 1 each year.

On October 4, 2006, Star Maritime entered into an agreement with Bongard Shipbrokers S.A., or Bongard, for purposes of engaging Bongard in connection with sourcing, developing contacts and making referrals for potential target businesses and providing evaluations of such potential target businesses. In exchange for such services, Star Maritime is obligated to pay a contingent fee of \$800,000 within thirty days of the closing of a business combination transaction. In the event that Star Maritime does not consummate a business combination transaction, no fees are payable to Bongard pursuant to the agreement.

On December 20, 2006, Star Maritime entered into an agreement with Cantor Fitzgerald & Co., or CF&Co., for purposes of engaging CF&Co. as financial advisor in connection with a possible business combination transaction. Pursuant to the agreement, CF & Co. was engaged to provide such services as creating financial models, advising on the structure of a possible transaction with a target business, negotiating agreements on behalf of and in conjunction with management and assisting management with the preparation of marketing and roadshow materials. In exchange for such services, Star Maritime is obligated to pay a contingent fee of \$1,250,000, plus expenses of up to \$60,000, within thirty days of the closing of a business combination transaction if such transaction is consummated by December 31, 2007.

On December 22, 2006, Star Maritime entered into an agreement with Maxim Group LLC, or Maxim, for purposes of engaging Maxim as co-lead financial advisor in connection with a possible business combination transaction. Pursuant to the agreement, Maxim was engaged to provide such services as creating financial models, advising on the structure of a possible transaction with a target business and assisting in the preparation of terms sheets or letters of intent. In exchange for such services, Star Maritime is obligated to pay a contingent fee of \$800,000 for any business combination transaction consummated during the term of the agreement (or within six months of the termination date). The agreement terminates on October 31, 2007, unless terminated earlier by either Star Maritime or Maxim upon thirty days' written notice, or extended by mutual agreement.

The Initial Stockholders have agreed to surrender up to an aggregate of 200,000 of their shares of common stock to the Company for cancellation upon consummation of a business combination in the event public stockholders exercise their right to have the Company redeem their shares for cash. The number of shares that the Initial Stockholders will surrender will be determined by calculating the dollar amount of the Trust Account (exclusive of interest) paid to redeeming stockholders above the amount attributable to such stockholders (\$9.23 per share) and the Discount (\$.20 per share) and dividing it by \$10.00 (the value attributed to the shares for purposes of this calculation). Accordingly, for each 1,000 shares redeemed up to 3,508,772 shares, the Initial Stockholders will surrender 57 shares for cancellation.

The Company has engaged the representative of the underwriters, on a non-exclusive basis, as its agent for the solicitation of the exercise of the warrants. To the extent not inconsistent with the guidelines of the NASD and the rules and regulations of the Securities and Exchange Commission, the Company has agreed to pay the representative for bona fide services rendered a commission equal to 5% of the exercise price for each warrant exercised more than one year after the date of the prospectus if the exercise was solicited by the underwriters. In addition to soliciting,



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either orally or in writing, the exercise of the warrants, the representative's services may also include disseminating information, either orally or in writing, to warrant holders about the Company or the market for the Company's securities, and assisting in the processing of the exercise of the warrants. No compensation will be paid to the representative upon the exercise of the warrants if:

- the market price of the underlying shares of common stock is lower than the exercise price;
- the holder of the warrants has not confirmed in writing that the representative solicited the exercise;
  - the warrants are held in a discretionary account;
  - the warrants are exercised in an unsolicited transaction; or
- the arrangements to pay the commission are not disclosed in the prospectus provided to warrant holders at the time of exercise.

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## 6. SUBSEQUENT EVENTS (UNAUDITED)

On January 12, 2007, the Company, through its newly-formed, wholly-owned subsidiary Star Bulk Carriers Corp., a Marshall Islands company ("Star Bulk"), agreed to purchase eight drybulk carriers (the "Vessels") from certain wholly-owned subsidiary affiliates of TMT Co., Ltd., a Taiwan corporation (TMT Co., Ltd. and such subsidiary affiliates, collectively, "TMT"). The aggregate purchase price for the Vessels is \$345.2 million (the "Purchase Price"), consisting of \$120.7 million payable in 12,537,645 shares of common stock, par value \$0.01, of Star Bulk (the "Stock Consideration") and \$224.5 million in cash (the "Cash Consideration").

On February 7, 2007, Star Bulk formed the following wholly-owned subsidiaries registered in the Marshall Islands. The share capital of each of the subsidiaries consists of 500 authorized and issued shares without par value:

Star Alpha Inc.

Star Beta Inc.

Star Gamma Inc.

Star Epsilon Inc.

Star Iota Inc.

Star Theta Inc.

Star Zeta Inc.

Star Bulk Management Inc.

Star Gamma Inc., a wholly-owned subsidiary of Star Bulk, entered into a time charter agreement dated, February 23, 2007, with TMT for the *C Duckling* (to be renamed the *Star Gamma*). The charter rate for the *Star Gamma* will be \$28,500 per day for a term of one year. Star Iota Inc., a wholly-owned subsidiary of Star Bulk, entered into a time charter agreement, dated February 26, 2007, with TMT for the *Mommy Duckling* (to be renamed the *Star Iota*). The charter rate for the *Star Iota* will be \$18,000 per day for a term of one year. Each charter will commence as of the date the vessel is delivered to the purchaser. Pursuant to the Supplemental Agreement, these time charters will be null and void if the Redomiciliation Merger is not consummated.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None

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## Item 9A. Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures.* An evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2006 was made under the supervision and with the participation of our management, including our chief executive officer and chief financial officer. Based on that evaluation, they concluded that our disclosure controls and procedures are effective as of the end of the period covered by this report to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

(b) *Management's Annual Report on Internal Control Over Financial Reporting.* Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, and the implementing rules of the Securities and Exchange Commission, our management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2006. Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the company. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements; providing reasonable assurance that receipts and expenditures of company assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use or disposition of company assets that could have a material effect on our financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the company's internal control over financial reporting was effective as of December 31, 2006.

The Company's management assessment of the effectiveness of its internal control over financial reporting as of December 31, 2006 has been audited by Goldstein Golub Kessler LLP, our independent registered public accounting firm. Their report appears below.

### Report of Independent Registered Public Accounting Firm

The Board of Directors  
Star Maritime Acquisition Corp.

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that Star Maritime Acquisition Corp. (a development stage company) maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Star Maritime Acquisition Corp. management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether

effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Star Maritime Acquisition Corp. maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, Star Maritime Acquisition Corp. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of Star Maritime Acquisition Corp. and our report dated March 10, 2007 expressed an unqualified opinion on those financial statements.

**GOLDSTEIN GOLUB KESSLER LLP**

New York, New York

March 10, 2007

(c) *Changes in Internal Control Over Financial Reporting.* During the period covered by this Annual Report on Form 10-K, there has been no significant change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information**

None

**PART III**

**Item 10. Directors and Executive Officers of the Registrant**

Our current directors and executive officers are as follows:

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| <b>Name</b>                 | <b>Age</b> | <b>Position</b>  |
|-----------------------------|------------|--|
| Prokopios (Akis) Tsirigakis | 52         | Chairman of the Board, Chief Executive Officer and President |
| George Syllantavos          | 43         | Chief Financial Officer, Secretary and Director              |
| Christo Anagnostou          | 59         | Vice President of Operations                                 |
| Niko Nikiforos              | 43         | Vice President of Business Development                       |
| Petros Pappas               | 54         | Director   |
| Koert Erhardt               | 51         | Director   |
| Tom Søfteland               | 47         | Director   |

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**Prokopios (Akis) Tsirigakis** has been our Chairman of the Board, Chief Executive Officer and President since inception. Mr. Tsirigakis is experienced in ship management, ship ownership and overseeing new shipbuilding projects. Since November 2003, he has been the Joint Managing Director of Oceanbulk Maritime S.A., a dry cargo shipping company that has operated and managed as much as 1.6 million tons of deadweight vessels and which is part of the Oceanbulk Group of affiliated companies involved in the service sectors of the shipping industry. Since November 1998, Mr. Tsirigakis has been the Managing Director of Combine Marine Inc., a company which he founded that provides ship management services to third parties and which is part of the Oceanbulk Group. From 1991 to 1998, Mr. Tsirigakis was the Vice-President and Technical Director of Konkar Shipping Agencies S.A. of Athens, after having served as Konkar's Technical Director from 1984 to 1991, which at the time managed 16 dry bulk carriers, multi-purpose vessels and tanker/comboination carriers. From 1982 to 1984, Mr. Tsirigakis was the Technical Manager of Konkar's affiliate, Arkon Shipping Agencies Inc. of New York, a part of the Archirodon Construction Group. He is a member of the Technical Committee (CASTEC) of Intercargo, the International Association of Dry Cargo Shipowners, and of the Technical Committees of Classification Societies. Mr. Tsirigakis received his Masters and B.Sc. in Naval Architecture from The University of Michigan, Ann Arbor and has three years of seagoing experience. Since its initial public offering in February 2005, Mr. Tsirigakis has served on the board of directors of Dryships Inc., a company listed on the NASDAQ National Market (NNM: DRYS) which provides international seaborne transportation services carrying various dry-bulk cargoes.

**George Syllantavos** has been our Chief Financial Officer and a member of our board of directors since inception and our Secretary since December 2005. Since May 1999, he has been President and General Manager of Vortex Ltd., an aviation consulting firm specializing in strategic and fleet planning. From January 1998 to April 1999, he served as a financial advisor to Hellenic Telecommunications Organization S.A., where, on behalf of the Chief Executive Officer, he coordinated and led the company's listing on the New York Stock Exchange (NYSE:OTE) and where he had responsibilities for the strategic planning and implementation of multiple acquisitions of fixed-line telecommunications companies, including RomTelecom. Mr. Syllantavos served as a financial and strategic advisor to both the Greek Ministry of Industry & Energy (from June 1995 to May 1996) and the Greek Ministry of Health (from May 1996 to January 1998), where, in 1997 and 1998, he helped structure the equivalent of a US\$700 million bond issuance for the payment of outstanding debts to supplier of the Greek National Health System. From 1998 to 2004, he served as a member of the Investment Committee of Rand Brothers & Co., a small U.S. merchant banking firm, where he reviewed and analyzed more than 35 acquisition targets of small or medium sized privately-held manufacturing firms in the U.S. and internationally, of which he negotiated, structured and directed the acquisition of three such firms with transactions ranging in size from \$7 million to \$11 million. Mr. Syllantavos has a B.Sc. in Industrial Engineering from Roosevelt University and an MBA in Operations Management, International Finance and Transportation Management from Northwestern University (Kellogg).

**Christo Anagnostou** has been our Vice President of Operations since inception. Since May 2005, he has been the General Manager of Combine Marine Inc., and since November 1999, he has been the General and Marine Operations Manager of Oceanbulk Maritime S.A., each of which are part of the Oceanbulk Group. In his capacities at Combine Marine Inc. and Oceanbulk Maritime S.A., he has been responsible for vessel acquisition and disposition transactions and the daily operational management of up to 32 vessels. From 1992 to October 1999, he served as the Operations Manager for Cardiff Marine Inc., a shipping management company which at the time had a fleet of over 35 oceangoing dry-bulk, tanker, reefer and container vessels., From 1981 to 1991, Mr. Anagnostou was the Operations Manager for Hydroussa Shipping Co, Ltd., and from 1974 to 1977, he was a Ship Operator for N.J. Goulandris (London) Ltd., both of which are ship management companies based in London, England. He is a Supporting Member of the London Maritime Arbitrators Association. Mr. Anagnostou received his B.Sc. in Economics from Athens Graduate University of Economics and Business Science and did his post graduate studies in Shipping Management at the London School of Foreign Trade, Morley College - London.

**Niko Nikiforos** has been our Vice President of Business Development since inception. Since September 1997, he has been the Managing Director of Oceanbulk Shipping and Trading S.A., which provides ocean transportation solutions

for international commodity companies and which, since December 2002, operates a regular liner service between the United States and South America. Since 1997, he has also been the Managing Director of Interchart Shipping Inc., which specializes in chartering dry cargo ships and serves as the exclusive chartering broker for the Oceanbulk Group. Since 1997, he has been the Commercial Director of Oceanbulk Maritime S.A. From 1995 to 1997, he served as a Shipbroker for Link Maritime Enterprises S.A., a ship brokering company. Mr. Nikiforos received his Diploma in Shipping from the London School of Foreign Trade.



**Petros Pappas** has been a member of the board of directors since inception. Throughout his career as a principal and manager in the shipping industry, Mr. Pappas has been involved in over 120 vessel acquisitions and disposals. In 1989, he founded Oceanbulk Maritime S.A., a dry cargo shipping company that has operated managed vessels aggregating as much as 1.6 million deadweight tons of cargo capacity. He also founded the Oceanbulk Group of affiliated companies, which are involved in the service sectors of the shipping industry. The Oceanbulk Group is comprised of Oceanbulk Maritime S.A., Interchart Shipping Inc., Oceanbulk Shipping and Trading S.A., Interchart Shipping Inc., Oceanbulk Shipping and Trading S.A., Oceanbulk S & P, Combine Marine Inc., More Maritime Agencies Inc., and Sentinel Marine Services Inc. Additionally, Mr. Pappas ranked among the top 25 Greek ship owners (by number of ocean going vessels) as evaluated by the U.S. Department of Commerce's 2004 report on the Greek shipping industry. Mr. Pappas has been a Director of the UK Defense Club, a leading insurance provider of legal defense services in the shipping industry worldwide, since January 2002, and is a member of the Union of Greek Shipowners (UGS). Mr. Pappas received his B.A. in Economics and his MBA from The University of Michigan, Ann Arbor.

**Koert Erhardt** has been a member of the board of directors since inception. From September 2004 to December 2004, he served as the Chief Executive Officer and a member of the board of directors of CC Maritime S.A.M., an affiliate of the Coeclerici Group, an international conglomerate whose businesses include shipping and transoceanic transportation of dry bulk materials. From 1998 to September 2004, he served as General Manager of Coeclerici Armatori S.p.A. and Coeclerici Logistics S.p.A., affiliates of the Coeclerici Group, where he created a shipping pool that commercially managed over 130 vessels with a carrying volume of 72 million tons and developed the use of Freight Forward Agreement trading as a hedging mechanism to the pool's exposure and positions. From 1994 to 1998, he served as the General Manager of Bulkitalia, a prominent shipping concern which at the time owned and operated over 40 vessels. From 1990 to 1994, Mr. Erhardt served in various positions with Bulk Italia. From 1988 to 1990, he was the Managing Director and Chief Operating Officer of Nedlloyd Dry Bulk, the dry bulk arm of the Nedlloyd Group, an international conglomerate whose interests include container ship liner services, tankers, oil drilling rigs, pipe laying vessels and ship brokering. Mr. Erhardt received his Diploma in Maritime Economics and Logistics from Hogere Havenen Vervoersschool (now Erasmus University), Rotterdam, and received his MBA International Executive Program at INSEAD, Fontainebleau, France. Mr. Erhardt has also studied at the London School of Foreign Trade.

**Tom Søfteland** has been a member of the board of directors since inception. Since October 1996, he has been the Chief Executive Officer of Capital Partners A.S. of Bergen, Norway, a financial services firm that he founded and which specializes in shipping and asset finance. From 1990 to October 1996, he held various positions at Industry & Skips Banken, ASA, a bank specializing in shipping, most recently as its Deputy Chief Executive Officer. Mr. Søfteland received his B.Sc. in Economics from the Norwegian School of Business and Administration (NHH).

## **Corporate Governance**

### **Board of Directors**

Our board of directors is divided into three classes with only one class of directors being elected in each year and each class serving a three-year term. Petros Pappas was re-elected to serve as a Class I director for a period of three years at our first annual meeting of stockholders, which was held on February 26, 2007. The term of office of the second class of directors, consisting of Koert Erhardt and Tom Søfteland, will expire at the second annual meeting. The term of office of the third class of directors, consisting of Akis Tsirigakis and George Syllantavos, will expire at the third annual meeting.

### ***Board committees***

The Board of Directors has a Nominating Committee and an Audit Committee. The Board of Directors has not established a Compensation Committee. In accordance with The American Stock Exchange procedures, a majority of the independent directors of the Board will determine the compensation of the Chief Executive Officer.

### ***Nominating Committee***

The purpose of the Nominating Committee is to assist the Board of Directors in identifying qualified individuals to become board members, in determining the composition of the Board of Directors and in monitoring the process to assess Board effectiveness. There have been no changes to the procedures by which the stockholders of the Company may recommend nominees to the Board of Directors.

### ***Audit Committee***

The Company has a separately designated standing audit committee in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. The Board of Directors has determined that we have at least one audit committee financial expert, as defined in the Exchange Act, serving on our audit committee. Mr. Tom Søfteland is the “audit committee financial expert” and is an independent member of the Board of Directors, as defined under Section 121(B) (as currently applicable to the Company) of the listing standards of the American Stock Exchange and as determined by the Board of Directors.

### **Code of Ethics**

We adopted a code of ethics that applies to our Chief Executive Officer and Chief Financial Officer, and other persons who perform similar functions. A written copy of the Code will be provided upon request at no charge by writing to our Chief Financial Officer, 103 Foulk Road, Wilmington, Delaware 19803. Our Code of Ethics is intended to be a codification of the business and ethical principles which guide us, and to deter wrongdoing, to promote honest and ethical conduct, to avoid conflicts of interest, and to foster full, fair, accurate, timely and understandable disclosures, compliance with applicable governmental laws, rules and regulations, the prompt internal reporting of violations and accountability for adherence to this Code.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act requires our directors, executive officers and persons who own more than 10% of our common stock to file reports of ownership and changes in ownership of our common stock with the Securities and Exchange Commission. Directors, executive officers and persons who own more than 10% of our common stock are required by Securities and Exchange Commission regulations to furnish to us copies of all Section 16(a) forms they file. To our knowledge, based solely upon review of the copies of such reports received or written representations from the reporting persons, we believe that during the year ended December 31, 2006, our directors, executive officers and persons who own more than 10% of our common stock complied with all Section 16(a) filing requirements.

### **Item 11. Executive Compensation**

No executive officer has received any cash compensation for services rendered and no compensation of any kind, including finder's and consulting fees, will be paid to any of our officers and directors, or any of their respective affiliates, for services rendered prior to or in connection with a business combination. However, these individuals will be reimbursed for any out-of-pocket expenses incurred in connection with activities on our behalf such as identifying potential target businesses and performing due diligence on suitable business combinations. Such individuals may be

paid consulting, management or other fees from target businesses as a result of the business combination, with any and all amounts being fully disclosed to stockholders, to the extent then known, in the proxy solicitation materials furnished to the stockholders. There is no limit on the amount of these out-of-pocket expenses and there will be no review of the reasonableness of the expenses by anyone other than our board of directors, which includes persons who may seek reimbursement, or a court of competent jurisdiction if such reimbursement is challenged. Because none of our directors may be deemed “independent,” we will generally not have the benefit of independent directors examining the propriety of expenses incurred on our behalf and subject to reimbursement.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The following table sets forth, as of February 23, 2007, certain information regarding beneficial ownership of our common stock by each person who is known by us to beneficially own more than 5% of our common stock. The table also identifies the stock ownership of each of our directors, each of our officers, and all directors and officers as a group. Except as otherwise indicated, the stockholders listed in the table have sole voting and investment powers with respect to the shares indicated.

Shares of common stock which an individual or group has a right to acquire within 60 days pursuant to the exercise or conversion of options, warrants or other similar convertible or derivative securities are deemed to be outstanding for the purpose of computing the percentage ownership of such individual or group, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person shown in the table.

| Name and Address of Beneficial Owner(1)                         | Amount and<br>Nature of<br>Beneficial<br>Ownership(2)(3) | Approximate<br>Percentage of<br>Outstanding<br>Common<br>Stock |
|---|--|--|
| Prokopios (Akis) Tsirigakis                                     | 4,007,392  | 12.6%  |
| George Syllantavos  | 1,486,539  | 4.66%  |
| Christo Anagnostou  | 116,108  | *  |
| Niko Nikiforos  | 116,108  | *  |
| Petros Pappas   | 3,947,873  | 11.53%   |
| Koert Erhardt   | 340,269  | *  |
| Tom Søfteland   | 145,135  | *  |
| Sapling, LLC (4)  | 2,112,630  | 7.3%   |
| Fir Tree Recovery Master Fund L.P. (4)                          | 736,970  | 2.5%   |
| Fir Tree, Inc. (4)  | 2,849,600  | 9.8%   |
| The Baupost Group, L.L.C (5)                                    | 2,845,200  | 9.8%   |
| Acqua Wellington North American Equities, Ltd. (6)              | 1,550,400  | 5.34%  |
| Satellite Fund II, LP (7)                                       | 521,840  | *  |
| Satellite Fund IV, LP (7)                                       | 98,240   | *  |
| Satellite Overseas Fund, Ltd. (7)                               | 1,234,087  | 4.25%  |
| The Apogee Fund, Ltd. (7)                                       | 233,410  | *  |
| Satellite Overseas Fund V, Ltd. (7)                             | 112,890  | *  |
| Satellite Overseas Fund VI, Ltd. (7)                            | 49,110   | *  |
| Satellite Overseas Fund VII, Ltd. (7)                           | 38,960   | *  |
| Satellite Overseas Fund VIII, Ltd. (7)                          | 64,040   | *  |
| Satellite Overseas Fund IX, Ltd. (7)                            | 108,210  | *  |
| Satellite Strategic Finance Partners, Ltd. (7)                  | 501,000  | 1.73%  |
| Satellite Asset Management, L.P. (7)                            | 2,961,787  | 10.20%   |
| Satellite Fund Management LLC (7)                               | 2,961,787  | 10.20%   |
| Satellite Advisors, LLC (7)                                     | 620,080  | 2.14%  |
| All directors and executive officers as a group (7 individuals) | 10,159,424   | 35.00%   |

\* less than one (1%) percent.

(1) Unless otherwise indicated, the business address of each of the individuals is c/o 103 Foulk Road, Wilmington, DE 19803.



(2) Our officers and directors have agreed to surrender to us for cancellation up to an aggregate of 200,000 shares in the event, and to the extent, stockholders exercise their right to redeem their shares for cash upon a business combination. The share amounts do not reflect any surrender of shares.

(3) Does not include shares of common stock issuable upon exercise of warrants that are not exercisable in the next 60 days.

(4) Derived from a joint filing of a Schedule 13G/A on February 14, 2007, filed by Sapling, LLC, Fir Tree Recovery Master Fund L.P. and Fir Tree, Inc. Fir Tree, Inc. is the investment manager of both Sapling and Fir Tree Recovery.

(5) Derived from a Schedule 13G filed on February 13, 2007, filed by Baupost Group, L.L.C. ("Baupost"), SAK Corporation and Seth A. Klarman. The Baupost is a registered investment adviser. SAK Corporation is the Manager of Baupost. Seth A. Klarman, as the sole Director of SAK Corporation and a controlling person of Baupost, may be deemed to have beneficial ownership under Section 13(d) of the securities beneficially owned by Baupost. Securities beneficially owned by Baupost include securities purchased on behalf of various investment limited partnerships.

(6) Derived from a Schedule 13G Filed on February 1, 2007.

(7) Derived from a joint filing of a Schedule 13G/A on October 2, 2006, by Satellite I, Satellite II, Satellite IV (collectively, the "Delaware Funds") over which Satellite Advisors has discretionary trading authority, as general partner, and (ii) Satellite Overseas, Apogee, Satellite Overseas V, Satellite Overseas VI, Satellite Overseas VII, Satellite Overseas VIII, Satellite Overseas IX and SSFP (collectively, the "Offshore Funds" and together with the Delaware Funds, the "Satellite Funds") over which Satellite Asset Management has discretionary investment trading authority. The general partner of Satellite Asset Management is Satellite Fund Management. Satellite Fund Management and Satellite Advisors each share the same four members that make investment decisions on behalf of the Satellite Funds.

### **Equity Compensation Plan**

None.

### **Item 13. Certain Relationships, Related Transactions and Director Independence**

There were no transactions, or currently proposed transactions in an amount exceeding \$120,000, since the beginning of the Company's last fiscal year in which the Company was or is to be a participant and in which any related person had or will have a direct or indirect material interest.

We will reimburse our officers and directors for any reasonable out-of-pocket business expenses incurred by them in connection with certain activities on our behalf such as identifying and investigating possible target businesses and business combinations. There is no limit on the amount of accountable out-of-pocket expenses reimbursable by us, which will be reviewed only by our board or a court of competent jurisdiction if such reimbursement is challenged.

All ongoing and future transactions between us and any of our officers and directors or their respective affiliates, including loans by our officers and directors, will be on terms believed by us to be no less favorable than are available from unaffiliated third parties and such transactions or loans, including any forgiveness of loans, will require prior approval in each instance by a majority of our uninterested "independent" directors (to the extent we have any) or the members of our board who do not have an interest in the transaction, in either case, who had access, at our expense, to our attorneys or independent legal counsel.

Our board of directors has determined that Mr. Erhardt, Mr. Sjøfteland and Mr. Pappas are considered "independent" under Section 121(B) (as currently applicable to the Company) of the listing standards of The American Stock Exchange.

#### **Item 14. Principal Accountant Fees and Services**

The firm of Goldstein Golub Kessler LLP ("GGK") acts as our principal accountant. Through September 30, 2005, GGK had a continuing relationship with American Express Tax and Business Services Inc. (TBS), from which it leased auditing staff who were full time, permanent employees of TBS and through which its partners provide non-audit services. Subsequent to September 30, 2005, this relationship ceased and the firm established a similar relationship with RSM McGladrey, Inc. (RSM). GGK has no full time employees and therefore, none of the audit services performed were provided by permanent full-time employees of GGK. GGK manages and supervises the audit and audit staff, and is exclusively responsible for the opinion rendered in connection with its examination. The following is a summary of fees paid or to be paid to GGK, TBS and RSM for services rendered.

##### **Audit Fees**

The aggregate fees billed by Goldstein Golub Kessler LLP for professional services rendered for the audit of our annual financial statements for the fiscal years ended December 31, 2006 and 2005 and for services performed in connection with the Company's Form S-1 Registration Statement filed in 2005 and in connection with the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, and the Company's Quarterly Reports on Form 10-Q for its fiscal quarter ended March 31, 2006, June 30, 2006 and September 30, 2006, each of which were filed in 2006, were approximately \$53,000 and \$59,238, respectively.

##### **Audit Related Fees**

Other than the fees described under the caption "Audit Fees" above, Goldstein Golub Kessler LLP did not bill any fees for services rendered to us during fiscal years ended December 2006 and 2005 for assurance and related services in connection with the audit or review of our financial statements.

##### **Tax Fees**

The aggregate fees billed for the fiscal years ended December 31, 2006 and 2005 for the professional services rendered by RSM for tax compliance, tax advice and tax planning were approximately \$7,000 and \$0, respectively.

##### **All Other Fees**

There were no fees billed by Goldstein Golub Kessler LLP for other professional services rendered during the fiscal year ended December 31, 2006 and 2005.

The Audit Committee reviewed and approved all audit and non-audit services provided by Goldstein Golub Kessler LLP and concluded that these services were compatible with maintaining its independence. The Audit Committee approved the provision of all non-audit services by each firm.

**Pre-Approval Policies and Procedures**

The Audit Committee pre-approves all services, including both audit and non-audit services, provided by our independent accountants. For audit services, each year the independent auditor provides the Audit Committee with an engagement letter outlining the scope of proposed audit services to be performed during the year, which must be formally accepted by the Committee before the audit commences. The independent auditor also submits an audit services fee proposal, which also must be approved by the Committee before the audit commences.



**PART IV**

**Item 15. Exhibits and Financial Statement Schedules**

**(a)(1) Financial Statements**

An index to Consolidated Financial Statements appears on page F-1.

**(b) Exhibits**

The following Exhibits are filed as part of this report

**Exhibit**

| <b>No.</b> | <b>Description</b>   |
|------------|--|
| 3.1        | Form of Third Amended and Restated Certificate of Incorporation (1)  |
| 3.2        | By-laws (1)  |
| 4.1        | Specimen Unit Certificate (1)  |
| 4.2        | Specimen Common Stock Certificate (1)  |
| 4.3        | Specimen Warrant Certificate (1)   |
| 4.4        | Form of Warrant Agreement between American Stock Transfer & Trust Company and the Registrant (1)                     |
| 10.1       | Form of Letter Agreement among the Registrant, Maxim Group LLC and Akis Tsirigakis (1)                               |
| 10.2       | Form of Letter Agreement among the Registrant, Maxim Group LLC and. George Syllantavos (1)                           |
| 10.3       | Form of Letter Agreement among the Registrant, Maxim Group LLC and Christo Anagnostou (1)                            |
| 10.4       | Form of Letter Agreement among the Registrant, Maxim Group LLC and Niko Nikiforos (1)                                |
| 10.5       | Form of Letter Agreement among the Registrant, Maxim Group LLC and Koert Erhardt (1)                                 |
| 10.6       | Form of Letter Agreement among the Registrant, Maxim Group LLC and Tom Søfteland (1)                                 |
| 10.7       | Form of Letter Agreement among the Registrant, Maxim Group LLC and Petros Pappas (1)                                 |
| 10.8       | Form of Investment Management Trust Agreement between American Stock Transfer & Trust Company and the Registrant (1) |

- 10.9 Form of Stock Escrow Agreement between the Registrant, American Stock Transfer & Trust Company and the Initial Stockholders (1)
- 10.10 Form of Services Agreement with Schwartz & Weiss, P.C. (1)
- 10.11 Promissory Note dated May 17, 2005 issued to Akis Tsirigakis (1)
- 10.12 Promissory Note dated May 26, 2005 issued to Akis Tsirigakis (1)
- 10.13 Form of Registration Rights Agreement among the Registrant and the Initial Stockholders (1)
- 10.14 Form of Placement Unit Agreement among the Registrant, Maxim Group LLC and the Initial Stockholders (1)
- 10.15 Sublease and Administrative Services Agreement between the Registrant and Blue Diamonds Realty, LLC (2)
- 10.16 Memorandum of Agreement relating to the A Duckling dated January 12, 2007 between Star Bulk Carriers Corp., as buyer, and A Duckling Corporation, as seller. (3)
- 10.17 Memorandum of Agreement relating to the B Duckling dated January 12, 2007 between Star Bulk Carriers Corp., as buyer, and B Duckling Corporation, as seller. (3)

- 10.18 Memorandum of Agreement relating to the C Duckling dated January 12, 2007 between Star Bulk Carriers Corp., as buyer, and C Duckling Corporation, as seller. (3)
- 10.19 Memorandum of Agreement relating to the F Duckling dated January 12, 2007 between Star Bulk Carriers Corp., as buyer, and F Duckling Corporation, as seller. (3)
- 10.20 Memorandum of Agreement relating to the G Duckling dated January 12, 2007 between Star Bulk Carriers Corp., as buyer, and G Duckling Corporation, as seller. (3)
- 10.21 Memorandum of Agreement relating to the I Duckling dated January 12, 2007 between Star Bulk Carriers Corp., as buyer, and I Duckling Corporation, as seller. (3)
- 10.22 Memorandum of Agreement relating to the J Duckling dated January 12, 2007 between Star Bulk Carriers Corp., as buyer, and J Duckling Corporation, as seller. (3)
- 10.23 Memorandum of Agreement relating to the Mommy Duckling dated January 12, 2007 between Star Bulk Carriers Corp., as buyer, and Mommy Management Corp., as seller. (3)
- 10.24 Supplemental Agreement, dated January 12, 2007, by and among Star Maritime Acquisition Corp., Star Bulk Carriers Corp. and TMT Co., Ltd. (3)
- 10.25 Master Agreement, dated January 12, 2007, by and among Star Maritime Acquisition Corp., Star Bulk Carriers Corp. and TMT Co., Ltd. (3)
- 14 Code of Business Conduct and Ethics (1)
- 21 Subsidiaries of the Registrant
- 31.1 Certification of the Principal Executive Officer and Principal Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
- 31.2 Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
- 32 Certification of the Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002

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(1) Incorporated by reference to the Registrant's Registration Statement on Form S-1 (File No. 333-125662).

(2) Incorporated by reference to the Current Report on Form 8-K filed on December 26, 2006.

(3) Incorporated by reference to the Current Report on Form 8-K filed on January 17, 2007.



**SIGNATURES**

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

STAR MARITIME ACQUISITION CORP.

March 14, 2007

By: /s/ Prokopios (Akis) Tsirigakis

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Prokopios (Akis) Tsirigakis, Chairman, Chief Executive Officer and President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

March 14, 2007

By: /s/ Prokopios (Akis) Tsirigakis

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Prokopios (Akis) Tsirigakis, Chairman, Chief Executive Officer and President

March 14, 2007

By: /s/ George Syllantavos

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George Syllantavos, Chief Financial Officer, Secretary and Director

March 14, 2007

By: /s/ Koert Erhardt

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Koert Erhardt, Director

March 14, 2007

By: /s/ Tom Søfteland

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Tom Søfteland, Director

March 14, 2007

By: /s/ Petros Pappas

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Petros Pappas, Director