

FREESEAS INC.
Form F-1
April 09, 2014

As filed with the Securities and Exchange Commission on April 9, 2014

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM F-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

FREESEAS INC.

(Exact name of Registrant as specified in its charter)

<u>Republic of the Marshall Islands</u>	<u>4412</u>	<u>Not Applicable</u>
(State or other jurisdiction of	(Primary Standard Industrial	(I.R.S. Employer
incorporation or organization)	Classification Code Number)	Identification Number)

10 Eleftheriou Venizelou Street

(Panepistimiou Ave.)

10671 Athens, Greece

011-30-210-452-8770

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

Dimitris Papadopoulos, Chief Financial Officer

FreeSeas Inc.

10 Eleftheriou Venizelou Street

(Panepistimiou Ave.)

10671 Athens, Greece

011-30-210-452-8770

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APPROXIMATE DATE OF PROPOSED SALE TO THE PUBLIC:

From time to time after this Registration Statement becomes effective.

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class Of Securities To Be Registered (1)	Proposed Maximum Aggregate Offering Price (2) (3)	Amount Of Registration Fee
Convertible Preferred Stock, \$0.001 par value per share		
Common Stock, \$0.001 par value per share issuable upon conversion of Convertible Preferred Stock		
Common Stock Purchase Warrants		
Common Stock issuable upon exercise of Common Stock Purchase Warrants		
Preferred Share Purchase Rights (4)		
Total	\$ 50,000,000	\$ 6,440.00

(1) Any securities registered hereunder, except for the preferred share purchase rights, may be sold separately or together with other securities registered hereunder.

(2) Pursuant to Rule 416, there are also being registered an indeterminable number of additional securities as may be issued to prevent dilution resulting from stock splits, stock dividends or similar transactions, but shall not apply to additional securities that may be issued as a result of any price protection provisions relating to the convertible preferred stock or warrants.

(3) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(o) under the Securities Act of 1933.

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

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

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

SUBJECT TO COMPLETION, DATED APRIL 9, 2014

PRELIMINARY PROSPECTUS

FreeSeas Inc.

[*] Shares of Series D Convertible Preferred Stock

[*] Warrants to Purchase up to [*] Shares of Common Stock

[*] Shares of Common Stock Underlying the Convertible Preferred Stock and the Warrants

We are offering up to [*] shares of our Series D Convertible Preferred Stock, convertible into [*] shares of our common stock, par value \$0.001 per share, and warrants to purchase up to [*] shares of our common stock, to purchasers in this offering. Each share of convertible preferred stock we sell will be accompanied by a warrant to purchase up to [*] shares of common stock. Subject to certain ownership limitations, the convertible preferred stock is convertible at any time at the option of the holder into shares of our common stock at a conversion ratio determined by dividing the stated value of the convertible preferred stock by a conversion price of \$[*] per share. The warrants are exercisable immediately and on or before the fifth year anniversary of their initial exercise date at an exercise price of \$[*] per share of common stock. Each share of convertible preferred stock and warrant will be sold at a negotiated price of \$1,000. The convertible preferred stock and warrants are immediately separable and will be issued separately. There is no minimum number of shares of convertible preferred stock and warrants that must be sold in the offering.

We will retain the proceeds from the sale of any of the offered securities, and funds will not be returned to investors. As a result, it is possible that no proceeds will be received by us or that if any proceeds are received, that such proceeds will not be sufficient to cover the costs of the offering. We will not establish an escrow account in

connection with this offering. Because there is no escrow account and no minimum offering amount, investors could be in a position where they have invested in our company, but we are unable to fulfill our objectives or proceed with our operations due to a lack of interest in this offering. If this were to occur, we may be forced to curtail or abandon our operations with a loss to investors who purchase stock under this prospectus. Further, because there is no escrow account in operation and no minimum investment amount, any proceeds from the sale of shares offered by us will be available for our immediate use, despite uncertainty about whether we would be able to use such funds to effectively implement our business plan. Investor funds will not be returned under any circumstances whether during or after the offering.

The securities are offered directly through our officers and directors. No commission or other compensation related to the sale of the securities will be paid to our officers and directors. Our officers and directors will not register as a broker-dealer with the Securities and Exchange Commission in reliance on Rule 3a4-1 of the Securities Exchange Act of 1934, as amended. The intended methods of communication include, without limitation, telephone and personal contact. For more information, see the section titled "Plan of Distribution" herein. Our officers, directors, control persons and affiliates of same do not intend to purchase any securities in this offering.

The direct public offering will terminate on the earlier of (i) the date when the sale of all convertible preferred stock and warrants is completed or (ii) 180 days from the date of this prospectus. In addition, if we abandon the offering for any reason prior to 180 days from the date of this prospectus, we will terminate the offering.

Our common stock is currently quoted on The NASDAQ Capital Market under the symbol "FREE." On April 3, 2014, the closing price of our common stock was \$1.64 per share. You are urged to obtain current market quotations for the common stock. We do not intend to list the convertible preferred stock or the warrants on any securities exchange.

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

Investing in our common stock involves a high degree of risk. Before making any investment in our common stock, you should read and carefully consider the risks described in this prospectus under "Risk Factors" beginning on page 5 of this prospectus.

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

The date of this prospectus is , 2014.

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

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

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

· our future operating or financial results;

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

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

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

· our ability to find employment for our vessels;

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

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

· the useful lives and value of our vessels;

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

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

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

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

changes in condition of our vessels or applicable maintenance or regulatory standards (which may affect, among other things, our anticipated dry-docking costs);

- competition in the seaborne transportation industry;

- global and regional economic and political conditions;

- fluctuations in currencies and interest rates;

our ability to leverage to our advantage the relationships and reputation Free Bulkers S.A., our manager (“Manager”), has in the drybulk shipping industry;

- the overall health and condition of the U.S. and global financial markets;

- changes in seaborne and other transportation patterns;

- changes in governmental rules and regulations or actions taken by regulatory authorities;

- our ability to pay dividends in the future;

- acts of terrorism and other hostilities; and

other factors discussed in the section titled “Risk Factors” in this prospectus.

The forward-looking statements contained in this prospectus are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described under the heading “Risk Factors.” Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws and/or if and when management knows or has a reasonable basis on which to conclude that previously disclosed projections are no longer reasonably attainable.

ENFORCEABILITY OF CIVIL LIABILITIES

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

ABOUT THIS PROSPECTUS

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

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

80,000 dwt and above.

Unless otherwise indicated:

All references to “\$” and “dollars” in this prospectus are to U.S. dollars;

Financial information presented in this prospectus is derived from financial statements for the fiscal years ended December 31, 2013 and 2012. Please see "Incorporation of Certain Information by Reference." These financial statements were prepared in accordance with the U.S. generally accepted accounting principles;

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

All references to dollar amounts in this prospectus are expressed in thousands of U.S. dollars, except for dollar amounts relating to this offering, the Investment Agreements with Dutchess Opportunity Fund, II, LP (“Dutchess”) and Granite State Capital, LLC (“Granite”), the Standby Equity Distribution Agreement with YA Global Master SPV Ltd. (“YA Global”) and the Securities Purchase Agreement with Crede CG III, Ltd. (“Crede”).

All share-related and per share information in this prospectus have been adjusted to give effect to the one share for five share reverse stock split that was effective on October 1, 2010, the one share for ten share reverse stock split that was effective on February 14, 2013 and the one share for five share reverse stock split that was effective on December 2, 2013.

COMPANY INFORMATION

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

Our Company

We are an international drybulk shipping company incorporated under the laws of the Republic of the Marshall Islands with principal executive offices in Athens, Greece. Our fleet currently consists of five Handysize vessels and one Handymax vessel that carry a variety of drybulk commodities, including iron ore, grain and coal, which are referred to as “major bulks,” as well as bauxite, phosphate, fertilizers, steel products, cement, sugar and rice, or “minor bulks.” As of April 2, 2014, the aggregate dwt of our operational fleet is approximately 197,200 dwt and the average age of our fleet is 16.6 years.

Our investment and operational focus has been in the Handysize sector, which is generally defined as less than 40,000 dwt of carrying capacity and the Handymax sector which is generally defined as between 40,000 dwt and 60,000 dwt. Handysize and Handymax vessels are, we believe, more versatile in the types of cargoes that they can carry and trade routes they can follow, and offer less volatile returns than larger vessel classes. We believe this segment also offers better demand and supply demographics than other drybulk asset classes. Due to the very adverse charter rate environment of the latest shipping cycle values of larger vessels have dropped to levels that constitute buying opportunities. We shall explore the possibility to expand into other segments of the dry-bulk sector.

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

In their report dated March 24, 2014, our independent registered public accounting firm expressed substantial doubt about our ability to continue as a going concern as we have incurred recurring operating losses, have a working capital deficiency, have failed to meet scheduled payment obligations under our loan facilities and have not complied with certain covenants included in our loan agreements with banks. For the fiscal years ended December 31, 2013, 2012 and 2011, we have incurred net losses of \$48,705, \$30,888 and \$88,196, respectively. As of December 31, 2013 and 2012, we had working capital deficits of \$59,041 and \$70,973, respectively. We have failed to service our debt with Credit Suisse and received notices of default from National Bank of Greece (“NBG”) and Credit Suisse. Furthermore, if

we were forced to liquidate our assets, the amount realized could be substantially lower than the carrying value of these assets. Our ability to continue as a going concern is subject to our ability to obtain necessary funding from outside sources, including obtaining additional funding from the sale of our securities, obtaining loans from various financial institutions or lenders where possible and restructuring outstanding debt obligations that are currently in default. Our continued net operating losses increase the difficulty in meeting such goals and there can be no assurances that such methods will prove successful.

Our Fleet

The following table details the vessels in our fleet as of April 2, 2014:

Vessel Name	Type	Built	Dwt	Employment
M/V Free Jupiter	Handymax	2002	47,777	About 50 days' time charter trip at \$8,350 per day through April - early May 2014
M/V Free Maverick	Handysize	1998	23,994	About 20-day time charter trip at \$8,500 per day until April 10, thereafter chartered for a 40-day time charter trip at \$6,200 per day through middle of May 2014
M/V Free Impala	Handysize	1997	24,111	Laid-up
M/V Free Neptune	Handysize	1996	30,838	Completing repairs from collision damage – expected to be completed by middle of April 2014
M/V Free Hero	Handysize	1995	24,318	Undergoing scheduled drydock –expected to be completed by second half of April 2014
M/V Free Goddess	Handysize	1995	22,051	See note below

The *M/V Free Goddess* had been hijacked by Somali pirates on February 7, 2012 while transiting the Indian Ocean eastbound. On October 11, 2012, we announced that all 21 crew members of the *M/V Free Goddess* are reported safe and well after the vessel's release by the pirates. At the time of the hijacking the vessel was on time charter in laden condition. Since the release from the pirates, the vessel had been laying at the port of Salalah, Oman, undertaking repairs funded mostly by Insurers. The repairs of the vessel were completed, and notice of readiness was tendered to her Charterers for the resumption of the voyage. The Charterers repudiated the Charter and we accepted Charterers' repudiation and terminated the fixture reserving our right to claim damages and other amounts due to us. The Tribunal previously constituted will hear our claim for (amongst others) unpaid hire and damages from the Charterers. In the meantime, cargo interests have commenced proceedings under the Bills of Lading although they have not yet particularized their claims. At the same time, all options are being explored for the commercial resolution of the situation arising from Charterers refusal to honor their obligations, including the further contribution by Insurers and cargo interests towards the completion of the voyage and recovery of amounts due. The Company is working for a diligent solution in order to complete the voyage without further delays.

On June 5, 2013, the M/V *Free Neptune*, while at anchorage off Port Nouakchott, Mauritania, was stricken by the general cargo vessel *Dazi Yun*. Severe collision damage incurred at the contact side shell point in way of cargo hold No. 2 starboard side and the cargo hold No. 2 flooded. No pollution or crew injuries were reported. Nominated salvage team delivered the vessel to a shipyard in Turkey for repairs on September 2, 2013. The vessel is drydocked in the yard where she undertakes necessary maintenance and repairs enabling her to return to service. The costs incurred are claimable from hull and machinery underwriters.

Recent Developments

On January 3, 2014, the Company issued to Crede 1,500,000 shares of common stock upon conversion of 30,000 shares of Series C Preferred Stock.

On January 8, 2014, the Company issued to Crede 1,300,000 shares of common stock upon conversion of 26,000 shares of Series C Preferred Stock.

On January 29, 2014, the Company entered into a deferral interest payment agreement with Credit Suisse, pursuant to which the interest payment of \$115 due on January 31, 2014 was deferred to February 28, 2014.

On January 30, 2014, the Company and certain of its subsidiaries entered into a term sheet with Credit Suisse in order to settle its obligations arising from the Loan Agreement with the Bank. Pursuant to the term sheet, Credit Suisse agreed to accept a cash payment of approximately \$22,000 in full and final settlement of all of the Company's obligations to Credit Suisse and Credit Suisse would forgive the remaining outstanding balance of approximately \$15,000. Upon payment, all of the existing corporate guarantees of the Company and its subsidiaries and the mortgages and security interests on its three vessels (*M/V Free Goddess*, *M/V Free Hero* and *M/V Free Jupiter*) as well as all assignments in favor of Credit Suisse will be released. The closing of such transaction is contingent upon the Company being able to raise capital towards making such payment.

On February 3, 2014, the Company paid the amount of \$201 to fully unwind the two interest rate swap agreements with Credit Suisse.

On February 6, 2014, the Company issued 67,476 shares of common stock to Asher upon conversion of \$75 principal of a convertible promissory note dated July 29, 2013 plus accrued interest.

On February 7, 2014, the Company issued 53,700 shares of common stock to Asher upon conversion of the remaining principal of \$53.5 convertible promissory note dated July 29, 2013 plus accrued interest.

On December 31, 2013, Charterers, Transbulk submitted a claim against the Company for a balance of hire of M/V *Free Knight* relating to alleged period of off-hire, other deductions from hire and various expenses incurred on Company's account in the sum of \$265 and obtained a court arrest order. On February 6, 2014 the Charterers agreed to accept \$200 all inclusive in full and final settlement of all claims under the Charterparty and M/V *Free Knight* was released.

On February 18, 2014 the Company sold the M/V *Free Knight*, a 1998-built, 24,111 dwt Handysize dry bulk carrier for a gross sale price of \$3.6 million and the vessel was delivered to her new owners. The Company recognized an impairment charge of \$24 million in the consolidated statement of operations for the year ended December 31, 2013, incorporated herein by reference.

On February 22, 2014, the Company and certain of its subsidiaries entered into terms with NBG for settlement of its obligations arising from the Loan Agreement with the Bank. Pursuant to the terms, NBG agreed to accept a cash payment of \$22,000 in full and final settlement of all of the Company's obligations to the NBG and NBG would forgive the remaining outstanding balance of approximately \$3,700. Upon payment, all of the existing corporate guarantees of the Company and its subsidiaries and the mortgages and security interests on its two vessels (M/V *Free Impala* and M/V *Free Neptune*) as well as all assignments in favor of NBG will be released. The closing of such transaction is contingent upon the Company being able to raise capital towards making such payment.

On February 28, 2014, pursuant to the deferral interest payment agreement with Credit Suisse, the Company paid the deferred interest of \$115.

Our Corporate History

We were incorporated on April 23, 2004 under the name “Adventure Holdings S.A.” pursuant to the laws of the Republic of the Marshall Islands to serve as the parent holding company of our ship-owning entities. On April 27, 2005, we changed our name to “FreeSeas Inc.”

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

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

On September 30, 2010, our shareholders approved a one-for-five reverse split of our outstanding common stock effective October 1, 2010. On January 22, 2013, the Company’s Board of Directors authorized a reverse stock split at a ratio of 1 for 10, which was effective on February 14, 2013. On November 14, 2013, the Company’s Board of Directors authorized a reverse stock split at a ratio of 1 for five, which was effective on December 2, 2013.

As of April 4, 2014, we had outstanding 25,675,044 shares of our common stock.

Our common stock currently trades on The NASDAQ Capital Market under the trading symbol “FREE.”

Our Executive Offices

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

THE OFFERING

Securities Being Offered:	Up to [*] shares of our convertible preferred stock (convertible into [*] shares of our common stock) and warrants to purchase up to an additional [*] shares of our common stock in this offering. Each share of convertible preferred stock will be accompanied by a warrant to purchase up to [*] shares of common stock.
Offering Price:	Each share of convertible preferred stock and warrant will be sold at a negotiated price of \$1,000.
Offering Period:	The securities are being offered for a period not to exceed 180 days.
Use of Proceeds*:	We currently intend to use the majority of the net proceeds to reduce our debt obligations to Credit Suisse and NBG, including closing on the proposed settlement agreements, if possible, as well as for general corporate purposes.
Number of Shares of Common Stock Outstanding Before the Offering:	25,675,044 as of the date of this prospectus.
Number of Shares Outstanding After the Offering**:	[*] if all of the shares of convertible preferred stock and warrants offered hereunder are sold and are fully converted into shares of common stock.
NASDAQ Stock Symbol:	FREE
Risk Factors:	An investment in our common stock involves a high degree of risk. You should carefully consider the information set forth in this prospectus and, in particular, the specific factors set forth in the “Risk Factors” section beginning on page 5 of this prospectus before deciding whether or not to invest in shares of our common stock.

* We will retain the proceeds from the sale of any of the offered shares, and funds will not be returned to investors. It is possible that no proceeds will be received by the Company or that if any proceeds are received, that such proceeds will not be sufficient to cover the costs of the offering. See “*Use of Proceeds*” below for further information.

** There is no minimum number of shares that must be sold in the offering and the issue is not underwritten. Assumes no shares are issued between the date of this prospectus and the consummation of the offering.

RISK FACTORS

An investment in our common stock involves a high degree of risk. In addition to those risks described in our Annual Report on Form 20-F for the fiscal year ended December 31, 2013 filed with the SEC, you should consider carefully the risks described below, together with the other information contained in this prospectus before making a decision to invest in our common stock.

Risk Factors Relating to FreeSeas

At December 31, 2013, FreeSeas' current liabilities exceeded its current assets, which could impair its ability to successfully operate its business and could have material adverse effects on its revenues, cash flows and profitability and its ability to comply with its debt covenants and pay its debt service and other obligations.

As a result of the historically low charter rates for drybulk vessels which have been affecting the Company for over four years, and the resulting material adverse impact on the Company's results from operations, the consolidated financial statements for the year ended December 31, 2013, incorporated herein by reference, have been prepared on a going concern basis. The Company currently has cash and cash equivalents of \$1,046 and based on its cash flow projections for the remaining of 2014, the Company will not be able to make debt repayments scheduled as of December 31, 2013, interest payments as well as cover operating expenses and capital expenditure requirements for at least twelve months from the balance sheet date.

The Company has incurred net losses of approximately \$48,705, \$30,888 and \$88,196 during the years ended December 31, 2013, 2012 and 2011, respectively. As of December 31, 2013 and 2012, the Company had working capital deficits of approximately, \$59,041 and \$70,973, respectively. All of the above raises substantial doubt regarding the Company's ability to continue as a going concern. Management plans to continue to provide for its capital requirements by issuing additional equity securities and debt in addition to executing their business plan. The Company's ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal course of business operations when they come due and to generate profitable operations in the future.

In January and April 2013, the Company received notifications from FBB that the Company is in default under its loan agreements as a result of the breach of certain covenants and the failure to pay principal and interest due under the loan agreements. Effective May 13, 2013, the bank's deposits and loans other than the loans in definite delay and the bank's network of nineteen branches were transferred to the National Bank of Greece ("NBG"). The license of FBB was revoked and the bank was placed under special liquidation. The Company's loan facility and deposits have been transferred to NBG. In January 2014, the Company received notification from NBG that the Company has not paid the

aggregate amount of \$10,045 constituting repayment installments and accrued interest due in December 2013. The Company has entered into an agreement with the NBG to settle the outstanding payments upon a cash payment of a portion of the outstanding amount, whereby the NBG would forgive the remaining balance. The closing of such transaction is contingent upon the Company raising the necessary funds. See “Company Information – Recent Developments” for more information.

In 2013, the Company did not pay the interest due in an aggregate amount of \$354 or interest rate swap amounts in an aggregate of \$256 pursuant to the Credit Suisse facility. On February 3, 2014, the Company paid the amount of \$201 to fully unwind the two interest rate swap agreements with Credit Suisse. The Company received several reservation of right letters in 2013 stating that Credit Suisse may take any actions and may exercise all of their rights and remedies referred in the security documents. The Company has entered into a term sheet with Credit Suisse to settle the outstanding payments upon a cash payment of a portion of the outstanding amount, whereby Credit Suisse would forgive the remaining balance. The closing of such transaction is contingent upon the Company raising the necessary funds. See “Company Information – Recent Developments” for more information.

If the Company is not able to raise the capital necessary to complete the agreements reached with the NBG and Credit Suisse or if the Company is unable to comply with its restructured loan terms, this could lead to the acceleration of the outstanding debt under its debt agreements. The Company’s failure to satisfy its covenants under its debt agreements, and any consequent acceleration and cross acceleration of its outstanding indebtedness would have a material adverse effect on the Company’s business operations, financial condition and liquidity.

Generally accepted accounting principles require that long-term debt be classified as a current liability when a covenant violation gives the lender the right to call the debt at the balance sheet date, absent a waiver. As a result of the actual breaches existing under the Company’s credit facilities with NBG and Credit Suisse, acceleration of such debt by its lenders could result. Accordingly, as of December 31, 2013, the Company is required to reclassify its long term debt and derivative financial instrument liability (interest rate swaps) as current liabilities on its consolidated balance sheet since the Company has not received waivers in respect of the breaches discussed above.

Management is currently seeking and will continue to seek to restructure the Company’s indebtedness and obtain waivers on covenant violations. If the Company is not able to obtain the necessary waivers and/or restructure its debt, this could lead to the acceleration of the outstanding debt under its debt agreements. The Company’s failure to satisfy its covenants and payment obligations under its debt agreements, and any consequent acceleration and cross acceleration of its outstanding indebtedness would have a material adverse effect on the Company’s business operations, financial condition and liquidity.

The Company is currently exploring several alternatives aiming to manage its working capital requirements and other commitments, including offerings of securities through structured financing agreements, disposition of certain vessels in its current fleet and additional reductions in operating and other costs.

The consolidated financial statements as of December 31, 2013, incorporated herein by reference, were prepared assuming that the Company would continue as a going concern. Accordingly, the financial statements did not include any adjustments relating to the recoverability and classification of recorded asset amounts, the amounts and classification of liabilities, or any other adjustments that might result in the event the Company is unable to continue as a going concern, except for the current classification of debt and derivative financial instrument liability.

We received a report from our independent registered public accounting firm with an explanatory paragraph for the year ended December 31, 2013 with respect to our ability to continue as a going concern. The existence of such a report may adversely affect our stock price and our ability to raise capital. There is no assurance that we will not receive a similar report for our year ended December 31, 2014.

In their report dated March 24, 2014, our independent registered public accounting firm expressed substantial doubt about our ability to continue as a going concern as we have incurred recurring operating losses, have a working capital deficiency, have failed to meet scheduled payment obligations under our loan facilities and have not complied with certain covenants included in our loan agreements with banks. Furthermore, if we were forced to liquidate our assets, the amount realized could be substantially lower than the carrying value of these assets. Our ability to continue as a going concern is subject to our ability to obtain necessary funding from outside sources, including obtaining additional funding from the sale of our securities, obtaining loans from various financial institutions or lenders where possible and restructuring outstanding debt obligations that are currently in default. Our continued net operating losses increase the difficulty in meeting such goals and there can be no assurances that such methods will prove successful.

We have been in breach of certain loan covenants contained in our loan agreements. If we are not successful in obtaining a waiver with respect to covenants breached, our lenders may declare an event of default and accelerate our outstanding indebtedness under the relevant agreement, which would impair our ability to continue to conduct our business, which raises substantial doubt about our ability to continue as a going concern.

Our loan agreements require that we comply with certain financial and other covenants. As a result of the drop in our drybulk asset values we were not in compliance with the NBG facility covenants relating to vessel values as of December 31, 2013. In addition, we were in breach of interest cover ratios, leverage and minimum liquidity covenants with the NBG facility not previously waived. As well, we were in breach of the interest coverage ratio for our loan agreement with Credit Suisse. A violation of these covenants constitutes an event of default under our credit facilities, which would, unless waived by our lenders, provide our lenders with the right to require us to post additional collateral, increase our interest payments and/or pay down our indebtedness to a level where we are in compliance with our loan covenants. Furthermore, our lenders may accelerate our indebtedness and foreclose their liens on our

vessels, in which case our vessels may be auctioned or otherwise transferred which would impair our ability to continue to conduct our business. As a result of these breaches, our total indebtedness is presented within current liabilities in the December 31, 2013 consolidated balance sheet.

In January and April 2013, the Company received notifications from FBB that the Company is in default under its loan agreements as a result of the breach of certain covenants and the failure to pay principal and interest due under the loan agreements. Effective May 13, 2013, the bank's deposits and loans other than the loans in definite delay and the bank's network of nineteen branches were transferred to NBG. The license of FBB was revoked and the bank was placed under special liquidation. The Company's loan facility and deposits have been transferred to NBG. In January 2014 the Company received notification from NBG that the Company has not paid the aggregate amount of \$10,045, constituting repayment installments and accrued interest due in December 2013. The Company has entered into an agreement with the NBG to settle the outstanding payments upon a cash payment of a portion of the outstanding amount, whereby the NBG would forgive the remaining balance. The closing of such transaction is contingent upon the Company raising the necessary funds. See "Company Information – Recent Developments" for more information.

On January 31, 2013 the Company did not pay the interest due of \$124 and the interest rate swap amounts of \$52 and \$28 due on March 5, 2013 and April 2, 2013, respectively, with the Credit Suisse facility. On April 26, 2013, the Company paid the interest of \$124 due on January 31, 2013. On April 30 and July 31, 2013 the Company did not pay the interest due of \$117 and \$119, respectively. Also, the Company did not pay the interest rate swap amounts of \$48, \$25, \$43 and \$22 due on June 5, 2013, July 2, 2013, September 5, 2013 and October 2, 2013, respectively, with the Credit Suisse facility. In addition, on October 31, 2013, the Company did not pay the interest due of \$118 with the Credit Suisse facility. As well, the Company did not pay the interest rate swap amounts of \$38 due on December 5, 2013 and \$19 due on January 2, 2014 with the Credit Suisse facility. On February 3, 2014, the Company paid the amount of \$201 to fully unwind the two interest rate swap agreements with Credit Suisse. The Company received reservation of right letters on August 9, 2013, October 4, 2013 and November 1, 2013 stating that Credit Suisse may take any actions and may exercise all of their rights and remedies referred in the security documents. The Company has entered into a term sheet with Credit Suisse to settle the outstanding payments upon a cash payment of a portion of the outstanding amount, whereby Credit Suisse would forgive the remaining balance. The closing of such transaction is contingent upon the Company raising the necessary funds. See "Company Information – Recent Developments" for more information.

If the Company is not able to raise the capital necessary to complete the agreements reached with the NBG and Credit Suisse or if the Company is unable to comply with its restructured loan terms, this could lead to the acceleration of the outstanding debt under its debt agreements. The Company's failure to satisfy its covenants under its debt agreements, and any consequent acceleration and cross acceleration of its outstanding indebtedness would have a material adverse effect on the Company's business operations, financial condition and liquidity.

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