NORDIC AMERICAN TANKER SHIPPING LTD
Form 424B2
January 07, 2009
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The information in this prospectus supplement is not complete and may be changed. This prospectus supplement is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion dated January 7, 2009

Filed Pursuant to Rule 424(b)(2)

Registration No. 333-137598

PROSPECTUS SUPPLEMENT

To Prospectus dated May 12, 2008

Shares

Nordic American Tanker Shipping Limited

COMMON SHARES

Nordic American Tanker Shipping Limited is offering for sale of its common shares.

Our common shares are listed on the New York Stock Exchange, or NYSE, under the symbol NAT. On January 6, 2009, the closing price of our common shares on the New York Stock Exchange was $36.76 per share.

Investing in our common shares involves a high degree of risk. See the sections entitled Risk Factors on page S-6 of this prospectus supplement and in our annual report for the fiscal year ended December 31, 2007, filed on May 9, 2008, and incorporated herein by reference.

We have granted the underwriter a 30-day option to purchase up to additional shares to cover any over-allotments.

Morgan Stanley & Co. Incorporated has agreed to purchase the common shares from us at a price of $ per share, which will result in net proceeds to us, after deducting estimated expenses related to this offering, of approximately $ million assuming no exercise of the over-allotment option granted to Morgan Stanley & Co. Incorporated, and $ million assuming full exercise of the over-allotment option. Morgan Stanley & Co. Incorporated proposes to offer the common shares from time to time for sale in negotiated transactions or otherwise, at market prices on the New York Stock Exchange prevailing at the time of sale, at prices related to such prevailing market prices or otherwise.

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

Morgan Stanley & Co. Incorporated expects to deliver the shares to purchasers on or about January , 2009.

MORGAN STANLEY

January , 2009

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Nordic Fighter

Nordic Freedom

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IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying base prospectus and the documents incorporated by reference into this prospectus supplement and the base prospectus. The second part, the base prospectus, gives more general information about securities we may offer from time to time, some of which does not apply to this offering. Generally, when we refer only to the prospectus, we are referring to both parts combined, and when we refer to the accompanying prospectus, we are referring to the base prospectus.

If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with information that is different. If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to sell, and seeking offers to buy, common shares only in jurisdictions where offers and sales are permitted. The information contained in or incorporated by reference in this document is accurate only as of the date such information was issued, regardless of the time of delivery of this prospectus supplement or any sale of our common shares.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Matters discussed in this prospectus and the documents incorporated by reference in this prospectus may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements, which include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts.

We desire to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and are including this cautionary statement in connection with this safe harbor legislation. This document and any other written or oral statements made by us or on our behalf may include forward-looking statements which reflect our current views with respect to future events and financial performance. The words believe, anticipate, intend, estimate, forecast, project, plan, potential, may, should, expect, pending and similar e forward-looking statements.

The forward-looking statements in this document are based upon various assumptions, including without limitation, management s examination of historical operating trends, data contained in our records and data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

The factors discussed under the caption Risk Factors and matters discussed elsewhere in this prospectus and in the documents incorporated by reference in this prospectus could cause actual results to differ materially from those discussed in the forward-looking statements.

Other than in the United States, no action has been taken by us or Morgan Stanley & Co. Incorporated that would permit a public offering of the common shares offered by this prospectus in any jurisdiction where action

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for that purpose is required. The common shares offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such shares be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any common shares offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

Common shares may be offered or sold in Bermuda only in compliance with the provisions of the Investment Business Act of 2003 and the Exchange Control Act 1972, and related regulations of Bermuda which regulate the sale of securities in Bermuda. In addition, specific permission is required from the Bermuda Monetary Authority, or the BMA, pursuant to the provisions of the Exchange Control Act 1972 and related regulations, for all issuances and transfers of securities of Bermuda companies, other than in cases where the BMA has granted a general permission. The BMA in its policy dated June 1, 2005 provides that where any equity securities, including our common shares, of a Bermuda company are listed on an appointed stock exchange, general permission is given for the issue and subsequent transfer of any securities of a company from and/or to a non-resident, for as long as any equities securities of such company remain so listed. The NYSE is deemed to be an appointed stock exchange under Bermuda law.

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PROSPECTUS SUPPLEMENT SUMMARY

This section summarizes some of the information that is contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. As an investor or prospective investor, you should review carefully the entire prospectus supplement and the accompanying prospectus, any free writing prospectus that may be provided to you in connection with the offering of the common shares and the information incorporated by reference in this prospectus supplement and the accompanying prospectus, including the sections entitled Risk Factors included on page S-5 of this prospectus supplement and in our Annual Report on Form 20-F for the fiscal year ended December 31, 2007, filed on May 9, 2008.

In this prospectus supplement, we, us, our and the Company all refer to Nordic American Tanker Shipping Limited. Terms used in this prospectus supplement will have the meanings described in the base prospectus, unless otherwise specified. The common shares offered by this prospectus supplement include the related preferred stock purchase rights. Unless otherwise indicated, all information in this prospectus supplement assumes that the underwriter s option to purchase up to additional shares to cover over-allotments is not exercised.

Our Company

We are an international tanker company that owns 12 modern double-hull Suezmax tankers, and have agreed to acquire an additional three double-hull Suezmax tankers, of which two are newbuildings as described below and one is an existing vessel that we agreed to acquire on December 24, 2008, as described below under Recent Developments. The existing 12 vessels average approximately 155,000 dwt each. As of January 7, 2009, we have chartered 11 of our 12 existing vessels in the spot market pursuant to cooperative arrangements with third parties and have bareboat chartered one vessel to Gulf Navigation Company LLC, or Gulf Navigation, of Dubai, United Arab Emirates.

We were formed for the purpose of acquiring and chartering three double-hull Suezmax tankers that were built in 1997. These three vessels were initially bareboat chartered to BP Shipping Ltd., or BP Shipping, for a period of seven years. BP Shipping re-delivered these three vessels to us in September 2004, October 2004 and November 2004, respectively. We continued contracts with BP Shipping by time chartering two of our original vessels back to BP Shipping at spot market related rates for three year terms that expired in the fourth quarter of 2007. These two vessels are currently chartered in the spot market pursuant to cooperative agreements with third parties. We have bareboat chartered the third of our original three vessels to Gulf Navigation at a fixed rate charterhire for a five year term that expires in November 2009, subject to two one-year extensions at Gulf Navigation s option. In November 2008, Gulf Navigation exercised its first one-year option and extended the bareboat charter of Gulf Scandic for one additional year. Our fourth vessel was delivered to us in November 2004, our fifth and sixth vessels in March 2005, our seventh vessel in August 2005, our eighth vessel in November 2005, our ninth vessel in April 2006, our tenth and eleventh vessels in November 2006 and our twelfth vessel in December 2006. These vessels are currently chartered in the spot market pursuant to cooperative agreements with third parties.

In November 2007, we agreed to acquire two Suezmax newbuildings, which are expected to be delivered to us in the fourth quarter of 2009 and by the end April 2010, respectively. We acquired these two newbuildings from First Olsen Ltd. at a price at delivery of $90,000,000 per vessel. The acquisitions will be financed by borrowings under our $500 million revolving credit facility, or our Credit Facility.

Recent Developments

We recently agreed to acquire from an unaffiliated third party a 1999-built, modern double-hull Suezmax tanker with a carrying capacity of 147,188 dwt for an aggregate purchase price of $56.7 million, which transaction was announced on January 5, 2009. We expect that this vessel will be delivered to us by March 15, 2009 and we intend to employ this vessel in the spot market. We expect to fund the purchase price of the vessel with borrowings from our Credit Facility.

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We expect that our dividend per share for the fourth quarter of 2008 will be approximately $0.85 per share. The dividend for the comparable period of 2007 was $0.50 per share. The average charter rate level for our trading spot fleet, including off-hire days, was in the range of $40,000 per day per vessel for the fourth quarter of 2008. In the fourth quarter of 2008 our fleet had 35 days off-hire due to unscheduled repairs.

Industry Developments

We believe that global economic conditions play a significant part in the outlook for the tanker industry. Therefore, the present downturn in the global economy is expected to influence our industry. Production and consumption locations are, however, of particular importance to revenue generation by our industry. Transportation volume times distance or ton miles is a key metric that influences the spot rates in the tanker industry. Because production and consumption locations continue to diverge, leading to long-haul demand growth, the tanker spot market may be relatively shielded from global economic softening. Suezmax tanker rates have so far been able to maintain satisfactory levels, consistent with historical levels, as indicated elsewhere in this section.

Availability of credit at reasonable terms is important for the growth of our industry. Certain tanker-owning companies are now facing difficulties in their ability to finance their newbuilding programs, as lenders have become more restrictive in extending credit. It is expected that the global fleet will increase during 2009 and 2010 because of the present orderbook. However, we believe that the current financial upheaval may delay deliveries of newbuildings or lead to the cancellation of newbuilding orders, and have seen reports of cancellations of tanker newbuildings from certain yards. It is also likely that shipping companies with high debt or other financial commitments may be unable to continue servicing their debt, resulting in foreclosure on vessels. We expect that our total debt spread across 15 ships will be approximately $12 million per ship on delivery of the three Suezmax tankers that we have agreed to acquire, including two newbuildings which are expected to be completed by the end of April 2010 and the existing vessel that we expect to take delivery of by March 15, 2009. We believe that our strong balance sheet position, including the un-drawn portion of our Credit Facility, in addition to the factors described above, offer us the opportunity to acquire vessels at attractive prices and to improve our relative competitive position.

The average daily rate for our spot vessels was $68,362 per day, net, during the third quarter of 2008, as compared with $64,900 for the second quarter of 2008 and $24,676 for the third quarter of 2007. Please see our Report of Foreign Private Issuer on Form 6-K filed with the Commission on January 7, 2009 and incorporated herein by reference for more information with respect to our financial performance for the third quarter of 2008.

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The graph below shows the average yearly spot rates by year from 2000 through 2007 and for the first nine months of 2008, as reported by R.S. Platou Economic Research a.s. The rates as reported by shipbrokers may vary from the actual rates we achieve in the market.

Another commonly used proxy for the spot market rates is the Imarex Index, or Imarex, published by Norway based exchange IMAREX ASA. Imarex is designed to give an indication of the level of the tanker market, including the Suezmax spot tanker market. In certain market conditions, however, the actual rates achieved in the market for our Suezmax vessels may differ significantly from the rates quoted by Imarex. Generally, there will be a time lag between our actual spot rates earned and those rates quoted by Imarex. In a rising rate environment, our actual rates may often be lower than Imarex rates while in a falling rate environment, our realized rates may often be higher than Imarex rates. In an environment with significant decreases in bunker prices, the Imarex quotations may be substantially above the actual rates achieved by us in the spot market. This difference is due to the fact that when accounting for bunker prices, we employ the first in, first out, or FIFO, accounting principle. Imarex, however, is calculated on the basis of the bunker price quoted every day, for which reason a decrease in bunker prices will result in an immediate improved Imarex rate quote. In contrast, use of the FIFO principle tends to reduce time charter equivalent, or TCE, earnings in a falling bunker price market, because we do not immediately factor in the lower bunker prices. By the same token, in an environment with significant increases in bunker prices, Imarex quotations may be substantially below the actual rates achieved by us in the market. Bunker prices have been volatile in recent months. During the period July through December 2008, bunker prices have varied between $700 per ton and $200 per ton and the fourth quarter of 2008 witnessed a significant decrease in bunker prices. The decline has caused the actual TCE rates achieved by us in the spot market over this period to differ materially from the TCE rates as reported by Imarex.

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The Offering

Common shares offered by this prospectus supplement	
Common shares to be outstanding immediately after this offering	
Use of Proceeds	We estimate that the net proceeds from this offering, after deducting estimated expenses relating to this offering, will be approximately $ million assuming no exercise of the over-allotment option granted to the underwriter, and $ million assuming full exercise of the over-allotment option. The net proceeds of the offering are expected to be used to fund further acquisitions under planning and for general corporate purposes. We refer you to the section entitled Use of Proceeds.
New York Stock Exchange Symbol	NAT
Risk Factors:	Investing in our common shares involves risks. You should carefully consider the risks discussed under the caption Risk Factors in this prospectus supplement and in our Annual Report on Form 20-F for the fiscal year ended December 31, 2007, filed on May 9, 2008, which is incorporated by reference in this prospectus supplement and the accompanying prospectus, and under the caption Risk Factors or any similar caption in the documents that we subsequently file with the Securities and Exchange Commission, or the Commission, that are incorporated or deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus, and in any free writing prospectus that you may be provided in connection with the offering of common shares pursuant to this prospectus supplement and the accompanying prospectus.

The number of shares to be outstanding after this offering is based on 34,373,271 shares issued and outstanding as of January 7, 2008 and includes an additional restricted common shares to be issued under the Management Agreement to Scandic American Shipping Ltd., or the Manager, following the closing of this offering to maintain the number of common shares issued to the Manager at 2% of our total outstanding common shares, but excludes (i) 400,000 common shares that are reserved for issuance upon exercise of options, as restricted share grants or otherwise, under our 2004 Stock Incentive Plan, (ii) 1,664,450 common shares that may be issued under our Dividend Reinvestment and Direct Stock Purchase Plan, and (iii) the underwriter s option to purchase up to additional shares to cover any over-allotments. See Underwriting.

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Summary Financial Information

All figures in thousands of USD except share data	Year ended December 31, 2007	2006	2005	Nine months ended September 30, (unaudited) 2008	2007
Voyage revenue	186,986	175,520	117,110	187,129	146,812
Voyage expenses	(47,122)	(40,172)	(30,981)	(9,689)	(33,807)
Vessel operating expenses excl. depreciation expense presented below	(32,124)	(21,102)	(11,221)	(26,918)	(24,261)
General & administrative expenses	(12,132)	(12,750)	(8,492)	(10,829)	(7,485)
Depreciation	(42,363)	(29,254)	(17,529)	(35,731)	(31,129)
Net operating income	**53,245**	**72,242**	**48,887**	**103,962**	**50,130**
Interest income	904	1,602	850	799	701
Interest expense	(9,683)	(6,339)	(3,454)	(2,943)	(8,062)
Other financial (expense) income	(260)	(112)	34	(172)	(238)
Total other expenses	**(9,039)**	**(4,849)**	**(2,570)**	**(2,316)**	**(7,599)**
Net income	**44,206**	**67,393**	**46,317**	**101,646**	**42,531**

	2007	**2006**	**2005**		
Basic earnings per share	1.56	3.14	3.03	3.16	1.54
Diluted earnings per share	1.56	3.14	3.03	3.15	1.54
Cash dividends declared per share	3.81	5.85	4.21	3.28	3.41
Basic weighted average shares outstanding	28,252,472	21,476,196	15,263,622	32,190,342	27,671,657
Diluted weighted average shares outstanding	28,294,997	21,476,196	15,263,622	32,270,384	27,702,916
Other financial data:					
Net cash from operating activities	83,649	106,613	51,056	87,301	70,819
Dividends paid	(107,349)	(122,590)	(64,279)	(110,545)	(95,359)
Selected Balance Sheet Data (at period end):					
Cash and cash equivalents	13,342	11,729	14,240	31,120	5,795
Total assets	804,628	800,180	505,844	842,851	780,044
Total debt	105,500	173,500	130,000	0	77,500
Common stock	300	269	166	344	300
Total Shareholders equity	672,105	611,946	370,872	826,544	682,200

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RISK FACTORS

Investing in our common shares involves risks. You should carefully consider the following risks and risks discussed under the caption Risk Factors in our Annual Report on Form 20-F for the fiscal year ended December 31, 2007, filed on May 9, 2008, which is incorporated by reference in this prospectus supplement and the accompanying prospectus, and under the caption Risk Factors or any similar caption in the documents that we subsequently file with the Commission that are incorporated or deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus, and in any free writing prospectus that you may be provided in connection with the offering of common shares pursuant to this prospectus supplement and the accompanying prospectus.

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

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea and in the Gulf of Aden off the coast of Somalia. Throughout 2008, the frequency of piracy incidents against commercial shipping vessels has increased significantly, particularly in the Gulf of Aden off the coast of Somalia. For example, in November 2008, the M/V *Sirius Star*, a tanker vessel not affiliated with us, was captured by pirates in the Indian Ocean while carrying crude oil estimated to be worth $100 million. If these pirate attacks result in regions in which our vessels are deployed being characterized as war risk zones by insurers, as the Gulf of Aden temporarily was in May 2008, premiums payable for such coverage could increase significantly and such insurance coverage may be more difficult to obtain. In addition, crew costs, including due to employing onboard security guards, could increase in such circumstances. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, any of these events may result in loss of revenues, increased costs and decreased cash flows to our customers, which could impair their ability to make payments to us under our charters.

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

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

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If we were to draw down amounts under our Credit Facility, and if the recent volatility in LIBOR rates continues, it could affect our profitability, earnings and cash flow.

Amounts borrowed under our Credit Facility bear interest at an annual rate equal to LIBOR plus a margin between 0.70% and 1.20% (depending on the loan to vessel value ratio). We currently have $15.0 million outstanding under our Credit Facility. LIBOR rates have recently been volatile, with the spread between those rates and prime lending rates widening significantly at times. These conditions are the result of the recent disruptions in the international credit markets. Because the interest rates borne by amounts that we may drawdown under our Credit Facility fluctuate with changes in the LIBOR rates, if this volatility were to continue, it would affect the amount of interest payable on amounts that we were to draw down from our Credit Facility, which in turn, would have an adverse effect on our profitability, earnings and cash flow.

We are subject to certain risks with respect to our counterparties on contracts, and failure of such counterparties to meet their obligations could cause us to suffer losses or otherwise adversely affect our business.

We have entered into various contracts, including charter parties with our customers, including one long-term fixed-rate charter, newbuilding contracts with shipyards and our Credit Facility. Such agreements subject us to counterparty risks. The ability of each of our counterparties to perform its obligations under a contract with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the maritime and offshore industries, the overall financial condition of the counterparty, charter rates received for specific types of vessels, and various expenses. For example, the combination of a reduction of cash flow resulting from declines in world trade, a reduction in borrowing bases under reserve-based credit facilities and the lack of availability of debt or equity financing may result in a significant reduction in the ability of our charterers to make charter payments to us. In addition, in depressed market conditions, our charterers and customers may no longer need a vessel that is currently under charter or contract or may be able to obtain a comparable vessel at lower rates. As a result, charterers and customers may seek to renegotiate the terms of their existing charter parties or avoid their obligations under those contracts. Should a counterparty fail to honor its obligations under agreements with us, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Declines in charter rates and other market deterioration could cause us to incur impairment charges.

Our vessels are evaluated for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of a vessel may not be recoverable. If the estimated undiscounted future cash flows expected to result from the use of the vessel and its eventual disposition are less than the carrying amount of the vessel, the vessel is deemed impaired. The carrying values of our vessels may not represent their fair market value at any point in time because the market prices of second-hand vessels tend to fluctuate with changes in charter rates and the cost of newbuildings. Any impairment charges incurred as a result of declines in charter rates could negatively affect our business, financial condition, operating results or the trading price of our common shares.

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

Over the last year, global financial markets have experienced extraordinary disruption and volatility following adverse changes in the global credit markets. The credit markets in the United States have experienced significant contraction, deleveraging and reduced liquidity, and governments around the world have taken highly significant measures in response to such events, including the enactment of the Emergency Economic Stabilization Act of 2008 in the United States, and may implement other significant responses in the future.

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Securities and futures markets and the credit markets are subject to comprehensive statutes, regulations and other requirements. The Commission, other regulators, self-regulatory organizations and exchanges have enacted temporary emergency regulations and may take other extraordinary actions in the event of market emergencies and may effect permanent changes in law or interpretations of existing laws.

Recently, a number of financial institutions have experienced serious financial difficulties and, in some cases, have entered into bankruptcy proceedings or are in regulatory enforcement actions. These difficulties have resulted, in part, from declining markets for assets held by such institutions, particularly the reduction in the value of their mortgage and asset-backed securities portfolios. These difficulties have been compounded by a general decline in the willingness by banks and other financial institutions to extend credit. In addition, these difficulties may adversely affect the financial institutions that provide our Credit Facility and may impair their ability to continue to perform under their financing obligations to us, which could have an impact on our ability to fund current and future obligations, including our ability to take delivery of our two newbuildings.

We face risks attendant to changes in economic environments, changes in interest rates and instability in securities markets around the world, among other factors. Major market disruptions and the current adverse changes in market conditions and regulatory climate in the United States and worldwide may adversely affect our business or impair our ability to borrow amounts under our Credit Facility or any future financial arrangements. We cannot predict how long the current market conditions will last. However, these recent and developing economic and governmental factors may have a material adverse effect on our results of operations, financial condition or cash flows and could cause the price of our common shares to decline significantly or impair our ability to make distributions to our shareholders.

Fuel, or bunker prices, may adversely affect profits.

Fuel, or bunkers, is a significant, if not the largest, expense in our shipping operations. Changes in the price of fuel may adversely affect our profitability. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by OPEC and other oil and gas producers, water and unrest in oil producing countries and regions, regional production patterns and environmental concerns. Further, fuel may become much more expensive in the future, which may reduce the profitability and competitiveness of our business versus other forms of transportation, such as truck or rail.

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RECENT DEVELOPMENTS IN ENVIRONMENTAL AND OTHER REGULATIONS

Set forth below are certain amendments to the applicable environmental and other regulations that affect the operation of our vessels that are discussed in our Annual Report on Form 20-F for the year ended December 31, 2007 filed, on May 9, 2008.

Air Emissions

In October 2008, the International Maritime Organization s, or the IMO s, Maritime Environment Protection Committee voted unanimously to adopt amendments to Annex VI to the International Convention for the Prevention of Pollution from Ships, or MARPOL, regarding particulate matter, nitrogen oxide and sulfur oxide emissions. The revised Annex VI reduces air pollution from vessels by, among other things (i) implementing a progressive reduction of sulfur oxide emissions from ships, with the global sulfur cap reduced initially to 3.50% (from the current cap of 4.50%), effective from January 1, 2012, then progressively to 0.50%, effective from January 1, 2020, subject to a feasibility review to be completed no later than 2018; and (ii) establishing new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation. These amendments to Annex VI are expected to enter into force on July 1, 2010, which is six months after the deemed acceptance date of January 1, 2010. Once these amendments become effective, we may incur costs to comply with these revised standards.

In addition to the requirements of MARPOL Annex VI (described above), the U.S. Clean Air Act of 1970, as amended by the Clean Air Act Amendments of 1977 and 1990 required the U.S. Environmental Protection Agency, or the EPA, to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. The EPA and some states have each proposed more stringent regulations of air emissions from ocean-going vessels. For example, on July 24, 2008, the California Air Resources Board of the State of California, or CARB, approved clean-fuel regulations applicable to all vessels sailing within 24 miles of the California coastline whose itineraries call for them to enter any California ports, terminal facilities, or internal or estuarine waters. The new CARB regulations require such vessels to use low sulfur marine fuels rather than bunker fuel. By July 1, 2009, such vessels are required to switch either to marine gas oil with a sulfur content of no more than 1.5% or marine diesel oil with a sulfur content of no more than 0.5%. By 2012, only marine gas oil and marine diesel oil fuels with 0.1% sulfur will be allowed. In the event our vessels were to travel to such destinations, these new regulations may increase our costs.

Additionally, the EPA has given advanced notice of its intent to propose new emissions standards for new Category 3 marine diesel engines. These are engines with per-cylinder displacement at or above 30 liters and are typically found on large ocean-going vessels. The EPA is considering requiring the application of advanced emission control technologies as well as controls on the sulfur content of fuels.

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

The Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, applies to the discharge of hazardous substances (other than oil) whether on land or at sea, and contains a liability regime similar to the Oil Pollution Act, or OPA, and provides for cleanup, removal and natural resource damages. Liability per vessel under CERCLA is limited to the greater of $300 per gross ton or $5.0 million for vessels carrying a hazardous substance as cargo and the greater of $300 per gross ton or $0.5 million for any other vessel, although liability is unlimited in certain instances of willful misconduct, willful negligence, violation of certain standards or regulations, or failure to cooperate with governmental responders.

Effective October 17, 2008, the U.S. Coast Guard regulations requiring evidence of financial responsibility were amended to conform OPA financial responsibility applicable amounts to the July 2006 statutory increases in liability limits. Current U.S. Coast Guard regulations require evidence of financial responsibility in the amount of $2,200 per gross ton for double hull tankers over 3,000 gross tons, coupling the relevant OPA limitations on liability of $1,900 per gross ton with the CERCLA liability limit of $300 per gross ton.

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The U.S. 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 are required to waive insurance policy defenses.

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. In some cases, states, which have enacted such legislation, have not yet issued implementing regulations defining vessels owners responsibilities under these laws. We intend to comply with all applicable state regulations in the ports where our vessels call.

The U.S. Clean Water Act and Invasive Species Legislation

The EPA historically exempted the discharge of ballast water and other substances incidental to the normal operation of vessels in U.S. ports from the U.S. Clean Water Act, or CWA, permitting requirements. However, pursuant to a U.S. District Court ruling that was upheld on appeal to the Ninth Circuit on July 23, 2008, the courts have held that the EPA exceeded its authority in creating such an exemption for ballast water. Pursuant to the court rulings and recent legislation, the EPA has drafted a proposed vessel general permit, or VGP, that would apply to commercial vessels and large recreational vessels beginning on September 30, 2008 in order to apply CWA requirements to ballast water discharges from such vessels. On August 31, 2008, the District Court ordered that the date for implementation of the VGP for discharges incidental to normal operation be postponed until December 19, 2008. Owners and operators of vessels visiting U.S. ports will be required to comply with this CWA permitting program to be finalized by the EPA or face penalties. Subjecting our vessels to CWA permit requirements including ballast water treatment obligations could increase the cost of operating in the U.S. Various states have also enacted legislation restricting ballast water discharges and the introduction of non-indigenous species considered to be invasive. These and any similar restrictions enacted in the future could increase the costs of operating in the relevant waters.

The U.S. House of Representatives has recently passed a bill that amends the U.S. Nonindigenous Aquatic Nuisance Prevention and Control Act by prohibiting the discharge of ballast water unless it has been treated with specified methods or acceptable alternatives. Similar bills have been introduced in the U.S. Senate, but we cannot predict which bill, if any, will be enacted into law. In the absence of federal standards, states have enacted legislation or regulations to address invasive species through ballast water and hull cleaning management and permitting requirements. For instance, the state of California has recently enacted legislation extending its ballast water management program to regulate the management of hull fouling organisms attached to vessels and adopted regulations limiting the number of organisms in ballast water discharges. Other states may proceed with the enactment of similar requirements that could increase the costs of operating in state waters.

Greenhouse Gas Regulation

In February 2005, the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which we refer to as the Kyoto Protocol, entered into force. Pursuant to the Kyoto Protocol, adopting countries are required to implement national programs to reduce emissions of certain gases, generally referred to as greenhouse gases, which are suspected of contributing to global warming. Currently, the emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol. However, the European Union has indicated that it intends to propose an expansion of the existing European Union emissions trading scheme to include emissions of greenhouse gases from vessels. In the U.S., the California Attorney General and a coalition

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of environmental groups in October 2007 petitioned the EPA to regulate greenhouse gas emissions from ocean-going vessels under the CAA. Any passage of climate control legislation or other regulatory initiatives by the IMO, European Union or individual countries where we operate that restrict emissions of greenhouse gases could entail financial impacts on our operations that we cannot predict with certainty at this time.

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.

We refer you to the section of our Annual Report on Form 20-F for the year ended December 31, 2007, entitled Environmental and Other Regulation for a discussion of the government regulations and laws which significantly affect the ownership and operation of our fleet.

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USE OF PROCEEDS

We expect that the net proceeds from this offering, after deducting estimated expenses relating to this offering, will be approximately $ million assuming no exercise of the over-allotment option granted to the underwriter, and $ million assuming full exercise of the over-allotment option. The net proceeds of the offering are expected to be used to fund further acquisitions under planning and for general corporate purposes.

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CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2008 on a historical basis and on an as adjusted basis to give effect to:

- the draw down of $15.0 million under our Credit Facility on November 28, 2008;
- the payment of our third quarter dividend on December 2, 2008, in the amount of $1.61 per share or $55.3 million in the aggregate;
- this offering;
- the application of net proceeds of this offering, as described under Use of Proceeds; and
- the issuance of an additional restricted common shares to the Manager under the Management Agreement following the closing of this offering.

You should read the adjusted capitalization table information below in connection with Use of Proceeds and our financial statements and related notes appearing elsewhere or incorporated by reference in this prospectus.

	September 30, 2008	
	Actual	As Adjusted
Debt:		