UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 20-F

(Mark One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

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

For the fiscal year ended December 31, 2009

OR

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

For the transition period from _____ to _____

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report

Commission file number 001-33283

EUROSEAS LTD.
(Exact name of Registrant as specified in its charter)

(Translation of Registrant's name into English)

Marshall Islands
(Jurisdiction of incorporation or organization)

4 Messogiou & Evropis Street, 151 25 Maroussi Greece
(Address of principal executive offices)

Tasos Aslidis, Tel: (908) 301-9091, Euroseas Ltd. c/o Tasos Aslidis,
11 Canterbury Lane, Watchung, NJ 07069
(Name, Telephone, E-mail and/or Facsimile, and address of Company Contact Person)

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

Title of each class	Name of each exchange on which registered
Common shares, $0.03 par value	NASDAQ Global Select Market

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

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

30,849,711 Common shares, $0.03 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act.

☐ Yes ☒ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934.

☐ Yes ☒ No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

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

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

☐ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One)

Large accelerated filer	Accelerated filer	Non-accelerated filer
☐	☒	☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

☒ U.S. GAAP

☐ International Financial Reporting Standards as issued by the international Accounting Standards Board.

☐ Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports to be filed by Sections 12, 13 or 15(d) of the Securities Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

☐ Yes ☐ No

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FORWARD-LOOKING STATEMENTS

Euroseas Ltd., or the Company, desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. This annual report contains forward-looking statements. These forward-looking statements include information about possible or assumed future results of our operations or our performance. Words such as "expects," "intends," "plans," "believes," "anticipates," "estimates," and variations of such words and similar expressions are intended to identify the forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. These statements involve known and unknown risks and are based upon a number of assumptions and estimates which are inherently subject to significant uncertainties and contingencies, many of which are beyond our control. Actual results may differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements include, but are not limited to, statements regarding:

- our future operating or financial results;
- future, pending or recent acquisitions, joint ventures, business strategy, areas of possible expansion, and expected capital spending or operating expenses;
- drybulk and container shipping industry trends, including charter rates and factors affecting vessel supply and demand;
- our financial condition and liquidity, including our ability to obtain additional financing in the future to fund capital expenditures, acquisitions and other general corporate activities;
- availability of crew, number of off-hire days, drydocking requirements and insurance costs;
- our expectations about the availability of vessels to purchase or the useful lives of our vessels;
- our expectations relating to dividend payments and our ability to make such payments;
- our ability to leverage to our advantage our manager's relationships and reputations in the drybulk and container shipping industry;
- changes in seaborne and other transportation patterns;
- changes in governmental rules and regulations or actions taken by regulatory authorities;
- potential liability from future litigation;
- global and regional political conditions;
- acts of terrorism and other hostilities, including piracy; and
- other factors discussed in the section titled "Risk Factors."

WE UNDERTAKE NO OBLIGATION TO PUBLICLY UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENTS CONTAINED IN THIS ANNUAL REPORT, OR THE DOCUMENTS TO WHICH WE REFER YOU IN THIS ANNUAL REPORT, TO REFLECT ANY CHANGE IN OUR EXPECTATIONS WITH RESPECT TO SUCH STATEMENTS OR ANY CHANGE IN EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH ANY STATEMENT IS BASED.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information

Please note: Throughout this report, all references to "we," "our," "us" and the "Company" refer to Euroseas and its subsidiaries. We use the term deadweight ton, or dwt, in describing the size of vessels. 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. Unless otherwise indicated, all references to "dollars" and "$" in this report are to, and amounts are presented in, U.S. dollars.

A. Selected Financial Data

SELECTED CONSOLIDATED FINANCIAL DATA

The following information sets forth selected historical financial data for Euroseas. We derived this information from our audited financial statements for the years ended December 31, 2007, 2008 and 2009 included in this annual report. The information is only a summary and should be read in conjunction with our historical financial statements and related notes, and our Management's Discussion and Analysis of Financial Condition and Results of Operations contained elsewhere herein. The historical financial and other data presented for the years ended December 31, 2005 and 2006 have been derived from audited financial statements not included in this Annual Report and are provided for comparison purposes. The historical results included below and elsewhere in this annual report are not indicative of our future performance.

As of January 1, 2009, the Company changed its accounting policy of drydocking costs from the deferral method, under which the Company amortized drydocking costs over the estimated period of benefit between drydockings, to the direct expense method, under which the Company expenses all drydocking costs as incurred. The Company believes that the direct expense method is preferable as it eliminates the significant amount of time and subjectivity involved in determining which costs and activities related to drydocking qualify for the deferral method.

The Company reflected this change as a change in accounting principles from an accepted accounting principle to a preferable accounting principle in accordance with guidance relating to Accounting Changes and Error Corrections. The new accounting principle has been applied retrospectively to all periods presented.

See next page for table of Euroseas Ltd. – Summary of Selected Historical Financials.

Euroseas Ltd. – Summary of Selected Historical Financials
Year Ended December 31,

	2005 (as adjusted)	2006 (as adjusted)	2007 (as adjusted)	2008 (as adjusted)	2009
Income Statement Data					
Voyage revenues	44,523,401	42,143,361	86,104,365	132,243,918	66,215,669
Commissions	(2,388,349)	(1,829,534)	(4,024,032)	(5,940,460)	(2.433.776)
Net revenue	42,135,052	40,313,827	82,080,333	126,303,458	63,781,893
Voyage expenses	(670,551)	(1,154,738)	(897,463)	(3,092,323)	(1,510,551)
Vessel operating expenses	(8,610,279)	(10,368,817)	(17,240,132)	(27,521,194)	(23,763,480)
Drydocking expenses [5]	(1,076,233)	(821,198)	(5,770,007)	(6,129,257)	(1,912,474)
Vessel depreciation [1]	(2,657,914)	(6,277,328)	(16,423,092)	(28,284,752)	(19,092,384)
Management fees	(1,911,856)	(2,266,589)	(3,669,137)	(5,387,415)	(5,074,297)
Other general and administration expenses	(420,755)	(1,076,884)	(2,656,176)	(4,057,736)	(3,640,534)
Impairment loss	-	-	-	(25,113,364)	-
Net gain (loss) on sale of vessels [5]	-	4,892,177	3,440,681	-	(8,959,321)
Operating income [5]	26,787,464	23,240,450	38,865,007	26,717,417	22,429
Interest and other financing costs	(1,495,871)	(3,398,858)	(4,850,239)	(2,930,737)	(1,437,637)
Interest income	460,457	870,046	2,357,633	3,168,501	1,123,317
Other income (loss)	(99,491)	(1,598)	90,920	(5,464,271)	(15,335,613)
Net income / (loss) [5]	25,652,559	20,710,040	36,463,321	21,490,910	(15,627,504)
Balance Sheet Data					
Current assets	25,350,707	9,975,596	118,307,463	92,538,220	58,933,240
Vessels, net	52,334,897	95,494,342	238,248,984	231,963,606	257,270,824
Deferred assets and other long term assets	201,405	11,021,531	9,419,852	8,716,960	7,214,230
Total assets	77,887,009	116,491,469	365,976,299	333.218,786	323,418,294
Current liabilities including current portion of long term debt	18,414,877	21,665,399	35,182,511	21,417,515	30,443,552
Long term debt, including current portion	48,560,000	74,950,000	81,590,000	56,015,000	71,515,000
Total liabilities	52,544,877	79,493,599	99,400,483	76,387,354	91,965,031
Common shares outstanding (adjusted for the 1-for-3 split)	12,260,387	12,620,150	30,261,113	30,575,611	30,849,711
Share capital	367,812	378,605	907,834	917,269	925,492
Total shareholders' equity [5]	25,342,132	36,997,869	266,575,816	256,831,432	231,453,263
Other Financial Data					
Net cash provided by operating activities	20,594,782	20,968,824	48,958,771	74,283,741	7,837,660
Net cash used in investing activities	(21,833,616)	(55,367,015)	(146,671,991)	(46,145,503)	(45,598,765)
Net cash provided by (used in) financing activities	6,188,653	16,741,997	199,057,433	(58,422,367)	4,894,463
Earnings / (loss) per share, basic	2.39	1.65	1.69	0.71	(0.51)
Earnings / (loss) per share, diluted	2.39	1.65	1.68	0.70	(0.51)
Dividends declared	30,175,223(2)	9,465,082	20,278,538	34,664,699	10,779,609
Cash paid for common dividend / return of capital	46,875,223(2)	9,465,082	20,278,538	34,547,949	10,849,609
Cash dividends / return of capital, declared per common share	4.67(2)	0.75	1.00	1.13	0.35
Weighted average number of shares outstanding during period, basic	10,739,476	12,535,365	21,566,619	30,437,107	30,648,991
Weighted average number of shares outstanding during period, diluted	10,739,476	12,535,365	21,644,920	30,505,476	30,648,991

	2 005	2006	2007	2008	2009
Other Fleet Data [3]					
Number of vessels	7.10	8.09	11.48	15.61	16.30
Calendar days	2,591	2,942	4,190	5,714	5,949
Available days	2,546	2,895	3,980	5,563	4,983
Voyage days	2,508	2,864	3,969	5,451	4,724
Utilization Rate (percent)	98.5%	98.9%	99.7%	98.0%	94.8%
			(In U.S. dollars per day per vessel)		
Average TCE rate [4]	17,485	14,312	21,468	23,695	13,698
Vessel Operating Expenses excluding drydocking expenses	3,323	3,524	4,115	4,816	3,979
Management Fees	738	770	875	943	853
G&A Expenses	162	366	634	710	612
Total Operating Expenses excluding drydocking expenses	4,223	4,660	5,624	6,469	5,444

(1) In November 2008, the estimated useful life of the containerships and multipurpose vessels was increased to 30 years (from 25 years until then) in line with industry practice and intended use of such vessels; also, the estimated scrap value of the vessels was reduced from $300 to $250 per light ton to better reflect market price developments in the scrap metal market. The effect of this change was to reduce 2008 depreciation expenses by $0.8 million or $0.03 per share and increase 2008 net income by the same amount; and, to reduce 2009 depreciation expenses by $6.4 million or $0.21 per share and decrease net losses by the same amount.

(2) This amount reflects a dividend in the amount of $30,175,223 ($2.99 per share) and a return of capital in the amount of $16,700,000 ($1.68 per share). The total payment to shareholders made in 2005 is in excess of previously retained earnings because the Company decided to distribute to its original shareholders in advance of going public most of the profits relating to the Company's operations up to that time and to recapitalize the Company. This one-time dividend cannot be considered indicative of future dividend payments and the Company refers you to the other sections in this annual report for a clearer understanding of the Company's dividend policy.

(3) For the definition of calendar days, available days, voyage days and utilization rate see Item 5A-Operating Results.

(4) Time charter equivalent rate, or, "TCE rate", is determined by dividing voyage revenues less voyage expenses or time charter equivalent revenue or "TCE revenues" by the number of voyage days during the relevant time period. TCE revenues, a non-GAAP measure, provides additional meaningful information in conjunction with shipping revenues, the most directly comparable GAAP measure, because it assists Company management in making decisions regarding the deployment and use of its vessels and in evaluating their financial performance. TCE revenues and TCE rate is also a standard shipping industry performance measure used primarily to compare period-to-period changes in a shipping company's performance despite changes in the mix of charter types (i.e., spot charters, time charters and bareboat charters) under which the vessels may be employed between the periods (see also Item 5A-Operating Results).

(5) Beginning with the first quarter of 2009, the Company changed its accounting policy of drydocking costs from the deferral method, under which the Company amortized drydocking costs over the estimated period of benefit between drydockings, to the direct expense method, under which the Company expenses all drydocking costs as incurred. The Company believes that the direct expense method is preferable as it eliminates the significant amount of time and subjectivity involved in determining which costs and activities related to drydocking qualify for the deferral method. The Company reflected this change as a change in accounting principle from an accepted accounting principle to a preferable accounting principle in accordance with guidance relating to Accounting Changes and Error Corrections. The new accounting guidance has been applied retrospectively to all periods presented. See also Note 2 of the attached financial statements.

Reconciliation of TCE revenues as reflected in the consolidated statement of income and calculation of TCE rate follow:

	2005	2006	2007	2008	2009
	(In U.S. dollars, except TCE rates which are expressed in U.S. dollars per day, and voyage days)				
Voyage revenues	44,523,401	42,143,361	86,104,365	132,243,918	66,215,669
Voyage expenses	(670,551)	(1,154,738)	(897,463)	(3,092,323)	(1,510,551)
Time Charter Equivalent ("TCE") Revenues	43,852,850	40,988,623	85,206,902	129,151,595	64,705,118
Voyage days	2,508	2,864	3,969	5,451	4,724
Average TCE rate	17,485	14,313	21,468	23,695	13,698

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

Any investment in our stock involves a high degree of risk. You should consider carefully the following factors, as well as the other information set forth in this annual report, before making an investment in our common stock. Some of the following risks relate principally to the industry in which we operate and our business in general. Other risks relate to the securities market for and ownership of our common stock. Any of the described risks could significantly and negatively affect our business, financial condition, operating results and common stock price. The following risk factors describe the material risks that are presently known to us.

Industry Risk Factors

The cyclical nature of the shipping industry may lead to volatile changes in freight rates which may reduce our revenues and net income.

We are an independent shipping company that operates in the drybulk, container and multipurpose shipping industry. Our profitability is dependent upon the freight rates we are able to charge. The supply of and demand for shipping capacity strongly influences freight rates. The demand for shipping capacity is determined primarily by the demand for the type of commodities carried and the distance that those commodities must be moved by sea. The demand for commodities is affected by, among other things, world and regional economic and political conditions (including developments in international trade, fluctuations in industrial and agricultural production and armed conflicts), environmental concerns, weather patterns, and changes in seaborne and other transportation costs. The size of the existing fleet in a particular market, the number of new vessel deliveries, the scrapping of older vessels and the number of vessels out of active service (i.e., laid-up, drydocked, awaiting repairs or otherwise not available for hire), determines the supply of shipping capacity, which is measured by the amount of suitable tonnage available to carry cargo. The cyclical nature of the shipping industry may lead to volatile changes in freight rates which may reduce our revenues and net income.

In addition to the prevailing and anticipated freight rates, factors that affect the rate of newbuilding, scrapping and laying-up include newbuilding prices, secondhand vessel values in relation to scrap prices, costs of bunkers and other operating costs, costs associated with classification society surveys, normal maintenance and insurance coverage, the efficiency and age profile of the existing fleet in the market and government and industry regulation of maritime transportation practices, particularly environmental protection laws and regulations. These factors influencing the supply of and demand for shipping capacity are outside of our control, and we may not be able to correctly assess the nature, timing and degree of changes in industry conditions. Some of these factors may have a negative impact on our revenues and net income.

Our future profitability will be dependent on the level of charter rates in the international drybulk and container shipping industry.

Charter rates for the international drybulk shipping industry reached record highs during 2007 and during the first eight months of 2008; however, in September 2008, drybulk charter rates fell dramatically as a result of the worldwide credit crunch and financial crisis. Containership rates also dropped precipitously during the fourth quarter of 2008. In 2009, drybulk rates steadily recovered returning to approximately average historical levels by mid-2009 and have further improved since then, generally maintaining such levels although rates for large (capesize) vessels have shown more volatility. On the contrary, containership rates declined to historically low levels and stayed at such levels for all of 2009. During the first quarter of 2010, rates for medium and large size containerships (i.e. vessels larger than 3,000 teu) started recovering but such a recovery has not yet been evident for smaller containerships, a class size that includes all of our containerships. Rates in drybulk or containership markets are influenced by the balance of demand for and supply of vessels and may remain depressed or decline again in the future. Rates for multipurpose vessels are influenced by both drybulk and containership market developments as multipurpose ships can carry either drybulk or containerized cargo.

Because the factors affecting the supply and demand for vessels are outside of our control and are unpredictable, the nature, timing, direction and degree of changes in industry conditions are unpredictable, and as a result so are the rates we can charter our vessels at. In addition, we may not be able to successfully charter our vessels in the future or renew existing charters at rates sufficient to allow us to meet our obligations or to pay dividends to our shareholders.

Some of the factors that influence demand for vessel capacity include:

- supply of and demand for drybulk commodities, as well as containerized cargo;
- changes in the exploration or production of energy resources, commodities, semi-finished and finished consumer and industrial products;
- global and regional economic and political conditions, including armed conflicts and terrorist activities; embargoes and strikes;
- the location of regional and global exploration, production and manufacturing facilities;
- availability of credit to finance international trade;
- the location of consuming regions for energy resources, commodities, semi-finished and finished consumer and industrial products;
- the distance drybulk and containerized commodities are to be moved by sea;
- environmental and other regulatory developments;
- currency exchange rates;
- changes in global production and manufacturing distribution patterns of finished goods that utilize drybulk and other containerized commodities;
- changes in seaborne and other transportation patterns; and
- weather.

Some of the factors that influence the supply of vessel capacity include:

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

We anticipate that the future demand for our drybulk, container and multipurpose vessels and the charter rates of the corresponding markets will be dependent upon economic recovery in the United States, Europe and Japan, among others, as well as continued economic growth in China, India and the overall world economy, seasonal and regional changes in demand, and changes to the capacity of the world fleet. The capacity of the world fleet seems likely to increase and economic growth may not continue. Adverse economic, political, social or other developments could also have a material adverse effect on our business and results of operations.

An over-supply of drybulk carrier and containership capacity may lead to further reductions in charter hire rates and profitability.

The market supply of drybulk carriers and especially containerships has been increasing, and the number of both drybulk vessels and containerships on order have recently reached historic highs. The containership newbuildings are expected to continue being delivered in significant numbers over the next several years despite a number of order cancellations and delivery delays. The drybulk vessel newbuildings are expected to continue being delivered in 2010 and 2011 at significantly higher rates than in any previous year despite a number of order cancellations and delivery delays. If the number of new ships delivered exceeds the number of vessels being scrapped and lost, vessel capacity will increase. An over-supply of drybulk carrier and containership capacity may result in a further reduction of charter hire rates. For instance, given that as of May 1, 2010, as reported by Clarkson Research Services Limited ("CRSL"), the capacity of the fully cellular worldwide container vessel fleet was approximately 13.2 million teu, with approximately 4.2 million teu, or, about 32% of the present fleet, of additional capacity on order, the growing supply of container vessels may exceed future demand, particularly in the short term. Similarly, as of May 1, 2010, as reported by CRSL, the capacity of the worldwide drybulk fleet was approximately 481.2 million dwt with another 287.1 million dwt, or about 60% of the present fleet, of additional capacity on order. If the supply of vessel capacity increases but the demand for vessel capacity does not increase correspondingly, charter rates and vessel values could materially decline.

If such a reduction occurs upon the expiration or termination of our drybulk carriers' and containerships' current charters, such as during 2010 or 2011 when the charters under which at least seven of our containerships are currently deployed expire, we may only be able to recharter those drybulk carriers and containerships at reduced or unprofitable rates or we may not be able to charter these vessels at all. All of the containership charters we renewed or concluded during 2009 were at unprofitable rates and were entered into because they resulted in lower losses than would have resulted had we put the vessels in lay-up. In fact, as of May 15, 2010, we have not been able to re-charter two of our containerships that completed their charters in early 2009; as a result, we laid-up these two vessels as well as a third vessel which was sold in December 2009.

The value of our vessels may fluctuate, adversely affecting our earnings, liquidity and causing us to breach our secured credit agreements.

The market value of our vessels can fluctuate significantly. The market value of our vessels may increase or decrease depending on the following factors:

- general economic and market conditions affecting the shipping industry;
- supply of drybulk, container and multipurpose vessels;
- demand for drybulk, container and multipurpose vessels;
- types and sizes of vessels;
- other modes of transportation;
- cost of newbuildings;
- new regulatory requirements from governments or self-regulated organizations; and
- prevailing level of charter rates.

As vessels grow older, they generally decline in value. Due to the cyclical nature of the drybulk and container shipping industry, if for any reason we sell vessels at a time when prices have fallen, we could incur a loss and our business, results of operations, cash flow, financial condition and ability to pay dividends could be adversely affected. For example, we incurred a $9.0 million loss on the sale of two of our vessels in 2009.

In addition, we periodically re-evaluate the carrying amount and period over which long-lived assets are depreciated to determine if events have occurred which would require modification to their carrying values or their useful lives. A determination that a vessel's estimated remaining useful life or fair value has declined below its carrying amount could result in an impairment charge against our earnings and a reduction in our shareholders' equity. Any change in the assessed market value of any of our vessels might also cause a violation of the covenants of each secured credit agreement which in turn might restrict our cash and affect our liquidity. All of our credit agreements provide for a minimum security maintenance ratio. If the assessed market value of our vessels declines below certain thresholds, we will be deemed to have violated these covenants and may incur penalties for breach of our credit agreements. For example, these penalties could require us to prepay the shortfall between the assessed market value of our vessels and the value of such vessels required to be maintained pursuant to the secured credit agreement, or to provide additional security acceptable to the lenders in an amount at least equal to the amount of any shortfall. Furthermore, we may enter into future loans which may include various other covenants, in addition to the vessel-related ones, that may ultimately depend on the assessed values of our vessels. Such covenants could include, but are not limited to, maximum fleet leverage covenants and minimum fair net worth covenants.

An economic slowdown in the Asia Pacific region could materially reduce the amount and/or profitability of our business.

A significant number of the port calls made by our vessels involve the loading or discharging of raw materials and semi-finished products in ports in the Asia Pacific region. As a result of the credit and financial crisis at the end of 2008 and beginning of 2009 and the resulting world economic slowdown demand for the services of our vessels has declined. However, economic activity in the Asia Pacific region led by China quickly recovered, especially with regard to the import of bulk commodities. Any negative change in economic conditions in any Asia Pacific country, particularly in China, may have a significant adverse effect on our business, financial position and results of operations, as well as our future prospects. In particular, in recent years, China has been one of the world's fastest growing economies in terms of gross domestic product. Such growth may not be sustained and the Chinese economy may experience contraction in the future. Moreover, any continued or renewed weakness in the economies of the United States of America, the European Union or certain Asian countries may adversely effect economic growth in China and elsewhere. Our business, financial position and results of operations, as well as our future prospects, will likely be materially and adversely affected by an economic downturn in any of these countries.

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 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. The Chinese government may not continue to pursue a policy of economic reform. The level of imports to and exports from China could be adversely affected by the nature of the economic reforms pursued 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.

We may become dependent on spot charters in the volatile shipping markets, which may result in decreased revenues and/or profitability.

Although a majority of our vessels are currently under time charters, in the future, we may have more of these vessels and/or any newly acquired vessels on spot charters. The spot market is highly competitive and rates within this market are subject to volatile fluctuations, while time charters provide income at pre-determined rates over more extended periods of time. If we decide to spot charter our vessels, we may not be able to keep all our vessels fully employed in these short-term markets. In addition, we may not be able to predict whether future spot rates will be sufficient to enable our vessels to be operated profitably. A significant decrease in charter rates has affected and could continue affecting the value of our fleet and could adversely affect our profitability and cash flows with the result that our ability to pay debt service to our lenders and dividends to our shareholders could be adversely affected.

We are subject to complex laws and regulations, including environmental regulations that can adversely affect the cost, manner or feasibility of doing business.

Our operations are subject to numerous laws and regulations in the form of international conventions and treaties, national, state and local laws and national and international regulations in force in the jurisdictions in which our vessels operate or are registered, which can significantly affect the ownership and operation of our vessels. These requirements include, but are not limited to, the International Convention on Civil Liability for Oil Pollution Damage of 1969, the International Convention for the Prevention of Pollution from Ships of 1975, the International Maritime Organization, or IMO, International Convention for the Prevention of Marine Pollution of 1973, the IMO International Convention for the Safety of Life at Sea of 1974, the International Convention on Load Lines of 1966, the U.S. Oil Pollution Act of 1990, or OPA, the U.S. Clean Air Act, U.S. Clean Water Act and the U.S. Marine Transportation Security Act of 2002. Compliance with such laws, regulations and standards, where applicable, may require installation of costly equipment or operational changes and may affect the resale value or useful lives of our vessels. We may also incur additional costs in order to comply with other existing and future regulatory obligations, including, but not limited to, costs relating to air emissions including greenhouse gases, the management of ballast waters, maintenance and inspection, elimination of tin-based paint, development and implementation of emergency procedures and insurance coverage or other financial assurance of our ability to address pollution incidents. These costs could have a material adverse effect on our business, results of operations, cash flows and financial condition. A failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of our operations. Environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject us to liability without regard to whether we were negligent or at fault. Under OPA, for example, owners, operators and bareboat charterers are jointly and severally strictly liable for the discharge of oil within the 200-mile exclusive economic zone around the United States. An oil spill could result in significant liability, including fines, penalties and criminal liability and remediation costs for natural resource damages under other federal, state and local laws, as well as third-party damages. We are required to satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents. Although we have arranged insurance to cover certain environmental risks, there can be no assurance that such insurance will be sufficient to cover all such risks or that any claims will not have a material adverse effect on our business, results of operations, cash flows and financial condition and our ability to pay dividends.

We are subject to international safety regulations and the failure to comply with these regulations may subject us to increased liability, may adversely affect our insurance coverage and may result in a denial of access to, or detention in, certain ports.

The operation of our vessels is affected by the requirements set forth in the UN's International Maritime Organization's International Management Code for the Safe Operation of Ships and Pollution Prevention, or the ISM Code. The ISM Code requires shipowners, ship managers and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. The failure of a shipowner or bareboat charterer to comply with the ISM Code may subject it to increased liability, may invalidate existing insurance or decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports. Each of the vessels that has been delivered to us is ISM Code-certified and we expect that each other vessel that we have agreed to purchase will be ISM Code-certified when delivered to us.

In addition, vessel classification societies also impose significant safety and other requirements on our vessels. In complying with current and future environmental requirements, vessel-owners and operators may also incur significant additional costs in meeting new maintenance and inspection requirements, in developing contingency arrangements for potential spills and in obtaining insurance coverage. Government regulation of vessels, particularly in the areas of safety and environmental requirements, can be expected to become stricter in the future and require us to incur significant capital expenditures on our vessels to keep them in compliance.

The operation of our vessels is also affected by other government regulation in the form of international conventions, national, state and local laws and regulations in force in the jurisdictions in which the vessels operate, as well as in the country or countries of their registration. Because such conventions, laws, and regulations are often revised, we may not be able to predict the ultimate cost of complying with such conventions, laws and regulations or the impact thereof on the resale prices or useful lives of our vessels. Additional conventions, laws and regulations may be adopted which could limit our ability to do business or increase the cost of our doing business and which may materially adversely affect our operations. We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses, certificates and financial assurances with respect to our operations.

The operation of our vessels is affected by the requirements set forth in the International Maritime Organization's ("IMO's") International Management Code for the Safe Operation of Ships and Pollution Prevention ("ISM Code"). The ISM Code requires shipowners and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. The failure of a shipowner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may decrease available insurance coverage for the affected vessels, and/or may result in a denial of access to, or detention in, certain ports. Currently, each of our vessels and Eurobulk Ltd., or Eurobulk, our affiliated ship management company, are ISM Code-certified, but we may not be able to maintain such certification indefinitely.

Although the United States of America is not a party, many countries have ratified and follow the liability scheme adopted by the IMO and set out in the International Convention on Civil Liability for Oil Pollution Damage, 1969, as amended (the "CLC"), and the Convention for the Establishment of an International Fund for Oil Pollution of 1971, as amended and the Regulations for the Prevention of Air Pollution from Ships to the International Convention for the Prevention of Pollution from Ships (as modified in 1978 and 1997), including Annex VI thereto. Under these conventions, a vessel's registered owner is strictly liable for pollution damage, including air pollution, caused on the territorial waters of a contracting state by discharge of persistent oil, subject to certain complete defenses. Many of the countries that have ratified the CLC have increased the liability limits through a 1992 Protocol to the CLC. The right to limit liability is also forfeited under the CLC where the spill is caused by the owner's actual fault or privity and, under the 1992 Protocol, where the spill is caused by the owner's intentional or reckless conduct. Vessels trading to contracting states must provide evidence of insurance covering the limited liability of the owner. In jurisdictions where the CLC has not been adopted, various legislative schemes or common law govern, and liability is imposed either on the basis of fault or in a manner similar to the CLC.

OPA established an extensive regulatory and liability regime for the protection and clean-up of the environment from oil spills. OPA affects all owners and operators whose vessels trade in the United States of America or any of its territories and possessions or whose vessels operate in waters of the United States of America, which includes the territorial sea of the United States of America and its 200 nautical mile exclusive economic zone. OPA allows for potentially unlimited liability without regard to fault of vessel owners, operators and bareboat charterers for all containment and clean-up costs and other damages arising from discharges or threatened discharges of oil from their vessels, including bunkers (fuel), in the U.S. waters. OPA also expressly permits individual states to impose their own liability regimes with regard to hazardous materials and oil pollution materials occurring within their boundaries.

While we do not carry oil as cargo, we do carry fuel oil (bunkers) in our drybulk carriers and containerships. We currently maintain, for each of our vessels, pollution liability coverage insurance of $1 billion per incident. If the damages from a catastrophic spill exceeded our insurance coverage, that would have a material adverse affect on our financial condition.

Capital expenditures and other costs necessary to operate and maintain our vessels may increase due to changes in governmental regulations, safety or other equipment standards.

Changes in governmental regulations, safety or other equipment standards, as well as compliance with standards imposed by maritime self-regulatory organizations and customer requirements or competition, may require us to make additional expenditures. In order to satisfy these requirements, we may, from time to time, be required to take our vessels out of service for extended periods of time, with corresponding losses of revenues. In the future, market conditions may not justify these expenditures or enable us to operate some or all of our vessels profitably during the remainder of their economic lives.

Increased inspection procedures and tighter import and export controls and new security regulations could increase costs and disrupt our business.

International shipping is subject to various security and customs inspection and related procedures in countries of origin and destination. Inspection procedures may result in the seizure of contents of our vessels, delays in the loading, offloading or delivery and the levying of customs duties, fines or other penalties against us.

International container shipping is subject to additional security and customs inspection and related procedures in countries of origin, destination and trans-shipment points. Since the events of September 11, 2001, U.S. authorities have increased container inspection rates. Government investment in non-intrusive container scanning technology has grown, and there is interest in electronic monitoring technology, including so-called "e-seals" and "smart" containers that would enable remote, centralized monitoring of containers during shipment to identify tampering with or opening of the containers, along with potentially measuring other characteristics such as temperature, air pressure, motion, chemicals, biological agents and radiation.

It is unclear what changes, if any, to the existing security procedures will ultimately be proposed or implemented, or how any such changes will affect the container shipping industry. These changes have the potential to impose additional financial and legal obligations on carriers and, in certain cases, to render the shipment of certain types of goods by container uneconomical or impractical. These additional costs could reduce the volume of goods shipped in containers, resulting in a decreased demand for container vessels. In addition, it is unclear what financial costs any new security procedures might create for container vessel owners, or whether companies responsible for the global traffic of containers at sea, referred to as container line operators, may seek to pass on certain of the costs associated with any new security procedures to vessel owners.

Rising fuel prices may adversely affect our profits.

Fuel (bunkers) is a significant, if not the largest, operating expense for many of our shipping operations when our vessels are under voyage charter. When a vessel is operating under a time charter, these costs are paid by the charterer. However fuel costs are taken into account by the charterer in determining the amount of time charter hire and therefore fuel costs also indirectly affect time charter rates. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by OPEC and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. Fuel prices had been at historically high levels for most of 2008, but shipowners did not really feel the effect of these high prices because the shipping markets were also at high levels. As the shipping markets declined in the last three months of 2008 and into 2009, fuel prices fell too, thus reducing fuel costs and certain other components of operating expenses (e.g. the cost of lubricants, etc.). However, any increase in the price of fuel may adversely affect our profitability, especially if such increase is combined with lower drybulk and containership rates.

If our vessels fail to maintain their class certification and/or fail any annual survey, intermediate survey, dry-docking or special survey, that vessel would be unable to carry cargo, thereby reducing our revenues and profitability and violating certain covenants in our loan agreements.

The hull and machinery of every commercial vessel must be classed by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and the Safety of Life at Sea Convention ("SOLAS"). Our vessels are currently classed with Lloyd's Register of Shipping, Bureau Veritas and Nippon Kaiji Kyokai. ISM and International Ship and Port Facilities Security ("ISPS") certification have been awarded by Bureau Veritas and the Panama Maritime Authority to our vessels and Eurobulk.

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

If any vessel does not maintain its class and/or fails any annual survey, intermediate survey, drydocking or special survey, the vessel will be unable to carry cargo between ports and will be unemployable and uninsurable which could cause us to be in violation of certain covenants in our loan agreements. Any such inability to carry cargo or be employed, or any such violation of covenants, could have a material adverse impact on our financial condition and results of operations. That status could cause us to be in violation of certain covenants in our loan agreements.

Rising crew costs may adversely affect our profits.

Crew costs are a significant operating expense for many of our shipping operations. The cost of employing suitable crew is unpredictable and fluctuates based on events outside our control, including supply and demand and the wages paid by other shipping companies. Crew costs were at high levels in 2008, but shipowners did not really feel the effect of these high prices because the shipping markets were also at high levels until September 2008 when the credit and financial crisis commenced. Since then, shipping rates have declined significantly and crew salaries have remained largely unchanged. An increase in the world vessel operating fleet, either because of the delivery of new tonnage or the re-activation of laid-up containerships, will likely result in higher demand for crews which, in turn, might drive crew costs up. Any increase in crew costs may adversely affect our profitability especially if such increase is combined with lower drybulk and containership rates.

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

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

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

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

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

World events outside our control may negatively affect our ability to operate, thereby reducing our revenues and net income or our ability to obtain additional financing, thereby restricting the implementation of our business strategy.

Terrorist attacks such as the attacks on the United States of America on September 11, 2001, on Madrid, Spain on March 11, 2004, on London, England on July 7, 2005, on Mumbai, India in December 2008 and the continuing response to these attacks, as well as the threat of future terrorist attacks, continue to cause uncertainty in the world financial markets and may affect our business, results of operations and financial condition. The continuing conflict in Iraq and Afghanistan may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further economic instability in the global financial markets. These uncertainties could also have a material adverse effect on our ability to obtain additional financing on terms acceptable to us or at all. Terrorist attacks on vessels, such as the October 2002 attack on the m/v *Limburg* , a very large crude carrier not related to us, may in the future also negatively affect our operations and financial condition and directly impact our vessels or our customers. Future terrorist attacks could result in increased volatility and turmoil of the financial markets in the United States of America and globally and could result in an economic recession in the United States of America or the world. Any of these occurrences could have a material adverse impact on our financial condition and costs.

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 stock to further decline.

The United States and other parts of the world are exhibiting deteriorating economic trends and have been in a recession. For example, the credit markets in the United States have experienced significant contraction, deleveraging and reduced liquidity, and the United States federal government and state governments have implemented and are considering a broad variety of governmental action and/or new regulation of the financial markets. Securities and futures markets and the credit markets are subject to comprehensive statutes, regulations and other requirements. The SEC, other regulators, self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies, and may effect 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 bankruptcy proceedings or are in regulatory enforcement actions. The uncertainty surrounding the future of the credit markets in the United States and the rest of the world has resulted in reduced access to credit worldwide.

We face risks attendant to changes in economic environments, changes in interest rates, and instability in the banking and 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 facilities 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, including proposals to reform the financial system, together with the concurrent decline in charter rates and vessel values, may have a material adverse effect on our results of operations, financial condition or cash flows, and might cause the price of our common stock on the NASDAQ Global Select Market to decline.

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

We operate our vessels in markets that have historically exhibited seasonal variations in demand and, as a result, in charter hire rates. This seasonality may result in quarter-to-quarter volatility in our operating results which could affect the amount of dividends that we may pay to our shareholders from time to time. In addition, unpredictable weather patterns in these months tend to disrupt vessel scheduling and supplies of certain commodities. While this seasonality has not materially affected our operating results and cash available for distribution to our shareholders as dividends, it could materially affect our operating results in the future.

Maritime claimants could attach our assets under United States Supplemental Admiralty Rule B ("Rule B"), which could interrupt our financial condition, cash flows and results of operations.

It is possible that we could be sued and the plaintiff could use Rule B to attach our assets located in the United States. Rule B provides that where a defendant is not "found" for jurisdictional purposes within the United States federal district in which a Rule B action is commenced, a plaintiff with a valid maritime claim can, *ex parte* , attach or garnish the defendant's tangible or intangible property located in such federal district. Certain United States' courts have broadly defined what constitutes a maritime claim and this exposes defendants to a greater risk of attachment. Under Rule B, the property sought to be attached must be in the possession of the garnishee (such as a bank). While we do not maintain an office or own property located in the United States, it is possible that our assets, if found within the United States. could be attached by a plaintiff pursuant to Rule B. Attachments of our assets under Rule B could have a material adverse effect on our financial condition, cash flows and results of operations.

Company Risk Factors

If we do not use our cash on hand to acquire vessels and expand our fleet, we may use it for general corporate purposes which may result in lower earnings.

We intend to use our cash on hand to acquire additional vessels and expand our fleet when we believe market conditions are favorable for purchasing such vessels. Our management will have the discretion to identify and acquire vessels. If our management is unable to identify and acquire vessels on terms acceptable to us, we may use our cash on hand for general corporate purposes. It may take a substantial period of time before we can locate and purchase suitable vessels. During this period, our cash on hand may be invested on a short-term basis and therefore may not yield returns at rates comparable to what a vessel might have earned.

We depend entirely on Eurobulk to manage and charter our fleet, which may adversely affect our operations if Eurobulk fails to perform its obligations.

We have no employees and we currently contract the commercial and technical management of our fleet, including crewing, maintenance and repair, to Eurobulk, our affiliated ship management company. We may lose Eurobulk's services or Eurobulk may fail to perform its obligations to us which could have a material adverse effect on our financial condition and results of our operations. Although we may have rights against Eurobulk if it defaults on its obligations to us, you will have no recourse against Eurobulk. Further, we expect that we will need to seek approval from our lenders to change Eurobulk as our ship manager.

Because Eurobulk is a privately held company, there is little or no publicly available information about it and there may be very little advance warning of operational or financial problems experienced by Eurobulk that may adversely affect us.

The ability of Eurobulk to continue providing services for our benefit will depend in part on its own financial strength. Circumstances beyond our control could impair Eurobulk's financial strength, and because Eurobulk is privately held it is unlikely that information about its financial strength would become public unless Eurobulk began to default on its obligations. As a result, there may be little advance warning of problems affecting Eurobulk, even though these problems could have a material adverse effect on us.

As of May 15, 2010, Friends Investment Company Inc. owns approximately 32.7% of our outstanding shares of common stock, which may limit your ability to influence our actions.

As of May 15, 2010 Friends Investment Company Inc., or "Friends", our largest shareholder, owns approximately 32.7% of the outstanding shares of our common stock and unvested incentive award shares. As a result of this share ownership and for so long as Friends owns a significant percentage of our outstanding common stock, Friends will be able to influence the outcome of any shareholder vote, including the election of directors, the adoption or amendment of provisions in our articles of incorporation or bylaws and possible mergers, corporate control contests and other significant corporate transactions. This concentration of ownership may have the effect of delaying, deferring or preventing a change in control, merger, consolidation, takeover or other business combination involving us. This concentration of ownership could also discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us, which could in turn have an adverse effect on the market price of our common stock.

If our Euromar joint venture partners exercise their conversion rights, they may own a significant percentage of our stock and may have representatives on our Board of Directors, thus enabling them to influence our actions.

Our joint venture agreement (the "Joint Venture") to form Euromar LLC, a Marshall Islands limited liability company ("Euromar") includes the option by Eton Park Capital Management, L.P. ("Eton Park") and an affiliate of Rhône Capital III L.P. ("Rhône"), exercisable in certain instances and at any time after the two year anniversary of the Joint Venture, to convert all or part of their equity interests in Euromar into common shares of Euroseas at a price to be based on the comparable values of Euromar and Euroseas at the time of exercise, with such conversion happening at not less than the net asset value of each entity. Depending on the values of each entity at the time of conversion, our joint venture partners may wind up owning a majority of our common shares. In addition, depending upon the share percentage of Euroseas owned by Eton Park and Rhône following any such conversion, the number of directors on Euroseas' Board of Directors may be increased from 7 to up to a maximum of 11 directors for so long as the respective ownership thresholds are met. As part of the Joint Venture, Euroseas' largest shareholder, Friends, has entered into a shareholder voting agreement with Eton Park and Rhône whereby Friends has agreed to vote its shares in favor of any directors nominated by Eton Park and Rhône to fill such additional board seats. Under the same shareholder voting agreement, the parties have agreed that Eton Park and Rhône may vote a certain percentage of their shares in their sole discretion (based upon their percentage interest on the Euroseas Board of Directors and the number of shares outstanding), with the remainder of their shares being voted in accordance with the vote of all other Euroseas shareholders. As a result of the foregoing, upon exercise of their conversion rights Eton Park and Rhône may be able to influence our actions.

Our corporate governance practices are in compliance with, and are not prohibited by, the laws of the Republic of the Marshall Islands, and as such we are entitled to exemption from certain NASDAQ corporate governance standards. As a result, you may not have the same protections afforded to stockholders of companies that are subject to all of the NASDAQ corporate governance requirements.

Our Company's corporate governance practices are in compliance with, and are not prohibited by, the laws of the Republic of the Marshall Islands. Therefore, we are exempt from many of NASDAQ's corporate governance practices other than the requirements regarding the disclosure of a going concern audit opinion, submission of a listing agreement, notification of material non-compliance with NASDAQ corporate governance practices, and the establishment and composition of an audit committee and a formal written audit committee charter. For a list of the practices followed by us in lieu of NASDAQ's corporate governance rules, we refer you to the section of this annual report entitled "Board Practices—Corporate Governance" under Item 6.

We and our principal officers have affiliations with Eurobulk that could create conflicts of interest detrimental to us.

Our principal officers are also principals, officers and employees of Eurobulk, which is our ship management company. These responsibilities and relationships could create conflicts of interest between us and Eurobulk. Conflicts may also arise in connection with the chartering, purchase, sale and operations of the vessels in our fleet versus other vessels that are or may be managed in the future by Eurobulk. Circumstances in any of these instances may make one decision advantageous to us but detrimental to Eurobulk and vice versa. Eurobulk currently manages one vessel other than those owned by Euroseas (and, in the future, will manage vessels acquired by Euromar, our joint venture entity established with companies managed by Eton Park and an affiliate of Rhône), and to date has managed only vessels where the Pittas family was a minority shareholder, but never any vessel which had no Pittas family participation at all. However, it is possible that in the future Eurobulk may manage additional vessels which will not belong to Euroseas and in which the Pittas family may have controlling, little or even no power or participation and where conflicts such as those described above may arise. Eurobulk may not be able to resolve all conflicts of interest in a manner beneficial to us and our shareholders.

Companies affiliated with Eurobulk or our officers and directors may acquire vessels that compete with our fleet.

Companies affiliated with Eurobulk or our officers and directors own drybulk carriers and may acquire additional drybulk carriers, containerships or multipurpose vessels in the future. These vessels could be in competition with our fleet and other companies affiliated with Eurobulk might be faced with conflicts of interest with respect to their own interests and their obligations to us. Eurobulk, Friends and Aristides J. Pittas, our Chairman and Chief Executive Officer, have granted us a right of first refusal to acquire any drybulk vessel or containership which any of them may consider for acquisition in the future. In addition, Mr. Pittas will use his best efforts to cause any entity with respect to which he directly or indirectly controls to grant us this right of first refusal. Were we, however, to decline any such opportunity offered to us or we do not have the resources or desire to accept any such opportunity, Eurobulk, Friends and Aristides J. Pittas, and any of their respective Affiliates, could acquire such vessels.

As part of our joint venture, Euroseas and certain affiliates have granted Euromar LLC certain rights of first refusal in respect of vessel acquisitions, and made certain arrangements with respect to vessel dispositions and chartering opportunities presented to Euroseas and its affiliates.

As part of our joint venture, Euroseas and certain affiliates have granted Euromar certain rights of first refusal in respect of vessel acquisitions, and made certain arrangements with respect to vessel dispositions and chartering opportunities presented to Euroseas and its affiliates. For example, under certain circumstances, Euroseas may be prevented from directly acquiring a vessel if Euromar elects to purchase such vessel, Euroseas may be prevented from selling a vessel if Euromar elects to sell a similar vessel and/or Euroseas may be prevented from chartering a vessel to a third party if Euromar elects to charter a similar vessel to such third party. As a result of these arrangements, we may miss out on taking advantage of favorable opportunities in the market with respect to the vessels in our fleet.

Our officers do not devote all of their time to our business.

Our officers are involved in other business activities that may result in their spending less time than is appropriate or necessary in order to manage our business successfully. Our Chief Executive Officer, Chief Financial Officer, Chief Administrative Officer, Internal Auditor and Secretary are not employed directly by us, but rather their services are provided pursuant to our Master Management Agreement with Eurobulk. In addition, on March 25, 2010, we entered into the Joint Venture to form Euromar. Our Chief Executive Officer and Chief Financial Officer are each on the board of Euromar and Euroseas and Eurobulk have each agreed to provide certain management services to Euromar. Therefore our officers may spend a material portion of their time providing services to Euromar. They may also spend a material portion of their time providing services to Eurobulk and its affiliates on matters unrelated to us.

We are a holding company, and we depend on the ability of our subsidiaries to distribute funds to us in order to satisfy our financial obligations or to make dividend payments.

We are a holding company and our subsidiaries, which are all wholly-owned by us, conduct all of our operations and own all of our operating assets. We have no significant assets other than the equity interests in our wholly-owned subsidiaries. As a result, our ability to make dividend payments to you depends on our subsidiaries and their ability to distribute funds to us. If we are unable to obtain funds from our subsidiaries, we may be unable or our Board of Directors may exercise its discretion not to pay dividends.

We may not be able to pay dividends.

We currently intend to pay quarterly dividends to holders of our common stock, when, as and if declared by our Board of Directors. Our last dividend of $0.05 per share was declared in May 2010 for the results of the first quarter of 2010. However, we may not earn sufficient revenues or we may incur expenses or liabilities that would reduce or eliminate the cash available for distribution as dividends. Our loan agreements may also limit the amount of dividends we can pay under some circumstances based on certain covenants included in the loan agreements.

In addition, the declaration and payment of dividends will be subject at all times to the discretion of our Board of Directors. The timing and amount of dividends will depend on our earnings, financial condition, cash requirements and availability, restrictions in our loan agreements, growth strategy, charter rates in the drybulk and container shipping industry, the provisions of Marshall Islands law affecting the payment of dividends and other factors. Marshall Islands law generally prohibits the payment of dividends other than from surplus (retained earnings and the excess of consideration received for the sale of shares above the par value of the shares), but if there is no surplus, dividends may be declared out of the net profits (basically, the excess of our revenue over our expenses) for the fiscal year in which the dividend is declared or the preceding fiscal year. Marshall Islands law also prohibits the payment of dividends while a company is insolvent or if it would be rendered insolvent upon the payment of a dividend. As a result, we may not be able to pay dividends.

If we are unable to fund our capital expenditures, we may not be able to continue to operate some of our vessels, which would have a material adverse effect on our business and our ability to pay dividends.

In order to fund our capital expenditures, we may be required to incur borrowings or raise capital through the sale of debt or equity securities. Our ability to access the capital markets through future offerings may be limited by our financial condition at the time of any such offering as well as by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond our control. Our failure to obtain the funds for necessary future capital expenditures would limit our ability to continue to operate some of our vessels and could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends. Even if we are successful in obtaining such funds through financings, the terms of such financings could further limit our ability to pay dividends.

If we fail to manage our planned growth properly, we may not be able to successfully expand our market share.

We intend to continue to grow our fleet. Our growth will depend on:

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

During periods in which charter rates are high, vessel values generally are high as well, and it may be difficult to consummate vessel acquisitions at favorable prices. When vessel prices are low, charter rates are also low and any vessel acquisition might require additional investment to cover shortfalls from operations until rates recover. In addition, growing any business by acquisition – especially if acquiring entire companies - presents numerous risks, such as undisclosed liabilities and obligations and difficulty experienced in (1) maintaining and obtaining additional qualified personnel, (2) managing relationships with customers and suppliers, and (3) integrating newly acquired operations into existing infrastructures. We may not be successful in executing our growth plans or that we will not incur significant expenses and losses in connection with the execution of those growth plans.

A decline in the market value of our vessels could lead to a default under our loan agreements and the loss of our vessels.

We have incurred secured debt under loan agreements for our vessels and currently expect to incur additional secured debt in connection with our acquisition of other vessels. If the market value of our fleet declines, we may not be in compliance with certain provisions of our existing loan agreements and we may not be able to refinance our debt or obtain additional financing on terms that are acceptable to us or at all. If we are unable to pledge additional collateral, our lenders could accelerate our debt and foreclose on our fleet.

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

Our existing loan agreements impose operating and financial restrictions on us. These restrictions may limit our ability to:

- incur additional indebtedness;
- create liens on our assets;
- sell capital stock of our subsidiaries;
- make investments;
- engage in mergers or acquisitions;
- pay dividends;
- make capital expenditures;
- change the management of our vessels or terminate or materially amend the management agreement relating to each vessel; and
- sell our vessels.

Therefore, we may need to seek permission from our lenders in order to engage in some corporate actions. The lenders' interests may be different from our interests, and we may not be able to obtain the lenders' permission when needed. This may prevent us from taking actions that are in our best interest.

Servicing future debt would limit funds available for other purposes.

To finance our fleet, we have incurred secured debt under loan agreements for our vessels. We also currently expect to incur additional secured debt to finance the acquisition of additional vessels. We must dedicate a portion of our cash flow from operations to pay the principal and interest on our debt. These payments limit funds otherwise available for working capital expenditures and other purposes. As of December 31, 2009, we had total bank debt of approximately $71.52 million. As of March 31, 2010, we had repaid $3.25 million of our total bank debt leaving us with total bank debt of $68.27 million. Our debt repayment schedule as of December 31, 2009 requires us to repay $23.40 million over the next two years. If we are unable to service our debt, it could have a material adverse effect on our financial condition, results of operations and cash flows.

A rise in interest rates could cause an increase in our costs and have a material adverse effect on our financial condition and results of operations. To finance vessel purchases, we have borrowed, and may continue to borrow, under loan agreements that provide for periodic interest rate adjustments based on indices that fluctuate with changes in market interest rates. If interest rates increase significantly, it would increase our costs of financing our acquisition of vessels, which could have a material adverse effect on our financial condition and results of operations. Any increase in debt service would also reduce the funds available to us to purchase other vessels.

Our ability to obtain additional debt financing may be dependent on the performance of our then existing charters and the creditworthiness of our charterers.

The actual or perceived credit quality of our charterers, and any defaults by them, may materially affect our ability to obtain the additional debt financing that we will require to purchase additional vessels or may significantly increase our costs of obtaining such financing. Our inability to obtain additional financing at all or at a higher than anticipated cost may materially affect our results of operations, cash flows and our ability to implement our business strategy.

As we expand our business, we may need to upgrade our operations and financial systems, and add more staff and crew. If we cannot upgrade these systems or recruit suitable employees, our performance may be adversely affected.

Our current operating and financial systems may not be adequate if we expand the size of our fleet, and our attempts to improve those systems may be ineffective. In addition, if we expand our fleet, we will have to rely on Eurobulk to recruit suitable additional seafarers and shoreside administrative and management personnel. Eurobulk may not be able to continue to hire suitable employees as we expand our fleet. If Eurobulk's unaffiliated crewing agent encounters business or financial difficulties, we may not be able to adequately staff our vessels. If we are unable to operate our financial and operations systems effectively or to recruit suitable employees, our performance may be materially adversely affected.

Because we obtain some of our insurance through protection and indemnity associations, we may also be subject to calls in amounts based not only on our own claim records, but also the claim records of other members of the protection and indemnity associations.

We may be subject to calls in amounts based not only on our claim records but also the claim records of other members of the protection and indemnity associations through which we receive insurance coverage for tort liability, including pollution-related liability. Our payment of these calls could result in significant expense to us, which could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

Labor interruptions could disrupt our business.

Our vessels are manned by masters, officers and crews that are employed by third parties. If not resolved in a timely and cost-effective manner, industrial action or other labor unrest could prevent or hinder our operations from being carried out normally and could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

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

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

We will not be able to take advantage of potentially favorable opportunities in the current spot market with respect to vessels employed on time charters.

As of May 15, 2010, eleven of the 15 vessels in our fleet are employed under time charters with remaining terms ranging between one and 27 months. The percentage of our fleet that is under time charter contracts or short term spot contracts, or that is otherwise protected from market fluctuations (via Forward Freight Agreement, or FFA, contracts) represents approximately 68% of our vessel capacity in 2010. Although time charters provide relatively steady streams of revenue, vessels committed to time charters may not be available for spot charters during periods of increasing charter hire rates, when spot charters might be more profitable. If we cannot re-charter these vessels on time charters or trade them in the spot market profitably, our results of operations and operating cash flow may suffer. We may not be able to secure charter hire rates in the future that will enable us to operate our vessels profitably. As of May 15, 2010, two of our containerships are laid-up. Although we do not receive any revenues from certain of our vessels while such vessels are unemployed, we are required to pay expenses necessary to maintain the vessel in proper operating condition, insure it and service any indebtedness secured by such vessel.

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

Our success depends to a significant extent upon the abilities and efforts of our management team. Our success will depend upon our ability to hire additional employees and to retain key members of our management team. The loss of any of these individuals could adversely affect our business prospects and financial condition. Difficulty in hiring and retaining personnel could adversely affect our results of operations. We do not currently intend to maintain "key man" life insurance on any of our officers.

Risks involved with operating ocean-going vessels could affect our business and reputation, which may reduce our revenues.

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

- marine disaster;
- piracy;
- environmental accidents;
- grounding, fire, explosions and collisions;
- cargo and property losses or damage;
- business interruptions caused by mechanical failure, human error, war, terrorism, political action in various countries, labor strikes or adverse weather conditions; and
- work stoppages or other labor problems with crew members serving on our vessels.

Such occurrences could result in death or injury to persons, loss of property or environmental damage, delays in the delivery of cargo, loss of revenues from or termination of charter contracts, governmental fines, penalties or restrictions on conducting business, higher insurance rates, and damage to our reputation and customer relationships generally. Any of these circumstances or events could increase our costs or lower our revenues, which could result in reduction in the market price of our shares of common stock. The involvement of our vessels in an environmental disaster may harm our reputation as a safe and reliable vessel owner and operator.

The operation of drybulk carriers has certain unique operational risks.

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

The operation of containerships has certain unique operational risks.

The operation of containerships has certain unique risks. Containerships operate at high speeds in order to move cargoes around the world quickly and minimize delivery delays. These high speeds can result in greater impact in collisions and groundings resulting in more damage to the vessel when compared to vessels operating at lower speeds. In addition, due to the placement of the containers on a containership, there is a greater risk that containers carried on deck will be lost overboard if an accident does occur. Furthermore, with the highly varied cargo that can be carried on a single containership, there can be additional difficulties with any clean-up operation following an accident. Also, we may not be able to correctly control the contents and condition of cargoes within the containers which may give rise to events such as customer complaints, accidents on-board the ships or problems with authorities due to carriage of illegal cargoes. Any of these circumstances or events could negatively impact our business, financial condition, results of operations and ability to pay dividends. In addition, the loss of any of our vessels could harm our reputation as a safe and reliable vessel owner and operator.

Our vessels may suffer damage and it may face unexpected drydocking costs, which could affect our cash flow and financial condition.

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

We might have technical difficulties and face unexpected costs when re-activating vessels we put in lay-up.

As of May 15, 2010, two of our vessels are laid-up. Also if the current poor containership and multipurpose markets continue, it is likely that as our containership and multipurpose vessels complete their current charters, they will have difficulties finding employment and they may be laid-up too. We expect to reactivate any vessels we lay up when markets improve but we may face technical and operational problems in doing so that may result in higher than expected re-activation costs.

Purchasing and operating previously owned, or secondhand, vessels may result in increased operating costs and vessels off-hire, which could adversely affect our earnings.

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

In general, the cost of maintaining a vessel in good operating condition increases with the age of the vessel. As of May 15, 2010 the average age of our fleet was approximately 16.5 years. As our fleet ages, we will incur increased costs. Older vessels are typically less fuel efficient and more costly to maintain than more recently constructed vessels. Cargo insurance rates also increase with the age of a vessel, making older vessels less desirable to charterers. Governmental regulations and safety or other equipment standards related to the age of a vessel may also require expenditures for alterations or the addition of new equipment to our vessels and may restrict the type of activities in which our vessels may engage.

Governmental regulations, safety or other equipment standards related to the age of vessels may require expenditures for alterations, or the addition of new equipment, to our vessels and may restrict the type of activities in which the vessels may engage. As our vessels age, market conditions may not justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives. If we sell vessels, we are not certain that the price for which we sell them will equal their carrying amount at that time.

Technological innovation could reduce our charterhire income and the value of our vessels.

The charterhire rates and the value and operational life of a vessel are determined by a number of factors including the vessel's efficiency, operational flexibility and physical life. Efficiency includes speed, fuel economy and the ability to load and discharge cargo quickly. Flexibility includes the ability to enter harbors, utilize related docking facilities and pass through canals and straits. The length of a vessel's physical life is related to its original design and construction, its maintenance and the impact of the stress of operations. If new vessels are built that are more efficient or more flexible or have longer physical lives than our vessels, competition from these more technologically advanced vessels could adversely affect the amount of charterhire payments we receive for our vessels once their initial charters expire and the resale value of our vessels could significantly decrease. As a result, our available cash could be adversely affected.

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 enter into, among other things, charterparty agreements. 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. In addition, in depressed market conditions, our charterers may no longer need a vessel that is currently under charter or may be able to obtain a comparable vessel at lower rates. As a result, charterers may seek to renegotiate the terms of their existing charter parties or avoid their obligations under those contracts and there have been reports of charterers, including some of our charter counterparties, renegotiating their charters counterparties or defaulting on their obligations under charters and our customers may fail to pay charter hire or attempt to renegotiate charter rates. Should a counterparty fail to honor its obligations under agreements with us, it may be difficult to secure substitute employment for such vessel, and any new charter arrangements we secure in the spot market or on time charters would be at lower rates given currently decreased charter rate levels. If our charterers fail to meet their obligations to us or attempt to renegotiate our charter agreements, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations and cash flows, as well as our ability to pay dividends in the future and compliance with covenants in our credit facilities.

We may not have adequate insurance to compensate us adequately for damage to, or loss of, our vessels.

We procure hull and machinery insurance, protection and indemnity insurance, which includes environmental damage and pollution insurance and war risk insurance and freight, demurrage and defense insurance for our fleet. We generally do not maintain insurance against loss of hire which covers business interruptions that result in the loss of use of a vessel. We may not be adequately insured against all risks and we may not be able to obtain adequate insurance coverage for our fleet in the future. The insurers may not pay particular claims. Our insurance policies contain deductibles for which we will be responsible and limitations and exclusions which may increase our costs. Moreover, the insurers may default on any claims they are required to pay. If our insurance is not enough to cover claims that may arise, it may have a material adverse effect on our financial condition, results of operations and cash flows.

Our international operations expose us to risks of terrorism and piracy that may interfere with the operation of our vessels.

We are an international company and primarily conduct our operations outside the United States of America. Changing economic, political and governmental conditions in the countries where we are engaged in business or where our vessels are registered affect our operations. In the past, political conflicts, particularly in the Arabian Gulf, resulted in attacks on vessels, mining of waterways and other efforts to disrupt shipping in the area. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea and in the Gulf of Aden off the coast of Somalia. On May 12, 2010, one of our vessels, m/v Eleni P, was hijacked by pirates off the East Coast of Africa and is currently detained by them in Somalian waters. As of the date of this filing, we are working diligently to assure the safety of its crew and to successfully resolve this matter.

When our vessels are the targets of such incidents, this could result in loss or damage of our vessels and a loss of operating revenue. If these piracy attacks result in regions in which our vessels are deployed being characterized by insurers as "war risk" zones, as the Gulf of Aden temporarily was in May 2008, or Joint War Committee "war and strikes" listed areas, premiums payable for such coverage could increase significantly and such insurance coverage may be more difficult to obtain. In addition, crew costs, including those 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. Furthermore, detention hijacking as a result of an act of piracy against our vessels, or an increase in cost, or unavailability of insurance for our vessels, could have a material adverse impact on our business, financial condition and results of operations.

If our vessels call on ports located in countries that are subject to restrictions imposed by the U.S. government, that could adversely affect our reputation and the market for our common stock.

From time to time, vessels in our fleet may call on ports located in countries subject to sanctions and embargoes imposed by the U.S. government and countries identified by the U.S. government as state sponsors of terrorism. Although these sanctions and embargoes do not prevent our vessels from making calls to ports in these countries, potential investors could view such port calls negatively, which could adversely affect our reputation and the market for our common stock. In addition, certain institutional investors may have investment policies or restrictions that prevent them from holding securities of companies that have contracts with countries identified by the U.S. government as state sponsors of terrorism. The determination by these investors not to invest in or to divest our common shares may adversely affect the price at which our common shares trade. Investor perception of the value of our common stock may be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and surrounding countries.

Obligations associated with being a public company require significant company resources and management attention.

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the other rules and regulations of the Commission, including the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act requires that we evaluate and determine the effectiveness of our internal control over financial reporting.

We work with our legal, accounting and financial advisors to identify any areas in which changes should be made to our financial and management control systems to manage our growth and our obligations as a public company. We evaluate areas such as corporate governance, corporate control, internal audit, disclosure controls and procedures and financial reporting and accounting systems. We will make changes in any of these and other areas, including our internal control over financial reporting, which we believe are necessary. However, these and other measures we may take may not be sufficient to allow us to satisfy our obligations as a public company on a timely and reliable basis. In addition, compliance with reporting and other requirements applicable to public companies will create additional costs for us and will require the time and attention of management. Our limited management resources may exacerbate the difficulties in complying with these reporting and other requirements while focusing on executing our business strategy. We may not be able to predict or estimate the amount of the additional costs we may incur, the timing of such costs or the degree of impact that our management's attention to these matters will have on our business.

Derivatives contracts margin requirements might restrict all our funds and significantly affect our operations.

FFA contracts and other derivative instruments may be used to hedge a vessel owner's exposure to the charter market by providing for the sale of a contracted charter rate along a specified route and period of time. Upon settlement, if the contracted charter rate is less than the average of the rates, as reported by an identified index, for the specified route and period, the seller of the FFA contract is required to pay the buyer an amount equal to the difference between the contracted rate and the settlement rate, multiplied by the number of days in the specified period. Conversely, if the contracted rate is greater than the settlement rate, the buyer is required to pay the seller the settlement sum. We have entered in several derivatives contracts, interest rate swaps as well as a number of FFA contracts, and we may enter in new ones that may require us to post margin if the markets move against our positions. We may not have enough funds to cover such margin requirements and as a result our ability to operate our vessels may be significantly curtailed, we may be forced to close the contracts at a loss, we may be forced to sell some or all of our assets. As of December 31, 2009, our FFA contracts required us to post $12.4 million margin.

Exposure to currency exchange rate fluctuations will result in fluctuations in our cash flows and operating results.

We generate all our revenues in U.S. dollars, but we incur approximately 26% of our vessel operating expenses including drydocking expenses, all our vessel management fees, and, approximately 20% in 2009 of our general and administrative expenses in currencies other than the U.S. dollar. This difference could lead to fluctuations in our operating expenses, which would affect our financial results. Expenses incurred in foreign currencies increase when the value of the U.S. dollar falls, which would reduce our profitability and cash flows.

If the recent volatility in LIBOR continues, it could affect our profitability, earnings and cash flow.

LIBOR has recently been volatile, with the spread between LIBOR and the prime lending rate widening significantly at times. These conditions are the result of the recent disruptions in the international credit markets. Because the interest rates borne by our outstanding indebtedness fluctuate with changes in LIBOR, if this volatility were to continue, it would affect the amount of interest payable on our debt, which in turn, could have an adverse effect on our profitability, earnings and cash flow.

We depend upon a few significant customers for a large part of our revenues and the loss of one or more of these customers could adversely affect our financial performance.

We have historically derived a significant part of our revenues from a small number of charterers. During 2009, approximately 54% of our revenues derived from our top five charterers. During 2008 and 2007, approximately 44% and 52%, respectively of our revenues derived from our top five charterers. If one or more of our charterers chooses not to charter our vessels or is unable to perform under one or more charters with us and we are not able to find a replacement charter, we could suffer a loss of revenues that could adversely affect our financial condition and results of operations.

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

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

Based on our current method of operation, we do not believe that we have been, are or will be a PFIC with respect to any taxable year. In this regard, we treat the gross income we derive or are deemed to derive from our time chartering activities as services income, rather than rental income. Accordingly, we believe that our income from our time chartering activities does not constitute "passive income," and the assets that we own and operate in connection with the production of that income do not constitute passive assets.

There is substantial legal authority supporting the position consisting of case law and U.S. Internal Revenue Service, or IRS, pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, it should be noted that there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. Accordingly, no assurance can be given that the IRS or a court of law will accept this position, and there is a risk that the IRS or a court of law could determine that we are a PFIC. Moreover, no assurance can be given that we would not constitute a PFIC for any future taxable year if the nature and extent of our operations changed.

If the IRS were to find that we are or have been a PFIC for any taxable year, our U.S. shareholders will face adverse U.S. federal income tax consequences. Under the PFIC rules, unless those shareholders make an election available under the United States Internal Revenue Code of 1986 (the "Code") (which election could itself have adverse consequences for such shareholders, as discussed in Item 10 of this annual report under "Taxation — United States Federal Income Taxation of U.S. Holders"), such shareholders would be liable to pay U.S. federal income tax at the then prevailing income tax rates on ordinary income plus interest upon excess distributions and upon any gain from the disposition of our shares, as if the excess distribution or gain had been recognized ratably over the shareholder's holding period of our shares. See "Taxation — United States Federal Income Taxation of U.S. Holders" in this annual report under Item 10 for a more comprehensive discussion of the U.S. federal income tax consequences to U.S. shareholders if we are treated as a PFIC.

Legislation has previously been proposed in the United States which would prevent dividends on our shares from qualifying for certain preferential rates for U.S. federal income tax purposes.

"Qualified dividend income" derived by non-corporate U.S. shareholders that are subject to U.S. federal income tax is currently through 2010 subject to U.S. federal income taxation at reduced rates. We expect that under current law, so long as our shares are traded on the NASDAQ Capital Market, the NASDAQ Global Select Market or the NASDAQ Global Market and we do not and have not qualified as a "passive foreign investment company" for U.S. federal income tax purposes, distributions treated as dividends for U.S. tax purposes on our shares will potentially be eligible (that is, eligible if certain conditions relating to the shareholder are satisfied) for treatment as qualified dividend income. In a previous session of the U.S. Congress, legislation was introduced which would have made it unlikely that such distributions on our shares would be eligible for such treatment. Under current law, the provisions relating the "qualified dividend income" are scheduled to expire on December 31, 2010. However, the Obama Administration's recent budget proposal would make the treatment of qualified dividend income permanent, but increase the maximum rate of tax on such income to 20%.

We may have to pay tax on United States source income, which would reduce our earnings.

Under the Code, 50% of the gross shipping income of a vessel owning or chartering corporation, such as ourselves and our subsidiaries, that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States may be subject to a 4% United States federal income tax without allowance for deduction, unless that corporation qualifies for exemption from tax under section 883 of the Code and the applicable Treasury Regulations promulgated thereunder.

We believe that we and each of our subsidiaries qualify for this statutory tax exemption and we have taken this position for United States federal income tax return reporting purposes. However, there are factual circumstances beyond our control that could cause us to lose the benefit of this tax exemption and thereby become subject to United States federal income tax on our United States source income. Due to the factual nature of the issues involved, we may not be able to maintain our tax-exempt status or that of any of our subsidiaries.

If we or our subsidiaries are not entitled to exemption under Section 883 for any taxable year, we or our subsidiaries could be subject for those years to an effective 2% United States federal income tax on the shipping income these companies derive during the year that are attributable to the transport or cargoes to or from the United States. The imposition of this taxation would have a negative effect on our business and would result in decreased earnings available for distribution to our shareholders.

We may not be exempt from Liberian taxation which would materially reduce our net income and cash flow by the amount of the applicable tax.

The Republic of Liberia enacted a new income tax act effective as of January 1, 2001 (the "New Act"). In contrast to the income tax law previously in effect since 1977 (the "Prior Law"), which the New Act repealed in its entirety, the New Act does not distinguish between the taxation of a non resident Liberian corporation, such as our Liberian subsidiaries, which conduct no business in Liberia and were wholly exempted from tax under the Prior Law, and the taxation of ordinary resident Liberian corporations.

In 2004, the Liberian Ministry of Finance issued regulations pursuant to which a non-resident domestic corporation engaged in international shipping, such as our Liberian subsidiaries, will not be subject to tax under the New Act retroactive to January 1, 2001 (the "New Regulations"). In addition, the Liberian Ministry of Justice issued an opinion that the New Regulations were a valid exercise of the regulatory authority of the Ministry of Finance. Therefore, assuming that the New Regulations are valid, our Liberian subsidiaries will be wholly exempt from Liberian income tax as under the Prior Law.

If our Liberian subsidiaries were subject to Liberian income tax under the New Act, they would be subject to tax at a rate of 35% on their worldwide income. As a result, their, and subsequently our, net income and cash flow would be materially reduced by the amount of the applicable tax. In addition, we, as shareholder of the Liberian subsidiaries, would be subject to Liberian withholding tax on dividends paid by the Liberian subsidiaries at rates ranging from 15% to 20%.

It may be difficult to enforce service of process and enforcement of judgments against us and our officers and directors.

We are a Marshall Islands corporation, and our executive offices are located outside of the United States in Maroussi, Greece. A majority of our directors and officers reside outside of the United States, and a substantial portion of our assets and the assets of our officers and directors 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 of the United States, judgments you may obtain in the 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.

There is also substantial doubt that the courts 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.

Risk Factors Relating To Our Common Stock

The trading volume for our common stock has been low, which may cause our common stock to trade at lower prices and make it difficult to sell your common stock.

Although our shares of common stock have traded on the NASDAQ Global Market since January 31, 2007 and on the NASDAQ Global Select Market since January 1, 2008, recently the trading volume has been lower. Our shares may not actively trade in the public market and any such limited liquidity may cause our common stock to trade at lower prices and make it difficult to sell your common stock

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

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

- actual or anticipated fluctuations in quarterly and annual variations in our results of operations;
- changes in sales or earnings estimates or publication of research reports by analysts;
- shortfalls in our operating results from levels forecasted by securities analysts;
- speculation in the press or investment community about our business or the shipping industry;
- changes in market valuations of similar companies and stock market price and volume fluctuations generally;
- payment of dividends;

- strategic actions by us or our competitors such as mergers, acquisitions, joint ventures, strategic alliances or restructurings;
- changes in government and other regulatory developments;
- additions or departures of key personnel;
- general market conditions and the state of the securities markets; and
- domestic and international economic, market and currency factors unrelated to our performance.

The international drybulk and container shipping industry has been highly unpredictable. In addition, the stock markets in general, and the markets for drybulk and container shipping and shipping stocks in general, have experienced extreme volatility that has sometimes been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock. Our shares may trade at prices lower than you originally paid for such shares.

The market price of our common stock has recently dropped below $5.00 per share, and the last reported sale price on the Nasdaq Global Select Market on May 25, 2010 was $3.51 per share. If the market price of our common stock remains below $5.00 per share, under stock exchange rules, our shareholders will not be able to use such shares as collateral for borrowing in margin accounts. This inability to continue to use our common stock as collateral may lead to sales of such shares creating downward pressure on and increased volatility in the market price of our common stock.

In addition, under the rules of the Nasdaq Stock Market, listed companies have historically been required to maintain a share price of at least $1.00 per share and if the share price declines below $1.00 for a period of 30 consecutive business days, then the listed company would have a cure period of at least 180 days to regain compliance with the $1.00 per share minimum. In the event that our share price declines below $1.00 for a period of 30 consecutive business days, we may be required to take action, such as a reverse stock split, in order to comply with Nasdaq rules that may be in effect at the time.

Our Articles of Incorporation, Bylaws and Shareholders' Rights Plan contain anti-takeover provisions that may discourage, delay or prevent (1) our merger or acquisition and/or (2) the removal of incumbent directors and officers.

Our current Articles of Incorporation and Bylaws contain certain anti-takeover provisions. These provisions include blank check preferred stock, the prohibition of cumulative voting in the election of directors, a classified board of directors, advance written notice for shareholder nominations for directors, removal of directors only for cause, advance written notice of shareholder proposals for the removal of directors and limitations on action by shareholders. In addition, we adopted a shareholders' rights plan pursuant to which our board of directors may cause the substantial dilution of any person that attempts to acquire us without the approval of our board of directors. These anti-takeover provisions, including provisions of our shareholders' rights plan, either individually or in the aggregate, may discourage, delay or prevent (1) our merger or acquisition by means of a tender offer, a proxy contest or otherwise, that a shareholder may consider in its best interest (2) the removal of incumbent directors and officers, and (3) the ability of public shareholders to benefit from a change in control and, as a result, may adversely affect the market price of our common stock and your ability to realize any potential change of control premium.

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

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales could occur, may depress the market price for our common stock. These sales could also impair our ability to raise additional capital through the sale of our equity securities in the future.

In addition, as of May 1, 2010, 144,913 warrants remain outstanding. In 2009, we issued 134,100 new shares as part of our continuous at-the-market offering program which is currently suspended but could be re-activated upon resolution of our Board. Friends, our largest shareholder, and Eurobulk Marine, Inc., our affiliate, have registered for resale all of their shares owned as of July 2, 2008 under our registration statement that was declared effective on July 2, 2008 which has resulted in these shares becoming freely tradable without restriction under the Securities Act.

We may issue additional shares of our stock in the future and our stockholders may elect to sell large numbers of shares held by them from time to time. Our amended and restated articles of incorporation authorize us to issue up to 100,000,000 shares of common stock and 20,000,000 shares of preferred stock. On March 25, 2010, we entered into the Joint Venture to form Euromar LLC. The Joint Venture provides our joint venture partners the option, exercisable in certain instances and at any time after the two year anniversary of the Joint Venture, to convert all or part of their equity interests in Euromar into common shares of Euroseas at a price to be based on the comparable values of Euromar and Euroseas at the time of exercise, with such conversion happening at not less than the net asset value of each entity. Depending on the value of each entity, it is possible that our joint venture partners will be able to convert into a majority of our common shares. We plan to recommend that our shareholders approve an amendment to our articles of incorporation authorizing an additional 100,000,000 common shares so that we have a sufficient number of shares to issue in the event of a potential exercise of these conversion rights.

Sales of a substantial number of any of the shares of common stock mentioned above may cause the market price of our common stock to decline.

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

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

Item 4. Information on the Company

A. History and Development of the Company

Euroseas Ltd. is a Marshall Islands company incorporated in May 2005. We are a provider of worldwide ocean-going transportation services. We own and operate drybulk carriers that transport major bulks such as iron ore, coal and grains, and minor bulks such as bauxite, phosphate and fertilizers. We also own and operate containerships and multipurpose vessels that transport dry and refrigerated containerized cargoes, mainly including manufactured products and perishables. As of May 15, 2010, our fleet consisted of five drybulk carriers, comprised of four Panamax and one Handymax drybulk carriers, nine containerships and one multipurpose vessel. The total cargo carrying capacity of the five drybulk carriers is 331,808 deadweight tons, or dwt, and of the nine containerships is 243,994 dwt and 15,779 twenty-foot equivalent units, or teu. Our multipurpose vessel can carry 22,568 dwt and/or 950 teu. Three of our vessels were acquired before January 1, 2004 and were controlled by the Pittas family interests. On June 29, 2005, the shareholders of the three vessels (and of four additional vessels that have since been sold) transferred their shares in each of the vessels to Euroseas in exchange for shares in Friends, a 100% owner of Euroseas at that time. We have purchased fifteen additional vessels since June 2005, three of which we sold in 2009.

On August 25, 2005, we raised approximately $17.5 million in net proceeds from the private placement of our securities to a number of institutional and accredited investors (the "Private Placement"). In the Private Placement, we issued 2,342,331 shares of common stock at a price of $9.00 per share (adjusted for the 1-for-3 reverse split of our common stock effected on October 6, 2006), as well as warrants to purchase an additional 585,589 shares of common stock. The warrants have a five year term and an exercise price of $10.80 per share (adjusted for the 1-for-3 reverse split of our common stock).

On February 5, 2007, we raised approximately $43.3 million in net proceeds from a follow-on common stock offering. On July 5, 2007, we raised approximately $73.0 million in net proceeds from a follow-on common stock offering. On November 9, 2007, we raised approximately $93.6 million in net proceeds from a follow-on common stock offering. During September 2009 we raised approximately $0.65 million in net proceeds from the sale of 134,100 common shares sold pursuant to our sales agreement with Citigroup, as sales agent.

Our shares originally traded on the OTCBB under the symbol ESEAF.OB until October 5, 2006 and EUSEF.OB from October 6, 2006 to January 30, 2007. Our shares have traded on the NASDAQ Global Market under the symbol ESEA since January 31, 2007 and on the NASDAQ Global Select Market since January 1, 2008.

Our executive offices are located at 4 Messogiou & Evropis Street, 151 25, Maroussi, Greece. Our telephone number is +30-211-1804005.

B. Business Overview

Our fleet consists of: (i) drybulk carriers that transport iron ore, coal, grain and other dry cargoes along worldwide shipping routes; (ii) containerships that transport container boxes providing scheduled service between ports; and (iii) multipurpose vessels that can carry either drybulk cargoes or containers. Please see information in the section "Our Fleet", below. During 2005, 2006, 2007, 2008 and 2009 we had a fleet utilization of 98.5%, 98.9%, 99.7%, 98.0% and 94.8%, respectively, our vessels achieved daily time charter equivalent rates of $17,485, $14,312, $21,468, $23,695 and $13,698, respectively, and we generated revenues of $44.52 million, $42.14 million, $86.10 million, $132.24 million and $66.22 million, respectively.

Our business strategy is focused on providing consistent shareholder returns by carefully selecting the timing and the structure of our investments in drybulk and containership vessels and by reliably, safely and competitively operating the vessels we own, through our affiliate, Eurobulk. Representing a continuous shipowning and management history that dates back to the 19th century, we believe that one of our advantages in the industry is our ability to select and safely operate drybulk and containership vessels of any age. We continuously evaluate sale and purchase opportunities, as well as long term employment opportunities for our vessels.

Our Fleet

As of May 15, 2010, the profile and deployment of our fleet is the following:

Name	Type	Dwt	TEU	Year Built	Employment	TCE Rate ($/day)
Dry Bulk Vessels						
PANTELIS	Panamax	74,020		2000	TC 'til Feb-12	$17,500
ELENI P	Panamax	72,119		1997	TC 'til May/Aug-10 Then 'til Aug-12 (currently detained off the coast of Somalia after being hijacked)	$15,350 $23,500
IRINI (*)	Panamax	69,734		1988	Baumarine Pool	
ARISTIDES N.P.	Panamax	69,268		1993	TC 'til Mar-12	$18,900
MONICA P (**)	Handymax	46,667		1998	Bulkhandling Pool	
Total Dry Bulk Vessels	**5**	**331,808**				

Multipurpose Dry Cargo Vessels						
TASMAN TRADER	**1**	22,568	950	1990	TC 'til Mar-12	$9,500 'til Dec-10, $9,000 'til Mar-12
Container Carriers						
MAERSK NOUMEA	Intermediate	34,677	2,556	2001	TC 'til Aug-11 (3 annual options 'til Aug-14)	$16,800 'til Aug 11 $18,735 'til Aug 12 $19,240 'til Aug 13 $19,750 'til Aug 14
TIGER BRIDGE	Intermediate	31,627	2,228	1990	TC 'til Jun-10 (option 'til Mar-11) (option 'til Mar-12)	$4,000 $4,000 $7,500
DESPINA P	Handy size	33,667	1,932	1990	Laid-up	
JONATHAN P (ex- OEL INTEGRITY)	Handy size	33,667	1,932	1990	Laid-up	
CAPTAIN COSTAS (ex-OEL TRANSWORLD)	Handy size	30,007	1,742	1992	TC 'til Jun-10	$4,250
YM PORT KELANG (ex-MASTRO NICOS, ex- YM XINGANG I)	Handy size	23,596	1,599	1993	TC 'til Nov-10 (option 'til Nov-11)	$3,750 $5,900
MANOLIS P	Handy size	20,346	1,452	1995	TC 'til Oct-10 (option 'till Oct-11)	$4,000 CONTEX less 10% (***)
NINOS (ex-YM QINGDAO I)	Feeder	18,253	1,169	1990	TC 'til Jun-10	$4,200
KUO HSIUNG	Feeder	18,154	1,169	1993	Monthly options TC 'til Dec-10 (option 'til Jun-11)	$3,850 'til Dec-10 $5,300 'til Jun-11
Total Container Carriers	**9**	**243,994**	**15,779**			
Fleet Grand Total	**15**	**598,370**	**16,729**			

(*) "Irini" is employed in the Baumarine spot pool that is managed by Klaveness, a major global charterer in the drybulk area.
(**) "Monica P" is employed in the Bulkhandling spot pool that is managed by Klaveness, a major global charterer in the drybulk area.
(***) CONTEX is a charter market index for 1,700 teu containership vessels

We plan to expand our fleet by investing in vessels in the drybulk, containership and multipurpose markets by targeting primarily mid-age vessels at the time of purchase under favorable market conditions. We also intend to take advantage of the cyclical nature of the market by buying and selling ships when we believe favorable opportunities exist. We employ our vessels in the spot and time charter market, through pool arrangements and under contracts of affreightment. As of May 15, 2010, seven of our containerships, our multipurpose vessel and three of our panamax bulkers are employed under time charters. One of our other panamax vessel, m/v *Irini* , is employed in the Baumarine pool that is managed by Klaveness, a major global charterer in the drybulk area. Our handymax vessel is employed in the Bulkhandling pool, also managed by Klaveness.

As of May 15, 2010, approximately 68% of our ship capacity days in 2010 accounting for fixed spot employment in the first and second quarter of the year, and approximately 31% of our ship capacity days in 2011, are under time charter contracts or protected from market fluctuations (via FFA contracts).

Management of Our Fleet

The operations of our vessels are managed by Eurobulk Ltd., or Eurobulk, an affiliated company, under a Master Management Agreement with us and separate management agreements with each ship-owning company. Eurobulk was founded in 1994 by members of the Pittas family and is a reputable ship management company with strong industry relationships and experience in managing vessels. Under our master management agreement, Eurobulk is responsible for providing us with executive services and commercial management services, which include obtaining employment for our vessels and managing our relationships with charterers. Eurobulk also performs technical management services, which include managing day-to-day vessel operations, performing general vessel maintenance, ensuring regulatory and classification society compliance, supervising the maintenance and general efficiency of vessels, arranging our hire of qualified officers and crew, arranging and supervising drydocking and repairs, arranging insurance for vessels, purchasing stores, supplies, spares and new equipment for vessels, appointing supervisors and technical consultants and providing technical support and shoreside personnel who carry out the management functions described above and certain accounting services.

Our Master Management Agreement with Eurobulk is effective as of February 7, 2008 and has an initial term of 5 years until February 6, 2013. The Master Management Agreement cannot be terminated by Eurobulk without cause or under other limited circumstances, such as sale of the Company or Eurobulk or the bankruptcy of either party. This Master Management Agreement will automatically be extended after the initial period for an additional five year period unless terminated on or before the 90th day preceding the initial termination date. Pursuant to the Master Management Agreement, each new vessel we acquire in the future will enter into a separate five year management agreement with Eurobulk.

During 2009, in exchange for providing us with the services described above, we pay Eurobulk a management fee of 655 Euros per vessel per day for any vessel operating and 50% (i.e. 327.5 Euros) of that for any vessel laid-up. The management fee is adjusted annually for inflation every January 1 st . Starting January 1, 2010, we pay Eurobulk a fee of 665 Euros per vessel per day in operation and 332.5 Euros per vessel per day in lay up.

Our Competitive Strengths

We believe that we possess the following competitive strengths:

- *Experienced Management Team* . Our management team has significant experience in all aspects of commercial, technical, operational and financial areas of our business. Aristides J. Pittas, our Chairman and Chief Executive Officer, holds a dual graduate degree in Naval Architecture and Marine Engineering and Ocean Systems Management from the Massachusetts Institute of Technology. He has worked in various technical, shipyard and ship management capacities and since 1991 has focused on the ownership and operation of vessels carrying dry cargoes. Dr. Anastasios Aslidis, our Chief Financial Officer, holds a Ph.D. in Ocean Systems Management also from Massachusetts Institute of Technology and has over 20 years of experience, primarily as a partner at a Boston based international consulting firm focusing on investment and risk management in the maritime industry.

- *Cost Effective Vessel Operations* . We believe that because of the efficiencies afforded to us through Eurobulk, the strength of our management team and the quality of our fleet, we are, and will continue to be, a reliable, low cost vessel operator, without compromising our high standards of performance, reliability and safety. Despite the average age of our fleet being approximately 17 years during 2009, our total vessel operating expenses, including management fees and general and administrative expenses but excluding drydocking expenses were $5,444 per day for the year ended December 31, 2009. We consider this amount to be among the lowest of the publicly listed drybulk shipping companies in the U.S. even after accounting for the lower operating expenses of our 2 laid-up vessels. Our technical and operating expertise allows us to efficiently manage and transport a wide range of cargoes with a flexible trade route profile, which helps reduce ballast time between voyages and minimize off-hire days. Our professional, well-trained masters, officers and on board crews further help us to control costs and ensure consistent vessel operating performance. We actively manage our fleet and strive to maximize utilization and minimize maintenance expenditures for operational and commercial utilization. For the year ended December 31, 2009, our operational fleet utilization was 99.3% and since 2003 our operational utilization rate has averaged approximately 99.0%. Our commercial utilization rate (without including laid-up vessels) declined to 95.5% in 2009 due to the poor market for containerships; it averaged in excess of 99% between 2003 and 2008.

- *Strong Relationships with Customers and Financial Institutions* . We believe Eurobulk and the Pittas family have developed strong industry relationships and have gained acceptance with charterers, lenders and insurers because of their long-standing reputation for safe and reliable service and financial responsibility through various shipping cycles. Through Eurobulk, we offer reliable service and cargo carrying flexibility that enables us to attract customers and obtain repeat business. We also believe that the established customer base and reputation of Eurobulk and the Pittas family helps us to secure favorable employment for our vessels with well known charterers.

Our Business Strategy

Our business strategy is focused on providing consistent shareholder returns by carefully timing and structuring acquisitions of drybulk carriers and containerships and by reliably, safely and competitively operating our vessels through Eurobulk. We continuously evaluate purchase and sale opportunities, as well as long term employment opportunities for our vessels.

- *Renew and Expand our Fleet* . We expect to grow our fleet in a disciplined manner through timely and selective acquisitions of quality vessels. We perform in-depth technical review and financial analysis of each potential acquisition and only purchase vessels as market conditions and developments present themselves. We continue to be focused on purchasing well-maintained secondhand vessels, which should provide a significant value proposition given the depressed price levels that exist currently. However, we will also consider purchasing newbuildings or newbuilding resales if the value proposition exists at the time. Furthermore, as part of our fleet renewal, we will continue to sell certain vessels when we believe it is in the best interests of the Company and our shareholders.

- *Maintain Balanced Employment* . We intend to strategically employ our fleet between time and spot charters. We actively pursue time charters to obtain adequate cash flow to cover as much as possible of our fleet's fixed costs, consisting of vessel operating expenses, management fees, general and administrative expenses, interest expense and drydocking costs for the upcoming 12-month period. We also use FFA contracts – as a substitute for time charter employment - to partly provide coverage for our drybulk vessels in order to increase the predictability of our revenues. We look to deploy the remainder of our fleet through spot charters, shipping pools or contracts of affreightment depending on our view of the direction of the markets and other tactical or strategic considerations. We believe this balanced employment strategy will provide us with more predictable operating cash flows and sufficient downside protection, while allowing us to participate in the potential upside of the spot market during periods of rising charter rates. As of May 1, 2010, on the basis of our fixed spot and existing time charters and FFA contracts, approximately 68% of our vessel capacity in 2009 and approximately 31% in 2011 are fixed, which will help protect us from market fluctuations, enable us to make significant principal and interest payments on our debt and pay dividends to our shareholders.

- *Operate a Fleet in Two Sectors* . While remaining focused on the dry cargo segment of the shipping industry, we intend to continue to develop a diversified fleet of drybulk carriers and containerships of up to Panamax size. A diversified drybulk fleet profile will allow us to better serve our customers in both major and minor drybulk trades, as well as to reduce any dependency on any one cargo, trade route or customer. We will remain focused on the smaller size ship segment of the container market, which has not experienced the same level of expansion in vessel supply that has occurred with larger containerships. A diversified fleet, in addition to enhancing the stability of our cash flows, will also help us to reduce our exposure to unfavorable developments in any one shipping sector and to benefit from upswings in any one shipping sector experiencing rising charter rates.

- *Optimize Use of Financial Leverage* . We will use bank debt to partly fund our vessel acquisitions and increase financial returns for our shareholders. We actively assess the level of debt we incur in light of our ability to repay that debt based on the level of cash flow generated from our balanced chartering strategy and efficient operating cost structure. Our debt repayment schedule as of December 31, 2009 calls for a reduction of more than 32% of our debt by the end of 2011. We expect this will increase our ability to borrow funds to make additional vessel acquisitions in order to grow our fleet and continue pay dividends to our shareholders.

Our Customers

Our major charterer customers during the last three years include Klaveness (Baumarine and Bulkhandling shipping pools), Orient Express Lines, Yang Ming Lines, CMA-CGM, Maersk, Sinochart and Lloyd Triestino amongst others. We are a relationship driven company, and our top five customers in 2009 include three of our top five customers from 2008 (Klaveness, Yang Ming Lines and Orient Express Lines) and two from 2007 (Klaveness and Yang Ming Lines). Our top five customers accounted for approximately 54% of our total revenues in 2009, 44% of our total revenues in 2008 and 52% of our total revenues in 2007. In 2009, Klaveness, Orient Express Lines and Maersk Lines accounted for 16.84%, 10.33% and 10.25% of our total revenues; in 2008, Sinochart accounted for 13.80% of our total revenues; in 2007, Klaveness, Yang Ming Lines and Sinochart accounted for 15.07%, 12.53% and 12.10% of our total revenues, respectively. As of December 31, 2009, we do not have any material trade receivable from any of our customers that contributed more than 10% of our revenues during 2009.

The Dry Cargo and Containership Industries

Dry cargo shipping refers to the transport of certain commodities by sea between various ports in bulk or containerized form.

The drybulk commodities are often divided into two categories — major bulks and minor bulks. Major bulks include items such as coal, iron ore and grains, while minor bulks include items such as aluminum, phosphate rock, fertilizer raw materials, agricultural and mineral cargo, cement, forest products and some steel products, including scrap.

There are four main classes of drybulk carriers — Handysize, Handymax, Panamax and Capesize. These classes represent the sizes of the vessel carrying the cargo in terms of deadweight ton ("dwt") capacity, which is defined as the total weight including cargo that the vessel can carry when loaded to a defined load line on the vessel. Handysize vessels are the smallest of the four categories and include those vessels weighing up to 40,000 dwt. Handymax carriers are those vessels that weigh between 40,000 and 60,000 dwt, while Panamax vessels are those ranging from 60,000 dwt to 80,000 dwt. Vessels over 80,000 dwt are called Capesize vessels.

Drybulk carriers are ordinarily chartered either through a voyage charter or a time charter, under a longer term contract of affreightment or in pools. Under a voyage charter, the owner agrees to provide a vessel for the transport of cargo between specific ports in return for the payment of an agreed freight rate per ton of cargo or an agreed dollar lump sum amount. Voyage costs, such as canal and port charges and bunker expenses, are the responsibility of the owner. Under a time charter, the ship owner places the vessel at the disposal of a charterer for a given period of time in return for a specified rate (either hire per day or a specified rate per dwt capacity per month) with the voyage costs being the responsibility of the charterer. In both voyage charters and time charters, operating costs (such as repairs and maintenance, crew wages and insurance premiums), as well as drydockings and special surveys, are the responsibility of the ship owner. The duration of time charters varies, depending on the evaluation of market trends by the ship owner and by charterers. Occasionally, drybulk vessels are chartered on a bareboat basis. Under a bareboat charter, operations of the vessels and all operating costs are the responsibility of the charterer, while the owner only pays the financing costs of the vessel.

A contract of affreightment ("COA") is another type of charter relationship where a charterer and a ship owner enter into a written agreement pursuant to which identified cargo will be carried over a specified period of time. COA's benefit charterers by providing them with fixed transport costs for a commodity over an identified period of time. COA's benefit ship owners by offering ascertainable revenue over that same period of time and eliminating the uncertainty that would otherwise be caused by the volatility of the charter market. A shipping pool is a collection of similar vessel types under various ownerships, placed under the care of a single commercial manager. The manager markets the vessels as a single fleet and collects the earnings which are distributed to individual owners under a pre-arranged weighing system by which each entered vessel receives its share. Pools have the size and scope to combine voyage charters, time charters and contracts of affreightment with freight forward agreements for hedging purposes, to perform more efficient vessel scheduling thereby increasing fleet utilization.

Containership shipping refers to the transport of containerized trade which encompasses mainly the carriage of finished goods, but an increasing number of other cargoes in container boxes. Containerized trade is the fastest growing sector of seaborne trade. Containerships are further categorized by their size measured in twenty-foot equivalent units (teu) and whether they have their own gearing. The different categories of containerships are as follows. Post-panamax vessels are vessels with carrying capacity of more than 4,000 teu. Panamax vessels are vessels with carrying capacity from 3,000 to 4,000 teu. Intermediate containerships are vessels with carrying capacity from 2,000 to 3,000 teu. Handysize containerships are vessels with carrying capacity from 1,300 to 2,000 teu and are sometimes equipped with cargo loading and unloading gear. Finally, Feeder containerships are vessels with carrying capacity from 500 to 1,300 teu and are usually equipped with cargo loading and unloading gear. Containerships are primarily employed in time charter contracts with liner companies, which in turn employ them as part of the scheduled liner operations. Feeder containership are put in liner schedules feeding containers to and from central regional ports (hubs) where larger containerships provide cross ocean or longer haul service. The length of the time charter contract can range from several months to years.

Our Competitors

We operate in markets that are highly competitive and based primarily on supply and demand. We compete for charters on the basis of price, vessel location, size, age and condition of the vessel, as well as on our reputation. Eurobulk arranges our charters (whether spot charters, time charters or shipping pools) through the use of Eurochart S.A., or Eurochart, an affiliated brokering company who negotiates the terms of the charters based on market conditions. We compete primarily with other shipowners of drybulk carriers in the Handysize, Handymax and Panamax drybulk carrier sectors and the containership sector. Ownership of drybulk carriers and containerships is highly fragmented and is divided among state controlled and independent shipowners. Some of our publicly listed competitors include Diana Shipping Inc. (NYSE: DSX), DryShips Inc. (NASDAQ: DRYS), Excel Maritime Carriers Ltd. (NYSE: EXM), Eagle Bulk Shipping Inc. (NASDAQ: EGLE), Genco Shipping and Trading Limited (NASDAQ: GSTL), Navios Maritime Holdings Inc. (NASDAQ: BULK), Danaos Corporation (NYSE: DAC) and Goldenport Holdings Inc. (LSE: GPRT).

Seasonality

Coal, iron ore and grains, which are the major bulks of the drybulk shipping industry, are somewhat seasonal in nature. The energy markets primarily affect the demand for coal, with increases during hot summer periods when air conditioning and refrigeration require more electricity and towards the end of the calendar year in anticipation of the forthcoming winter period. The demand for iron ore tends to decline in the summer months because many of the major steel users, such as automobile makers, reduce their level of production significantly during the summer holidays. Grains are completely seasonal as they are driven by the harvest within a climate zone. Because three of the five largest grain producers (the United States of America, Canada and the European Union) are located in the northern hemisphere and the other two (Argentina and Australia) are located in the southern hemisphere, harvests occur throughout the year and grains require drybulk shipping accordingly.

The containership industry seasonal trends are driven by the import patterns of manufactured goods and refrigerated cargoes by the major importers, such as the United States, Europe, Japan and others. The volume of containerized trade is usually higher in the fall in preparation for the holiday season. During this period of time, container shipping rates are higher and, as a result, the charter rates for containerships are higher. However, fluctuations due to seasonality in the container shipping industry are much less pronounced than in the drybulk shipping industry.

Environmental and Other Regulations

Government laws and regulations significantly affect the ownership and operation of our vessels. We are subject to international conventions and treaties, national, state and local laws and regulations in force in the countries in which our vessels may operate or are registered relating to safety and health and environmental protection including the storage, handling, emission, transportation and discharge of hazardous and non-hazardous materials, and the remediation of contamination and liability for damage to natural resources. Compliance with such laws, regulations and other requirements entails significant expense, including vessel modifications and implementation of certain operating procedures.

A variety of governmental, quasi-governmental and private entities subject our vessels to both scheduled and unscheduled inspections. These entities include the local port authorities, national authorities, harbor masters or equivalent, classification societies, flag state administrations (countries of registry) and charterers. Certain of these entities require us to obtain permits, licenses, certificates and approvals for the operation of our vessels. Failure to maintain necessary permits or approvals could require us to incur substantial costs or temporarily suspend operation of one or more of the vessels in our fleet, or lead to the invalidation or reduction of our insurance coverage.

We believe that the heightened level of environmental and quality concerns among insurance underwriters, regulators and charterers is leading to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the industry. Increasing environmental concerns have created a demand for vessels that conform to the stricter environmental standards. We are required to maintain operating standards for all of our vessels that emphasize operational safety, quality maintenance, continuous training of our officers and crews and compliance with U.S. and international regulations. We believe that the operation of our vessels is in substantial compliance with applicable environmental laws and regulations and that our vessels have all material permits, licenses, certificates or other approvals necessary for the conduct of our operations. However, because such laws and regulations are frequently changed and may impose increasingly stricter requirements, such future requirements may limit our ability to do business, increase our operating costs, force the early retirement of our vessels, and/or affect their resale value, all of which could have a material adverse effect on our financial condition and results of operations.

Environmental Regulation – International Maritime Organization

The International Maritime Organization, the United Nations agency for maritime safety and the prevention of pollution by ships, or the IMO, has adopted the International Convention for the Prevention of Marine Pollution, 1973, as modified by the related Protocol of 1978 relating thereto, which has been updated through various amendments, or the MARPOL Convention. The MARPOL Convention establishes environmental standards relating to oil leakage or spilling, garbage management, sewage, air emissions, handling and disposal of noxious liquids and the handling of harmful substances in packaged forms. The IMO adopted regulations that set forth pollution prevention requirements applicable to dry bulk carriers. These regulations have been adopted by over 150 nations, including many of the jurisdictions in which our vessels operate.

In September 1997, the IMO adopted Annex VI to the MARPOL Convention, Regulations for the Prevention of Pollution from Ships, to address air pollution from ships. Effective May 2005, Annex VI sets limits on sulfur oxide and nitrogen oxide emissions from all commercial vessel exhausts and prohibits deliberate emissions of ozone depleting substances (such as halons and chlorofluorocarbons), emissions of volatile organic compounds from cargo tanks, and the shipboard incineration of specific substances. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions. Our vessel manager has informed us that a plan to conform with the Annex VI regulations is in place and we believe we are in substantial compliance with Annex VI.

Additional or new conventions, laws and regulations may be adopted that could require the installation of expensive emission control systems and could adversely affect our business, results of operations, cash flows and financial condition. In October 2008, the IMO adopted amendments to Annex VI regarding emissions of sulfur oxide, nitrogen oxide, particulate matter and ozone-depleting substances, which amendments enter into force on July 1, 2010. The amended Annex VI will reduce air pollution from vessels by, among other things, (i) implementing a progressive reduction of sulfur oxide emissions from ships by reducing the global sulfur fuel cap 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.

On October 9, 2008, the United States ratified the amended Annex VI to the MARPOL Convention, which went into effect on January 8, 2009. The U.S. Environmental Protection Agency, or EPA, and the state of California, however, have each proposed more stringent regulations of air emissions from ocean-going vessels. 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. CARB unilaterally approved the new regulations in spite of legal defeats at both the district and appellate court levels, but more legal challenges are expected to follow. If CARB prevails and the new regulations go into effect as scheduled on July 1, 2009, in the event our vessels were to travel within such waters, these new regulations would require significant expenditures on low-sulfur fuel and would increase our operating costs. Finally, although the more stringent CARB regime was technically superseded when the United States ratified and implemented the amended Annex VI, the possible declaration of various U.S. coastal waters as Emissions Control Areas may in turn bring U.S. emissions standards into line with the new CARB regulations, which would cause us to incur further costs.

In March 2006, the IMO amended Annex I to the MARPOL Convention, including a new regulation relating to oil fuel tank protection, which became effective August 1, 2007. The new regulation will apply to various ships delivered on or after August 1, 2010. It includes requirements for the protected location of the fuel tanks, performance standards for accidental oil fuel outflow, a tank capacity limit and certain other maintenance, inspection and engineering standards.

Safety Management System Requirements

IMO also adopted the International Convention for the Safety of Life at Sea, or SOLAS and the International Convention on Load Lines, or the LL Convention, which impose a variety of standards that regulate the design and operational features of ships. The IMO periodically revises the SOLAS and LL Convention standards. We believe that all our vessels are in material compliance with SOLAS and LL Convention standards.

Under Chapter IX of SOLAS, the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention, or ISM Code, our operations are also subject to environmental standards and requirements contained in the ISM Code promulgated by the IMO. The ISM Code requires the party with operational control of a vessel to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. We rely upon the safety management system that we and our technical manager have developed for compliance with the ISM Code. The failure of a ship owner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports. As of the date of this filing, each of our vessels is ISM code-certified.

The ISM Code requires that vessel operators obtain a safety management certificate for each vessel they operate. This certificate evidences compliance by a vessel's management with the ISM Code requirements for a safety management system. No vessel can obtain a safety management certificate unless its manager has been awarded a document of compliance, issued by each flag state, under the ISM Code. Our appointed ship managers have obtained documents of compliance for their offices and safety management certificates for all of our vessels for which the certificates are required by the IMO. The document of compliance, or the DOC, and ship management certificate, or the SMC, are renewed every five years but the DOC is subject to audit verification annually and the SMC at least every 2.5 years.

Noncompliance with the ISM Code and other IMO regulations may subject the shipowner or bareboat charterer to increased liability, may lead to decreases in, or invalidation of, available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports. The U.S. Coast Guard and European Union authorities have indicated that vessels not in compliance with the ISM Code by the applicable deadlines will be prohibited from trading in U.S. and European Union ports, as the case may be.

Pollution Control and Liability Requirements

IMO has negotiated international conventions that impose liability for oil pollution in international waters and the territorial waters of the signatory to such conventions. For example, IMO adopted an International Convention for the Control and Management of Ships' Ballast Water and Sediments, or the BWM Convention, in February 2004. The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements (beginning in 2009), to be replaced in time with mandatory concentration limits. The BWM Convention will not become effective until 12 months after it has been adopted by 30 states, the combined merchant fleets of which represent not less than 35% of the gross tonnage of the world's merchant shipping. To date there has not been sufficient adoption of this standard for it to take force.

Although the United States is not a party to these conventions, many countries have ratified and follow the liability plan adopted by the IMO and set out in the International Convention on Civil Liability for Oil Pollution Damage of 1969, as amended in 2000, or the CLC. Under this convention and depending on whether the country in which the damage results is a party to the 1992 Protocol to the CLC, a vessel's registered owner is strictly liable, subject to certain defenses, for pollution damage caused in the territorial waters of a contracting state by discharge of persistent oil. The limits on liability outlined in the 1992 Protocol use the International Monetary Fund currency unit of Special Drawing Rights, or SDR. The right to limit liability is forfeited under the CLC where the spill is caused by the ship owner's actual fault and under the 1992 Protocol where the spill is caused by the ship owner's intentional or reckless conduct. Vessels trading with states that are parties to these conventions must provide evidence of insurance covering the liability of the owner. In jurisdictions where the CLC has not been adopted, various legislative schemes or common law govern, and liability is imposed either on the basis of fault or in a manner similar to that of the CLC. We believe that our protection and indemnity insurance will cover the liability under the plan adopted by the IMO.

The United States and Canada requested that the IMO designate the area extending 200 nautical miles from the Atlantic/Gulf and Pacific coasts of the U.S. and Canada and the Hawaiian Islands as Emission Control Areas under the MARPOL Annex VI amendments, which would subject ocean-going vessels in these areas to stringent emissions controls and cause us to incur additional costs. In July 2009, the IMO accepted the proposal in principle, and all member states party to MARPOL Annex VI will vote on the proposal in March 2010. Even if the proposal is not adopted, the United States or Canada may adopt more stringent emissions standards independent of the IMO.

The IMO adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage, or the Bunker Convention, to impose strict liability on ship owners for pollution damage in jurisdictional waters of ratifying states caused by discharges of bunker fuel. The Bunker Convention, which became effective on November 21, 2008, requires registered owners of ships over 1,000 gross tons to maintain insurance or other financial security for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime (but not exceeding the amount calculated in accordance with the Convention on Limitation of Liability for Maritime Claims of 1976, as amended). With respect to non-ratifying states, liability for spills or releases of oil carried as fuel in ship's bunkers typically is determined by the national or other domestic laws in the jurisdiction where the events or damages occur.

In 2001, the IMO adopted the International Convention on the Control of Harmful Anti-fouling Systems on Ships, or the Anti-fouling Convention. The Anti-fouling Convention prohibits the use of organotin compound coatings to prevent the attachment of mollusks and other sea life to the hulls of vessels after September 1, 2003. The exteriors of vessels constructed prior to January 1, 2003 that have not been in drydock must, as of September 17, 2008, either not contain the prohibited compounds or have coatings applied to the vessel exterior that act as a barrier to the leaching of the prohibited compounds. Vessels of over 400 gross tons engaged in international voyages must obtain an International Anti-fouling System Certificate and undergo a survey before the vessel is put into service or when the anti-fouling systems are altered or replaced.

Noncompliance with the ISM Code or other IMO regulations may subject the shipowner or bareboat charter to increased liability, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to, or detention in, certain ports. The U.S. Coast Guard and European Union authorities have indicated that vessles not in compliance with the ISM Code by the applicable deadlines will be prohibited from trading in U.S. and European Union ports, respectively. As of the date of this report, each of our vessels is ISM Code-certified. However, we may not be able to maintain such certification indefinitely.

The IMO continues to review and introduce new regulations. It is impossible to predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulations might have on our operations.

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

The OPA established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA affects all shipowners and operators whose vessels trade in the United States of America, its territories and possessions or whose vessels operate in waters of the United States of America, which includes the territorial sea of the United States of America and its 200 nautical mile exclusive economic zone. The United States has also enacted the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, which applies to the discharge of hazardous substances other than oil, whether on land or at sea. Both OPA and CERCLA impact our operations.

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

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

Effective July 31, 2009, the U.S. Coast Guard adjusted the limits of OPA liability for non-tank vessels to the greater of $1,000 per gross ton or $0.85 million per non-tank vessel that is over 3,000 gross tons (subject to possible adjustment for inflation). CERCLA, which applies to owners and operators of vessels, contains a similar liability regime and provides for cleanup, removal and natural resource damages. Liability under CERCLA is limited to the greater of $300 per gross ton or $5 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. These OPA and CERCLA limits of liability do not apply if an incident was directly caused by violation of applicable United States federal safety, construction or operating regulations or by a responsible party's gross negligence or willful misconduct, or if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with oil removal activities.

OPA and the U.S. Coast Guard also require owners and operators of vessels to establish and maintain with the U.S. Coast Guard evidence of financial responsibility sufficient to meet the limit of their potential liability under OPA and CERCLA.

We currently maintain for each of our vessels pollution liability coverage insurance in the amount of $1 billion per incident. If the damages from a catastrophic spill were to exceed our insurance coverage, it could have an adverse effect on our business and results of operation.

Environmental Regulation – The United States of America Clean Water Act

The U.S. Clean Water Act, or CWA, prohibits the discharge of oil or hazardous substances in U.S. navigable waters unless authorized by a duly-issued permit or exemption, and imposes strict liability in the form of penalties for any unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under OPA and CERCLA.

The U.S. Environmental Protection Agency, or the EPA, regulates the discharge of ballast water and other substances in U.S. waters under the CWA. Effective February 6, 2009, EPA regulations require vessels 79 feet in length or longer (other than commercial fishing and recreational vessels) to comply with a Vessel General Permit authorizing ballast water discharges and other discharges incidental to the operation of vessels. The Vessel General Permit imposes technology and water-quality based effluent limits for certain types of discharges and establishes specific inspection, monitoring, recordkeeping and reporting requirements to ensure the effluent limits are met. U.S. Coast Guard regulations adopted under the U.S. National Invasive Species Act, or NISA, also impose mandatory ballast water management practices for all vessels equipped with ballast water tanks entering or operating in U.S. waters, and the Coast Guard recently proposed new ballast water management standards and practices, including limits regarding ballast water releases. Compliance with the EPA and the U.S. Coast Guard regulations could require the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial cost, and/or otherwise restrict our vessels from entering U.S. waters.

Environmental Regulation – The United States of America Clean Air Act

The U.S. Clean Air Act of 1970, as amended by the Clean Air Act Amendments of 1977 and 1990, or the CAA, requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. Our vessels are generally not subject to vapor control and recovery requirements for certain cargoes when loading, unloading, ballasting, cleaning and conducting other operations in regulated port areas. The CAA also requires states to draft State Implementation Plans, or SIPs, designed to attain national health-based air quality standards in primarily major metropolitan and/or industrial areas. Several SIPs regulate emissions resulting from vessel loading and unloading operations by requiring the installation of vapor control equipment.Our vessels operating in covered port areas are already equipped with vapor recovery systems that satisfy these requirements. Although a risk exists that new regulations could require significant capital expenditures and otherwise increase our costs, based on the regulations that have been proposed to date, we believe that no material capital expenditures beyond those currently contemplated and no material increase in costs are likely to be required.

European Union Regulations

In October 2009, the European Union amended a directive to impose criminal sanctions for illicit ship-source discharges of polluting substances, including minor discharges, if committed with intent, recklessly or with serious negligence and the discharges individually or in the aggregate result in deterioration of the quality of water. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims.

Greenhouse Gas Regulation

In February 2005, the Kyoto Protocol to the United Nations Framework Convention on Climate Change, or UNFCCC, 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, international negotiations are continuing with respect to a successor to the Kyoto Protocol, which sets emission reduction targets through 2012, and restrictions on shipping emissions may be included in any new treaty. In December 2009, more than 27 nations, including the United States and China, signed the Copenhagen Accord, which includes a non-binding commitment to reduce greenhouse gas emissions. 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, if such emissions are not regulated through the IMO or the UNFCCC by December 31, 2010. In the United States, the EPA has issued a final finding that greenhouse gases threaten public health and safety, and has proposed regulations governing the emission of greenhouse gases from motor vehicles and stationary sources. The EPA may decide in the future to regulate greenhouse gas emissions from ships and has already been petitioned by the California Attorney General to regulate greenhouse gas emissions from ocean-going vessels. Other federal and state regulations relating to the control of greenhouse gas emissions may follow, including the climate change initiatives that are being considered in the U.S. Congress. In addition, the IMO is evaluating various mandatory measures to reduce greenhouse gas emissions from international shipping, including market-based instruments. Any passage of climate control legislation or other regulatory initiatives by the IMO, European Union, the United States or other countries where we operate that restrict emissions of greenhouse gases could require us to make significant financial expenditures that we cannot predict with certainty at this time.

Environmental Regulation – Other Environmental Initiatives

In 2005, the European Union adopted a directive on ship-source pollution, imposing criminal sanctions for intentional, reckless or negligent pollution discharges by ships. The directive could result in criminal liability for pollution from vessels in waters of European countries that adopt implementing legislation. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims.

Our operations occasionally generate and require the transportation, treatment and disposal of both hazardous and non-hazardous solid wastes that are subject to the requirements of the U.S. Resource Conservation and Recovery Act, or RCRA, or comparable state, local or foreign requirements. In addition, from time to time we arrange for the disposal of hazardous waste or hazardous substances at offsite disposal facilities. If such materials are improperly disposed of by third parties, we may still be held liable for clean up costs under applicable laws.

Vessel Security Regulations

Since the terrorist attacks of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. On November 25, 2002, the U.S. Maritime Transportation Security Act of 2002 ("MTSA"), came into effect. To implement certain portions of the MTSA, in July 2003, the U.S. Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States of America. Similarly, in December 2002, amendments to SOLAS created a new chapter of the convention dealing specifically with maritime security. The new chapter became effective in July 2004 and imposes various detailed security obligations on vessels and port authorities, most of which are contained in the newly created ISPS Code. The ISPS Code is designed to protect ports and international shipping against terrorism. After July 1, 2004, to trade internationally, a vessel must attain an International Ship Security Certificate from a recognized security organization approved by the vessel's flag state. Among the various requirements are:

- on-board installation of automatic identification systems, or AIS, to provide a means for the automatic transmission of safety-related information from among similarly equipped ships and shore stations, including information on a ship's identity, position, course, speed and navigational status;
- on-board installation of ship security alert systems, which do not sound on the vessel but only alert the authorities on shore;
- the development of vessel security plans;
- ship identification number to be permanently marked on a vessel's hull;
- A continuous synopsis record kept onboard showing a vessel's history including the name of the ship and of the state whose flag the ship is entitled to fly, the date on which the ship was registered with that state, the ship's identification number, the port at which the ship is registered and the name of the registered owner(s) and their registered address; and
- compliance with flag state security certification requirements.

The U.S. Coast Guard regulations, intended to align with international maritime security standards, exempt from MTSA vessel security measures non-U.S. vessels that have on board, as of July 1, 2004, a valid International Ship Security Certificate attesting to the vessel's compliance with SOLAS security requirements and the ISPS Code. Our vessels are in compliance with the various security measures addressed by the MTSA, SOLAS and the ISPS Code. We do not believe these additional requirements will have a material financial impact on our operations.

Inspection by Classification Societies

The hull and machinery of every commercial vessel must be classed by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and SOLAS. Our vessels are currently classed with Lloyd's Register of Shipping, Bureau Veritas and Nippon Kaiji Kyokai. ISM and ISPS certification have been awarded by Bureau Veritas and the Panama Maritime Authority to our vessels and Eurobulk, our ship management company.

A vessel must undergo annual surveys, intermediate surveys, drydockings and special surveys. In lieu of a special survey, a vessel's machinery may be on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. Every vessel is also required to be drydocked every two to three years for inspection of the underwater parts of such vessel. If any vessel does not maintain its class and/or fails any annual survey, intermediate survey, drydocking or special survey, the vessel will be unable to carry cargo between ports and will be unemployable and uninsurable which could cause us to be in violation of certain covenants in our loan agreements. Any such inability to carry cargo or be employed, or any such violation of covenants, could have a material adverse impact on our financial condition and results of operations.

The following table lists the next drydocking and special survey for the vessels in our current fleet.

Vessel	Next	Type
TASMAN TRADER	June 2010	Special Survey
NINOS	July 2010	Special Survey
YM PORT KELANG	March 2011	Drydocking
ARISTIDES N.P.	February 2011	Drydocking
KUO HSIUNG	April 2011	Drydocking
IRINI	July 2011	Drydocking
MANOLIS P	April 2010	Special Survey
CAPTAIN COSTAS	April 2010	Drydocking
DESPINA P	January 2011	Special Survey
JONATHAN P	December 2010	Special Survey
TIGER BRIDGE	November 2010	Special Survey
MAERSK NOUMEA	June 2011	Special Survey
MONICA P	February 2011	Drydocking
ELENI P	October 2011	Special Survey
PANTELIS	September 2012	Internediate Survey

Risk of Loss and Liability Insurance

General

The operation of any cargo vessel includes risks such as mechanical failure, physical damage, collision, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, piracy incidents, hostilities and labor strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. OPA, which imposes virtually unlimited liability upon shipowners, operators and bareboat charterers of any vessel trading in the exclusive economic zone of the United States of America for certain oil pollution accidents in the United States of America, has made liability insurance more expensive for shipowners and operators trading in the United States of America market. We carry insurance coverage as customary in the shipping industry, however not all risks can be insured, specific claims may be rejected, and we might not be always able to obtain adequate insurance coverage at reasonable rates.

Hull and Machinery Insurance

We procure hull and machinery insurance, protection and indemnity insurance, which includes environmental damage and pollution insurance and war risk insurance and freight, demurrage and defense insurance for our fleet. We do not maintain insurance against loss of hire, which covers business interruptions that result in the loss of use of a vessel.

Protection and Indemnity Insurance

Protection and indemnity insurance is provided by mutual protection and indemnity associations, or P&I Associations, which covers our third-party liabilities in connection with our shipping activities. This includes third-party liability and other related expenses of injury or death of crew, passengers and other third parties, loss or damage to cargo, claims arising from collisions with other vessels, damage to other third-party property, pollution arising from oil or other substances, and salvage, towing and other related costs, including wreck removal. Protection and indemnity insurance is a form of mutual indemnity insurance, extended by protection and indemnity mutual associations, or "clubs."

Our current protection and indemnity insurance coverage for pollution is $1 billion per vessel per incident. The 13 P&I Associations that comprise the International Group insure approximately 90% of the world's commercial tonnage and have entered into a pooling agreement to reinsure each association's liabilities. Our vessels are members of the UK Club and The Standard Club. Each P&I Association has capped its exposure to this pooling agreement at $4.5 billion. As a member of a P&I Association, which is a member of the International Group, we are subject to calls payable to the associations based on our claim records as well as the claim records of all other members of the individual associations and members of the shipping pool of P&I Associations comprising the International Group.

C. Organizational structure

Euroseas is the sole owner of all outstanding shares of the subsidiaries listed in Note 1 of our consolidated financial statements under Item 18 and in Exhibit 8.1 to this annual report.

D. Property, plants and equipment

We do not own any real property. As part of the management services provided by Eurobulk during the period in which we conducted business to date, we have shared, at no additional cost, offices with Eurobulk. We do not have current plans to lease or purchase office space, although we may do so in the future.

Our interests in our vessels are owned through our wholly-owned vessel owning subsidiaries and these are our only material properties. Our vessels are subject to mortgages. Specifically:

- Searoute Maritime Ltd. incorporated in Cyprus on May 20, 1992, owner of the Cyprus flag 33,712 dwt drybulk carrier motor vessel *Ariel* , which was built in 1977 and acquired on March 5, 1993. *Ariel* was sold on February 22, 2007.
- Oceanopera Shipping Ltd. incorporated in Cyprus on June 26, 1995, owner of the Cyprus flag 34,750 dwt drybulk carrier motor vessel *Nikolaos P* , which was built in 1984 and acquired on July 22, 1996. *Nikolaos P* was sold on February 12, 2009.
- Oceanpride Shipping Ltd. incorporated in Cyprus on March 7, 1998, owner of the Cyprus flag 26,354 dwt drybulk carrier motor vessel *John P* , which was built in 1981 and acquired on March 7, 1998. *John P* was sold on July 5, 2006.
- Alcinoe Shipping Ltd. incorporated in Cyprus on March 20, 1997, owner of the Cyprus flag 26,354 dwt drybulk carrier motor vessel *Pantelis P* , which was built in 1981 and acquired on June 4, 1997. *Pantelis P* was sold on May 31, 2006. On February 22, 2007, Alcinoe Shipping Ltd. acquired the 38,691 dwt Cyprus flag drybulk motor vessel *Gregos* , which was built in 1984. On June 13, 2007, m/v *Gregos* was transferred to Gregos Shipping Limited incorporated in the Marshall Islands and its flag was changed to the flag of the Marshall Islands. *Gregos* was sold on December 16, 2009.
- Alterwall Business Inc. incorporated in Panama on January 15, 2001, owner of the Panama flag 18,253 dwt container carrier motor vessel *Ninos* (ex *YM Qingdao 1*), which was built in 1990 and acquired on February 16, 2001.

- Allendale Investment S.A. incorporated in Panama on January 22, 2002, owner of the Panama flag 18,154 dwt container carrier motor vessel *Kuo Hsiung* , which was built in 1993 and acquired on May 13, 2002.

- Diana Trading Ltd. incorporated in the Marshall Islands on September 25, 2002, owner of the Marshall Islands flag 69,734 dwt drybulk carrier motor vessel *Irini* , which was built in 1988 and acquired on October 15, 2002.

- Salina Shipholding Corp., incorporated in the Marshall Islands on October 20, 2005, owner of the Marshall Islands flag 29,693 dwt container carrier motor vessel *Artemis* , which was built in 1987 and acquired on November 25, 2005. *Artemis* was sold on December 17, 2009.

- Xenia International Corp., incorporated in the Marshall Islands on April 6, 2006, owner of the Marshall Islands flag 22,568 dwt / 950 teu multipurpose motor vessel *Tasman Trader* , which was built in 1990 and acquired on April 27, 2006.

- Prospero Maritime Inc., incorporated in the Marshall Islands on July 21, 2006, owner of the Marshall Islands flag 69,268 dwt drybulk motor vessel *Aristides N.P.* , which was built in 1993 and acquired on September 4, 2006.

- Xingang Shipping Ltd., incorporated in Liberia on October 16, 2006, owner of the Liberian flag 23,596 dwt container carrier *YM Xingang I* , which was built in February 1993 and acquired on November 15, 2006. On July 11, 2009, *YM Xingang I* was renamed *Mastro Nicos* and on November 5, 2009, it was renamed *YM Port Kelang* .

- Manolis Shipping Ltd., incorporated in Marshall Islands on March 16, 2007, owner of the Marshall Islands flag 20,346 dwt container carrier motor vessel *Manolis P* , which was built in 1995 and acquired on April 12, 2007.

- Eternity Shipping Company, incorporated in the Marshall Islands on May 17, 2007, owner of the Marshall Islands flag 30,007 dwt / 1,742 teu container carrier motor vessel *OEL Transworld* (ex *Clan Gladiator)* , which was built in 1992 and acquired on June 13, 2007. On August 31, 2009, *OEL Transworld* was renamed *Captain Costas* .

- Emmentaly Business Inc., incorporated in Panama on July 4, 2007, owner of the Panamanian flag 33,667 dwt / 1,932 teu container carrier motor vessel *Jonathan P* , which was built in 1990 and acquired on August 7, 2007. On April 16, 2008, motor vessel *Jonathan P* was renamed to *OEL Intergrity* ; *OEL Intergrity* was renamed back to *Jonathan P* on March 5, 2009.

- Pilory Associates Corp., incorporated in Panama on July 4, 2007, owner of the Panamanian flag 33,667 dwt / 1,932 teu container carrier motor vessel *Despina P* , which was built in 1990 and acquired on August 13, 2007.

- Tiger Navigation Corp., incorporated in Marshall Islands on August 29, 2007, owner of the Marshall Islands flag 31,627 dwt / 2,228 teu container carrier motor vessel *Tiger Bridge* , which was built in 1990 and acquired on October 4, 2007.

- Trust Navigation Corp., incorporated in Liberia on October 1, 2007, owner of the Liberian flag 64,873 dwt drybulk carrier motor vessel *Ioanna P* , which was built in 1984 and acquired on November 1, 2007. The vessel was sold on January 12, 2009.

- Noumea Shipping Ltd, incorporated in Marshall Islands on May 14, 2008, owner of the Marshall Islands flag 34,677 DWT / 2,556 TEU container vessel motor vessel *Maersk Noumea* , which was built in 2001 and acquired on May 22, 2008.

- Saf-Concord Shipping Ltd., incorporated in Liberia on June 8, 2008, owner of the Liberian flag 46,667 dwt drybulk carrier motor vessel *Monica P* , which was built in 1998 and acquired on January 19, 2009.

- Eleni Shipping Ltd., incorporated in Liberia on February 11, 2009, owner of the Liberian flag 72,119 dwt drybulk carrier motor vessel *Eleni P* , which was built in 1997 and acquired on March 6, 2009.

- Pantelis Shipping Ltd., incorporated in the Republic of Malta on July 2, 2009, owner of the Maltese flag 74,020 dwt bulk carrier m/v *Pantelis* which was built in 2000 and acquired on July 23, 2009.

As of December 31, 2009, our vessels, m/v *Ninos* and m/v *Kuo Hsiung*, were collateral for a loan with an outstanding balance of $3,700,000. Our vessel, m/v *Tasman Trader* , was collateral for a loan with an outstanding balance of $4,540,000. Our vessel, m/v *Aristides N.P.* , was collateral for a loan with an outstanding balance of $9,625,000. Our vessels, m/v *YM Port Kelang* and m/v *Irini* , were collateral for a loan with an outstanding balance of $9,000,000. Our vessel, m/v *Monica P*, was collateral for a loan with an outstanding amount of $9,250,000 and also collateral (i) along with our vessel, m/v *Manolis P*, to a loan with an outstanding amount of $8,400,000, and (ii) along with our vessel m/v *Tiger Bridge*, to a loan with an outstanding amount of $4,600,000. Our vessel, m/v *Eleni P*, was collateral for a loan with an outstanding amount of $9,900,000. Our vessel, m/v *Pantelis*, was collateral for a loan with an outstanding amount of $12,500,000.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

The following discussion should be read in conjunction with our financial statements and footnotes thereto contained in this annual report. This discussion contains forward-looking statements, which are based on our assumptions about the future of our business. Our actual results may differ materially from those contained in the forward-looking statements. Please read "Forward-Looking Statements" for additional information regarding forward-looking statements used in this annual report. Reference in the following discussion to "our" and "us" refer to Euroseas, our subsidiaries and the predecessor operations of Euroseas, except where the context otherwise indicates or requires.

We are a Marshall Islands company incorporated in May 2005. We are a provider of worldwide ocean-going transportation services. We own and operate drybulk carriers that transport major bulks such as iron ore, coal and grains, and minor bulks such as bauxite, phosphate and fertilizers. We also own and operate containerships and multipurpose vessels that transport dry and refrigerated containerized cargoes, mainly including manufactured products and perishables. As of May 15, 2010, our fleet consisted of five drybulk carriers, comprised of four Panamax and one Handymax drybulk carriers, nine containerships and one multipurpose vessel. The total cargo carrying capacity of the five drybulk carriers is 331,308 deadweight tons, or dwt, and of the nine containerships is 243,994 dwt and 15,779 twenty-foot equivalent units, or teu. Our multipurpose vessel can carry 22,568 dwt and/or 950 teu.

We actively manage the deployment of our fleet between spot market voyage charters, which generally last from several days to several weeks, and time charters, which can last up to several years. Some of our vessels may participate in shipping pools, or, in some cases participate in contracts of affreightment. As of May 15, 2010, two of our vessels participated in shipping pools. We also use FFA contracts to provide partial coverage for our drybulk vessels - as a substitute for time charters - in order to increase the predictability of our revenues.

Vessels operating on time charters provide more predictable cash flows but can yield lower profit margins than vessels operating in the spot market during periods characterized by favorable market conditions. Vessels operating in the spot market generate revenues that are less predictable but may enable us to achieve increased profit margins during periods of high vessel rates although we are exposed to the risk of declining vessel rates, which may have a materially adverse impact on our financial performance. Vessels operating in pools benefit from better scheduling, and thus increased utilization, and better access to contracts of affreightment due to the larger commercial operation of the pool. We are constantly evaluating opportunities to increase the number of our vessels deployed on time charters or to participate in shipping pools (if available for our vessels), however we only expect to enter into additional time charters or shipping pools if we can obtain contract terms that satisfy our criteria. Containerships are employed almost exclusively on time charter contracts. We carefully evaluate the length and the rate of the time charter contract at the time of fixing or renewing a contract considering market conditions, trends and expectations.

We constantly evaluate vessel purchase opportunities to expand our fleet accretive to our earnings and cash flow, as well as, sale opportunities of certain of our vessels.

A. *Operating results*

Factors Affecting Our Results of Operations

We believe that the important measures for analyzing trends in the results of our operations consist of the following:

Calendar days . We define calendar days as the total number of days in a period during which each vessel in our fleet was in our possession including off-hire days associated with major repairs, drydockings or special or intermediate surveys. Calendar days are an indicator of the size of our fleet over a period and affect both the amount of revenues and the amount of expenses that we record during that period.

Available days. We define available days as the total number of days in a period during which each vessel in our fleet was in our possession net of off-hire days associated with scheduled repairs, drydockings or special or intermediate surveys. The shipping industry uses available days to measure the number of days in a period during which vessels were available to generate revenues.

Voyage days. We define voyage days as the total number of days in a period during which each vessel in our fleet was in our possession net of off-hire days associated with scheduled and unscheduled repairs, drydockings or special or intermediate surveys or days waiting to find employment. The shipping industry uses voyage days to measure the number of days in a period during which vessels actually generate revenues.

Fleet utilization . We calculate fleet utilization by dividing the number of our voyage days during a period by the number of our available days during that period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the amount of days that its vessels are off-hire either waiting to find employment ("commercial off-hire") or for reasons such as unscheduled repairs or other off-hire time related to the operation of the vessels ("operational off-hire"). We distinguish our fleet utilization into commercial and operational. We calculate our commercial fleet utilization by dividing our available days net of commercial off-hire days during a period by our available days during that period. We calculate our operational fleet utilization by dividing our available days net of operational off-hire days during a period by our available days during that period.

Spot Charter Rates . Spot charter rates are volatile and fluctuate on a seasonal and year to year basis. The fluctuations are caused by imbalances in the availability of cargoes for shipment and the number of vessels available at any given time to transport these cargoes.

Time Charter Equivalent ("TCE"). A standard maritime industry performance measure used to evaluate performance is the daily time charter equivalent, or daily TCE. Daily TCE revenues are voyage revenues minus voyage expenses divided by the number of voyage days during the relevant time period. Voyage expenses primarily consist of port, canal and fuel costs that are unique to a particular voyage, which would otherwise be paid by a charterer under a time charter. We believe that the daily TCE neutralizes the variability created by unique costs associated with particular voyages or the employment of drybulk carriers on time charter or on the spot market (containership are chartered on a time charter basis) and presents a more accurate representation of the revenues generated by our vessels.

Basis of Presentation and General Information

We use the following measures to describe our financial performances:

Voyage revenues. Our voyage revenues are driven primarily by the number of vessels in our fleet, the number of voyage days during which our vessels generate revenues and the amount of daily charter hire that our vessels earn under charters, which, in turn, are affected by a number of factors, including our decisions relating to vessel acquisitions and disposals, the amount of time that we spend positioning our vessels, the amount of time that our vessels spend in drydock undergoing repairs, maintenance and upgrade work, the age, condition and specifications of our vessels, levels of supply and demand in the transportation market, the number of vessels on time charters, spot charters and in pools and other factors affecting charter rates in both the drybulk carrier and containership markets.

Commissions. We pay commissions on all chartering arrangements of 1.25% to Eurochart, one of our affiliates, plus additional commission of usually up to 5% to other brokers involved in the transaction. These additional commissions, as well as changes to charter rates will cause our commission expenses to fluctuate from period to period. Eurochart also receives a fee equal to 1% calculated as stated in the relevant memorandum of agreement for any vessel bought or sold by it on our behalf.

Voyage expenses. Voyage expenses primarily consist of port, canal and fuel costs that are unique to a particular voyage which would otherwise be paid by the charterer under a time charter contract, as well as commissions. Under time charters, the charterer pays voyage expenses whereas under spot market voyage charters, we pay such expenses. The amounts of such voyage expenses are driven by the mix of charters undertaken during the period.

Vessel operating expenses. Vessel operating expenses include crew wages and related costs, the cost of insurance, expenses relating to repairs and maintenance, the costs of spares and consumable stores, tonnage taxes and other miscellaneous expenses. Our vessel operating expenses, which generally represent fixed costs, have historically changed in line with the size of our fleet. Other factors beyond our control, some of which may affect the shipping industry in general (including, for instance, developments relating to market prices for insurance or inflationary increases) may also cause these expenses to increase.

Management fees. These are the fees that we pay to Eurobulk, our affiliated ship manager, under our management agreement with Eurobulk for the technical and commercial management that Eurobulk performs on our behalf. The fee, as of May 15, 2010, is 665 Euros per vessel per day for vessels in operation and is payable monthly in advance adjusted annually for inflation on January 1 st . During 2009, we paid 655 Euros per day per vessel in operation. The management fee for laid-up vessels is 50% of the above rates.

Vessel depreciation . We depreciate our vessels on a straight-line basis with reference to the cost of the vessel, age and scrap value as estimated at the date of acquisition. Depreciation is calculated over the remaining useful life of the vessel, which is estimated to range from 25 to 30 years from the date of original construction. We use 25 years of useful life for our drybulk vessels and 30 years for our containerships. Remaining useful lives of property are periodically reviewed and revised to recognize changes in conditions, new regulations or other reasons. Revisions of estimated lives are recognized over current and future periods.

Drydocking and special survey expense. Our vessels are required to be drydocked approximately every 30 to 60 months for major repairs and maintenance that cannot be performed while the vessels are trading. Through the end of 2008, we capitalized the costs associated with drydockings as they occurred and amortized these costs on a straight-line basis over the period between drydockings. Costs capitalized as part of the drydocking included: actual costs incurred at the drydock yard; cost of travel, lodging and subsistence of our personnel sent to the drydocking site to supervise; and the cost of hiring a third party to oversee a drydocking. We believe that these criteria were consistent with industry practice and that our policy of capitalization reflected the economics and market values of the vessels. Starting January 1, 2009, we changed the method of accounting for drydocking and special survey expenses to the direct expense method as this method eliminates the significant amount of time and subjectivity to determine which costs and activities related to drydocking and special survey should be deferred. We reflected this change as a change in accounting principles from an accepted accounting principle to a preferable accounting principles in accordance with guidance relating to Accounting Changes and Error Corrections. The new accounting principle has been applied retrospectively to all periods presented (see also Note 2 in the attached Financial Statements).

Interest expense and loan costs. We traditionally finance vessel acquisitions partly with debt on which we incur interest expense. The interest rate we pay is generally linked to the 3-month LIBOR rate, although from time to time we utilize fixed rate loans or could use interest rate swaps to eliminate our interest rate exposure. Interest due is expensed in the period it is accrued. Loan costs are deferred and amortized over the period of the loan; the un-amortized portion is written-off if the loan is prepaid early.

Other general and administrative expenses. We incur expenses consisting mainly of executive compensation, professional fees, directors' liability insurance and reimbursement of our directors' and officers' travel-related expenses. General and administrative expenses increased once we became a public company due to the duties typically associated with public companies. We acquire executive services, our Chief Executive Officer, Chief Financial Officer, Chief Administrative Officer, Internal Auditor and Secretary, through Eurobulk as part of our Master Management Agreement.

In evaluating our financial condition, we focus on the above measures to assess our historical operating performance and we use future estimates of the same measures to assess our future financial performance. In addition, we use the amount of cash at our disposal and our total indebtedness to assess our short term liquidity needs and our ability to finance additional acquisitions with available resources (see also discussion under "Capital Expenditures" below). In assessing the future performance of our present fleet, the greatest uncertainty relates to the spot market performance which affects those of our vessels that are not employed under fixed time charter contracts. Decisions about the acquisition of additional vessels or possible sales of existing vessels are based on financial and operational evaluation of such action and depend on the overall state of the drybulk, containership and multipurpose vessel market, the availability of purchase candidates, available employment and our general assessment of economic prospects for the sectors in which we operate.

Results from Operations

Year ended December 31, 2009 compared year ended December 31, 2008.

Voyage revenues . Voyage revenues for the period were $66.22 million, down 49.9% compared to the same period in 2008 during which voyage revenues amounted to $132.24 million. This decrease was primarily due to the lower charter rates our vessels achieved in 2009 as compared to 2008, due to the significant decline in rates in both the drybulk and containership markets. In 2009, we operated an average of 16.30 vessels, a 4.4% increase over the average of 15.61 vessels we operated during the same period in 2008. Our fleet of 16.30 vessels had 55.5 scheduled off-hire days in 2009 and 911 laid-up days as three of our vessels were laid-up, M/V Artemis for almost the entire period and M/V Despina P and M/V Jonathan P for the second, third and fourth quarters. We had 223.7 commercial off-hire days and 35 operational off-hire days. While employed, our vessels generated a time-charter equivalent ("TCE") rate of $13,698 per day per vessel compared to $23,695 per day per vessel in 2008, a decline of 42.2%.

The average TCE rate our vessels achieve is a combination of the time charter rate earned by our vessels under time charter contracts, which is not influenced by market developments during the duration of the charter (unless the two charter parties renegotiate the terms of the charter or the charterer is unable to make the contracted payments), and the TCE rate earned by our vessels employed in the spot market which is influenced by market developments. Charter rates in 2009 were significantly lower compared to 2008. Our vessels that operated in the spot market or came off time charter contracts and had to be re-chartered were negatively influenced by the depressed market levels during 2009 and had to incur commercial off-hire time.

Commissions . Commissions for the period were $2.43 million. At 3.68% of voyage revenues, commissions as a percentage were slightly lower than in 2008; for the year ended December 31, 2008, commissions amounted to $5.94 million, or 4.49% of voyage revenues. The dollar amount of commissions is lower because revenues in 2009 are significantly lower as compared to 2008.The main reason for this percentage reduction is that voyage revenues in 2009 include a larger contribution from the vessels that operated in pools where commission is paid at the pool level partly offset by the lower amortization of the fair value of below market charters ($3.63 million in 2009 versus $6.14 million in 2008) against which no commission is charged.

Voyage expenses . Voyage expenses for the year were $1.51 million and related to expenses for certain voyage charters. For the year ended December 31, 2008, voyage expenses amounted to $3.09 million. Because our vessels are generally chartered under time charter contracts, voyage expenses represent a small fraction (2.3% in each of 2009 and 2008) of voyage revenues. Voyages expenses are dependent on the number of voyage charters, the cost of fuel, port costs and canal tolls. Lower fuel prices during 2009 contributed to lower voyage costs for the year.

Vessel operating expenses . Vessel operating expenses were $23.67 million in 2009 compared to $27.52 million for 2008. The decline is partly due to the fact that three of our vessels were laid-up for the entire or a greater part of the year (a total of 911 days) and thus incurred significantly lower costs and partly to other costs savings. This was partly offset by the higher average number of vessels we operated in 2009, specifically, an average of 16.30 vessels compared to 15.61 vessels in 2008. Daily vessel operating expenses per vessel decreased between the two periods to $3,979 per day in 2009 compared to $4,816 per day in 2008, a 17.4% decrease, from roughly 55% savings from the laid-up vessels, and the remaining from lower lubricant costs, savings from lower exchange rate of the Euro and other currencies with respect to the U.S. dollar and further cost savings for the vessels in their second year of operations under our management.

Management fees . These are part of the fees we pay to Eurobulk under our Master Management Agreement. During 2009, Eurobulk charged us 655 Euros per day per vessel totalling $5.07 million for the period, or $853 per day per vessel (or, $924 per vessel per operating day if we adjust for the fact that laid-up vessels paid half the daily management fee). In 2008, management fees amounted to $5.39 million, or $943 per day per vessel based on the daily rate per vessel of 630 Euros. The decrease of the daily management fee in US Dollars on a per operating day basis (from $943 in 2008 to $924 in 2009), despite the increase of the daily management fee in Euros, is due to the lower Euro exchange rate in 2009 as compared to 2008. The decrease in the total management fees paid in 2009 also resulted from the lower fee paid by the laid-up vessels partly offset by the higher average number of vessels we owned during 2009, namely 16.30 vessels as compared to an average of 15.61 vessels we owned in 2008.

Other general and administrative expenses . These are expenses we pay as part of our operation as a public company and include the fixed portion of our management agreement fees, legal and auditing fees, directors' and officers' liability insurance and other miscellaneous corporate expenses. In 2009, we had a total of $3.64 million of general and administrative expenses as compared to $4.06 million in 2008. The decrease is mainly due to lower incentive non-cash compensation of approximately $0.82 million in 2009 as opposed to $1.62 million in 2008 for incentive awards given to certain officers, directors and other key persons partly offset by higher executive management fees and other miscellaneous expenses.

Drydocking expenses. These are expenses we pay for our vessels to complete a drydocking as part of an intermediate or special survey. As of January 1, 2009, we use the direct expense method of accounting for such expenses as opposed to the deferral method that we employed previously. In 2009, we had two vessels undergoing drydocking for a total of $1.91 million. During 2008, we had five vessels undergoing drydocking for which we incurred $6.13 million of expenses.

Vessel depreciation . Vessel depreciation for 2009 was $19.09 million. Comparatively, vessel depreciation for 2008 amounted to $28.28 million. Vessel depreciation in 2008 was higher compared to 2009 partly because the m/v *Ioanna P* and m/v *Nikolaos P* , which were sold in the first quarter of 2009, contributed about $6.48 million to the depreciation expenses of 2008 (they were not depreciated at all in 2009 as they were classified as "held for sale" as of December 31, 2008); and, partly due to the net changes in estimates of the useful lives of our containerships (from 25 to 30 years based on their intended use and industry practice) and the decrease of the scrap price per ton (from $300 to $250 to better reflect changes in the scrap metal market), depreciation expenses for 2009 were reduced by $6.44 million. These reductions were partly offset by $3.40 million incremental depreciation expenses for the three vessels we purchased in 2009 (m/v *Monica P* , m/v *Eleni P* and m/v *Pantelis*) and the fact the m/v *Maersk Noumea* , purchased in May 2008, was depreciated for a full year in 2009 as compared to about eight months in 2008.

Impairment loss . This is an impairment loss for two vessels classified as held for sale as of December 31, 2008. The impairment loss of $25.11 million represents the excess carrying values of the vessels over their fair value which was calculated based on the agreed sale prices of the vessels less the cost to sell them. There was no impairment for any other vessel in 2008 or any vessel in 2009, as the undiscounted cash flow test performed as of December 31, 2008 and 2009, respectively, determined that the carrying amounts of our vessels held for use were recoverable.

Net gain or loss from vessel sales . There was no vessel sale in 2008 compared to four vessels sold in 2009 for a loss of $8.96 million which relates to the sale of m/v *Artemis* and m/v *Gregos* . Two of the vessels sold in 2009, m/v Ioanna P and m/v Nikolaos, were classified as vessels held for sale as of December 31, 2008 and their result was classified as "Impairment loss" (see discussion above).

Interest and other financing costs, net. Interest and other financing cost, net for the period were $0.32 million. Of this amount, $1.44 million relates to interest incurred, loan fees and expenses paid and deferred loan fees written-off during the period, offset by $1.12 million of interest income during the period. Comparatively, during the same period in 2008, net interest and finance income amounted to $0.24 million, comprised of $2.93 million of interest incurred and loan fees and offset by $3.17 million of interest income. Interest incurred and loan fees were lower in 2009 due to the lower average loan amounts outstanding and lower LIBOR interest rates partly offset by the higher interest rate margins over LIBOR for the three loans drawn during 2009. Interest income was lower in 2009 due to lower average cash balances during the year and lower LIBOR interest rates.

Investments and Foreign Exchange Gains or Losses. In 2009, we had a $36,477 foreign exchange gain compared to a $7,888 foreign exchange gain in 2008. In 2009, we had a realized gain from investments in trading securities of $0.41 million and an unrealized loss of $5,325 compared to a realized gain of $81,193 and an unrealized loss from investments in trading securities of $2.39 million in 2008. Our investments in trading securities produced $0.32 million in dividend income in 2008; we had no dividend income in 2009.

Derivatives losses. In 2009, we had a realized loss of $0.68 million from two interest rate swap contracts that we entered into in July 2008 and July 2009 and unrealized gains of $0.28 million from the same interest rate swaps compared to a realized loss of $77,105 from the July 2008 interest rate swap contract and unrealized losses of $2.18 million in 2008. In 2009, we had realized losses of $7.48 million as well as unrealized losses of $7.90 million from a number of Forward Freight Agreement ("FFA") contracts that we entered into in December 2008 and during 2009. In 2008, we had unrealized losses from FFA contracts we entered into in 2008 of $1.22 million. We entered into both the interest rate swaps and FFA contracts to mitigate our exposure to possible increases in interest rates and further declines in the drybulk market rates, but to-date the markets have moved against our positions under these contracts.

Net loss / income. As a result of the above, net loss for the year ended December 31, 2009 was $15.63 million compared to net income of $21.49 million for the same period in 2008.

Year ended December 31, 2008 compared year ended December 31, 2007.

Voyage revenues . Voyage revenues for the period were $132.24 million, up 53.6% compared to the same period in 2007 during which voyage revenues amounted to $86.10 million. This increase was primarily due to the higher charter rates our vessels achieved in 2008 as compared to 2007, especially in the drybulk market, and to the larger fleet we operated. In 2008, we operated an average of 15.61 vessels, a 36.0% increase over the average of 11.48 vessels we operated during 2007. Our fleet of 15.61 vessels had throughout the period 113 unscheduled off-hire days and 151 days of scheduled off-hire for the drydocking of five vessels, generating an average TCE rate per vessel of $23,695 per day compared to $21,468 per day per vessel for the same period in 2007. The average TCE rate our vessels achieve is a combination of the time charter rate earned by our vessels under time charter contracts, which is not influenced by market developments during the duration of the charter, and the TCE rate earned by our vessels employed in the spot market which is influenced by market developments. Shipping rates in the first nine months of 2008 were on average stronger compared to the first nine months of 2007, but rates fell by more than 90% in the last three months of the year and were significantly weaker than the last three months of 2007. Our vessels that operated in the spot market or came off time charter contracts and had to be rechartered were negatively influenced by the depressed market levels during the fourth quarter of 2008.

Commissions . Commissions for the period were $5.94 million. At 4.49% of voyage revenues, commissions were slightly lower than in 2007; for the year ended December 31, 2007, commissions amounted to $4.02 million, or 4.67% of voyage revenues. The main reason for this reduction is that voyage revenues in 2008 include a larger contribution from the amortization of the fair value of below market charters (a $6.14 million increase in 2008 as compared to a $0.55 million reduction in 2007) against which no commission is charged.

Voyage expenses . Voyage expenses for the year were $3.09 million related to expenses for certain voyage charters. For the year ended December 31, 2007, voyage expenses amounted to $0.90 million. Because our vessels are generally chartered under time charter contracts, voyage expenses represent a small fraction (2.3% and 1.0% in 2008 and 2007, respectively) of voyage revenues; in 2008, we had more voyage charters than in 2007 which resulted in higher voyage expenses.

Vessel operating expenses . Vessel operating expenses were $27.52 million in 2008 compared to $17.24 million for 2007. This difference was due to the higher average number of vessels we operated in 2008, specifically, an average of 15.61 vessels in 2008 compared to 11.48 vessels in 2007. Daily vessel operating expenses per vessel increased between the two periods to $4,816 per day in 2008 compared to $4,115 per day in 2007, a 17.0% increase, reflecting primarily higher crew and lubricant costs and higher exchange rate of the Euro and other currencies with respect to the U.S. dollar.

Management fees . These are part of the fees we pay to Eurobulk under our Master Management Agreement. During 2008, Eurobulk charged us 630 Euros per day per vessel totalling $5.39 million for the period, or $943 per day per vessel. In 2007, management fees amounted to $3.67 million, or $875 per day per vessel based on the daily rate per vessel of 628 Euros. The increase on a per day basis is solely due to the higher Euro exchange rate in 2008 as compared to 2007. The increase in the management fees paid in 2008 also resulted from an increase in the average number of vessels we owned during the period; in 2008, we owned 15.61 vessels compared to an average of 11.48 vessels we owned during 2007.

Other general and administrative expenses . These are expenses we pay as part of our operation as a public company and include the fixed portion of our management agreement fees, legal and auditing fees, directors' and officers' liability insurance and other miscellaneous corporate expenses. In 2008, we had a total of $4.06 million of general and administrative expenses as compared to $2.66 million in 2007. The increase is mainly due to higher incentive non-cash compensation of approximately $0.80 million in 2008 for incentives awards given to certain officers, directors and other key persons as well as higher management fees we paid to Eurobulk for executive services of approximately $0.49 million in 2008; the remaining increase of approximately $0.11 million is due to various other miscellaneous expenses.

Drydocking expenses. These are expenses we pay for our vessels to complete a drydocking as part of an intermediate or special survey. On January 1, 2009, we switched to using the direct expense method of accounting for such expenses as opposed to the deferral method that we employed previously. In 2008, we had five vessels undergoing drydocking for which we incurred $6.13 million of expenses. In 2007, we had seven vessels undergoing drydocking for which we paid $5.77 million.

Vessel depreciation . Vessel depreciation in 2008 was $28.28 million. Comparatively, depreciation in 2007 amounted to $16.42 million. Depreciation in 2008 was higher than in 2007 because of the higher average number of vessels and also because full year depreciation was charged for vessels bought in 2007 and depreciation for one additional vessel bought in 2008.

Impairment loss . This is an impairment loss for two vessels classified as held for sale as of December 31, 2008. The impairment loss of $25.11 million represents the excess carrying values of the vessels over their fair value which was calculated based on the agreed sale prices of the vessels less the cost to sell them. There was no impairment for any other vessel in 2008, as the undiscounted cash flow test performed as of December 31, 2008 determined that the carrying amounts of our vessels held for use were recoverable. In 2007, there were no events or changes in circumstances indicating that the carrying amount of any vessels may not be recoverable and as a result no impairment was assessed.

Net gain or loss from vessel sales . There was no vessel sale in 2008 compared to one vessel sold in 2007 for a gain of $3.44 million.

Interest and other financing costs, net. Interest and other financing income, net for the period were $0.24 million. Of this amount, $2.93 million relates to interest incurred, loan fees and expenses paid and deferred loan fees written-off during the period, offset by $3.17 million of interest income during the period. Comparatively, during the same period in 2007, net interest and finance costs amounted to $2.49 million comprised of $4.85 million of interest incurred and loan fees and offset by $2.36 million of interest income. Interest incurred and loan fees were lower in 2008 due to the lower loan amount outstanding as a result of no new loans being assumed in 2008 and the repayment of loans outstanding as of December 31, 2007. Interest income was higher in 2008 due to the uninvested proceeds from the follow-on common stock offering of November 2007; of the net proceeds of the that offering amounting to approximately $93.55 million, only $43.58 million was invested for the acquisition of m/v *Maersk Noumea* with the rest producing interest income. Interest income in 2007 was also the result of the above and two additional follow-on common stock offerings earlier in 2007 the proceeds of which were invested by November 2007 and as a result produced lower interest income.

Investments and Foreign Exchange Gains or Losses. In 2008, we had a $7,888 foreign exchange gain compared to a $7,824 foreign exchange loss in 2007. In 2008, we had a realized gain from investments in trading securities of $81,193 and an unrealized loss of $2.39 million as the share price of the securities we held declined by about 75% during 2008, compared to an unrealized gain from investments in trading securities of $98,744 in 2007. Our investments in trading securities produced $0.32 million in dividend income in 2008; we had no dividend income in 2007.

Derivatives losses. In 2008, we had a realized loss of $77,105 from an interest rate swap contract that we entered in July 2008. We had unrealized losses of $3.40 million, net, from the same interest rate swap and six Forward Freight Agreement ("FFA") contracts that we entered into in December 2008 since the market moved against our positions under the interest rate swap and most of the FFA contracts during the remainder of the year. Specifically, interest 5-year swap rates declined since July 2008, and the drybulk market FFA contract rates for 2009 and 2010 increased during December 2008 resulting in unrealized losses of $2.18 million and $1.22 million, net, respectively. In 2007, we had no derivative contracts.

Net income. As a result of the above, net income for the year ended on December 31, 2008 was $21.49 million compared to $36.46 million for the same period in 2007, representing an decrease of 41.1 %.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. The preparation of those financial statements requires us to make estimates and judgments that affect the reported amount of assets and liabilities, revenues and expenses and related disclosure of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are those that reflect significant judgments or uncertainties, and potentially result in materially different results under different assumptions and conditions. We have described below what we believe are our most critical accounting policies that involve a high degree of judgment and the methods of their application.

Depreciation

We record the value of our vessels at their cost (which includes acquisition costs directly attributable to the vessel and expenditures made to prepare the vessel for its initial voyage) less accumulated depreciation. We depreciate our vessels on a straight-line basis over their estimated useful lives, estimated to range from 25 to 30 years from date of initial delivery from the shipyard. We believe that the 25 to 30 year range of depreciable life is consistent with that of other ship owners. As of December 31, 2006, one of our vessels had already reached an age of 29 years and continued to be employed (this vessel, m/v *Ariel* , was sold for further trading in February 2007). Depreciation is based on cost less the estimated residual scrap value. In November 2008, the estimated useful life of the containerships and multipurpose vessels was increased to 30 years (from 25 years until then) in line with industry practice and the intended use of such vessels; also, the estimated scrap value of the vessels was reduced from $300 to $250 per light ton to better reflect market price developments in the scrap metal market. An increase in the useful life of the vessel or in the residual value would have the effect of decreasing the annual depreciation charge and extending it into later periods. A decrease in the useful life of the vessel or in the residual value would have the effect of increasing the annual depreciation charge.

Revenue and expense recognition

Revenues are generated from voyage and time charter agreements. If a charter agreement exists, the price is fixed, service is provided and the collection of the related revenue is reasonably assured, revenues are recorded over the term of the charter as service is provided and recognized on a pro-rata basis over the duration of the voyage or time charter adjusted for the off-hire days that a vessel spends undergoing repairs, maintenance or upgrade work. A voyage is deemed to commence upon the later of the completion of discharge of the vessel's previous cargo or the time it receives a contract that is not cancelable and is deemed to end upon the completion of discharge of the current cargo. A time charter contract is deemed to commence from the time of the delivery of the vessel to an agreed port and is deemed to end upon the re-delivery of the vessel at an agreed port. We generally enter into a charter agreement for the vessel's next voyage or time charter prior to the time of discharge of the previous cargo or completion of previous time charter. We do not begin recognizing voyage or time charter revenue until a charter contract has been agreed to both by us and the customer, even if the vessel has discharged its cargo or completed the previous time charter and it is sailing to the anticipated load port for its next voyage or to the port it will be delivered to the next charterer. Demurrage income, which is included in voyage revenues, represents payments received from the charterer when loading or discharging time exceeded the stipulated time in the voyage charter and is recognized when earned. Probable losses on voyages are provided for in full at the time such losses can be estimated.

For the Company's vessels operating in chartering pools, revenues and voyage expenses are pooled and allocated to each pool's participants on a time charter equivalent basis in accordance with an agreed-upon formula. For vessels that simultaneously participate in spot chartering pools and cargo pools (pools of contracts of affreightment, also called, short funds; in the Company's case, participation in cargo pools requires participation in spot chartering pools), a combined time charter equivalent revenue is provided by the operator of the vessel and cargo pools. Revenues and voyage expenses are recognized during the period services were performed, the collectability has been reasonably assured, an agreement with the pool exists and price is determinable.

Charter fees received in advance are recorded as a liability (deferred revenue) until charter services are rendered.

Vessels operating expenses comprise all expenses relating to the operation of the vessels, including crewing, insurance, repairs and maintenance, stores, lubricants, spares and consumables, professional and legal fees and miscellaneous expenses. Vessel operating expenses are incurred when the vessel is chartered under a voyage charter and are recognized as incurred; payments in advance of services or use are recorded as prepaid expenses. Voyage expenses comprise all expenses relating to particular voyages, including bunkers, port charges, canal tolls, and agency fees. Voyage expenses are recognized on a pro-rata basis over the estimated length of the each voyage. The impact of recognizing voyage expenses on a pro-rata basis over the length of the each voyage is not materially different on a quarterly and annually basis from a method of recognizing such expenses as incurred.

Drydock costs

Our vessels are required to be drydocked approximately every 30 to 60 months for major repairs and maintenance that cannot be performed while the vessels are trading. Up to December 31, 2008, we capitalized the costs associated with drydockings as they occurred and amortized these costs on a straight-line basis over the period between drydockings. Costs capitalized as part of the drydocking included actual costs incurred at the drydock yard, cost of travel, lodging and subsistence of our personnel sent to the drydocking site to supervise and the cost of hiring a third party to oversee a drydocking. These criteria were consistent with industry practice and the policy of capitalization reflected the economics and market values of the vessels. As of January 1, 2009, the Company elected to change the method of accounting for drydocking and special survey expenses to the direct expense method as this method eliminates the significant amount of time and subjectivity to determine which costs and activities related to drydocking and special survey should be deferred. We reflected this change as a change in accounting principles from an accepted accounting principle to a preferable accounting principle in accordance with guidance relating to Accounting Changes and Error Corrections. The new accounting principle has been applied retrospectively to all periods presented (see also Note 2 of attached Financial Statements).

Fair value of time charter acquired

We record all identified tangible and intangible assets or any liabilities associated with the acquisition of a vessel at fair value. Where vessels are acquired with existing time charters, the Company determines the present value of the difference between: (i) the contractual charter rate and (ii) the prevailing market rate for a charter of equivalent duration. In discounting the charter rate differences in future periods, the Company uses its Weighted Average Cost of Capital (WACC) adjusted to account for the credit quality of the charterer. The capitalized above-market (assets) and below-market (liabilities) charters are amortized as a reduction and increase, respectively, to voyage revenues over the remaining term of the charter.

Impairment of long-lived assets

We evaluate the carrying amounts and periods over which long-lived assets are depreciated to determine if events have occurred which would require modification to their carrying values or useful lives. In evaluating useful lives and carrying values of long-lived assets, we review certain indicators of potential impairment, such as undiscounted projected operating cash flows, vessel sales and purchases, business plans and overall market conditions. We determine undiscounted projected net operating cash flows for each vessel and compare it to the vessel carrying value. When the estimate of undiscounted cash flows, excluding interest charges, expected to be generated by the use of the asset is less than its carrying amount, we should evaluate the asset for an impairment loss. In the event that impairment occurred, we would determine the fair value of the related asset and we record a charge to operations calculated by comparing the asset's carrying value to the estimated fair market value. We estimate fair market value primarily through the use of third party valuations performed on an individual vessel basis.

The carrying values of the Company's vessels may not represent their fair market value at any point in time since the market prices of second-hand vessels tend to fluctuate with changes in charter rates and the cost of newbuildings.

The Company did not note for 2007, any events or changes in circumstances indicating that the carrying amount of its vessels may not be recoverable. However, in the fourth quarter of 2008, market conditions changed significantly as a result of the credit crisis and resulting slowdown in world trade. Starting at the end of the third quarter and during the fourth quarter of 2008, the charter rates in the drybulk and containership market declined significantly and vessel values also declined (although there were scarce transactions to document that) both as a result of a slowdown in the availability of global credit and the significant deterioration in charter rates. These were conditions that the Company considers to be indicators of potential impairment. The Company performed the undiscounted cash flow test as of December 31, 2008. We determine undiscounted projected net operating cash flows for each vessel and compare it to the vessel's carrying value. This assessment is made at the individual vessel level since separately identifiable cash flow information for each vessel is available. In developing estimates of future cash flows, the Company made assumptions about future charter rates, utilization rates, ship operating expenses, future dry docking costs and the estimated remaining useful lives of the vessels. These assumptions are based on historical trends as well as future expectations in line with the Company's historical performance and our expectations for future fleet utilization under our current fleet deployment strategy. The Company determined that the carrying amounts of its vessels held for use were recoverable. The Company recorded an impairment loss for two of its vessels that were classified as held for sale as of December 31, 2008. The impairment loss for these assets was measured on the basis of their fair market value as per the agreed sale price less cost to sell them and estimated at $25.11 million. This amount is presented in the "Impairment loss" line in the "Operating Expenses" section of the "Consolidated Statements of Operations". During 2009, charter rates and vessel values for drybulk vessels improved significantly from the levels observed (or assessed in the case of vessel values) in the fourth quarter of 2008 and first quarter of 2009. In contrast, charter rates and values in the containership market remained depressed throughout the year. Once again, the Company considered the conditions of the containership market to be indicators of potential impairment. The Company performed the undiscounted cash flow test as of December 31, 2009 and determined that the carrying amounts of its vessels held for use were recoverable.

Our impairment test exercise is highly sensitive on variances in the time charter rates, fleet effective utilization rate, estimated scrap values, future drydocking costs and estimated vessel operating costs. Our current analysis, which involved also a sensitivity analysis by assigning possible alternative values to these inputs, indicates that there is no impairment of individual long lived assets. However, there can be no assurance as to how long term charter rates and vessel values will remain at their currently low levels or whether they will improve by any significant degree. Charter rates may remain at depressed levels for some time which could adversely affect our revenue and profitability, and future assessments of vessel impairment.

Stock incentive plan awards

We include share-based compensation in "Other general and administrative expenses" in the consolidated statements of operations. Share-based compensation represents vested and nonvested restricted shares granted to employees and to non-employee directors, for their services as directors, as well as to non-employees. These shares are measured at their fair value equal to the market value of the Company's common stock on the grant date. The shares that do not contain any future service vesting conditions are considered vested shares and a total fair value of such shares is expensed on the grant date. The shares that contain a time-based service vesting condition are considered nonvested shares on the grant date and a total fair value of such shares recognized on a straight-line basis over the requisite service period. In addition, nonvested awards granted to non-employees are measured at its then-current fair value as of the financial reporting dates until non-employees complete the service.

Investments

We classify unrestricted publicly traded investments as trading securities and record them at fair value. For trading securities, the Company records unrealized gains or losses resulting from changes in fair value of its investment in trading securities between measurement dates as a component of "Gain (loss) on investments". In accordance with the guidance relating to "Fair Value Measurements", the Company determines the fair value of its investments in trading securities using quoted market prices in active markets for the same securities (Level 1 under the above-said guidance hierarchy (see Note 16)). The Company determines the cost of trading securities sold by using the First-In-First-Out ("FIFO") method. Purchases of, or proceeds from, the sale of trading securities are classified as cash flows from operating activities. The Company has adopted the guidance relating to "The Fair Value Option for Financial Assets and Financial Liabilities" which allows the classification of purchases of, or proceeds from, the sale of trading securities to be classified to cash flows from operating activities or cash flows from investing activities based upon the Company's intent with respect to these securities.

Derivative financial instruments

We record every derivative instrument (including certain derivative instruments embedded in other contracts) in the balance sheet as either an asset or liability measured at its fair value with changes in the instruments' fair value recognized in other comprehensive impact or earnings depending whether specific hedge accounting criteria are met at the inception of the hedge in accordance with the guidance relating to "Accounting for Derivative Instruments and Hedging Activities".

For the years ended December 31, 2008 and 2009, the interest rate swaps and the Freight Forward Agreement ("FFA") contracts were not designated as hedging instruments and did not qualify for hedge accounting treatment. Accordingly, all gains or losses have been recorded in the consolidated statement of operations. There were no interest rate swaps or FFA contracts for the year ended December 31, 2007.

Recent Accounting Pronouncements

Please refer to Note 2 of the financial statements attached to this report.

B. Liquidity and Capital Resources

Historically, our sources of funds have been equity provided by our shareholders, operating cash flows and long-term borrowings. Our principal use of funds has been capital expenditures to establish and expand our fleet, maintain the quality of our vessels, comply with international shipping standards and environmental laws and regulations, fund working capital requirements, make principal repayments on outstanding loan facilities, and pay dividends. We expect to rely upon funds on our balance sheet which include remaining funds raised from our follow-on common stock offering in November 2007, continuous offering program, operating cash flows, long term borrowings, as well as future offerings to implement our growth plan and meet our liquidity needs going forward. In our opinion our working capital is sufficient for our present requirements.

Cash Flows

As of December 31, 2009, we had a cash balance of $40.98 million and $7.69 million of restricted cash and cash in restricted retention accounts. We owe funds to a related company of $1.42 million. Amounts owed to such related company represent net disbursements and collections made by our fleet manager, Eurobulk, on behalf of the ship-owning companies during the normal course of operations for which they have the right of offset. Typically, amounts are due from such related company to us and mainly consist of advances to our fleet manager of funds to pay for all anticipated vessel expenses. We occasionally may owe funds to such related company if the timing of any advance delays disbursement of funds. Interest earned on funds deposited in related party accounts, if any, is credited to the account of the ship-owning companies or Euroseas. We do not owe interest for any funds that we may owe to such related company. Of the $12.4 million funds shown under "Other deposits" in the current assets section of the consolidated balance sheets, $9.1 million represent mark-to-market margin requirements for our FFA derivative contracts and is the amount required to close all such positions as of December 31, 2009; the remaining amount of $3.3 million represents a "base" margin for the same contracts which will be released to us when the contracts are settled or closed. Working capital is current assets minus current liabilities, including the current portion of long term debt. We had a working capital surplus of $28.49 million including the current portion of long term debt which was $14.03 million as of December 31, 2009. All of the $10.78 million dividend declared was paid as of December 31, 2009, except for $46,750 that was accrued and will be paid at the time the underlying restricted stock of incentive awards vest. We consider our liquidity sufficient for our operations. We expect to finance all our working capital requirements from cash generated from operations and cash on our balance sheet.

Net cash from operating activities.

Our net cash from operating activities for 2009 was $7.84 million. This represents the net amount of cash, after expenses, generated by chartering our vessels. Eurobulk, on our behalf, collects our chartering revenues and pays our chartering expenses. Net loss for the period was $15.63 million, which was increased by $19.09 million of vessel depreciation, $8.96 million loss on the sale of vessels and $7.6 million unrealized loss on derivatives; and, it was further decreased by $12.4 million increase in margin requirements of FFA derivative contracts. In 2008, net cash flow from operating activities was $74.28 million based on a contribution of net income of $21.49 million increased by an impairment loss of $25.11 million and by $28.28 million of vessel depreciation amongst other adjustments.

Net cash from investing activities.

In 2009, we purchased three vessels for an aggregate purchase price of $62.22 million and had proceeds from the sale of four vessels of $16.67 million in the aggregate. We had to increase restricted cash by $0.71 million and collected insurance proceeds of $0.67 million for total cash used in investment activities of $45.60 million. In 2008, we purchased one vessel for $43.58 million and advanced $1.82 million as a deposit for the purchase of another vessel that was completed in January 2009; also, we had to increase the restricted cash and the cash we had in retention accounts by $0.74 million for total funds used in investment activities of $46.15 million. It is our strategy to expand and renew our fleet by pursuing selective acquisitions. At the same time, we sell vessels in order to renew our fleet or take advantage of opportune market conditions.

Net cash used in financing activities.

In 2009, net cash provided by financing activities amounted to $4.89 million. This is accounted for by the $0.65 million raised through our continuous stock offering program (after selling commissions) and $33.00 million in proceeds from new long term borrowings reduced by $17.50 million of repayments of long-term debt as well as by $10.85 million of dividends paid, $0.20 million of offering expenses paid and $0.21 million of loan arrangement fees paid. In 2008, net cash used in financing activities amounted to $58.42 million. These funds consisted primarily of $34.55 million of dividends paid and $25.58 million of loan repayments. We also had proceeds from shares issued of $1.81 million and we paid $0.11 million for stock offering expenses.

Debt Financing

We operate in a capital intensive industry which requires significant amounts of investment, and we fund a major portion of this investment through long term debt. We maintain debt levels we consider prudent based on our market expectations, cash flow, interest coverage and percentage of debt to capital. We did not draw any new loans in 2008.

As of December 31, 2009, we had nine outstanding loans with a combined outstanding balance of $71.52 million. These loans have maturity dates between 2011 and 2017. Our long-term debt as of December 31, 2009 comprises bank loans granted to our vessel-owning subsidiaries. A description of our loans as of December 31, 2009 is provided in Note 9 of our attached financial statements. In 2010, we plan to repay approximately $14.03 million of the above debt.

The loan agreements contain covenants .

Our loans have various covenants such as minimum requirements regarding the hull ratio cover (the ratio of fair value of vessel to outstanding loan less cash in retention accounts) and restrictions as to changes in management and ownership of the vessel shipowning companies, distribution of profits or assets (i.e. limiting dividends in some loans to 60% of profits, or, not permitting dividend payment or other distributions in cases that an event of default has occurred), additional indebtedness and mortgage of vessels without the lender's prior consent sale of vessels, maximum fleet-wide leverage, sale of capital stock of our subsidiaries, ability to make investments and other capital expenditures entering in mergers or acquisitions, minimum cash balance requirements and minimum cash retention accounts (restricted cash). If we are found to be in default of any covenants we might be required to provide supplemental collateral to the lenders, usually in the form of restricted cash. Increases in restricted cash required to satisfy loan covenants, would reduce funds available for investment or working capital and could have a negative impact on our operations. If we cannot correct any violated covenants, we might be required to repay all or part of our loans which, in turn, might require us to sell one or more of our vessels under distressed conditions. We are not in default of any credit facility covenant.

Continuous Equity Offering Program

On September 4, 2009, we established a continuous equity offering program by entering into a sales agreement with Citigroup, as sales agent. In connection therewith, on the same date we filed a prospectus supplement to our existing shelf registration statement on Form F-3 relating to the offer and sale of up to 7,000,000 common shares. We have thus far sold 134,100 shares under this program with aggregate net proceeds to us of approximately $0.65 million and aggregate commissions paid to Citigroup of approximately $13,250. We have suspended the program as of January 16, 2010.

Capital Expenditures

We make capital expenditures from time to time in connection with our vessel acquisitions. Our most recent vessel acquisitions consisted of two panamax drybulk carriers, m/v *Pantelis* , which was delivered to us in July 2009, and m/v *Eleni P* , which was delivered to us in March 2009, and one handymax drybulk carrier, m/v *Monica P* , which was delivered to us in January 2009. We financed m/v *Monica P* and m/v *Eleni P* with equity and two separate $10.00 million loans and m/v *Pantelis* with equity and a $13.00 million loan. Of our eight acquisitions during 2007 and 2008, five were financed with 100% equity while the remaining three were financed with equity and debt.

Two of the vessels in our operating fleet underwent scheduled drydocking or special survey in 2009. By May 15, 2010, two more vessels completed their drydocking or special survey. In the remainder of 2010, four additional vessels are scheduled to undergo a special survey, intermediate survey or drydocking. This process of recertification may require us to reposition these vessels from a discharge port to shipyard facilities, which will reduce our operating days during the period. The loss of earnings associated with the decrease in operating days, together with the capital needs for repairs and upgrades, is expected to result in increased cash flow needs. We expect to fund these expenditures with cash on hand.

Dividends

On May 7, 2010, the Company announced the declaration of its nineteenth consecutive dividend since its private placement in August 2005. This dividend of $0.05 per share of common stock is expected to be paid on or about June 18, 2010 to all shareholders of record as of June 11, 2010. This follows the Company's prior dividend declarations of $0.05 per share of common stock on February 23, 2010, $0.05 per share of common stock on November 16, 2009, $0.10 per share of common stock on August 4, 2009, $0.10 per share of common stock on May 13, 2009, $0.10 per share of common stock, on February 17, 2009, $0.20 per share of common stock on November 12, 2008, $0.32 per share of common stock on August 5, 2008, $0.31 per share of common stock on May 8, 2008, $0.30 per share of common stock, on February 7, 2008, $0.29 per share of common stock on October 16, 2007, $0.25 per share of common stock on July 17, 2007, $0.24 per share of common stock on May 8, 2007, $0.22 per share of common stock on January 8, 2007, $0.21 per share of common stock on November 9, 2006, $0.18 per share of common stock on August 7, 2006, $0.18 per share of common stock on May 9, 2006, $0.18 per share of common stock on February 7, 2006 and $0.21 per share of common stock on November 2, 2005. The aggregate amount of all such dividends paid was $80.88 million; an additional $70,250 will be paid if and when unvested restricted incentive stock awards vest.

C. Research and development, patents and licenses, etc.

Not applicable.

D. Trend information

Our results of operations depend primarily on the charter hire rates that we are able to realize. Charter hire rates paid for drybulk, containership and multipurpose carriers are primarily a function of the underlying balance between vessel supply and demand.

The demand for drybulk carrier, containership and multipurpose vessel capacity is determined by the underlying demand for commodities transported in these vessels, which in turn is influenced by trends in the global economy. One of the main reasons for the resurgence in drybulk and containerized trade has been the growth in imports by China of iron ore, coal and steel products during the last five years and exports of finished goods. Demand for drybulk carrier and containership capacity is also affected by the operating efficiency of the global fleet, with port congestion, which has been a feature of the market in 2004, the first half of 2005 and again in late 2006, 2007 and most of 2008, absorbing additional tonnage especially in the drybulk market. During the last three months of 2008 and the first three months of 2009, drybulk and containerized trade was severely affected by the world economic slowdown and the lack of bank credit to finance trade.

The supply of drybulk carriers, containerships and multipurpose vessels is dependent on the delivery of new vessels and the removal of vessels from the global fleet, either through scrapping or loss. Based on CRSL, as of May 1, 2010, the global drybulk carrier orderbook amounted to approximately 287.1 million dwt, or about 60% of the existing fleet, with more than half of the vessels on the orderbook scheduled to be delivered by the end of 2011, however, there is increasing indication that a substantial number of orders will be delayed or cancelled, following the trend of delays and cancellations of about 40% of the scheduled deliveries during 2009. Containership orderbook (including multipurpose vessels) amounted to approximately 4.61 million teu, or about 31.7% of the existing fleet with most vessels, again, expected to be delivered in 2010 and 2011.

The level of scrapping activity is generally a function of scrapping prices in relation to current and prospective charter market conditions, as well as operating, repair and survey costs. The average age at which a vessel is scrapped over the last ten years has been between 26 and 27 years, with smaller vessels scrapped at later age. During strong markets, the average age at which the vessels are scrapped increases; during 2004, 2005, 2006, 2007, and the first nine months of 2008 the majority of the handysize and handymax bulkers and feedership, handysize and intermediate size containerships that were scrapped were in excess of 30 years of age. During the same period Panamax drybulk carriers were scrapped at an average age of 29 years. However, the scrapping rate increased significantly and the average age decreased since the beginning of the October of 2008 when daily charter rates declined. Increased charter hire rates in the drybulk market commencing in the second quarter of 2009 resulted in decreased scrapping rates of drybulk vessels. On the contrary, continued weakness of containership charter hire rates resulted in increased scrapping rates at even lower vessel ages. For example, we sold one of our laid-up vessels, m/v *Artemis* , built in 1987 (a 22-year old vessel) for scrap.

Declining shipping charter hire rates have a negative impact on our earnings when our vessels are employed in the spot market or when they are to be re-chartered after completing a time charter contract. As of May 15, 2010, approximately 68% of our ship capacity days in 2010, including fixed spot employment in the first and second quarter of the year, and approximately 31% of our ship capacity days in 2010, are under time charter contracts or protected from market fluctuations via FFA contracts.

E. Off-balance Sheet Arrangements

As of December 31, 2009 we did not have any off-balance sheet arrangements.

F. Tabular Disclosure of Contractual Obligations

Contractual Obligations and Commitments

Contractual obligations are set forth in the following table as of December 31, 2009:

In U.S. dollars	Total	Less Than One Year	One to Three Years	Three to Five Years	More Than Five Years
Bank debt	$ 71,515,000	$ 14,030,000	$ 18,600,000	$ 27,445,000	$ 11,440,000
Interest Payments (1)	$ 11,545,866	$ 2,999,593	$ 5,083,535	$ 2,420,956	$ 1,041,782
Vessel Management fees (2)	$ 10,953,655	$ 3,488,657	$ 5,940,155	$ 1,524,854	—
Other Management fees (3)	$ 3,749,687	$ 1,165,000	$ 2,453,752	$ 130,935	—
Derivative contracts (4)	$ 9,118,119	$ 9,118,119	—	—	—

(1) Assuming the amortization of the loans as of December 31, 2009 described above and an average calculated interest rate margin over LIBOR of about 1.72%, 1.83%, 1.94% and 2.60% p.a. for the four periods, respectively, and based on an underlying assumption for LIBOR calculated from the forward rates of the LIBOR yield curve as of December 31, 2009 of 0.69%, 2.24%, 3.39%, 4.20% and 4.64% for years 1 to 5, respectively. Also includes our obligation to make payments required as of December 31, 2009 under our interest rate swap agreements based on the same LIBOR forward rate assumption (see Item 11).

(2) Refers to our obligation for management fees of 665 Euros per day per vessel (approximately $897.75) starting on January 1, 2010 for the fifteen vessels owned by Euroseas as of that date under the initial five-year management contract each shipowning company signs with Eurobulk when a vessel is acquired; the rate of these agreements is set in the Master Management Agreement which expires on February 6, 2013. For years two to five we have assumed no changes in the number of vessels, an inflation rate of 3.5% per year and no changes in this US Dollar to Euro exchange rate (assumed at 1.35 USD/Euro). The initial 5-year term of individual shipowning company management contracts start expiring in 2010; the contracts continue but are cancelable with two months notice. We have assumed that the two laid-up vessels as of December 31, 2009 remain laid-up during 2010 and, thus, pay half the daily management fee but are re-activated as of January 1, 2011.

(3) Refers to our obligation for management fees of $1,165,000 per year under our Master Management Agreement with Eurobulk for the cost of providing management services to Euroseas as a public company. This fee is adjusted for inflation in Greece during the previous calendar year every January 1 st . From January 1, 2010 on, we have assumed an inflation rate of 3.5% per year. The agreement expires on February 6, 2013.

(4) Refers to our obligation to make payments required as of December 31, 2009 under our outstanding FFA contracts. We have used the FFA rates as of December 31, 2009 to estimate the payments required under our FFA contracts (see Item 11).

G. Safe Harbor

See section "Forward-Looking Statements" at the beginning of this annual report.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

The following sets forth the name and position of each of our directors and executive officers.

Name	Age	Position
Aristides J. Pittas	50	Chairman, President and CEO; Class A Director
Dr. Anastasios Aslidis	50	CFO and Treasurer; Class A Director
Aristides P. Pittas	58	Vice Chairman; Class A Director
Stephania Karmiri	42	Secretary
Panagiotis Kyriakopoulos	49	Class B Director
George Skarvelis	49	Class B Director
George Taniskidis	49	Class C Director
Gerald Turner	62	Class C Director

Aristides J. Pittas has been a member of our Board of Directors and our Chairman and Chief Executive Officer since our inception on May 5, 2005. Since 1997, Mr. Pittas has also been the President of Eurochart, our affiliate. Eurochart is a shipbroking company specializing in chartering and selling and purchasing ships. Since 1997, Mr. Pittas has also been the President of Eurotrade, a ship operating company and our affiliate. Since January 1995, Mr. Pittas has been the President and Managing Director of Eurobulk, our affiliated ship management company. He resigned as Managing Director of Eurobulk in June 2005. Eurobulk is a ship management company that provides ocean transportation services. From September 1991 to December 1994, Mr. Pittas was the Vice President of Oceanbulk Maritime SA, a ship management company. From March 1990 to August 1991, Mr. Pittas served both as the Assistant to the General Manager and the Head of the Planning Department of Varnima International SA, a shipping company operating tanker vessels. From June 1987 until February 1990, Mr. Pittas was the head of the Central Planning department of Eleusis Shipyards S.A. From January 1987 to June 1987, Mr. Pittas served as Assistant to the General Manager of Chios Navigation Shipping Company in London, a company that provides ship management services. From December 1985 to January 1987, Mr. Pittas worked in the design department of Eleusis Shipyards S.A. where he focused on shipbuilding and ship repair. Mr. Pittas has a B.Sc. in Marine Engineering from University of Newcastle - Upon-Tyne and a MSc in both Ocean Systems Management and Naval Architecture and Marine Engineering from the Massachusetts Institute of Technology.

Dr. Anastasios Aslidis has been our Chief Financial Officer and Treasurer and member of our Board of Directors since September 2005. Prior to joining Euroseas, Dr. Aslidis was a partner at Marsoft, an international consulting firm focusing on investment and risk management in the maritime industry. Dr. Aslidis has more than

20 years of experience in the maritime industry. Between 2003 and 2005, he worked on financial risk management methods for shipowners and banks lending to the maritime industry, especially as pertaining to compliance to the Basel II Capital Accords. He also served as consultant to the Boards of Directors of shipping companies (public and private) advising in strategy development, asset selection and investment timing. Between 1993 and 2003, as part of his tenure at Marsoft, he worked on various projects including development of portfolio and risk management methods for shipowners, establishment of investments funds and structuring of private equity investments in the maritime industry and other business development for Marsoft's services. Between 1989 and 1993, Dr. Aslidis worked on economic modeling of the offshore drilling industry and on the development of a trading support system for the drybulk shipping industry on behalf of a major European shipowner. Dr. Aslidis holds a Diploma in Naval Architecture and Marine Engineering from the National Technical University of Athens (1983), M.S. in Ocean Systems Management (1984) and Operations Research (1987) from the Massachusetts Institute of Technology, and a Ph.D. in Ocean Systems Management (1989) also from the Massachusetts Institute of Technology.

Aristides P. Pittas has been a member of our Board of Directors since our inception on May 5, 2005 and our Vice Chairman since September 1, 2005. Mr. Pittas has been a shareholder in over 70 oceangoing vessels during the last 20 years. Since February 1989, Mr. Pittas has been the Vice President of Oceanbulk Maritime SA, a ship management company. From November 1987 to February 1989, Mr. Pittas was employed in the supply department of Drytank SA, a shipping company. From November 1981 to June 1985, Mr. Pittas was employed at Trust Marine Enterprises, a brokerage house as a sale and purchase broker. From September 1979 to November 1981, Mr. Pittas worked at Gourdomichalis Maritime SA in the operation and Freight Collection department. Mr. Pittas has a B.Sc in Economics from Athens School of Economics.

Stephania Karmiri has been our Secretary since our inception on May 5, 2005. Since July 1995, Mrs. Karmiri has been executive secretary to Eurobulk, our affiliated ship management company. Eurobulk is a ship management company that provides ocean transportation services. At Eurobulk, Mrs. Karmiri has been responsible for dealing with sale and purchase transactions, vessel registrations/deletions, bank loans, supervision of office administration and office/vessel telecommunication. From May 1992 to June 1995, she was secretary to the technical department of Oceanbulk Maritime SA, a ship management company. From 1988 to 1992, Mrs. Karmiri served as assistant to brokers for Allied Shipbrokers, a company that provides shipbroking services to sale and purchase transactions. Mrs. Karmiri has taken assistant accountant and secretarial courses from Didacta college.

Panagiotis Kyriakopoulos has been a member of our Board of Directors since our inception on May 5, 2005. Since July 2002, he has been the Chief Executive Officer of New Television S.A., one of the leading Mass Media Companies in Greece, running television and radio stations. From July 1997 to July 2002 he was the C.E.O. of the Hellenic Post Group, the Universal Postal Service Provider, having the largest retail network in Greece for postal and financial services products. From March 1996 until July 1997, Mr. Kyriakopoulos was the General Manager of ATEMKE SA, one of the leading construction companies in Greece listed on the Athens Stock Exchange. From December 1986 to March 1996, he was the Managing Director of Globe Group of Companies, a group active in the areas of shipowning and management, textiles and food and distribution. The company was listed on the Athens Stock Exchange. From June 1983 to December 1986, Mr. Kyriakopoulos was an assistant to the Managing Director of Armada Marine S.A., a company active in international trading and shipping, owning and managing a fleet of

12 vessels. Presently he is a member of the Board of Directors of the Hellenic Post and General Secretary of the Hellenic Private Television Owners Union. He has also been an investor in the shipping industry for more than

20 years. Mr. Kyriakopoulos has a B.Sc. degree in Marine Engineering from the University of Newcastle upon Tyne and a MSc. degree in Naval Architecture and Marine Engineering with specialization in Management from the Massachusetts Institute of Technology.

George Skarvelis has been a member of our Board of Directors since our inception on May 5, 2005. He has been active in shipping since 1982. In 1992, he founded Marine Spirit S.A., a ship management company. Between 1999 and 2003, Marine Spirit acted as one of the crewing managers for Eurobulk. From 1986 until 1992, Mr. Skarvelis was operations director at Markos S. Shipping Ltd. From 1982 until 1986, he worked with Glysca Compania Naviera, a management company of five vessels. Over the years Mr. Skarvelis has been a shareholder in numerous shipping companies. He has a B.Sc. in economics from the Athens University Law School.

George Taniskidis has been a member of our Board of Directors since our inception on May 5, 2005. He was the Chairman and Managing Director of Millennium Bank and a member of the Board of Directors of BankEuropa (subsidiary bank of Millennium Bank in Turkey) until May 2010. He is a member of the Executive Committee of the Hellenic Banks Association. From 2003 until 2005, he was a member of the Board of Directors of Visa International Europe, elected by the Visa issuing banks of Cyprus, Malta, Portugal, Israel and Greece. From 1990 to 1998, Mr. Taniskidis worked at XIOSBANK (until its acquisition by Piraeus Bank in 1998) in various positions, with responsibility for the bank's credit strategy and network. Mr. Taniskidis studied Law in the National University of Athens and in the University of Pennsylvania Law School, where he received a L.L.M. After law school, he joined the law firm of Rogers & Wells in New York, where he worked until 1989 and was also a member of the New York State Bar Association. He is also a member of the Young Presidents Organization.

Gerald Turner has been a member of our Board of Directors since our inception on May 5, 2005. Since 1999, he has been the Chairman and Managing Director of AON Turner Reinsurance Services. From 1987 to 1999, he was the Chairman and sole owner of Turner Reinsurance services. From 1977 to 1987, he was the Managing Director of E.W. Payne Hellas (member of the Sedgwik group).

Family Relationships

Aristides P. Pittas is the cousin of Aristides J. Pittas, our CEO.

B. Compensation

Executive Compensation

We have no direct employees. The services of our Chief Executive Officer, Chief Financial Officer, Chief Administrative Officer, Internal Auditor and Secretary are provided by Eurobulk. In July 2005, we entered into a written services agreement with Eurobulk where we paid $500,000 per year, before bonuses, adjusted annually for Greek inflation to account for the increased management cost associated with us being a public company. As of October 1, 2006, these services are now provided to us under our Master Management Agreement with Eurobulk. Under this Master Management Agreement, as amended in July 2007 and February 2008, for the services of our executives, Mr. Aristides J. Pittas, Dr Anastasios Aslidis and Mr. Symeon Pariaros, our Secretary Mrs. Stephania Karmiri, and, our internal auditor, and other services associated with us being a public company we pay Eurobulk $1,100,000 per year starting January 1, 2008, before bonuses, adjusted annually every January 1 st for Greek inflation. On January 1, 2009, the management fee for executive services and other services associated with us being a public company was adjusted to $1,150,000 and on January 1, 2010 was adjusted to $1,165,000 to account for inflation in Greece. In 2005, 2006, 2007, 2008 and 2009 we paid $250,000, $508,750, $608,750, $1,100,000 and $1,150,000, respectively.

Director Compensation

Our directors who are also our employees or have executive positions or beneficially own greater than 10% of the outstanding common stock will receive no compensation for serving on our Board or its committees.

Directors who are not our employees, do not have any executive position and do not beneficially own greater than 10% of the outstanding common stock will receive the following compensation: an annual retainer of $10,000, plus $2,500 for attending the quarterly meeting of the Board of Directors, plus an additional retainer of $5,000, if serving as Chairman of the Audit Committee.

All directors are reimbursed reasonable out-of-pocket expenses incurred in attending meetings of our Board of Directors or any committee of our Board of Directors.

Equity Incentive Plan

In August 2006, we adopted an equity incentive plan which entitles our Board of Directors to grant to our directors, officers and key employees awards in the form of (i) incentive stock options, (ii) non-qualified stock options, (iii) stock appreciation rights, (iv) dividend equivalent rights, (v) restricted stock, (vi) unrestricted stock, (vii) restricted stock units and (viii) performance shares. The aggregate number of shares of common stock with respect to which options or restricted shares may at any time be granted under the plan are 600,000 shares of Common Stock. The plan is administered by our Board of Directors. The plan does not have any set term. However, the Board of Directors may not grant any incentive stock options after the tenth anniversary of the adoption of the Plan. This plan was terminated and replaced by a substantially similar plan in October 2007 that entitles our Board of Directors to grant awards under the plan to directors, officers and key employees of the Company and its affiliates.

On December 18, 2007, the Board of Directors awarded 135,000 shares of restricted stock to the directors, officers and key employees of our manager, Eurobulk Ltd., 50% of which vested on December 20, 2007 and the remainder which vested on December 15, 2008. On February 7, 2008, the Board of Directors awarded 150,000 shares of restricted stock to the directors, officers and key employees of Eurobulk, 50% of which vested on August 7, 2008 and the remainder vested on August 7, 2009. On November 12, 2008, the Board of Directors awarded 160,000 shares of restricted stock to the directors, officers and key employees of Eurobulk, 50% of which vested on November 16, 2009 and the remainder which will vest on November 16, 2010. On November 4, 2009, the Board of Directors awarded 165,000 shares of restricted stock to the directors, officers and key employees of Eurobulk, 50% of which will vest on July 1, 2010 and the remainder which will vest on July 1, 2011. Vesting of the awards is conditioned on continuous employment throughout the period to the vesting date.

On May 5, 2010, the Board of Directors adopted a new equity incentive plan which is similar to our 2007 plan. The aggregate number of shares of common stock with respect to which options or restricted shares may at any time be granted under the new plan is 1,500,000 shares of common stock. The new equity incentive plan was adopted on May 5, 2010 and becomes effective on June 15, 2010.

C. Board Practices

The term of our Class A directors expires in 2011, the term of our Class B directors expires in 2012 and the term of our Class C directors expires in 2010.

Audit Committee

We currently have an audit committee comprised of three independent members of our Board of Directors. The Audit Committee is responsible for reviewing the Company's accounting controls and the appointment of the Company's outside auditors. The members of the Audit Committee are Mr. Panos Kyriakopoulos (Chairman and audit committee "financial expert" as such term is defined under SEC regulations), Mr Gerald Turner and Mr. George Taniskidis. Our Board of Directors does not have separate compensation or nominations committees, and instead the entire Board of Directors performs those responsibilities.

Code of Ethics

We have adopted a code of ethics that complies with the applicable guidelines issued by the SEC. Our code of ethics is posted on our website: http://www.euroseas.gr under "Corporate Governance."

Corporate Governance

Our Company's corporate governance practices are in compliance with, and are not prohibited by, the laws of the Republic of the Marshall Islands. Therefore, we are exempt from many of NASDAQ's corporate governance practices other than the requirements regarding the disclosure of a going concern audit opinion, submission of a listing agreement, notification of material non-compliance with NASDAQ corporate governance practices, and the establishment and composition of an audit committee and a formal written audit committee charter. The practices followed by us in lieu of NASDAQ's corporate governance rules are described below.

- We are not required under Marshall Islands law to maintain a board of directors with a majority of independent directors, and we may not be able to maintain a board of directors with a majority of independent directors in the future.

- In lieu of a compensation committee comprised of independent directors, our Board of Directors will be responsible for establishing the executive officers' compensation and benefits. Under Marshall Islands law, compensation of the executive officers is not required to be determined by an independent committee.

- In lieu of a nomination committee comprised of independent directors, our Board of Directors will be responsible for identifying and recommending potential candidates to become board members and recommending directors for appointment to board committees. Shareholders may also identify and recommend potential candidates to become candidates to become board members in writing. No formal written charter has been prepared or adopted because this process is outlined in our bylaws.

- In lieu of obtaining an independent review of related party transactions for conflicts of interests, consistent with Marshall Islands law requirements, a related party transaction will be permitted if: (i) the material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors and the Board of Directors in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, or, if the votes of the disinterested directors are insufficient to constitute an act of the Board of Directors as defined in Section 55 of the Marshall Islands Business Corporations Act, by unanimous vote of the disinterested directors; or (ii) the material facts as to his relationship or interest are disclosed and the shareholders are entitled to vote thereon, and the contract or transaction is specifically approved in good faith by a simple majority vote of the shareholders; or (iii) the contract or transaction is fair as to the Company as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof or the shareholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

- As a foreign private issuer, we are not required to solicit proxies or provide proxy statements to NASDAQ pursuant to NASDAQ corporate governance rules or Marshall Islands law. Consistent with Marshall Islands law, we will notify our shareholders of meetings between 15 and 60 days before the meeting. This notification will contain, among other things, information regarding business to be transacted at the meeting. In addition, our bylaws provide that shareholders must give us advance notice to properly introduce any business at a meeting of the shareholders. Our bylaws also provide that shareholders may designate in writing a proxy to act on their behalf.

- In lieu of holding regular meetings at which only independent directors are present, our entire board of directors, a majority of whom are independent, will hold regular meetings as is consistent with the laws of the Republic of the Marshall Islands.
- The Board of Directors adopted a new equity incentive plan in May 2010. Shareholder approval was not necessary since Marshall Islands law permits the Board of Directors to take these actions. The Company has filed the appropriate documentation with the Nasdaq Global Market reflecting this event.

- As a foreign private issuer, we are not required to obtain shareholder approval if any of our directors, officers or 5% or greater shareholders has a 5% or greater interest (or such persons collectively have a 10% or greater interest), directly or indirectly, in the company or assets to be acquired or in the consideration to be paid in the transaction(s) and the present or potential issuance of common stock, or securities convertible into or exercisable for common stock, could result in an increase in outstanding common stock or voting power of 5% or more.

- In lieu of obtaining shareholder approval prior to the issuance of designated securities, the Company will comply with provisions of the Marshall Islands Business Corporations Act, providing that the Board of Directors approves share issuances.

Other than as noted above, we are in full compliance with all other applicable NASDAQ corporate governance standards.

D. Employees

We have no salaried employees, although we reimburse our fleet manager, Eurobulk, for the services of our Chief Executive Officer,, Chief Financial Officer, Chief Administrative Officer, Internal Auditor and Secretary, messrs. Aristides J. Pittas, Dr. Anastasios Aslidis, Symeon Pariaros, Konstantinos Siademas and Ms. Stefania Karmiri. Eurobulk also ensures that all seamen have the qualifications and licenses required to comply with international regulations and shipping conventions, and that all our vessels employ experienced and competent personnel. As of December 31, 2009, approximately 135 officers and 210 crew members served on board the vessels in our fleet.

E. Share Ownership

The following table sets forth certain information the ownership of our common stock by each of our directors and executive officers, and all of our directors and executive officers as a group as of May 15, 2010.

Name of Beneficial Owner(1)	Number of Shares of Voting Stock Beneficially Owned	Percent of Voting Stock
Friends Investment Company Inc.(2)	10,177,117	32.7%
Aristides J. Pittas(3)	150,000	*
George Skarvelis(4)	17,000	*
George Taniskidis(5)	20,000	*
Gerald Turner(6)	20,000	*
Panagiotis Kyriakopoulos(7)	20,000	*
Aristides P. Pittas(8)	25,000	*
Anastasios Aslidis(9)	80,500	*
Stefania Karmiri (10)	—	*
Symeon Pariaros (11)	11,700	*
All directors and officers as a group	10,518,317	33.8%

* Indicates less than 1.0%.

(1) Beneficial ownership is determined in accordance with the Rule 13d-3(a) of the Securities Exchange Act of 1934, as amended, and generally includes voting or investment power with respect to securities. Except as subject to community property laws, where applicable, the person named above has sole voting and investment power with respect to all shares of common stock shown as beneficially owned by him/her.

(2) Includes 10,174,117 shares of common stock held of record by Friends. A majority of the shareholders of Friends are members of the Pittas family. Investment power and voting control by Friends resides in its Board of Directors which consists of five directors, a majority of whom are members of the Pittas family. Actions by Friends may be taken by a majority of the members on its Board of Directors.

(3) Does not include 1,335,506 shares of common stock held of record by Friends, by virtue of Mr. Pittas' ownership interest in Friends. Mr. Pittas disclaims beneficial ownership except to the extent of his pecuniary interest. Includes 20,000 shares vesting on November 16, 2010, 20,000 shares vesting on July 1, 2010 and 20,000 shares vesting on July 1, 2011.

(4) Does not include 561,311 shares of common stock held of record by Friends, by virtue of Mr. Skarvelis' ownership interest in Friends. Mr. Skarvelis disclaims beneficial ownership except to the extent of his pecuniary interest. Includes 2,500 shares vesting on November 16, 2010, 2,500 shares vesting on July 1, 2010 and 2,500 shares vesting on July 1, 2011.

(5) Does not include 32,882 shares of common stock held of record by Friends, by virtue of Mr. Taniskidis' ownership in Friends. Mr. Taniskidis disclaims beneficial ownership except to the extent of his pecuniary interest. Includes 2,500 shares vesting on November 16, 2010, 2,500 shares vesting on July 1, 2010 and 2,500 shares vesting on July 1, 2011.

(6) Does not include 150,389 shares of common stock held of record by Friends, by virtue of Mr. Turner's ownership interest in Friends. Mr. Turner disclaims beneficial ownership except to the extent of his pecuniary interest. Includes 2,500 shares vesting on November 16, 2010, 2,500 shares vesting on July 1, 2010 and 2,500 shares vesting on July 1, 2011.

(7) Does not include 63,545 shares of common stock held of record by Friends, by virtue of Mr. Kyriakopoulos' ownership in Friends. Mr. Kyriakopoulos disclaims beneficial ownership except to the extent of his pecuniary interest. Includes 2,500 shares vesting on November 16, 2010, 2,500 shares vesting on July 1, 2010 and 2,500 shares vesting on July 1, 2011.

(8) Does not include 912,596 shares of common stock held of record by Friends, by virtue of Mr. Pittas' ownership interest in Friends. Mr. Pittas disclaims beneficial ownership except to the extent of his pecuniary interest. Includes 5,000 shares vesting on November 16, 2010, 5,000 shares vesting on July 1, 2010 and 5,000 shares vesting on July 1, 2011.

(9) Includes 12,500 shares vesting on November 16, 2010, 12,500 shares vesting on July 1, 2010 and 12,500 shares vesting on July 1, 2011.

(10) Does not include 2,226 shares of common stock held of records by Friends, by virtue of Mrs. Karmiri's ownership in Friends. Mrs. Karmiri disclaims beneficial ownership except to the extent of her pecuniary interest.

(11) Includes 2,500 shares vesting on November 16, 2010, 2,500 shares vesting on July 1, 2010 and 2,500 shares vesting on July 1, 2011.

All of the shares of our common stock have the same voting rights and are entitled to one vote per share.

Equity Incentive Plan

See section 6(B) of this annual report, "Compensation."

Options

No options were granted during the fiscal year ended December 31, 2009. There are currently no options outstanding to acquire any of our shares.

Warrants

In connection with our Private Placement in August 2005, we issued warrants to purchase 585,589 shares of our common stock. The warrants have a five year term and an exercise price of $10.80 per share. During 2007, 248,463 of the above warrants were exercised and an additional 192,213 warrants were exercised in 2008. No warrants were exercised during 2009. As of May 15, 2010, there are 144,913 warrants outstanding. We do not currently have any other outstanding warrants.

Item 7. Major Shareholders and Related Party Transactions

A. Major Stockholders

The following table sets forth certain information regarding the beneficial ownership of our voting stock as of May 15, 2010 by each person or entity known by us to be the beneficial owner of more than 5% of the outstanding shares of our voting stock, each of our directors and executive officers, and all of our directors and executive officers as a group. All of our shareholders, including the shareholders listed in this table, are entitled to one vote for each share of stock held.

Name of Beneficial Owner(1)	Number of Shares of Voting Stock Beneficially Owned	Percent of Voting Stock
Friends Investment Company Inc.(2)	10,174,117	32.7%
Royce & Associates, LLC(3)	2,243,346	7.2%
Wellington Management Co. LLP(4)	1,776,600	5.7%
Aristides J. Pittas(5)	150,000	*
George Skarvelis(6)	17,000	*
George Taniskidis(7)	20,000	*
Gerald Turner(8)	20,000	*
Panagiotis Kyriakopoulos(9)	20,000	*
Aristides P. Pittas(10)	25,000	*
Anastasios Aslidis(11)	80,500	*
Stefania Karmiri (12)	—	*
Symeon Pariaros (13)	11,700	*
All directors and officers and 5% owners as a group	14,538,263	46.8%

* Indicates less than 1.0%.

(1) Beneficial ownership is determined in accordance with the Rule 13d-3(a) of the Securities Exchange Act of 1934, as amended, and generally includes voting or investment power with respect to securities. Except as subject to community property laws, where applicable, the person named above has sole voting and investment power with respect to all shares of common stock shown as beneficially owned by him/her.

(2) Includes 10,174,117 shares of common stock held of record by Friends. A majority of the shareholders of Friends are members of the Pittas family. Investment power and voting control by Friends resides in its Board of Directors which consists of five directors, a majority of whom are members of the Pittas family. Actions by Friends may be taken by a majority of the members on its Board of Directors.

(3) As disclosed on Schedule 13F filed on May 17, 2010.

(4) As disclosed on Schedule 13F filed on May 19, 2010.

(5) Does not include 1,335,506 shares of common stock held of record by Friends, by virtue of Mr. Pittas' ownership interest in Friends. Mr. Pittas disclaims beneficial ownership except to the extent of his pecuniary interest. Includes 20,000 shares vesting on November 16, 2010, 20,000 shares vesting on July 1, 2010 and 20,000 shares vesting on July 1, 2011

(6) Does not include 561,311 shares of common stock held of record by Friends, by virtue of Mr. Skarvelis' ownership interest in Friends. Mr. Skarvelis disclaims beneficial ownership except to the extent of his pecuniary interest. Includes 2,500 shares vesting on November 16, 2010, 2,500 shares vesting on July 1, 2010 and 2,500 shares vesting on July 1, 2011.

(7) Does not include 32,882 shares of common stock held of record by Friends, by virtue of Mr. Taniskidis' ownership in Friends. Mr. Taniskidis disclaims beneficial ownership except to the extent of his pecuniary interest. Includes 2,500 shares vesting on November 16, 2010, 2,500 shares vesting on July 1, 2010 and 2,500 shares vesting on July 1, 2011.

(8) Does not include 150,389 shares of common stock held of record by Friends, by virtue of Mr. Turner's ownership interest in Friends. Mr. Turner disclaims beneficial ownership except to the extent of his pecuniary interest. Includes 2,500 shares vesting on November 16, 2010, 2,500 shares vesting on July 1, 2010 and 2,500 shares vesting on July 1, 2011.

(9) Does not include 63,545 shares of common stock held of record by Friends, by virtue of Mr. Kyriakopoulos' ownership in Friends. Mr. Kyriakopoulos disclaims beneficial ownership except to the extent of his pecuniary interest. Includes 2,500 shares vesting on November 16, 2010, 2,500 shares vesting on July 1, 2010 and 2,500 shares vesting on July 1, 2011.

(10) Does not include 912,596 shares of common stock held of record by Friends, by virtue of Mr. Pittas' ownership interest in Friends. Mr. Pittas disclaims beneficial ownership except to the extent of his pecuniary interest. Includes 5,000 shares vesting on November 16, 2010, 5,000 shares vesting on July 1, 2010 and 5,000 shares vesting on July 1, 2011.

(11) Includes 12,500 shares vesting on November 16, 2010, 12,500 shares vesting on July 1, 2010 and 12,500 shares vesting on July 1, 2011.

(12) Does not include 2,226 shares of common stock held of records by Friends, by virtue of Mrs. Karmiri's ownership in Friends. Friends and Eurobulk Marine are each controlled by members of the Pittas family. Mrs. Karmiri disclaims beneficial ownership except to the extent of her pecuniary interest.

(13) Includes 2,500 shares vesting on November 16, 2010, 2,500 shares vesting on July 1, 2010 and 2,500 shares vesting on July 1, 2011.

B. Related Party Transactions

The operations of our vessels are managed by Eurobulk, an affiliated ship management company, under a Master Management Agreement with us and separate management agreements with each shipowning company. Under our Master Management Agreement, Eurobulk is responsible for all aspects of management and compliance for the Company, including the provision of the services of our Chief Executive Officer, Chief Financial Officer, Chief Administrative Officer, Internal Auditor and Secretary. Eurobulk is also responsible for all commercial management services, which include obtaining employment for our vessels and managing our relationships with charterers. Eurobulk also performs technical management services, which include managing day-to-day vessel operations, performing general vessel maintenance, ensuring regulatory and classification society compliance, supervising the maintenance and general efficiency of vessels, arranging our hire of qualified officers and crew, arranging and supervising dry docking and repairs, arranging insurance for vessels, purchasing stores, supplies, spares and new equipment for vessels, appointing supervisors and technical consultants and providing technical support and shoreside personnel who carry out the management functions described above and certain accounting services. Eurobulk also currently manages one other vessel not owned by us.

Our Master Management Agreement with Eurobulk is effective as of February 7, 2008 and has an initial term of 5 years until February 6, 2013. The Master Management Agreement cannot be terminated by Eurobulk without cause or under other limited circumstances, such as sale of the Company or Eurobulk or the bankruptcy of either party. This Master Management Agreement will automatically be extended after the initial period for an additional five year period unless terminated on or before the 90th day preceding the initial termination date. Pursuant to the Master Management Agreement, each new vessel we acquire in the future will enter into a separate management agreement with Eurobulk. Under the Master Management Agreement, we pay Eurobulk since January 1, 2010 a fixed cost of $1,165,000 annually, adjusted for Greek inflation every January 1 st , and a per ship per day cost of €665 (or $897.75 based on $1.35/Euro exchange rate) adjusted annually for inflation (every January 1 st). This cost will be reduced by half (332.5 Euros per vessel per day) for the vessels that are laid up. Eurobulk has received fees for management and executive compensation expenses of $2,161,856, $2,775,339, $4,277,887, $6,487,415 and $6,224,303 for years ended December 31, 2005, 2006, 2007, 2008 and 2009, respectively.

We receive chartering and sale and purchase services from Eurochart, an affiliate, and pay a commission of 1.25% on charter revenue and 1% on vessel sale price. We pay additional commissions to major charterers and their brokers as well that usually range from 3.75% to 5.00%. Eurochart has received chartering and vessel sale commissions of $536,180, $588,149, $1,177,916, $1,663,526 and $910,273 for years ended December 31, 2005, 2006, 2007, 2008 and 2009, respectively. Eurochart also received 1% commission for vessel acquisitions we did from the sellers of the vessels that we acquired.

We engaged Eurotrade S.A., a company controlled by certain members of the Pittas family, to act on our behalf and enter into six FFA contracts in December 2008 using its existing FFA trading account arrangements with Royal Bank of Scotland ("RBS"), until we established our own separate FFA trading account. These six FFA contracts were for a total of 480 vessel-equivalent days for calendar year 2009 and 485 days for 2010 of a modern panamax size vessel. In January 2009, we set up our own FFA trading account with Banque de Paris – Paribas ("BNP") and subsequent FFA contracts were entered into via this account. We transfered the RBS contracts to our own account with BNP. Eurotrade S.A. continues to act as our agent in executing trades under our direction. We did not pay any fees to Eurotrade S.A. for these arrangements.

More Maritime Agencies Inc., a crewing agent, and Sentinel Marine Services Inc., an insurance brokering company, are affiliates to whom we paid a fee of $50 per crew member per month and pay a commission on premium not exceeding 5%, respectively. More Maritime Agencies was our crewing agent until the end of 2009 when it was replaced by another crewing agent, Technomar S.A., also an affiliate. The terms of the arrangement between us and Technomar S.A. are similar to the terms we had with More Maritime Agencies Inc.

Aristides J. Pittas, Euroseas' President, Chief Executive Officer and Chairman, has provided personal guarantees for some of Euroseas' debts. Eurobulk has provided corporate guarantees for all debts. Additionally, Aristides J. Pittas is currently the Chairman of each of Eurochart, Eurotrade and Eurobulk, all of which are our affiliates.

We have entered into a registration rights agreement with Friends, our largest shareholder, pursuant to which we granted Friends the right, under certain circumstances and subject to certain restrictions, to require us to register under the Securities Act shares of our common stock held by Friends. Under the registration rights agreement, Friends has the right to request us to register the sale of shares held by it on its behalf and may require us to make available shelf registration statements permitting sales of shares into the market from time to time over an extended period. In addition, Friends has the ability to exercise certain piggyback registration rights in connection with registered offerings initiated by us. As of July 2, 2008, all the shares of Euroseas held by Friends at such time (9,539,211 shares) and all of Eurobulk Marine Holdings Inc.'s shares of Euroseas (416,668 shares) were registered under our F-3 registration statement.

Eurobulk, Friends Investment Company Inc. and Aristides J. Pittas, our Chairman and Chief Executive Officer, have granted us a right of first refusal to acquire any drybulk vessel or containership which any of them may consider for acquisition in the future. In addition, Mr. Pittas has granted us a right of first refusal to accept any chartering out opportunity for a drybulk vessel or containership which may be suitable for any of our vessels, provided that we have a suitable vessel, properly situated and available, to take advantage of the chartering out opportunity. Mr Pittas has also agreed to use his best efforts to cause any entity he directly or indirectly controls to grant us this right of first refusal.

On March 25, 2010, we entered into the Joint Venture with companies managed by Eton Park and an affiliate of Rhône, two private investment firms, to form Euromar. Eton Park's investments are made through Paros Ltd., a Cayman Islands exempted company, and Rhône's investments are made through the Cayman Islands limited companies All Seas Investors I Ltd., All Seas Investors II Ltd., and the Cayman Islands exempted limited partnership All Seas Investors III LP. Euromar will acquire, maintain, manage, operate and dispose of shipping vessels. As part of the Joint Venture, Euroseas and its affiliates will provide management services to Euromar, Euroseas has granted registration rights to Eton Park and Rhône and Euroseas and certain affiliates have granted Euromar certain rights of first refusal in respect of vessel acquisitions, and made certain arrangements with respect to vessel dispositions and chartering opportunities presented to Euroseas and its affiliates. See Item 8B(b) below.

C. Interests of Experts and Counsel

Not Applicable.

Item 8. Financial information

A. Consolidated Statements and Other Financial Information

See Item 18.

Legal Proceedings

To our knowledge, there are no material legal proceedings to which we are a party or to which any of our properties are subject, other than routine litigation incidental to our business. In our opinion, the disposition of these lawsuits should not have a material impact on our consolidated results of operations, financial position and cash flows.

Dividend Policy

Our policy is to declare regular quarterly dividends to shareholders each February, May, August and November in amounts the Board of Directors may from time to time determine are appropriate. The exact timing and amount of dividend payments will be determined by our Board of Directors and will be dependent upon our earnings, financial condition, cash requirement and availability, restrictions in its loan agreements, growth strategy, the provisions of Marshall Islands law affecting the payment of distributions to shareholders and other factors, such as the acquisition of additional vessels.

The payment of dividends is not guaranteed or assured, and may be discontinued at any time at the discretion of our Board of Directors. Because we are a holding company with no material assets other than the stock of its subsidiaries, our ability to pay dividends will depend on the earnings and cash flow of its subsidiaries and their ability to pay dividends to us. If there is a substantial decline in the drybulk, containership or multipurpose charter market, our earnings would be negatively affected, thus limiting its ability to pay dividends. Marshall Islands law generally prohibits the payment of dividends other than from surplus or while a company is insolvent or would be rendered insolvent upon the payment of such dividends. Dividends may be declared in conformity with applicable law by, and at the discretion of, our Board of Directors at any regular or special meeting. Dividends may be declared and paid in cash, stock or other property of Euroseas.

Euroseas paid $46,875,223 (consisting of $30,175,223 of dividends and $16,700,000 as return of capital), $9,465,082, $20,278,538, $34,547,950 and $10,849,609 in 2005, 2006, 2007, 2008 and 2009, respectively. While Euroseas has paid dividends on an annual basis during the time it has been a private company, it has paid dividends on a quarterly basis since it has become a public company. Since our Private Placement in August 2005, we declared and paid dividends of $2,650,223 for the third quarter of 2005, $2,271,620 for each of the fourth quarter of 2005, first quarter of 2006 and second quarter of 2006, $2,650,223 for the third quarter of 2006, $2,776,433 for the fourth quarter of 2006, $4,409,321 for the first quarter of 2007, $6,052,064 for the second quarter of 2007, $7,040,717 for the third quarter of 2007 and $9,128,334 for the fourth quarter of 2007, $9,433,373 for the first quarter of 2008, $9,808,346 for the second quarter of 2008, $6,177,897 for the third quarter of 2008, and $3,057,561 for the fourth quarter of 2008, $3,057,561 for the first quarter of 2009, $3,164,661 for the second quarter of 2009, $1,569,826 for the third quarter of 2009 and 1,542,486 for the fourth quarter of 2009 and the first quarter of 2010. As of December 31, 2009, dividends of $46,750 have accrued and will be paid if and when unvested incentive stock awards vest. The most recent dividend, declared on May 7, 2010 for the results of first quarter of 2010, will be paid on or about June 18, 2010 to the shareholders on record as of June 11, 2010. After the latter dividend, $70,250 would have accrued as dividends of the unvested stock awards which will be paid if and when unvested incentive stock awards vest. See Item 8.B(a).

B. Significant Changes

After December 31, 2009, the following significant events occurred:

a) On February 23, 2010, the Board of Directors declared a cash dividend of $0.05 per share of Euroseas Ltd. common stock. Such cash dividend was paid on or about March 26, 2010 to the holders of record of shares of Euroseas Ltd. common stock as of March 17, 2010.

b) On March 25, 2010, we entered into the Joint Venture with companies managed by Eton Park and an affiliate of Rhône to form Euromar. Eton Park's investments are made through Paros Ltd., a Cayman Islands exempted company, and Rhône's investments are made through the Cayman Islands limited companies All Seas Investors I Ltd., All Seas Investors II Ltd., and the Cayman Islands exempted limited partnership All Seas Investors III LP. Euromar will acquire, maintain, manage, operate and dispose of shipping vessels. Pursuant to the terms of the Joint Venture, Euroseas will invest up to $25 million, while Eton Park and Rhône will each invest up to $75 million for a total of $175 million, with each holding a proportionate ownership interest in Euromar. Euroseas will also receive options in Euromar which are triggered if certain performance milestones are achieved. Euromar will be managed by a board of six directors, composed of two directors appointed by each of Euroseas, Eton Park and Rhône. Management of the vessels and various administrative services pertaining to the vessels will be performed by Euroseas and its affiliates, Eurobulk and Eurochart.

The Joint Venture includes the option by Eton Park and Rhône, exercisable in certain instances and at any time after the two year anniversary of the Joint Venture, to convert all or part of their equity interests in Euromar into common shares of Euroseas at a price to be based on the comparable values of Euromar and Euroseas at the time of exercise, with such conversion happening at not less than the net asset value of each entity. Depending upon the share percentage of Euroseas owned by Eton Park and Rhône following any such conversion, the number of directors on Euroseas' Board of Directors may be increased from 7 to up to a maximum of 11 directors for so long as the respective ownership thresholds are met. As part of the Joint Venture, Euroseas' largest shareholder, Friends, has entered into a shareholder voting agreement with Eton Park and Rhône whereby Friends has agreed to vote its shares in favor of any directors nominated by Eton Park and Rhône to fill such additional board seats. Under the same shareholder voting agreement, the parties have agreed that Eton Park and Rhône may vote a certain percentage of their shares in their sole discretion (based upon their percentage interest on the Euroseas Board of Directors and the number of shares outstanding), with the remainder of their shares being voted in accordance with the vote of all other Euroseas shareholders. The Joint Venture also permits Euroseas to redeem for fair market value its interest in the Joint Venture in certain instances and at any time following the three year anniversary of the Joint Venture. In addition, Euroseas and its affiliates have granted Euromar certain rights of first refusal in respect of vessel acquisitions, and made certain arrangements with respect to vessel dispositions and chartering opportunities presented to Euroseas and its affiliates.

c) On May 7, 2010, the Board of Directors declared a cash dividend of $0.05 per share of Euroseas Ltd. common stock. Such cash dividend is expected to be paid on or about June 18, 2010 to the holders of record of shares of Euroseas Ltd. common stock as of June 11, 2010.

d) On May 5, 2010, the Board of Directors adopted a new equity incentive plan which is similar to our 2007 plan. The aggregate number of shares of common stock with respect to which options or restricted shares may at any time be granted under the new plan is 1,500,000 shares of common stock. The new equity incentive plan was adopted on May 5, 2010 and becomes effective on June 15, 2010.

e) On May 12, 2010, M/V "Eleni P", a vessel owned by a wholly owned subsidiary of the Company, was hijacked by pirates off the coast of Somalia. As of the date of this filing, the Company is working diligently to assure the safety of its crew and to successfully resolve this matter.

f) On May 20, 2010, a subsidiary of the Company purchased the 30,300 dwt, 2008 teu containership vessel M/V "Oder Trader" built in 1998 in Poland, for $15.85 million. The vessel is expected to be delivered to the Company in June 2010. The Company plans to finance the acquisition with cash reserves from its balance sheet.

Item 9. The Offer and Listing

A. Offer and Listing Details

The trading market for shares of our common stock is the NASDAQ Global Select Market, on which our shares trade under the symbol "ESEA". The following table sets forth the high and low closing prices for shares of our common stock since our listing originally in the OTCBB (under symbols ESEAF.OB and EUSEF.OB), since January 31, 2007 on the NASDAQ Global Market and since January 1, 2008 on the NASDAQ Global Select Market. The prices below have been adjusted for the reverse 1-for-3 common stock split that was effected on October 6, 2006.

Period	Low	High
Year ended Dec. 31, 2007	7.00	20.79
1 st quarter 2007	7.00	10.00
2 nd quarter 2007	10.35	15.75
3 rd quarter 2007	11.80	16.91
4 th quarter 2007	11.75	20.79
Year ended Dec. 31, 2008	3.12	16.80
1 st quarter 2008	9.60	14.08
2 nd quarter 2008	12.32	16.80
3 rd quarter 2008	7.97	13.40
4 th quarter 2008	3.12	7.83
Year Ended Dec. 31, 2009	3.51	6.05
1 st quarter 2009	3.51	5.82
2 nd quarter 2009	3.57	6.05
3 rd quarter 2009	4.23	5.30
4 th quarter 2009	3.82	5.02
October 2009	3.91	4.44
November 2009	3.82	5.02
December 2009	3.90	4.34
Year 2010(*)	3.41	4.50
1 st quarter 2010	3.75	4.50
2 nd quarter 2010	3.41	4.17
January 2010	4.06	4.50
February 2010	3.78	4.17
March 2010	3.75	4.05
April 2010	3.80	4.17
May 2010 (*).	3.41	3.97

(* Until May 25, 2010)

B. Plan of Distribution

Not Applicable.

C. Markets

The trading market for shares of our common stock is the NASDAQ Global Select Market, on which our shares trade under the symbol "ESEA". Our shares began trading on the NASDAQ Global Market on January 31, 2007 and on the NASDAQ Global Select Market on January 1, 2008. Prior to such date, our shares traded on the OTCBB under the symbol "ESEAF.OB" until October 5, 2006 and then under the symbol "EUSEF.OB" until January 30, 2007.

D. Selling Shareholders

Not Applicable.

E. Dilution

Not Applicable.

F. Expenses of the Issue

Not Applicable.

Item 10. Additional Information

A. Share Capital

Not Applicable.

B. Articles of Incorporation, as amended, and Bylaws, as amended

We refer you to the Section of our F-3 Registration Statement (File No. 333-152089) entitled "Description of Capital Stock" and Exhibits 3.1 (Articles of Incorporation), 3.2 (Bylaws), 3.3 (Amendment to Articles of Incorporation) and 3.4 (Amendment to Bylaws) filed herewith, incorporated by reference herein.

Shareholders' Rights Plan

We adopted a shareholders' rights plan on May 18, 2009 and declared a dividend distribution of one preferred stock purchase right to purchase one one-thousandth of our Series A Participating Preferred Stock for each outstanding share of our common stock, to shareholders of record at the close of business on May 27, 2009. Each right entitles the registered holder, upon the occurrence of certain events, to purchase from us one one-thousandth of a share of Series A Participating Preferred Stock at an exercise price of $26, subject to adjustment. The rights will expire on the earliest of (i) May 27, 2019 or (ii) redemption or exchange of the rights. The plan was designed to enable us to protect shareholder interests in the event that an unsolicited attempt is made for a business combination with or takeover of the company. We believe that the shareholders' rights plan should enhance the board of directors' negotiating power on behalf of shareholders in the event of a coercive offer or proposal. We are not currently aware of any such offers or proposals and we adopted the plan as a matter of prudent corporate governance. On March 29, 2010, the plan was amended to permit our Euromar joint venture partners, Paros Ltd., All Seas Investors I, Ltd., All Seas Investors II, Ltd. and All Seas Investors III LP, to exercise their conversion rights into the Company's shares without violating the plan.

C. Material Contracts

We have no material contracts, other than contracts entered into in the ordinary course of business, to which the Company or any member of the group is a party.

D. Exchange Controls

Under Marshall Islands law, there are currently no restrictions on the export or import of capital, including foreign exchange controls or restrictions that affect the remittance of dividends, interest or other payments to non-resident holders of our shares.

E. Taxation

The following is a discussion of the material Marshall Islands, Liberian and United States federal income tax considerations applicable to us and U.S. Holders and Non-U.S. Holders, each as discussed below, of our common stock. The following discussion is based upon the provisions of the United States Internal Revenue Code of 1986, as amended, or the Code, existing and proposed United States Treasury Department regulations, administrative rulings, pronouncements and judicial decisions, all as of the date of this Annual Report.

Marshall Islands Tax Considerations

We are incorporated in the Marshall Islands. Under current Marshall Islands law, we are not subject to tax on income or capital gains, and no Marshall Islands withholding tax will be imposed upon payments of dividends by us to our stockholders.

Liberian Tax Considerations

The Republic of Liberia enacted a new income tax act effective as of January 1, 2001 (the "New Act"). In contrast to the income tax law previously in effect since 1977 (the "Prior Law"), which the New Act repealed in its entirety, the New Act does not distinguish between the taxation of a non resident Liberian corporation, such as our Liberian subsidiaries, which conduct no business in Liberia and was wholly exempted from tax under the Prior Law, and the taxation of ordinary resident Liberian corporations.

In 2004, the Liberian Ministry of Finance issued regulations pursuant to which a non-resident domestic corporation engaged in international shipping, such as our Liberian subsidiaries, will not be subject to tax under the New Act retroactive to January 1, 2001 (the "New Regulations"). In addition, the Liberian Ministry of Justice issued an opinion that the New Regulations were a valid exercise of the regulatory authority of the Ministry of Finance. Therefore, assuming that the New Regulations are valid, our Liberian subsidiaries will be wholly exempt from Liberian income tax as under the Prior Law.

If our Liberian subsidiaries were subject to Liberian income tax under the New Act, they would be subject to tax at a rate of 35% on their worldwide income. As a result, their, and subsequently our, net income and cash flow would be materially reduced by the amount of the applicable tax. In addition, we, as shareholder of the Liberian subsidiaries, would be subject to Liberian withholding tax on dividends paid by the Liberian subsidiaries at rates ranging from 15% to 20%.

United States Federal Income Tax

The following are the material United States federal income tax consequences to us of our activities and to U.S. Holders and Non-U.S. Holders, each as defined below, of our common stock. The following discussion of United States federal income tax matters is based on the United States Internal Revenue Code of 1986, or the Code, judicial decisions, administrative pronouncements, and existing and proposed regulations issued by the United States Department of the Treasury, all of which are subject to change, possibly with retroactive effect. This discussion is based in part upon Treasury Regulations promulgated under Section 883 of the Code. The discussion below is based, in part, on the description of our business as described in "Business" above and assumes that we conduct our business as described in that section. References in the following discussion to "we" and "us" are to Euroseas and its subsidiaries on a consolidated basis.

United States Federal Income Taxation of Our Company

Taxation of Operating Income: In General

Unless exempt from United States federal income taxation under the rules discussed below, a foreign corporation is subject to United States federal income taxation in respect of any income that is derived from the use of vessels, from the hiring or leasing of vessels for use on a time, voyage or bareboat charter basis, from the participation in a pool, partnership, strategic alliance, joint operating agreement, code sharing arrangements or other joint venture it directly or indirectly owns or participates in that generates such income, or from the performance of services directly related to those uses, which we refer to as "shipping income," to the extent that the shipping income is derived from sources within the United States. For these purposes, 50% of shipping income that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States constitutes income from sources within the United States, which we refer to as "U.S.-source shipping income."

Shipping income attributable to transportation that both begins and ends in the United States is considered to be 100% from sources within the United States. We are not permitted by law to engage in transportation that produces income which is considered to be 100% from sources within the United States.

Shipping income attributable to transportation exclusively between non-United States ports will be considered to be 100% derived from sources outside the United States. Shipping income derived from sources outside the United States will not be subject to any United States federal income tax.

In the absence of exemption from tax under Section 883, our gross U.S.-source shipping income would be subject to a 4% tax imposed without allowance for deductions as described below.

Exemption of Operating Income from United States Federal Income Taxation

Under Section 883 of the Code, we will be exempt from United States federal income taxation on our U.S.-source shipping income if:

- we are organized in a foreign country (our "country of organization") that grants an "equivalent exemption" to corporations organized in the United States; and

either

- more than 50% of the value of our stock is owned, directly or indirectly, by "qualified stockholders," individuals who are "residents" of our country of organization or of another foreign country that grants an "equivalent exemption" to corporations organized in the United States, which we refer to as the "50% Ownership Test," or

- our stock is "primarily and regularly traded on an established securities market" in our country of organization, in another country that grants an "equivalent exemption" to United States corporations, or in the United States, which we refer to as the "Publicly-Traded Test."

The Marshall Islands, Liberia, Cyprus and Panama, the jurisdictions where we and our ship-owning subsidiaries were incorporated during 2009 each grants an "equivalent exemption" to United States corporations. Therefore, we will be exempt from United States federal income taxation with respect to our U.S.-source shipping income if we satisfy either the 50% Ownership Test or the Publicly-Traded Test.

We believe that we satisfied the Publicly-Traded Test for the 2009 taxable year and we intend to take this position on our United States federal income tax return.

Taxation in Absence of Exemption

To the extent the benefits of Section 883 are unavailable, our U.S.-source shipping income, to the extent not considered to be "effectively connected" with the conduct of a United States trade or business, as described below, would be subject to a 4% tax imposed by Section 887 of the Code on a gross basis, without the benefit of deductions. Since under the sourcing rules described above, no more than 50% of our shipping income would be treated as being derived from United States sources, the maximum effective rate of United States federal income tax on our shipping income would never exceed 2% under the 4% gross basis tax regime.

To the extent the benefits of the Section 883 exemption are unavailable and our U.S.-source shipping income is considered to be "effectively connected" with the conduct of a United States trade or business, as described below, any such "effectively connected" U.S.-source shipping income, net of applicable deductions, would be subject to the United States federal corporate income tax currently imposed at rates of up to 35%. In addition, we may be subject to the 30% "branch profits" taxes on earnings effectively connected with the conduct of such trade or business, as determined after allowance for certain adjustments, and on certain interest paid or deemed paid attributable to the conduct of its United States trade or business.

Our U.S.-source shipping income would be considered "effectively connected" with the conduct of a United States trade or business only if:

- We have, or are considered to have, a fixed place of business in the United States involved in the earning of shipping income; and

- substantially all of our U.S.-source shipping income is attributable to regularly scheduled transportation, such as the operation of a vessel that follows a published schedule with repeated sailings at regular intervals between the same points for voyages that begin or end in the United States.

We do not intend to have, or permit circumstances that would result in having any vessel operating to the United States on a regularly scheduled basis. Based on the foregoing and on the expected mode of our shipping operations and other activities, we believe that none of our U.S.-source shipping income are or will be "effectively connected" with the conduct of a United States trade or business.

United States Taxation of Gain on Sale of Vessels

Regardless of whether we qualify for exemption under Section 883, we will not be subject to United States federal income taxation with respect to gain realized on a sale of a vessel, provided the sale is considered to occur outside of the United States under United States federal income tax principles. In general, a sale of a vessel will be considered to occur outside of the United States for this purpose if title to the vessel, and risk of loss with respect to the vessel, pass to the buyer outside of the United States. It is expected that any sale of a vessel by us will be considered to occur outside of the United States.

United States Federal Income Taxation of U.S. Holders

As used herein, the term "U.S. Holder" means a beneficial owner of common stock that is a United States citizen or resident, United States corporation or other United States entity taxable as a corporation, an estate the income of which is subject to United States federal income taxation regardless of its source, or a trust if a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust.

This discussion does not purport to deal with the tax consequences of owning common stock to all categories of investors, some of which, such as dealers in securities, investors whose functional currency is not the United States dollar and investors that own, actually or under applicable constructive ownership rules, 10% or more of our common stock, may be subject to special rules. This discussion deals only with holders who hold the common stock as a capital asset. You are encouraged to consult your own tax advisors concerning the overall tax consequences arising in your own particular situation under United States federal, state, local or foreign law of the ownership of common stock.

If a partnership holds our common stock, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in a partnership holding our common stock, you are encouraged to consult your tax advisor.

Distributions

Subject to the discussion of passive foreign investment companies below, any distributions made by us with respect to our common stock to a U.S. Holder will generally constitute dividends, which may be taxable as ordinary income or "qualified dividend income" as described in more detail below, to the extent of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Distributions in excess of our earnings and profits will be treated first as a nontaxable return of capital to the extent of the U.S. Holder's tax basis in his common stock on a dollar-for-dollar basis and thereafter as capital gain. Because we are not a United States corporation, U.S. Holders that are corporations will not be entitled to claim a dividends received deduction with respect to any distributions they receive from us. Dividends paid with respect to our common stock will generally be treated as "passive category income" or, in the case of certain types of U.S. Holders, "general category income" for purposes of computing allowable foreign tax credits for United States foreign tax credit purposes.

Dividends paid on our common stock to a U.S. Holder who is an individual, trust or estate (a "U.S. Individual Holder") will generally be treated as "qualified dividend income" that is taxable to such U.S. Individual Holders at preferential tax rates (through 2010) provided that (1) we are not a passive foreign investment company for the taxable year during which the dividend is paid or the immediately preceding taxable year (which we do not believe we are, have been or will be), (2) our common stock is readily tradable on an established securities market in the United States (such as the NASDAQ Global Select Market, on which our common stock is listed), and (3) the U.S. Individual Holder has owned the common stock for more than 60 days in the 121-day period beginning 60 days before the date on which the common stock becomes ex-dividend. There is no assurance that any dividends paid on our common stock will be eligible for these preferential rates in the hands of a U.S. Individual Holder. Dividends paid on our stock prior to the date on which our stock became listed on the NASDAQ Global Select Market were not eligible for these preferential rates. Legislation has been previously introduced in the U.S. Congress which, if enacted in its present form, would preclude our dividends from qualifying for such preferential rates prospectively from the date of the enactment. Any dividends paid by us which are not eligible for these preferential rates will be taxed as ordinary income to a U.S. Individual Holder.

Special rules may apply to any "extraordinary dividend" generally, a dividend in an amount which is equal to or in excess of ten percent of a stockholder's adjusted basis (or fair market value in certain circumstances) in a share of common stock paid by us. If we pay an "extraordinary dividend" on our common stock that is treated as "qualified dividend income," then any loss derived by a U.S. Individual Holder from the sale or exchange of such common stock will be treated as long-term capital loss to the extent of such dividend.

Sale, Exchange or other Disposition of Common Stock

Assuming we do not constitute a passive foreign investment company for any taxable year, a U.S. Holder generally will recognize taxable gain or loss upon a sale, exchange or other disposition of our common stock in an amount equal to the difference between the amount realized by the U.S. Holder from such sale, exchange or other disposition and the U.S. Holder's tax basis in such stock. Such gain or loss will be treated as long-term capital gain or loss if the U.S. Holder's holding period is greater than one year at the time of the sale, exchange or other disposition. Such capital gain or loss will generally be treated as U.S.-source income or loss, as applicable, for United States foreign tax credit purposes. A U.S. Holder's ability to deduct capital losses is subject to certain limitations.

Passive Foreign Investment Company Status and Significant Tax Consequences

Special United States federal income tax rules apply to a U.S. Holder that holds stock in a foreign corporation classified as a passive foreign investment company, or PFIC, for United States federal income tax purposes. In general, we will be treated as a PFIC with respect to a U.S. Holder if, for any taxable year in which such holder held our common stock, either:

- at least 75% of our gross income for such taxable year consists of passive income (e.g., dividends, interest, capital gains and rents derived other than in the active conduct of a rental business); or
- at least 50% of the average value of the assets held by the corporation during such taxable year produce, or are held for the production of, passive income.

For purposes of determining whether we are a PFIC, we will be treated as earning and owning our proportionate share of the income and assets, respectively, of any of our subsidiary corporations in which we own at least 25% of the value of the subsidiary's stock. Income earned, or deemed earned, by us in connection with the performance of services would not constitute passive income. By contrast, rental income would generally constitute "passive income" unless we were treated under specific rules as deriving our rental income in the active conduct of a trade or business.

Based on our current operations and future projections, we do not believe that we are, nor do we expect to become, a PFIC with respect to any taxable year. Although there is no legal authority directly on point, and we are not relying upon an opinion of counsel on this issue, our belief is based principally on the position that, for purposes of determining whether we are a PFIC, the gross income we derive or are deemed to derive from the time chartering and voyage chartering activities of our wholly-owned subsidiaries should constitute services income, rather than rental income. Correspondingly, such income should not constitute passive income, and the assets that we or our wholly-owned subsidiaries own and operate in connection with the production of such income, in particular, the vessels, should not constitute passive assets for purposes of determining whether we are a PFIC. We believe there is substantial legal authority supporting our position consisting of case law and Internal Revenue Service pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. Moreover, in the absence of any legal authority specifically relating to the statutory provisions governing PFICs, the Internal Revenue Service or a court could disagree with our position. In addition, although we intend to conduct our affairs in a manner to avoid being classified as a PFIC with respect to any taxable year, the nature of our operations may change in the future.

If we were to be classified as a PFIC in any taxable year, a U.S. Holder (i) would generally be required to treat any gain on sales of our shares held by him as ordinary income and pay an interest charge on the value of the deferral of their United States federal income tax attributable to such gain and (ii) could also be subject to an interest charge on distributions paid by us. In addition, for taxable years beginning on or after March 18, 2010, if we are treated as a PFIC, a U.S. Holder of our shares will be required to file an annual information return containing information regarding us as required by United States Department of the Treasury regulations.

The above results may be eliminated if a "mark-to-market" election or "qualified electing fund" election is available and a U.S. Holder validly makes such an election. If a U.S. Holder makes a "qualified electing fund" election, then generally, in lieu of the foregoing treatment, our earnings would be currently included in the U.S. Holder's gross income. If a "mark-to-market" election is made, such holder generally will be required to take into account the difference, if any, between the fair market value and its adjusted tax basis in shares at the end of each taxable year as ordinary income or ordinary loss (to the extent of any net mark-to-market gain previously included in income). In addition, any gain from a sale or other disposition of shares will be treated as ordinary income, and any loss will be treated as ordinary loss (to the extent of any net mark-to-market gain previously included in income).

United States Federal Income Taxation of "Non-U.S. Holders"

A beneficial owner of common stock that is not a U.S. Holder is referred to herein as a "Non-U.S. Holder."

Dividends on Common Stock

Non-U.S. Holders generally will not be subject to United States federal income tax or withholding tax on dividends received from us with respect to our common stock, unless that income is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States. If the Non-U.S. Holder is entitled to the benefits of a United States income tax treaty with respect to those dividends, that income is taxable only if it is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States.

Sale, Exchange or Other Disposition of Common Stock

Non-U.S. Holders generally will not be subject to United States federal income tax or withholding tax on any gain realized upon the sale, exchange or other disposition of our common stock, unless:

- the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States. If the Non-U.S. Holder is entitled to the benefits of an income tax treaty with respect to that gain, that gain is taxable only if it is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States; or

- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more during the taxable year of disposition and other conditions are met.

If the Non-U.S. Holder is engaged in a United States trade or business for United States federal income tax purposes, the income from the common stock, including dividends and the gain from the sale, exchange or other disposition of the stock that is effectively connected with the conduct of that trade or business will generally be subject to regular United States federal income tax in the same manner as discussed in the previous section relating to the taxation of U.S. Holders. In addition, if you are a corporate Non-U.S. Holder, your earnings and profits that are attributable to the effectively connected income, which are subject to certain adjustments, may be subject to an additional branch profits tax at a rate of 30%, or at a lower rate as may be specified by an applicable income tax treaty.

Backup Withholding and Information Reporting

In general, dividend payments, or other taxable distributions, made within the United States to you will be subject to information reporting requirements. Such payments will also be subject to backup withholding tax if you are a non-corporate U.S. Holder and you:

- fail to provide an accurate taxpayer identification number;
- are notified by the Internal Revenue Service that you have failed to report all interest or dividends required to be shown on your federal income tax returns; or
- in certain circumstances, fail to comply with applicable certification requirements.

Non-U.S. Holders may be required to establish their exemption from information reporting and backup withholding by certifying their status on IRS Form W-8BEN, W-8ECI or W-8IMY, as applicable.

If you sell your common stock to or through a United States office or broker, the payment of the proceeds is subject to both United States backup withholding and information reporting unless you certify that you are a non-U.S. person, under penalties of perjury, or you otherwise establish an exemption. If you sell your common stock through a non-United States office of a non-United States broker and the sales proceeds are paid to you outside the United States then information reporting and backup withholding generally will not apply to that payment. However, United States information reporting requirements, but not backup withholding, will apply to a payment of sales proceeds, even if that payment is made to you outside the United States, if you sell your common stock through a non-United States office of a broker that is a United States person or has some other contacts with the United States.

Backup withholding tax is not an additional tax. Rather, you generally may obtain a refund of any amounts withheld under backup withholding rules that exceed your income tax liability by filing a refund claim with the Internal Revenue Service.

We encourage each stockholder to consult with his, her or its own tax advisor as to particular tax consequences to it of holding and disposing of Euroseas shares, including the applicability of any state, local or foreign tax laws and any proposed changes in applicable law.

F. Dividends and paying agents

Not Applicable.

G. Statement by experts

Not Applicable.

H. Documents on display

We file reports and other information with the SEC. These materials, including this annual report and the accompanying exhibits, may be inspected and copied at the public reference facilities maintained by the Commission at 100 F Street, N.E., Washington, D.C. 20549, or from the SEC's website http://www.sec.gov. You may obtain information on the operation of the public reference room by calling 1 (800) SEC-0330 and you may obtain copies at prescribed rates.

I. Subsidiary Information

Not Applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

In the normal course of business, we face risks that are non-financial or non-quantifiable. Such risks principally include country risk, credit risk and legal risk. Our operations may be affected from time to time in varying degrees by these risks but their overall effect on us is not predictable. We have identified the following market risks as those which may have the greatest impact upon our operations:

Interest Rate Fluctuation Risk

The international drybulk, containership and multipurpose vessel industry is capital intensive, requiring significant amounts of investment. Much of this investment is financed by long term debt. Our debt usually contains interest rates that fluctuate with LIBOR. In 2008, we entered into an interest rate swap contract for a notional amount of $25.0 million in order to manage interest costs and the risks associated with changing interest rates. Under the terms of the swap, Eurobank makes a quarterly payment to the Company based on 3-month LIBOR less 3.99% on the relevant amount if the 3-month LIBOR is greater than 3.99%. If 3-month LIBOR is less than 3.99%, Eurobank receives an amount from the Company based on 3.99% less the 3-month LIBOR for the relevant amount. If LIBOR is equal to 3.99% no amount is due or payable to the Company. The swap is effective from July 14, 2008 to July 14, 2013. In 2009, we entered into a second interest rate swap contract for a notional amount of $25.0 million. Under the terms of the swap, Eurobank makes a quarterly payment to the Company based on 3-month LIBOR less 2.88% on the relevant amount if the 3-month LIBOR is greater than 2.88%. If 3-month LIBOR is less than 2.88%, Eurobank receives an amount from the Company based on 2.88% less the 3-month LIBOR for the relevant amount. If LIBOR is equal to 2.88% no amount is due or payable to the Company. The swap is effective from July 8, 2009 to July 8, 2014. These swap contracts do not cover our entire debt over the next two years and thus increasing interest rates could adversely impact future earnings.

As at December 31, 2009, we had $71.52 million of floating rate debt outstanding with margins over LIBOR ranging from 0.80% to 2.70%. Our interest expense is affected by changes in the general level of interest rates. As an indication of the extent of our sensitivity to interest rate changes, an increase of 100 basis points would have decreased our net income and cash flows in the twelve-month period ended December 31, 2009 by approximately $669,000 assuming the same debt profile throughout the year.

The following table sets forth the sensitivity of our loans and the interest rate swaps in U.S. dollars to a 100 basis points increase in LIBOR during the next five years. Specifically, the interest we will have to pay for our loans will increase but net payments we will have to make under our interest rate swap contracts will decrease.

Year Ended December 31,	Amount in $(loans)	Amount in $ (swap)
2010	666,000	(500,000)
2011	533,000	(500,000)
2012	435,000	(500,000)
2013	352,000	(384,000)
2014 and thereafter	306,000	(129,000)

Charter Rate Fluctuation Risk

In December 2008 and during 2009, we entered into FFA contracts to hedge our exposure to the drybulk market. These are futures contracts on an index of the earnings of a typical drybulk vessel of certain type and size (i.e. a modern panamax drybulk carrier). Selling such a contract for a specific period entitles you to receive the agreed upon daily rate (index level) for the period in exchange for the actual daily rate (index level) for each of the days of the period. Sale of FFA contracts is designed to secure a certain level of revenues in conjunction with our drybulk vessels operating in the spot market under the expectation that the amount the vessels earn in the spot market is correlated to the daily rate (index level) that we have to pay to settle the FFA contracts. However, there are risks that the hedge may not work in the intended way because the vessels, even when employed in the spot market, are chartered for short periods of time (as opposed to earning the daily rate that is used for the settlement of the FFA contract), are employed in routes possibly different from the one(s) used in the index and are of different size from the vessel assumed in the index.

As of December 31, 2009, we have FFA contracts outstanding for a total of 905 days in 2010 for an average daily rate of approximately $12,800 on the Baltic Panamax 4-TC index. The contracts are to be settled monthly. There is also a margin maintenance requirement (over and above a base margin) based on marking the contract to market. The table below shows the sensitivity of our FFA contracts and margin requirements for an increase of $1,000/day in the Baltic Panamax 4-TC index. Specifically, the mark-to-market value of our FFA contracts will decrease and the amount we will have to post as margin will increase.

Year Ended December 31,	**Change in Fair Value in $**
2010	(905,000)

Margin	**Amount in $**
Maximum increase in margin	905,000

As of May 1, 2010, we have settled about 331 days of the above contracts and we have outstanding contracts for about 574 days for the rest of 2010. We have not entered into any additional FFA contracts.

Inflation Risk

The general rate of inflation has been relatively low in recent years and as such its associated impact on costs has been minimal. We do not believe that inflation has had, or is likely to have in the foreseeable future, a significant impact on expenses. Should inflation increase, it will increase our expenses and subsequently have a negative impact on our earnings.

Foreign Exchange Rate Risk

The international drybulk and containership shipping industry's functional currency is the U.S. Dollar. We generate all of our revenues in U.S. dollars, but incur approximately 26% of our vessel operating expenses including drydocking expenses in 2009 in currencies other than U.S dollars. In addition, our vessel management fee is denominated in Euros (655 Euros per vessel per day in 2009), and, certain general and administrative expenses (about 20% in 2009) are mainly in Euros and some other currencies. On December 31, 2009, approximately 34% of our outstanding accounts payable were denominated in currencies other than the U.S. dollar, mainly in Euros. We do not use currency exchange contracts to reduce the risk of adverse foreign currency movements but we believe that our exposure from market rate fluctuations is unlikely to be material. Net foreign exchange gain for the year to December 31, 2009 was $36,477.

Item 12. Description of Securities Other than Equity Securities

Not Applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

We adopted a shareholders' rights plan on May 18, 2009 and declared a dividend distribution of one preferred stock purchase right to purchase one one-thousandth of our Series A Participating Preferred Stock for each outstanding share of our common stock, to shareholders of record at the close of business on May 27, 2009. Each right entitles the registered holder, upon the occurrence of certain events, to purchase from us one one-thousandth of a share of Series A Participating Preferred Stock at an exercise price of $26, subject to adjustment. The rights will expire on the earliest of (i) May 27, 2019 or (ii) redemption or exchange of the rights. The plan was designed to enable us to protect shareholder interests in the event that an unsolicited attempt is made for a business combination with or takeover of the company. We believe that the shareholders' rights plan should enhance the board of directors' negotiating power on behalf of shareholders in the event of a coercive offer or proposal. We are not currently aware of any such offers or proposals and we adopted the plan as a matter of prudent corporate governance. On March 29, 2010, the plan was amended to permit our Euromar joint venture partners, Paros Ltd., All Seas Investors I, Ltd., All Seas Investors II, Ltd. and All Seas Investors III LP, to exercise their conversion rights into the Company's shares without violating the plan.

Item 15. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Pursuant to Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act"), the Company's management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2009. The term disclosure controls and procedures are defined under SEC rules as controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer has concluded that our disclosure controls and procedures are effective, as of December 31, 2009.

(b) Management's Annual Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is identified in Exchange Act Rule 13a-15(f) and 15d-15(f). Internal control over financial reporting is a process designed by, or under the supervision of, the issuer's principal executive and principal financial officers, or persons performing similar functions, and effected by the issuer's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with the authorization of its management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on its consolidated financial statements.

Our management, with the participation of Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2009. In making this assessment, the Company used the control criteria framework of the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") published in its report entitled Internal Control-Integrated Framework. As a result of its assessment, the Chief Executive Officer and Chief Financial Officer concluded that the Company's internal controls over financial reporting are effective as of December 31, 2009.

(c) Attestation Report of the Registered Public Accounting Firm

Deloitte. Hadjipavlou, Sofianos and Cambanis S.A., or "Deloitte", an independent registered public accounting firm, as auditors of our consolidated financial statements for the year ended December 31, 2009, has issued the following attestation report on the effectiveness of our internal control over financial reporting as of December 31, 2009:

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Euroseas Ltd. and Subsidiaries, Majuro, Republic of the Marshall Islands

We have audited the internal control over financial reporting of Euroseas Ltd and subsidiaries (the "Company") as of December 31, 2009, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Annual Report on Internal Control over Financial Reporting." Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2009 of the Company and our report dated May 28, 2010 expressed an unqualified opinion on those financial statements.

/s/ Deloitte. Hadjipavlou, Sofianos, & Cambanis S.A.
Athens, Greece
May 28, 2010

(d) Changes in Internal Control over Financial Reporting

No change in the Company's internal control over financial reporting occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Item 16A. Audit Committee Financial Expert

Our Board of Directors has determined that all the members of our Audit Committee qualify as financial experts and they are all considered to be independent according to the SEC rules. Mr. Panos Kyriakopoulos serves as the chairman of our Audit Committee with Mr. Gerald Turner and Mr. George Taniskidis as members.

Item 16B. Code of Ethics

We have adopted a code of ethics that applies to officers and employees. Our code of ethics is posted in our website: http://www.euroseas.gr under "Corporate Governance".

Item 16C. Principal Accountant Fees and Services

Our principal auditors, Deloitte Hadjipavlou, Sofianos & Cambanis S.A. have charged us for audit, audit-related and non-audit services as follows:

	2009 (dollars in thousands)	2008 (dollars in thousands)
Audit Fees	$ 531	$ 546
Further assurance / audit related fees	-	-
Tax fees	-	-
Other fees / expenses	-	-
Total	**$ 531**	**$ 546**

Audit fees relate to regular audit services and audit of our internal controls and services required for follow-on common stock offerings, our shelf registration filings, our continuous equity offering (currently suspended) and filings on Form S-8.

The audit committee is responsible for the appointment, replacement, compensation, evaluation and oversight of the work of the independent registered public accounting firm. As part of this responsibility, the Audit Committee pre-approves the audit and non-audit services performed by the independent registered public accounting firm in order to assure that they do not impair the auditor's independence from the Company. The Audit Committee has adopted a policy which sets forth the procedures and the conditions pursuant to which services proposed to be performed by the independent registered public accounting firm may be pre-approved.

All audit services and other services provided by Deloitte Hadjipavlou, Sofianos & Cambanis S.A., after the formation of our audit committee in November 2005 were pre-approved by the audit committee.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not Applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not Applicable.

Item 16 F. Change in Registrant's Certifying Accountant

None.

Item 16G. Corporate Governance

Our Company's corporate governance practices are in compliance with, and are not prohibited by, the laws of the Republic of the Marshall Islands. Therefore, we are exempt from many of NASDAQ's corporate governance practices other than the requirements regarding the disclosure of a going concern audit opinion, submission of a listing agreement, notification of material non-compliance with NASDAQ corporate governance practices, and the establishment and composition of an audit committee and a formal written audit committee charter. The practices followed by us in lieu of NASDAQ's corporate governance rules are described below.

We are not required under Marshall Islands law to maintain a board of directors with a majority of independent directors, and we may not maintain a board of directors with a majority of independent directors in the future.

In lieu of a compensation committee comprised of independent directors, our Board of Directors will be responsible for establishing the executive officers' compensation and benefits. Under Marshall Islands law, compensation of the executive officers is not required to be determined by an independent committee.

In lieu of a nomination committee comprised of independent directors, our Board of Directors will be responsible for identifying and recommending potential candidates to become board members and recommending directors for appointment to board committees. Shareholders may also identify and recommend potential candidates to become candidates to become board members in writing. No formal written charter has been prepared or adopted because this process is outlined in our bylaws.

In lieu of obtaining an independent review of related party transactions for conflicts of interests, consistent with Marshall Islands law requirements, a related party transaction will be permitted if: (i) the material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors and the Board of Directors in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, or, if the votes of the disinterested directors are insufficient to constitute an act of the Board of Directors as defined in Section 55 of the Marshall Islands Business Corporations Act, by unanimous vote of the disinterested directors; or (ii) the material facts as to his relationship or interest are disclosed and the shareholders are entitled to vote thereon, and the contract or transaction is specifically approved in good faith by a simple majority vote of the shareholders; or (iii) the contract or transaction is fair as to the Company as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof or the shareholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

As a foreign private issuer, we are not required to solicit proxies or provide proxy statements to NASDAQ pursuant to NASDAQ corporate governance rules or Marshall Islands law. Consistent with Marshall Islands law, we will notify our shareholders of meetings between 15 and 60 days before the meeting. This notification will contain, among other things, information regarding business to be transacted at the meeting. In addition, our bylaws provide that shareholders must give us advance notice to properly introduce any business at a meeting of the shareholders. Our bylaws also provide that shareholders may designate in writing a proxy to act on their behalf.

In lieu of holding regular meetings at which only independent directors are present, our entire board of directors, a majority of whom are independent, will hold regular meetings as is consistent with the laws of the Republic of the Marshall Islands.

The Board of Directors adopted an equity incentive plan in October 2007 which replaced the prior equity incentive plan. Shareholder approval was not necessary to terminate the original equity incentive plan or to establish a new equity incentive plan since Marshall Islands law permits the Board of Directors to take these actions. The Company has filed the appropriate documentation with the Nasdaq Global Select Market reflecting this event.

The Board of Directors adopted a new equity incentive plan in May 2010. Shareholder approval was not necessary since Marshall Islands law permits the Board of Directors to take these actions. The Company has filed the appropriate documentation with the Nasdaq Global Market reflecting this event.

As a foreign private issuer, we are not required to obtain shareholder approval if any of our directors, officers or 5% or greater shareholders has a 5% or greater interest (or such persons collectively have a 10% or greater interest), directly or indirectly, in the company or assets to be acquired or in the consideration to be paid in the transaction(s) and the present or potential issuance of common stock, or securities convertible into or exercisable for common stock, could result in an increase in outstanding common stock or voting power of 5% or more.

In lieu of obtaining shareholder approval prior to the issuance of designated securities, the Company will comply with provisions of the Marshall Islands Business Corporations Act, providing that the Board of Directors approves share issuances.

OTHER THAN AS NOTED ABOVE, WE ARE IN FULL COMPLIANCE WITH ALL OTHER APPLICABLE NASDAQ CORPORATE GOVERNANCE STANDARDS.

PART III

Item 17. Financial Statements

See Item 18

Item 18. Financial Statements

The following financial statements set forth on pages F-1 through F-46 are filed as part of this annual report.

Item 19. Exhibits

1.1	Articles of Incorporation of Euroseas Ltd.(11)
1.2	Bylaws of Euroseas Ltd.(11)
1.3	Amendment to Articles of Incorporation of Euroseas Ltd.(11)
1.4	Amendment to Bylaws of Euroseas Ltd.(11)
2.1	Specimen Common Stock Certificate(7)
2.2	Form of Securities Purchase Agreement(1)
2.3	Form of Registration Rights Agreement(1)
2.4	Form of Warrant(1)
2.5	Registration Rights Agreement between Euroseas Ltd. and Friends Investment Company Inc., dated November 2, 2005(2)
2.6	Form of Registration Rights Agreement among Euroseas Ltd., Paros Ltd., All Seas Investors I Ltd., All Seas Investors II Ltd. and All Seas Investors III LP dated March 25, 2010(11)
3.1	Form of Shareholder Voting Agreement among Euroseas Ltd., Paros Ltd., All Seas Investors I Ltd., All Seas Investors II Ltd., All Seas Investors III LP, Friends Investment Company Inc. and Aristides J. Pittas dated March 25, 2010(11)
4.1	Form of Lock-up Agreement(1)
4.2	Secured Loan Facility Agreement dated May 24, 2005 between Allendale Investments S.A. and Alterwall Business Inc. as borrowers, Fortis Bank (Nederland) N.V. and others as lenders, and Fortis Bank (Nederland) N.V. as agent and security trustee for $20,000,000(1)
4.3	Form of Standard Ship Management Agreement(1)
4.4	Agreement between Eurobulk Ltd. and Eurochart S.A., for the provision of exclusive brokerage services, dated December 20, 2004(1)
4.5	Form of Current Time Charter(1)
4.6	Amended and Restated Master Management Agreement between Euroseas Ltd. and Eurobulk Ltd. dated as of July 17, 2007, as amended February 7, 2008 (6)
4.7	Addendum No. 1 to Amendment to Amended and Restated Master Management Agreement between Euroseas Ltd. and Eurobulk Ltd. dated as of February 7, 2009 (9)
4.8	Loan Agreement between Xenia International Corp., as borrower, and Fortis Bank N.V./S.A., Athens Branch and others, as lenders, for the amount of USD$8,250,000 dated June 30, 2006(3)
4.9	Loan Agreement between Prospero Maritime Inc., as borrower, and Calyon, as lender, for the amount of USD$15,500,000 dated August 30, 2006(3)
4.10	Euroseas 2007 Equity Incentive Plan(8)
4.11	Loan Agreement between Xingang Shipping Ltd., as borrower, and HSBC Bank plc, as lender, for the amount of USD$20,000,000 dated November 14, 2006(4)
4.12	Amendment to Loan Agreement among Xingang Shipping Ltd., as borrower, HSBC Bank plc, as lender, and Diana Trading Ltd. and Euroseas Ltd., as corporate guarantors, dated April 14, 2010(11)
4.13	Form of Right of First Refusal(5)
4.14	Form of Advisory Agreement(5)
4.15	Loan Agreement between Manolis Shipping Limited, as borrower, and EFG Eurobank Ergasias S.A., as lender, for the amount of USD$10,000,000 dated June 7, 2007(6)
4.16	Supplemental Agreement to Loan Agreement between Manolis Shipping Limited, as borrower, and EFG Eurobank Ergasias S.A., as lender, dated August 5, 2009(11)

4.17	Loan Agreement between Trust Navigation Corp., as borrower and EFG Eurobank Ergasias S.A., as lender, for the amount of USD$15,000,000 dated October 29, 2007 (6)
4.18	Amendment to Loan Agreement between Trust Navigation Corp., as borrower and EFG Eurobank Ergasias S.A., as lender, dated December 29, 2008 (9)
4.19	Form of Senior Security Debt Indenture(7)
4.20	Form of Subordinated Debt Security Indenture(7)
4.21	Loan Agreement between Saf-Concord Shipping Ltd., as borrower and EFG Eurobank Ergasias S.A., as lender, for the amount of USD$10,000,000 dated January 9, 2009 (9)
4.22	Loan Agreement between Eleni Shipping Ltd., as borrower and Calyon, as lender, for the amount of USD$10,000,000 dated April 30, 2009 (9)
4.23	Shareholders Rights Agreement between Euroseas Ltd. and American Stock Transfer and Trust Company, LLC dated May 18, 2009(10)
4.24	Amendment to Shareholders Rights Agreement between Euroseas Ltd. and American Stock Transfer and Trust Company, LLC dated March 25, 2010(11)
4.25	Loan Agreement between Pantelis Shipping Limited, as borrower, and HSBC Bank plc, as lender, for the amount of USD$13,000,000 dated December 15, 2009(11)
4.26	Amendment to Loan Agreement between Pantelis Shipping Limited, as borrower, and HSBC Bank plc, as lender, dated April 14, 2010 (11)
4.27	Form of Limited Liability Company Agreement for Euromar LLC, a Marshall Islands Limited Liability Company, among Euroseas Ltd., Paros Ltd., All Seas Investors I Ltd., All Seas Investors II Ltd. and All Seas Investors III LP dated March 25, 2010(11)
4.28	Form of Management Agreement among Euromar LLC, the vessel owning subsidiaries of Euromar LLC, Euroseas Ltd., Eurobulk Ltd. and Eurochart S.A. dated March 25, 2010(11)
4.29	Form of Agreement Regarding Vessel Opportunities among Euroseas Ltd., Eurobulk Ltd., Eurochart S.A., Aristides J. Pittas and Euromar LLC dated March 25, 2010(11)
4.30	Euroseas 2010 Equity Incentive Plan(11)
8.1	Subsidiaries of the Registrant(11)
12.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer(11)
12.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer(11)
13.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002(11)
13.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002(11)
15.1	Consent of Deloitte, Hadjipavlou, Sofianos & Cambanis S.A.(11)

(1) Filed as an Exhibit to the Company's Registration Statement (File No. 333-129145) on October 20, 2005.
(2) Filed as an Exhibit to the Company's Amendment No.1 to Registration Statement (File No. 333-129145) on December 5, 2005.
(3) Filed as an Exhibit to the Company's Post-Effective Amendment No. 1 to Registration Statement (File No. 333-12945) on September 12, 2006.
(4) Filed as an Exhibit to the Company's Registration Statement (File No. 333-138780) on November 17, 2006.
(5) Filed as an Exhibit to the Company's Amendment No. 4 to Registration Statement (File No. 333-138780) on January 29, 2007.
(6) Filed as an Exhibit to the Company's Annual Report on Form 20-F (File No. 001-33283) on May 13, 2008.
(7) Filed as an Exhibit to the Company's Registration Statement (File No. 333-152089) on July 2, 2008.
(8) Filed as an Exhibit to the Company's Post-Effective Amendment No. 1 to Registration Statement (File No. 333-148124) on July 17, 2008.
(9) Filed as an Exhibit to the Company's Annual Report on Form 20-F (File No. 001-33283) on May 18, 2009.
(10) Filed as an Exhibit to the Company's Form 6-K (File No. 001-33283) on May 18, 2009.
(11) Filed herewith.

SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign on its behalf.

EUROSEAS LTD.
(Registrant)

By: /s/ Aristides J. Pittas
Aristides J. Pittas
Chairman, President and CEO

Date: May 28, 2010

Index to consolidated financial statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Euroseas Ltd. and Subsidiaries, Majuro, Republic of the Marshall Islands

We have audited the accompanying consolidated balance sheets of Euroseas Ltd. and subsidiaries (the "Company") as of December 31, 2009 and 2008, and the related consolidated statements of operations, shareholder's equity, and cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Euroseas Ltd. and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2009, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated May 28, 2010 expressed unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte. Hadjipavlou, Sofianos, & Cambanis S.A.
Athens, Greece
May 28, 2010

Euroseas Ltd. and Subsidiaries
Consolidated balance sheets
December 31, 2008 and 2009
(All amounts, except share data, expressed in U.S. Dollars)

	Notes	December 31, 2008 (as adjusted) (see Note 2)	December 31, 2009
Assets			
Current assets			
Cash and cash equivalents		73,851,191	40,984,549
Trade accounts receivable, net		1,233,895	1,650,713
Other receivables		1,439,628	239,656
Due from related company	8	4,678,750	-
Inventories	3	2,011,973	1,869,238
Restricted cash	9	2,181,264	1,191,230
Other deposits	16	-	12,376,119
Vessels held for sale	4	6,067,020	-
Trading securities		771,727	436,598
Derivatives	15, 16	61,670	-
Prepaid expenses		241,102	185,137
Total current assets		**92,538,220**	**58,933,240**
Fixed assets			
Vessels, net	4	231,963,606	257,270,824
Advances for vessel acquisitions		1,821,798	-
Long-term assets			
Restricted cash	9	4,800,000	6,500,000
Deferred charges, net	5	373,702	327,694
Derivatives	15, 16	68,038	386,536
Fair value of above market time charter acquired	7	1,653,422	-
Total long-term assets		**240,680,566**	**264,485,054**
Total assets		**333,218,786**	**323,418,294**
Liabilities and shareholders' equity			
Current liabilities			
Long-term debt, current portion	9	12,450,000	14,030,000
Trade accounts payable		2,283,488	1,843,182
Accrued expenses	6	1,206,466	1,060,326
Accrued dividends		116,750	46,750
Due to related company	8	-	1,416,380
Deferred revenues		4,533,601	1,247,782
Derivatives	15, 16	827,210	10,799,132
Total current liabilities		**21,417,515**	**30,443,552**

(Consolidated balance sheets continues on the next page)

Euroseas Ltd. and Subsidiaries
Consolidated balance sheets
December 31, 2008 and 2009
(All amounts, except share data, expressed in U.S. Dollars)

(continued)

Long-term liabilities			
Long-term debt, net of current portion	9	43,565,000	57,485,000
Derivatives	15, 16	2,700,028	611,852
Fair value of below market time charters acquired	7	8,704,811	3,424,627
Total long-term liabilities		**54,969,839**	**61,521,479**
Total liabilities		**76,387,354**	**91,965,031**
Commitments and contingencies	11	-	
Shareholders' equity			
Common stock (par value $0.03, 100,000,000 shares authorized, 30,575,611 and 30,849,711 issued and outstanding)		917,269	925,492
Preferred shares (par value $0.01, 20,000,000 shares authorized, no shares issued and outstanding)		-	-
Additional paid-in capital		234,567,670	235,588,391
Retained earnings / (Accumulated deficit)		21,346,493	(5,060,620)
Total shareholders' equity		**256,831,432**	**231,453,263**
Total liabilities and shareholders' equity		**333,218,786**	**323,418,294**

The accompanying notes are an integral part of these consolidated financial statements.

Euroseas Ltd. and Subsidiaries
Consolidated statements of operations
Years ended December 31, 2007, 2008 and 2009
(All amounts, except for share data, expressed in U.S. Dollars)

	Notes	2007 (as adjusted – see Note 2)	2008 (as adjusted – see Note 2)	2009
Revenues				
Voyage revenue	7	86,104,365	132,243,918	66,215,669
Commissions	8, 14	(4,024,032)	(5,940,460)	(2,433,776)
Net revenue		**82,080,333**	**126,303,458**	**63,781,893**
Operating expenses				
Voyage expenses	14	897,463	3,092,323	1,510,551
Vessel operating expenses	14	17,240,132	27,521,194	23,673,480
Drydocking expenses	2	5,770,007	6,129,257	1,912,474
Vessel depreciation	4	16,423,092	28,284,752	19,092,384
Impairment loss	4	-	25,113,364	-
Management fees	8	3,669,137	5,387,415	5,074,297
Other general and administrative expenses		2,656,176	4,057,736	3,640,534
Net (gain) / loss on sale of vessels	4	(3,440,681)	-	8,959,321
Charter termination fees	4	-	-	(103,577)
Total operating expenses		**43,215,326**	**99,586,041**	**63,759,464**
Operating income		**38,865,007**	**26,717,417**	**22,429**
Other income/(expenses)				
Interest and other financing costs		(4,850,239)	(2,930,737)	(1,437,637)
Change in fair value of derivatives	16	-	(3,474,635)	(15,778,209)
Foreign exchange gain/(loss)		(7,824)	7,888	36,477
Realized gain on investments		-	81,193	411,444
Unrealized gain (loss) on investments		98,744	(2,393,983)	(5,325)
Dividend income		-	315,266	-
Interest income		2,357,633	3,168,501	1,123,317
Other expenses, net		**(2,401,686)**	**(5,226,507)**	**(15,649,933)**
Net income / (loss)		**36,463,321**	**21,490,910**	**(15,627,504)**
Earnings / (loss) per share - basic	13	**1.69**	**0.71**	**(0.51)**
Weighted average number of shares outstanding during the year, basic	13	**21,566,619**	**30,437,107**	**30,648,991**
Earnings / (loss) per share - diluted	13	**1.68**	**0.70**	**(0.51)**
Weighted average number of shares outstanding during the year, diluted	13	**21,644,920**	**30,505,476**	**30,648,991**

The accompanying notes are an integral part of these consolidated financial statements.

Euroseas Ltd. and Subsidiaries
Consolidated statements of shareholders' equity
Years ended December 31, 2007, 2008 and 2009
(All amounts, except share data, expressed in U.S. Dollars)

	Comprehensive Income / (loss)	Number of Shares	Common Stock Amount	Preferred Shares Amount	Additional Paid - inCapital	Retained Earnings	Total
Balance, January 1, 2007		**12,620,150**	**378,605**	**-**	**18,283,767**	**19,349,288**	**38,011,660**
Cumulative effect of adjustment from change in accounting policy to January 1, 2007 (see Note 2)						**(1,013,789)**	(1,013,789)
Net income	36,463,321					36,463,321	36,463,321
Issuance of shares in public offerings, net of issuance costs		17,325,000	519,750	-	209,367,229	-	209,886,979
Issuance of shares for warrants exercised		248,463	7,454	-	2,675,947	-	2,683,401
Issuance of restricted shares for stock incentive award and share-based compensation		67,500	2,025	-	820,757	-	822,782
Dividends declared and paid ($1.00 per share)			-	-		(20,278,538)	(20,278,538)
Balance, December 31, 2007		**30,261,113**	**907,834**	**-**	**231,147,700**	**34,520,282**	**266,575,816**
Net income	21,490,910					21,490,910	21,490,910
Issuance of shares for warrants exercised		171,998	5,160	-	1,805,762	-	1,810,922
Issuance of restricted shares for stock incentive award and share-based compensation		142,500	4,275	-	1,614,208	-	1,618,483
Dividends declared ($1.13 per share)			-	-		(34,664,699)	(34,664,699)
Balance, December 31, 2008		**30,575,611**	**917,269**	**-**	**234,567,670**	**21,346,493**	**256,831,432**
Net loss	(15,627,504)					(15,627,504)	(15,627,504)
Issuance of shares in "Continuous Offering Program, net of issuance costs"		134,100	4,023	-	204,732	-	208,755
Issuance of restricted shares for stock incentive award and share-based compensation		140,000	4,200	-	815,989	-	820,189
Dividends declared ($0.30 per share)			-	-		(10,779,609)	(10,779,609)
Balance, December 31, 2009		**30,849,711**	**925,492**	**-**	**235,588,391**	**(5,060,620)**	**231,453,263**

The accompanying notes are an integral part of these consolidated financial statements.

Euroseas Ltd. and Subsidiaries
Consolidated statements of cash flows
Years ended December 31, 2007, 2008 and 2009
(All amounts expressed in U.S. Dollars)

	2007 (as adjusted) (Note 2)	2008 (as adjusted) (see Note 2)	2009
Cash flows from operating activities:			
Net income / (loss)	36,463,321	21,490,910	(15,627,504)
Adjustments to reconcile net income / (loss) to net cash provided by operating activities:			
Depreciation of vessels	16,423,092	28,284,752	19,092,384
Impairment loss	-	25,113,364	-
Amortization of deferred charges	72,715	85,141	110,504
Amortization of fair value of time charters	548,254	(6,144,507)	(3,626,762)
(Gain) / loss on sale of vessels	(3,440,681)	-	8,959,321
Share-based compensation	822,782	1,618,484	820,189
Investment in trading securities, net	(2,792,914)	(192,859)	741,248
(Gain) loss on trading securities	(98,744)	2,312,790	(406,118)
Unrealized loss on derivatives	-	3,397,530	7,626,918
Changes in operating assets and liabilities:			
(Increase)/decrease in:			
Trade accounts receivable	(671,888)	(183,791)	(416,818)
Prepaid expenses	(188,047)	189,503	55,965
Other receivables	(472,217)	(698,547)	532,133
Inventories	(1,187,547)	(108,295)	142,735
Other deposits	-	-	(12,376,119)
Due from related company	(2,641,936)	612,446	4,678,750
Increase/(decrease) in:			
Due to related company	-	-	1,416,380
Trade accounts payable	2,755,051	(1,506,276)	(243,112)
Accrued expenses	1,074,809	(870,284)	(356,615)
Deferred revenue	2,292,721	883,380	(3,285,819)
Net cash provided by operating activities	**48,958,771**	**74,283,741**	**7,837,660**
Cash flows from investing activities:			
Purchase of vessels	(149,502,254)	(43,582,320)	(62,224,639)
Advance for vessel purchase	-	(1,821,798)	-
Insurance proceeds	-	-	667,839
Change in restricted cash	(2,393,258)	(741,385)	(709,966)
Proceeds from sale of vessels	5,223,521	-	16,668,001
Net cash used in investing activities	**(146,671,991)**	**(46,145,503)**	**(45,598,765)**

(Consolidated statements of cash flows continues on the next page)

(All amounts expressed in U.S. Dollars)

(Continued)

Cash flows from financing activities:			
Issuance of share capital	527,204	5,030	4,023
Proceeds from shares issued	213,692,072	1,805,892	645,242
Offering expenses paid	(1,413,305)	(110,340)	(197,193)
Dividends paid	(20,278,538)	(34,547,949)	(10,849,609)
Loan arrangement fees paid	(110,000)	-	(208,000)
Proceeds from long-term debts	25,000,000	-	33,000,000
Repayment of long-term debts	(18,360,000)	(25,575,000)	(17,500,000)
Net cash provided by (used in) financing activities	**199,057,433**	**(58,422,367)**	**4,894,463**
Net increase (decrease) in cash and cash equivalents	101,344,213	(30,284,129)	(32,866,642)
Cash and cash equivalents at beginning of year	2,791,107	104,135,320	73,851,191
Cash and cash equivalents at end of year	**104,135,320**	**73,851,191**	**40,984,549**
Cash paid for interest	4,570,773	3,161,197	1,421,193
Non cash items:			
Other increase in accrued expenses and deferred charges	-	143,505	297,008
Fair value of below market charters acquired	9,675,481	9,597,438	-

The accompanying notes are an integral part of these consolidated financial statements.

1. Basis of Presentation and General Information

Euroseas Ltd. (the "Company") was formed on May 5, 2005 under the laws of the Republic of the Marshall Islands to consolidate the beneficial owners of the ship owning companies in existence at that time (see list below). On June 28, 2005, the beneficial owners exchanged all their shares in the ship-owning companies for shares in Friends Investment Company Inc., a newly formed Marshall Islands company. On June 29, 2005, Friends Investment Company Inc. then exchanged all the shares in the ship-owning companies for shares in Euroseas Ltd., thus, becoming the sole shareholder of Euroseas Ltd.

On August 25, 2005, Euroseas Ltd. sold 2,342,331 common shares at $9.00 per share in an institutional private placement, together with 0.25 of detachable warrants for each common share to acquire up to 585,589 common shares. The total proceeds, net of issuance costs of $3,500,309, amounted to $17,510,400. The warrants allow their holders to acquire one share of Euroseas Ltd. stock at a price of $10.80 per share and are exercisable for a period of five years from the issue of the warrant.

On August 25, 2005, as a condition to the institutional private placement described above, the Company and Cove Apparel, Inc. (Cove, an unrelated party and public shell corporation) signed an Agreement and Plan of Merger (the "Merger Agreement"). The Merger Agreement provided for the merger of Cove and Euroseas Acquisition Company Inc., a Delaware corporation and a wholly-owned subsidiary of Euroseas Ltd. formed on June 21, 2005, with the current stockholders of Cove receiving 0.0034323 shares of Euroseas Ltd. common shares for each share of Cove common stock they owned. Euroseas Ltd., as part of the merger, filed a registration statement with the Securities and Exchange Commission (SEC) to register the shares issued in the merger to the Cove stockholders.

The SEC declared effective on February 3, 2006 the Company's registration statement on Form F-4 that registered the Euroseas Ltd. common shares issued to Cove shareholders. The SEC also declared effective on February 3, 2006 the Company's registration statement on Form F-1 that registered the re-sale of the 2,342,331 Euroseas Ltd. common shares and 585,589 Euroseas Ltd. common shares issuable upon the exercise of the warrants issued in connection with the institutional private placement as well as 272,868 Euroseas Ltd. common shares that were issued to certain Cove shareholders as part of the merger with Cove.

On March 27, 2006, Euroseas Ltd. consummated the merger with Cove and, as a result, Cove merged into Euroseas Acquisition Company Inc., and the separate corporate existence of Cove ceased. The Cove stockholders received Euroseas Ltd. common shares and received dividends totaling to $140,334 related to dividends previously declared by Euroseas Ltd. Euroseas Acquisition Company Inc. changed its name to Cove Apparel, Inc. Also, following the completion of the merger, the common stock of Cove was de-listed and no longer traded on the OTC Bulletin Board. On the date of the merger, Cove had cash of $10,000, had no other assets and had no liabilities. Cove was dissolved in March 2008.

1. Basis of Presentation and General Information - continued

On January 31, 2007 upon the pricing of the Company's follow-on common stock offering of 5,750,000 shares. Euroseas Ltd. common share started trading on the NASDAQ Global Market. The total proceeds of the follow-on common stock offering, net of issuance costs of $4,122,289, amounted to $43,315,220. On June 29, 2007 the Company priced, and, on July 5, 2007 completed an additional follow-on offering of 5,750,000 shares of common stock. The total proceeds of this follow-on offering, net of issuance costs of $4,609,428, amounted to $73,015,572. On November 6, 2007 the Company priced, and, on November 9, 2007 completed an additional follow-on offering of 5,825,000 shares of common stock. The total proceeds of this follow-on offering, net of issuance costs of $5,468,812, amounted to $93,556,187.

The operations of the vessels are managed by Eurobulk Ltd. (the "manager"), a corporation controlled by members of the Pittas family. The Pittas family is the controlling shareholders of Friends Investment Company Inc. which owns 33% of the Company's shares and of Eurobulk Marine Holdings Inc. which owns another 1.3% of the Company's shares as of December 31, 2009.

The manager has an office in Greece located at 4, Messogiou & Evropis Street, Maroussi, Athens, Greece. The manager provides the Company with a wide range of shipping services such as technical support and maintenance, insurance consulting, chartering, financial and accounting services, as well as executive management services, in consideration for fixed and variable fees (see Note 8).

The Company is engaged in the ocean transportation of dry bulk and containers through ownership and operation of dry bulk and container carriers owned by the following ship-owning companies:

- Searoute Maritime Ltd. incorporated in Cyprus on May 20, 1992, owner of the Cyprus flag 33,712 DWT bulk carrier motor vessel (M/V) "Ariel", which was built in 1977 and acquired on March 5, 1993. M/V "Ariel" was sold in February, 2007.

- Oceanopera Shipping Ltd. incorporated in Cyprus on June 26, 1995, owner of the Cyprus flag 34,750 DWT bulk carrier M/V "Nikolaos P", which was built in 1984 and acquired on July 22, 1996. M/V "Nikolaos P" was sold in February 2009.

1. Basis of Presentation and General Information - continued

- Alcinoe Shipping Ltd. incorporated in Cyprus on March 20, 1997, owner of the Cyprus flag 26,354 DWT bulk carrier M/V "Pantelis P", which was built in 1981 and acquired on June 4, 1997. M/V "Pantelis P" was sold on May 31, 2006. On February 22, 2007, Alcinoe Shipping Ltd. acquired the 38,691 DWT Cyprus flag drybulk carrier M/V "Gregos", which was built in 1984. On June 13, 2007, M/V Gregos was transferred to Gregos Shipping Limited incorporated in the Marshall Islands and its flag was changed to the flag of the Marshall Islands. M/V "Gregos" was sold in December 2009.

- Allendale Investment S.A. incorporated in Panama on January 22, 2002, owner of the Panama flag 18,154 DWT container carrier M/V "Kuo Hsiung", which was built in 1993 and acquired on May 13, 2002.

- Alterwall Business Inc. incorporated in Panama on January 15, 2001, owner of the Panama flag 18,253 DWT container carrier M/V "Ninos" (previously named M/V "Quingdao I") which was built in 1990 and acquired on February 16, 2001.

- Diana Trading Ltd. incorporated in the Marshall Islands on September 25, 2002, owner of the Marshall Islands flag 69,734 DWT bulk carrier M/V "Irini", which was built in 1988 and acquired on October 15, 2002.

- Salina Shipholding Corp., incorporated in the Marshall Islands on October 20, 2005, owner of the Marshall Islands flag 29,693 DWT container carrier M/V "Artemis", which was built in 1987 and acquired on November 25, 2005. M/V Artemis was sold in December 2009.

- Xenia International Corp., incorporated in the Marshall Islands on April 6, 2006, owner of the Marshall Islands flag 22,568 DWT / 950 TEU multipurpose M/V "Tasman Trader", which was built in 1990 and acquired on April 27, 2006.

- Prospero Maritime Inc., incorporated in the Marshall Islands on July 21, 2006, owner of the Marshall Islands flag 69,268 DWT dry bulk M/V "Aristides N.P.", which was built in 1993 and acquired on September 4, 2006.

- Xingang Shipping Ltd., incorporated in Liberia on October 16, 2006, owner of the Liberian flag 23,596 DWT container carrier M/V "YM Xingang I" , which was built in February 1993 and acquired on November 15, 2006. On November 6, 2009 the vessel was renamed M/V "YN Port Kelang" (from July 11, 2009 to November 5, 2009 the vessel was named M/V "Mastro Nicos").

- Manolis Shipping Ltd., incorporated in the Marshall Islands on March 16, 2007, owner of the Marshall Islands flag 20,346 DWT / 1,452 TEU container carrier M/V "Manolis P", which was built in 1995 and acquired on April 12, 2007.

- Eternity Shipping Company, incorporated in the Marshall Islands on May 17, 2007, owner of the Marshall Islands flag 30,007 DWT / 1,742 TEU container carrier M/V "Clan Gladiator", which was built in 1992 and acquired on June 13, 2007. On May 9, 2008, M/V "Clan Gladiator" was renamed M/V "OEL Transworld" and on August 31, 2009 the vessel was renamed M/V "Captain Costas".

(All amounts expressed in U.S. Dollars)

1. Basis of Presentation and General Information - continued

- Emmentaly Business Inc., incorporated in Panama on July 4, 2007, owner of the Panamanian flag 33,667 DWT / 1,932 TEU container carrier M/V "Jonathan P", which was built in 1990 and acquired on August 7, 2007. On April 16, 2008, M/V "Jonathan P" was renamed M/V "OEL Integrity"; on March 5, 2009, the vessel was renamed again M/V "Jonathan P" upon the expiration of its charter with OEL.

- Pilory Associates Corp., incorporated in Panama on July 4, 2007, owner of the Panamanian flag 33,667 DWT / 1,932 TEU container carrier M/V "Despina P", which was built in 1990 and acquired on August 13, 2007.

- Tiger Navigation Corp., incorporated in Marshall Islands on August 29, 2007, owner of the Marshall Islands flag 31,627 DWT / 2,228 TEU container carrier M/V "Tiger Bridge", which was built in 1990 and acquired on October 4, 2007.

- Trust Navigation Corp., incorporated in Liberia on October 1, 2007, owner of the Liberian flag 64,873 DWT bulk carrier M/V "Ioanna P", which was built in 1984 and acquired on November 1, 2007. M/V "Ioanna P" was sold in January 2009.

- Noumea Shipping Ltd, incorporated in Marshall Islands on May 14, 2008, owner of the Marshall Islands flag 34,677 DWT / 2,556 TEU container vessel M/V "Maersk Noumea", which was built in 2001 and acquired on May 22, 2008.

- Saf-Concord Shipping Ltd., incorporated in Liberia on June 8, 2008, owner of the Liberian flag 46,667 DWT bulk carrier M/V Monica P, which was built in 1998 and acquired on January 19, 2009.

- Eleni Shipping Ltd., incorporated in Liberia on February 11, 2009, owner of the Liberian flag 72,119 DWT bulk carrier M/V Eleni P, which was built in 1997 and acquired on March 6, 2009.

- Pantelis Shipping Ltd. , incorporated in the Republic of Malta on July 2, 2009, owner of the Maltese flag 74,020 DWT bulk carrier M/V Pantelis which was built in 2000 and acquired on July 23, 2009.

During the years ended December 31, 2007, 2008 and 2009, the following charterers individually accounted for more than 10% of the Company's voyage and time charter revenues as follows:

	Year ended December 31,		
Charterer	**2007**	**2008**	**2009**
A (Klaveness)	15.07%	8.81%	16.84%
B (Orient Express Lines)	-	6.05%	10.33%
C (Maersk Lines)	-	2.49%	10.25%
D (YM Lines)	12.53%	7.27%	8.66%
E (Sinochart)	12.10%	13.80%	2.52%

2. Significant Accounting Policies

The accompanying consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America. The following are the significant accounting policies adopted by the Company:

Principles of consolidation

The accompanying consolidated financial statements included the accounts of Euroseas Ltd. and its subsidiaries. Inter-company transactions were eliminated on consolidation.

Use of estimates

The preparation of the accompanying consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the stated amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Other comprehensive income

The Company presents separately comprehensive income, if any, and its components in shareholders' equity. The Company has no other comprehensive income and, accordingly, comprehensive income / loss equals net income / loss for all periods presented.

Foreign currency translation

The Company's functional currency is the U.S. dollar. Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at exchange rates prevailing at the balance sheet date. Income and expenses denominated in foreign currencies are translated into U.S. dollars at exchange rates prevailing at the date of the transaction. The resulting exchange gains and/or losses on settlement or translation are included in the accompanying consolidated statements of operations.

Cash equivalents

Cash equivalents are time deposits or other certificates purchased with an original maturity of three months or less.

2. Significant Accounting Policies - Continued

Restricted cash

Restricted cash reflects deposits with certain banks that can only be used to pay the current loan installments or are required to be maintained as a certain minimum cash balance per mortgaged vessel.

Other deposits

Other deposits refer to deposits with certain banks in order to satisfy margin requirements of derivative contracts. They may include a base margin required to maintain the position and may also include an additional mark-to-market margin if the derivative contracts are out-of-the-money.

Trade accounts receivable

The amount shown as trade accounts receivable, at each balance sheet date, includes estimated recoveries from each voyage or time charter. At each balance sheet date, the Company provides for doubtful accounts on the basis of specific identified doubtful receivables. No allowance for doubtful accounts was recorded for any of the periods presented.

Inventories

Inventories are stated at the lower of cost and market value. Inventories are valued using the FIFO (First-In First-Out) method.

Vessels

Vessels are stated at cost which comprises the vessels' contract price, costs of major repairs and improvements upon acquisition, direct delivery and other acquisition expenses less accumulated depreciation. Subsequent expenditures for conversions and major improvements are also capitalized when they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of the vessels; otherwise these amounts are charged to expense as incurred. In November 2008, the estimated useful life of the containerships and multipurpose vessels was increased to 30 years (from 25 years until then) in line with industry practice and intended use of such vessels; also, the estimated scrap value of the vessels was reduced from $300 to $250 per light ton to better reflect market price developments in the scrap metal market. The effect of these changes was to reduce 2008 depreciation expenses by $0.8 million, or $0.03 per share and increase 2008 net income by the same amount; and, to reduce 2009 depreciation expenses by $6.4 million, or, $0.21 per share and decrease net loss for the year by the same amount.

Expenditures for vessel repair and maintenance are charged against income in the period incurred.

Depreciation

Depreciation is calculated on a straight line basis with reference to the cost of the vessel, age and scrap value as estimated at the date of acquisition. Depreciation is calculated over the remaining useful life of the vessel, which is estimated to range from 25 to 30 years from the completion of its construction. Remaining useful lives of property are periodically reviewed and revised to recognize changes in conditions and such revisions, if any, are recognized over current and future periods.

Insurance proceeds

Insurance proceeds are recorded according to type of claim that gives rise to the proceeds in the consolidated statements of operations and the consolidated statements of cash flow. For example, certain hull and machinery claim receipts are classified as "cash flow from investment activities". In 2009, the Company had $667,839 receipts for hull and machinery claims (mainly for M/V "Jonathan P", ex-M/V "OEL Intergrity ") which were classified under "cash flows from investment activities".

2. Significant Accounting Policies - Continued

Revenue and expense recognition

Revenues are generated from voyage and time charter agreements. If a charter agreement exists, the price is fixed, service is provided and the collection of the related revenue is reasonably assured, revenues are recorded over the term of the charter as service is provided and recognized on a pro-rata basis over the duration of the voyage or time charter adjusted for the off-hire days that a vessel spends undergoing repairs, maintenance or upgrade work. A voyage is deemed to commence upon the later of the completion of discharge of the vessel's previous cargo or the time it receives a contract that is not cancelable and is deemed to end upon the completion of discharge of the current cargo. A time charter contract is deemed to commence from the time of the delivery of the vessel to an agreed port and is deemed to end upon the re-delivery of the vessel at an agreed port. We generally enter into a charter agreement for the vessel's next voyage or time charter prior to the time of discharge of the previous cargo or completion of previous time charter. We do not begin recognizing voyage or time charter revenue until a charter contract has been agreed to both by us and the customer, even if the vessel has discharged its cargo or completed the previous time charter and it is sailing to the anticipated load port for its next voyage or to the port it will be delivered to the next charterer. Demurrage income, which is included in voyage revenues, represents payments received from the charterer when loading or discharging time exceeded the stipulated time in the voyage charter and is recognized when earned. Probable losses on voyages are provided for in full at the time such losses can be estimated.

For the Company's vessels operating in chartering pools, revenues and voyage expenses are pooled and allocated to each pool's participants on a time charter equivalent basis in accordance with an agreed-upon formula, which is determined by points awarded to each vessel in the pool based on the vessel's age, design and other performance characteristics. For vessels that simultaneously participate in spot chartering pools and cargo pools (pools of contracts of affreightment, also called, short funds; in the Company's case, participation in cargo pools requires participation in spot chartering pools), a combined time charter equivalent revenue is provided by the operator of the vessel and cargo pools. Revenues and voyage expenses are recognized during the period services were performed, the collectability has been reasonably assured, an agreement with the pool exists and price is determinable. Pool income may be subject to future adjustments by the pool however, the effect on the Company's income resulting from a subsequent reallocation of pool income on the results for the year historically has not been significant.

Charter fees received in advance are recorded as a liability (deferred revenue) until charter services are rendered.

Vessels operating expenses comprise of all expenses relating to the operation of the vessels, including crewing, insurance, repairs and maintenance, stores, lubricants, spares and consumables, professional and legal fees and miscellaneous expenses. Vessel operating expenses are recognized as incurred; payments in advance of services or use are recorded as prepaid expenses. Voyage expenses are incurred when the vessel is chartered under a voyage charter and comprise of all expenses relating to particular voyages, including bunkers, port charges, canal tolls, and agency fees. Voyage expenses are expensed as incurred.

2. Significant Accounting Policies - Continued

Drydocking and special survey expenses

Drydocking and special survey expenses are expensed as incurred. The Company believes that the direct expense method is preferable as it eliminates the significant amount of time and subjectivity involved in determining which costs and activities related to drydocking qualify for the deferral method (see also "Change in accounting principle for drydocking cost" at the end of this section).

Pension and retirement benefit obligations – crew

The ship-owning companies employ the crews on board the vessels under short-term contracts (usually up to 9 months). Accordingly, they are not liable for any pension or post retirement benefits.

Financing costs

Loan arrangement fees are deferred and amortized to interest expense over the duration of the underlying loan using the effective interest method. Unamortized fees relating to loan repaid or refinanced are expensed in the period the repayment or refinancing occurs.

Assets held for sale

It is the Company's policy to dispose of vessels when suitable opportunities occur and not necessarily to keep them until the end of their useful life. The Company classifies a vessel as being held for sale when all the following criteria are met:

- management has committed to a plan to sell the vessel;
- the vessel is available for immediate sale in its present condition;
- an active program to locate a buyer and other actions required to complete the plan to sell the vessel has been initiated;
- the sale of the vessel is probable, and transfer of the asset is expected to qualify for recognition as a completed sale within one year;
- the vessel is being actively marketed for sale at a price that is reasonable in relation to its current fair value and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Long-lived assets classified as held for sale are measured at the lower of their carrying amount or fair value less cost to sell. These vessels are not depreciated once they meet the criteria to be classified as held for sale.

2. Significant Accounting Policies - Continued

Fair value of time charter acquired

The Company records all identified tangible and intangible assets or any liabilities associated with the acquisition of a vessel at fair value. Where vessels are acquired with existing time charters, the Company determines the present value of the difference between: (i) the contractual charter rate and (ii) the prevailing market rate for a charter of equivalent duration. In discounting the charter rate differences in future periods, the Company uses its Weighted Average Cost of Capital (WACC) adjusted to account for the credit quality of the charterer. The capitalized above-market (assets) and below-market (liabilities) charters are amortized as a reduction and increase, respectively, to voyage revenues over the remaining term of the charter.

Stock incentive plan awards

Share-based compensation represents vested and unvested restricted shares granted to employees and to non-employee directors, for their services as directors, as well as to non-employees and are included in "Other general and administrative expenses" in the "Consolidated statements of operations." These shares are measured at their fair value equal to the market value of the Company's common stock on the grant date. The shares that do not contain any future service vesting conditions are considered vested shares and a total fair value of such shares is expensed on the grant date. The shares that contain a time-based service vesting condition are considered unvested shares on the grant date and a total fair value of such shares recognized on a straight-line basis over the requisite service period. In addition, unvested awards granted to non-employees are measured at their then-current fair value as of the financial reporting dates until non-employees complete the service (Note 13).

Investments

The Company classifies unrestricted publicly traded investments as trading securities and records them at fair value. The Company records unrealized gains or losses resulting from changes in fair value of its investment in trading securities between measurement dates as a component of "Gain (loss) on investments". In accordance with guidance relating to "Fair Value Measurements", the Company determines the fair value of its investments in trading securities using quoted market prices in active markets for the same securities (Level 1 under the "Fair Value Measurements" guidance hierarchy (see Note 16). The Company determines the cost of trading securities sold by using the First-In-First-Out ("FIFO") method. Purchases of, or proceeds from, the sale of trading securities are classified as cash flows from operating activities. The Company has adopted guidance relating to "The Fair Value Option for Financial Assets and Financial Liabilities" which allows the classification of purchases of, or proceeds from, the sale of trading securities to be classified to cash flows from operating activities or cash flows from investing activities based upon the Company's intent with respect to these securities.

2. Significant Accounting Policies - Continued

Impairment of long-lived assets

Impairment loss is recognized on a long-lived asset used in operations when indicators of impairment are present and the carrying amount of the long-lived asset is not recoverable from the undiscounted cash flows estimated to be generated by the asset and the asset's carrying amount is less than its fair value. In determining fair value and future benefits derived from use of long-lived assets, the Company performs an analysis of the anticipated undiscounted future net cash flows of the related long-lived assets. If the carrying value of the related asset exceeds its undiscounted future net cash flows, the carrying value is reduced to its fair value. Various factors including future charter rates and vessel operating costs are included in this analysis. The Company did not note for 2007, any events or changes in circumstances indicating that the carrying amount of its vessels may not be recoverable. However, in the fourth quarter of 2008, market conditions changed significantly as a result of the credit crisis and resulting slowdown in world trade. Charter rates for both drybulk carriers and containership vessels fell significantly and values of assets were significantly affected although there were limited transactions to confirm that. The Company considered these market developments as indicators of potential impairment of the carrying amount of its assets. The Company performed the undiscounted cash flow test as of December 31, 2008 for its vessels held for use and determined that the carrying amount of those vessels was not impaired. The Company recorded an impairment loss for two of its vessels that were classified as held for sale as of December 31, 2008. The impairment loss for these assets was measured on the basis of their fair value less costs to sell and amounted to $25,113,364. This amount is presented in the "Impairment loss" line in the "Operating Expenses" section of the "Consolidated Statements of Operations". Although during 2009, market conditions generally improved compared to the end of 2008, the Company performed again the undiscounted cash flow test as of December 31, 2009 for its vessels held for use and determined that its vessels were not impaired.

Derivative financial instruments

Every derivative instrument (including certain derivative instruments embedded in other contracts) is recorded in the balance sheet as either an asset or liability measured at its fair value with changes in the instruments' fair value recognized as a component in other comprehensive income or earnings depending on whether specific hedge accounting criteria are met at the inception of the hedge and over the life of the contract in accordance with guidance relating to "Accounting for Derivative Instruments and Hedging Activities".

For the years ended December 31, 2008 an 2009, the interest rate swaps and the Freight Forward Agreement ("FFA") contracts were not designated as hedging instruments and did not qualify for hedge accounting treatment. Accordingly, all gains or losses have been recorded in the "Consolidated statements of operations." There were no interest rate swaps or FFA contracts for the years ended December 31, 2007.

Earning per common share

Basic earnings per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during the period. The weighted-average number of common shares outstanding does not include any potentially dilutive securities or any unvested restricted shares of common stock. These unvested restricted shares, although classified as issued and outstanding at December 31, 2008 and 2009, are considered contingently returnable until the restrictions lapse and will not be included in the basic net income per share calculation until the shares are vested.

Diluted net income per share gives effect to all potentially dilutive securities. The Company's outstanding warrants and unvested restricted shares were potentially dilutive securities during the twelve months ended December 31, 2008 and 2009 (Note 14). However, if the result for the year is a loss the effect of any potentially dilutive securities is not considered.

Segment reporting

The Company reports financial information and evaluates its operations by charter revenue and not by the length of ship employment for its customers, i.e. spot or time charters. The Company does not use discrete financial information to evaluate the operating results for each such type of charter. Although revenue can be identified for these types of charters, management cannot and does not identify expenses, profitability or other financial information for these charters. As a result, management, including the chief operating decision maker, reviews operating results solely by revenue per day and operating results of the fleet and thus the Company has determined that it operates under one reporting segment. Furthermore, when the Company charters a vessel to a charterer, the charterer is free to trade the vessel worldwide and, as a result, the disclosure of geographical information is impracticable.

Fair Value of Financial Instruments

The estimated fair values of the Company's financial instruments such as trade receivables, trade accounts payable, cash and cash equivalents, restricted cash and other deposits approximate their individual carrying amounts as of December 31, 2008 and 2009, due to their short-term maturity (see guidance relating to "Fair Value Instruments" in Recent Accounting Pronouncements section below).

The carrying amounts of borrowings under the Company's loan agreements approximate their fair value due to the variable interest rate they bear.

The fair value of the interest rate swaps is the estimated amount the Company would receive or pay to terminate these agreements at the reporting date, taking into account current interest rates and the creditworthiness of the counterparty for assets and creditworthiness of the Company for liabilities.

The fair value of the Freight Forward Agreement ("FFA") contracts is the amount the Company would receive or pay to terminate these agreements at the reporting date, taking into account current broker quoted rates for same contracts and the creditworthiness of the counterparty for assets and creditworthiness of the Company for liabilities (see Note 15 - Financial Instruments for additional disclosure on the fair values of interest rate swap agreements and FFA contracts).

2. Significant Accounting Policies - Continued

Recent accounting pronouncements

i) In March 2008 new guidance was issued with the intent to provide users of financial statements with enhanced understanding of derivative instruments and hedging activities. The new guidance requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts and gain and losses on instruments, and disclosures about credit –risk- related contingent features in derivative agreements. The new guidance is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. We have adopted the new guidance and included the required disclosures (see Note 16).

ii) In May 2009, the FASB issued guidance on "Subsequent Events." This guidance sets forth general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This guidance is effective for periods ending after June 15, 2009. In February 2010, the FASB amended the subsequent events guidance issued in May 2009 to remove the requirement for SEC filers to disclose a date through which subsequent events have been evaluated in both issued and revised financial statements. The amendment is effective upon issuance. The adoption of this guidance did not have an impact on our consolidated financial condition or results of operations.

iii) On June 16, 2008, new guidance clarified that all outstanding unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. The new guidance is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The adoption of this new guidance did not have an impact on our consolidated financial statements as dividends are required to be returned to the entity if the employee forfeits the award.

2. Significant Accounting Policies - Continued

iv) On June 29, 2009, the Financial Accounting Standards Board ("FASB") issued *Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* , which became the single source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. The Codification's content will carry the same level of authority, effectively superseding previous guidance. In other words, the GAAP hierarchy will be modified to include only two levels of GAAP: authoritative and nonauthoritative. This new guidance is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company adopted the new guidance in the third quarter of 2009 and updated references to US GAAP in these consolidated financial statements to reflect the guidance in the Codification.

(v) In September 2009, clarifying guidance was issued on multiple-element revenue arrangements. The revised guidance primarily provides two significant changes: 1) eliminates the need for objective and reliable evidence of the fair value for the undelivered element in order for a delivered item to be treated as a separate unit of accounting, and 2) eliminates the residual method to allocate the arrangement consideration. In addition, the guidance also expands the disclosure requirements for revenue recognition. The new guidance will be effective for the first annual reporting period beginning on or after June 15, 2010, with early adoption permitted provided that the revised guidance is retroactively applied to the beginning of the year of adoption. The Company is currently assessing the future impact of this new accounting pronouncement to its consolidated financial statements.

(vi) In December 2009, new guidance was issued with regards to the consolidation of variable interest entities ("VIE"). This guidance responds to concerns about the application of certain key provisions of the former FASB guidance, including those regarding the transparency of the involvement with VIEs. The new guidance revises the approach to determining the primary beneficiary of a VIE to be more qualitative in nature and requires companies to more frequently reassess whether they must consolidate a VIE. Specifically, the new guidance requires a qualitative approach to identifying a controlling financial interest in a VIE and requires ongoing assessment of whether an entity is a VIE and whether an interest in a VIE makes the holder the primary beneficiary of the VIE. In addition, the standard requires additional disclosures about the involvement with a VIE and any significant changes in risk exposure due to that involvement. The guidance is effective as of the beginning of the first fiscal year that begins after November 15, 2009 and early adoption is prohibited. The Company evaluated this guidance and determined that it did not have an impact on the Company's consolidated financial statements.

(All amounts expressed in U.S. Dollars)

2. Significant Accounting Policies - Continued

Change in estimates

As discussed above, during the fourth quarter of 2008, the Company changed its estimates of the scrap price and useful life of its containerships to better reflect the present market environment, industry practice and intended use. These changes decreased net loss for year ended December 31, 2009 by $6.4 million, or $0.21 per share.

Change in accounting principle for drydocking costs

Beginning with the first quarter of 2009, the Company changed its accounting policy of drydocking costs from the deferral method, under which the Company amortized drydocking costs over the estimated period of benefit between drydockings, to the direct expense method, under which the Company expenses all drydocking costs as incurred. The Company believes that the direct expense method is preferable as it eliminates the significant amount of time and subjectivity involved in determining which costs and activities related to drydocking qualify for the deferral method.

The Company reflected this change as a change in accounting principle from an accepted accounting principle to a preferable accounting principle in accordance with guidance relating to *Accounting Changes and Error Corrections* . The new accounting principle has been applied retrospectively to all periods presented.

Consolidated balance sheets

	December 31, 2008			December 31, 2009		
	As originally reported under the deferral method	As adjusted under the direct expense method	Effect of change	As computed under the deferral method	As reported under the direct expense method	Effect of change
Increase (decrease)						
Deferred charges	7,771,342	373,702	(7,397,640)	3,935,067	327,694	(3,607,373)
Total long-term assets	248,078,206	240,680,566	(7,397,640)	268,092,427	264,485,054	(3,607,373)
Total assets	340,616,426	333,218,786	(7,397,640)	327,025,667	323,418,294	(3,607,373)
Retained earnings	28,744,133	21,346,493	(7,397,640)	(1,453,247)	(5,060,620)	(3,607,373)
Total shareholders equity	264,229,072	256,831,432	(7,397,640)	235,060,636	231,453,263	(3,607,373)
Total liabilities and shareholders equity	340,616,426	333,218,786	(7,397,640)	327,025,667	323,418,294	(3,607,373)

(All amounts expressed in U.S. Dollars)

2. Significant Accounting Policies - Continued

Change in accounting principle for drydocking costs – continued

Consolidated statements of operations

	Year ended December 31, 2007			Year ended December 31, 2008			Year ended December 31, 2009		
Income (expense)	As originally reported under the deferral method	As adjusted under the direct expense method	Effect of change	As originally reported under the deferral method	As adjusted under the direct expense method	Effect of change	As computed under the deferral method	As reported under the direct expense method	Effect of change
Drydocking expenses	-	5,770,007	5,770,007	-	6,129,257	6,129,257	-	1,912,474	1,912,474
Amortization of drydocking and special survey expense and vessel depreciation	17,963,072	16,423,092	(1,539,980)	32,230,901	28,284,752	(3,946,149)	23,973,871	19,092,384	(4,881,487)
(Gain) / loss on sale of vessels	(3,411,397)	(3,440,681)	(29,284)	-	-	-	8,138,067	8,959,321	821,254
Total operating Expenses	39,014,583	43,215,326	4,200,743	97,402,933	99,586,041	2,183,108	65,907,223	63,759,464	(2,147,759)
Operating income	43,065,750	38,865,007	(4,200,743)	28,900,525	26,717,417	(2,183,108)	(2,125,330)	22,429	2,147,759
Net income / (loss)	40,664,064	36,463,321	(4,200,743)	23,674,018	21,490,910	(2,183,108)	(17,775,263)	(15,627,504)	2,147,759
Earnings (loss) per share, basic	1.89	1.69	(0.20)	0.78	0.71	(0.07)	(0.58)	(0.51)	0.07
Earnings (loss) per share, diluted	1.88	1.68	(0.20)	0.78	0.70	(0.08)	(0.58)	(0.51)	0.07

Consolidated statements of cash flow

	Year ended December 31, 2007			Year ended December 31, 2008			Year ended December 31, 2009		
Inflow (outflow)	As originally reported under the deferral method	As adjusted under the direct expense method	Effect of change	As originally reported under the deferral method	As adjusted under the direct expense method	Effect of change	As computed under the deferral method	As reported under the direct expense method	Effect of change
Net income / (loss)	40,664,064	36,463,321	(4,200,743)	23,674,018	21,490,910	(2,183,108)	(17,775,263)	(15,627,504)	2,147,759
Amortization of deferred charges	1,612,695	72,715	(1,539,980)	4,031,290	85,141	(3,946,149)	4,991,991	110,504	(4,881,487)
(Gain) / loss on sale of vessels	(3,411,397)	(3,440,681)	(29,284)	-	-	-	8,138,067	8,959,321	821,254
Increase/(decrease) in trade accounts payable	1,920,051	2,755,051	835,000	(2,189,320)	(1,506,276)	683,044	(243,112)	(243,112)	-
Drydocking expenses paid	(4,935,007)	-	4,935,007	(5,446,213)	-	5,446,213	(1,912,474)	-	1,912,474

The amounts disclosed under the deferral method for the year ended and at December 31, 2009 are based on the estimated effect of not changing the drydocking accounting method to the direct expense method for this period. Accordingly, these estimated period amounts have not been previously reported, but are disclosed in accordance with the requirements of guidance relating to "Change in Accounting Policy".

(All amounts expressed in U.S. Dollars)

3. Inventories

Inventories consisted of the following:

	2008	2009
Lubricants	1,410,063	1,346,502
Victualling	164,708	120,239
Bunkers	437,202	402,497
Total	**2,011,973**	**1,869,238**

4. Vessels, net

The amounts in the accompanying consolidated balance sheets are as follows:

	Costs	Accumulated Depreciation	Net Book Value
Balance, January 1, 2007	**113,530,775**	**(18,036,433)**	**95,494,342**
- Depreciation for the year	-	(16,423,092)	(16,423,092)
- Purchase of vessels	159,177,734	-	159,177,734
Balance, December 31, 2007	**272,708,509**	**(34,459,525)**	**238,248,984**
- Depreciation for the year	-	(28,284,752)	(28,284,752)
- Purchase of vessel	53,179,758	-	53,179,758
- Vessels held for sale	(45,620,268)	14,439,884	(31,180,384)
Balance, December 31, 2008	**280,267,999**	**(48,304,393)**	**231,963,606**
- Depreciation for the year	-	(19,092,384)	(19,092,384)
- Purchase of vessels	64,046,437	-	64,046,437
- Sale of vessels	(33,986,672)	14,339,837	(19,646,835)
Balance, December 31, 2009	**310,327,764**	**(53,056,940)**	**257,270,824**

The Company acquired seven vessels during 2007 (M/V "Gregos", M/V "Manolis P", M/V "OEL Transworld", M/V "Despina P", M/V "Jonathan P", M/V "Tiger Bridge" and M/V "Ioanna P") for an aggregate purchase price plus costs required to make the vessels available for use of $159,177,734. M/V "Tiger Bridge" and M/V "Ioanna P" were acquired with below market charters with estimated fair value of $9,675,481 (see Note 7 below). During 2008, the Company acquired M/V "Maersk Noumea" for a purchase price of $53,179,758 with a below market charter with estimated fair value of $9,597,438 (see Note 7 below). The Company made payments equal to the purchase price less the fair value of the below market charters to acquire the vessels. During 2009, the Company acquired M/V "Monica P", M/V "Eleni P" and M/V "Pantelis" for an aggregate purchase price plus costs required to make the vessels available for use of $64,046,437.

(All amounts expressed in U.S. Dollars)

4. Vessels, net - Continued

On February 22, 2007, Searoute Maritime Ltd., a wholly-owned subsidiary of the company, sold M/V "Ariel", a handysize bulk carrier of 33,712 DWT built in 1977 for a gross price of $5,350,000 with 2% sales commissions resulting in a gain of $3,411,397.

In October and November 2008, the Company decided to dispose of two of its vessels. The Company completed the sale of the two vessels in January and February of 2009. The Company determined that the carrying values of the two vessels exceeded their fair values which were calculated on the basis of the agreed price to sell the vessels. Consequently, the Company recorded an impairment loss of $25,113,364, which represents the excess of the carrying values of the assets over their fair values, less cost to sell. The impairment loss is recorded as a separate line item ("Impairment loss") in the Income Statement for 2008. The carrying value of the assets that are held for sale is separately presented in the Balance Sheet in the caption "Assets held for sale" as of December 31, 2008; these assets were no longer depreciated from the time it was decided that they would be sold until the completion of the sale in January and February of 2009, respectively as mentioned above.

In November 2009, the Company decided to dispose of two of its vessels, M/V Artemis and M/V Gregos, which were sold in December 2009 for a gross price of $3,162,786 and $7,900,000, respectively. After sales commissions of 2% and 3%, respectively, and other sales expenses the Company recorded a loss of $8,959,321 from the sale of the two vessels.

5. Deferred Charges, net

"Deferred charges, net" consist of loan arrangement fees which are amortized over the duration of the loan and deferred offering expenses.

	2007 (as adjusted)	2008(as adjusted)	2009
Balance, beginning of year	778,053	315,338	373,702
Additions, loan arrangement fees	110,000	-	208,000
Additions, deferred offering expenses	340,053	143,505	297,008
Amortization of loan arrangement fees	(72,715)	(85,141)	(110,504)
Deferred offering expenses reclassified to paid-in capital	(840,053)	-	(440,513)
Balance, end of year	**315,338**	**373,702**	**327,694**

The additions of $110,000 in 2007 consisted of loan arrangement fees for the loans of M/V "Manolis P" and M/V "Ioanna P". The additions of $208,000 in 2009 consisted of loan arrangement fees for the loans of M/V "Monica P", M/V "Eleni P" and M/V "Pantelis". The additions of deferred offering expenses refer to expenses related to the filing of shelf registration offering of common stock in 2007 and 2008 and other offering related expenses. The $840,053 reduction of deferred offering expenses in 2007 represents only part of the offering expenses for the three common stock offerings completed that year that were classified against paid-in capital which amounted to $1,648,896. The $440,513 reduction in 2009 refers to offering expenses related to the shelf registration filing of July 2008 and expenses related to the Company's continuous offering program in 2009 and were charged against the paid-in capital proceeds of the continuous offering program.

(All amounts expressed in U.S. Dollars)

6. Accrued Expenses

The accrued expenses account consisted of:

	As of December 31, 2008	As of December 31, 2009
Accrued payroll expenses	262,370	190,384
Accrued interest	182,716	88,656
Accrued general and administrative expenses	48,000	415,510
Accrued commissions	204,531	97,630
Other accrued expenses	508,849	268,146
Total	**1,206,466**	**1,060,326**

7. Fair Value of Above or Below Market Time Charters Acquired

M/V "Tasman Trader" was acquired on April 27, 2006 with an outstanding time charter terminating on December 17, 2008 with a charter rate of $8,850 per day. The charter rate was below the market rate for equivalent time charter prevailing at the time the foregoing vessel was acquired. The present value of the below the market charter was estimated by the Company at $1,237,072 and was recorded as liability in the "Consolidated balance sheets." Net voyage revenues included $465,503, $452,697 and $0 as amortization of the below market rate charter for M/V "Tasman Trader for the years ended December 31, 2007, 2008 and 2009, respectively. There was no unamortized below market rate charter for M/V "Tasman Trader" as of December 31, 2008 and 2009.

M/V "YM Xingang I" was acquired on November 15, 2006 with an outstanding time charter terminating on July 21, 2009 with a charter rate of $26,650 per day. This charter rate was above the market rates for equivalent time charters prevailing at the time. The present value of the above the market charter was estimated by the Company at $7,923,480, and was recorded as an asset in the "Consolidated balance sheets." Net voyage revenues included a reduction of $2,938,963, $2,951,092 and $1,653,422 as amortization of the above market rate charter for M/V "YM Xingang I" for the years ended December 31, 2007, 2008 and 2009, respectively. The remaining unamortized above market rate charter was $1,653,422 and $0 as of December 31, 2008 and 2009, respectively, and is recorded as a long term asset in the "Consolidated balance sheets."

7. Fair Value of Above or Below Market Time Charters Acquired - continued

M/V "Tiger Bridge" was acquired on October 4, 2007 with an outstanding time charter terminating on August 4, 2009 with a charter rate of $16,500 per day. This charter rate was below the market rates for equivalent time charters prevailing at the time. The present value of the below-market charter was estimated by the Company at $2,263,924, and was recorded as a liability in the "Consolidated balance sheets." Net voyage revenues included $298,946, $1,226,012 and $738,965 as amortization of the below-market rate charter for M/V "Tiger Bridge" for the year ended December 31, 2007, 2008 and 2009, respectively. The remaining unamortized below market rate charter was $738,965 and $0 as of December 31, 2008 and 2009, respectively and is recorded as a liability in the "Consolidated balance sheets."

M/V "Ioanna P" was acquired on November 1, 2007 with an outstanding time charter terminating on August 4, 2008 with a charter rate of $35,500 per day. This charter rate was below the market rates for equivalent time charters prevailing at the time. The present value of the below-market charter was estimated by the Company at $7,441,558 and was recorded as a liability in the "Consolidated balance sheets." Net voyage revenues included $1,626,260, $5,785,298 and $0 as amortization of the below-market rate charter for M/V "Ioanna P" for the year ended December 31, 2007, 2008 and 2009, respectively. There was no remaining unamortized below market rate charter as of December 31, 2008 and 2009.

M/V "Maersk Noumea" was acquired on May 22, 2008 with an outstanding time charter terminating on August 2011 with a charter rate of $16,800 per day plus three one-year consecutive optional extensions at $18,735, $19,240 and $19,750 per day respectively. This charter rate was below the market rates for equivalent time charters prevailing at the time. The present value of the below-market charter plus the optional periods was estimated by the Company at $9,597,438 and was recorded as a liability in the "Consolidated balance sheets." Net voyage revenues included $1,631,592 as amortization of the below-market rate charter for M/V "Maersk Noumea" for the year ended December 31, 2008. In 2009, the Company assessed that due to the decline of the containership charter market the likelihood of the charter exercising the optional periods declined significantly and as a result amortized the entire portion attributed to the optional periods. Thus, net voyage revenues included $4,541,219 as amortization of the below-market rate charter for M/V "Maersk Noumea" for the year ended December 31, 2009. The remaining unamortized below market rate charter was $7,965,846 and $3,424,627 as of December 31, 2008 and 2009, respectively and is recorded as a liability in the Consolidated balance sheets.

8. Related Party Transactions

The Company's vessel owning companies are parties to management agreements with Eurobulk Ltd. ("Management Company"), which is controlled by members of the Pittas family, whereby the Management Company provides technical and commercial vessel management for a fixed daily fee of an average of Euro 628 for 2007, Euro 630 for 2008 and Euro 655 for 2009 under the Company's Master Management Agreement (see below). Vessel management fees paid to the Management Company amounted to $3,669,137, $5,387,415 and $5,074,297 in 2007, 2008 and 2009, respectively. These agreements were renewed on January 31, 2005 and amended in August and October 2006 with an initial term of five years and will automatically be extended after the initial term until terminated by the parties. Termination is not effective until two months following notice having been delivered in writing by either party after the expiration of the initial five-year period. An annual adjustment of the management fee due to inflation as provided under the management agreement took effect January 31, 2007 to Euro 630 per vessel per day. Eurobulk Ltd. agreed not to adjust the daily management fee for inflation in 2008. For 2009, the annual management fee was adjusted to Euro 655 per vessel per day. Laid-up vessels are billed for half of the daily fee for the period they are laid-up. The Company's master management agreement with Eurobulk - effective as of October 1, 2006 and with an initial term of five years until September 30, 2011 – was amended and renewed for five years on February 7, 2008 with effect from January 1, 2008. Future inflation adjustments will take effect on January 1. The management fee was adjusted for inflation and agreed at Euro 665 per vessel per day for 2010 taking effect on January 1, 2010.

In addition to the vessel management services, Eurobulk provides us with management services for the Company's needs as a public company. In 2007, compensation for such services to us as a public company was $608,750. On February 7, 2008, as part of the amended and renewed master management agreement, the Board of Directors approved a further increase to this component of the management fee to $1,100,000 per year starting on January 1, 2008 to be adjusted for inflation every January 1. This fee was adjusted for inflation and agreed at $1,150,000 for 2009 starting on January 1, 2009 and at $1,165,000 for 2010 starting on January 1, 2010.

8. Related Party Transactions - Continued

Amounts due to or from related parties represent net disbursements and collections made on behalf of the vessel-owning companies by the Management Company during the normal course of operations for which a right of off-set exists. As of December 31, 2008, the amount due from related companies was $4,678,750 while as of December 31, 2009, the amount due to related companies was $1,416,380. Based on the master management agreement between Euroseas Ltd. and Euroseas' shipowning subsidiaries and Eurobulk Ltd. an estimate of the quarter's operating expenses, expected drydock expenses, vessel management fee and fee for management executive services are to be advanced in the beginning of quarter to Eurobulk Ltd. For the fleet as of December 31, 2008 this advance is estimated between $7,500,000 and $9,000,000, and as of December 31,2009 between $6,700,000 and $8,000,000 excluding any advances needed for drydock expenses and is paid in advance around the beginning of each quarter. Depending on the date the advance takes place there could be an amount due from or to related companies.

The Company uses brokers for various services, as is industry practice. Eurochart S.A., an affiliated company controlled by certain members of the Pittas family, provides vessel sale and purchase services, and chartering services to the Company whereby the Company pays commission of 1% of the vessel sales price and 1.25% of charter revenues. Commission expenses for vessel sales for the years ended December 31, 2007 were $53,500, incurred for the sale of M/V "Ariel" in 2007; for the year ended December 31, 2008, commission expenses of $62,490 were recorded for the sale of M/V "Nikolaos P" and M/V "Ioanna P" as the two vessels were held for sale; these commission expenses were paid to Eurochart in 2009 along with additional commission expenses of $110,628 for the sale of M/V "Artemis" and M/V "Gregos" for a total of $173,118. Eurochart S.A. also received 1% commission for vessel acquisitions from the sellers of the vessels that the Company acquired. Commissions to Eurochart S.A. for chartering services were $1,124,416, $1,663,526 and $766,879 in 2007, 2008 and 2009, respectively.

Certain members of the Pittas family, together with another unrelated ship management company, have formed a joint venture with the insurance broker Sentinel Maritime Services Inc. ("Sentinel"), and with a crewing agent More Maritime Agencies Inc. ("More"). The shareholders' percentage participation in these joint ventures was 78% in 2007 and 2008 for both Sentinel and More; in 2009, ownership in Sentinel was 86.8% and in More 88.8%. Sentinel is paid a commission on premium not exceeding 5%; More is paid a fee of about $50 per crew member per month. Total fees charged by Sentinel and More were $67,900 and $117,145 in 2007, $111,325 and $171,442 in 2008, and 180,198 and 162,197 in 2009, respectively. These amounts are recorded in "Vessel operating expenses" under "Operating expenses". In 2010, Technomar Crew Management Services Corp ("Technomar"), a company owned by certain members of the Pittas family, together with two other unrelated ship management companies replaced More as crew agent.

The Company has authorized Eurotrade S.A., a company controlled by certain members of the Pittas family, to act on its behalf and enter into six FFA contracts in December 2008 using its existing FFA trading account arrangements with the Royal Bank of Scotland ("RBS"), until the Company establishes its own separate FFA trading account. These six FFA contracts were for a total of 480 vessel-equivalent days for calendar year 2009 and 485 days for 2010 of a modern panamax size vessel. The Company collects the difference between the spot rate and the contract rate if the spot rate is lower or will pay it if it is higher. Settlement takes place monthly. As of December 31, 2008, the fair value of these contracts resulted in a $1,216,083 unrealized loss which has been included in the "Consolidated statements of operations." These contracts were transferred to the Company's own FFA trading account in 2009. The Company did not pay any fees to Eurotrade S.A. for its services in 2008 or 2009.

(All amounts expressed in U.S. Dollars)

9. Long-Term Debt

This consisted of bank loans of the ship-owning companies and is as follows:

Borrower		December 31, 2008	December 31, 2009
Alterwall Business Inc./ Allendale Investments S.A	(a)	5,500,000	3,700,000
Salina Shipholding Corp.	(b)	5,000,000	-
Xenia International Corp	(c)	5,600,000	4,540,000
Prospero Maritime Inc.	(d)	11,275,000	9,625,000
Xingang Shipping Ltd. / Alcinoe Shipping Ltd	(e)	12,000,000	9,000,000
Manolis Shipping Ltd.	(f)	9,040,000	8,400,000
Trust Navigation Corp. / Tiger Navigation Co.	(g)	7,600,000	4,600,000
Saf-Concord Shipping Ltd.	(h)	-	9,250,000
Eleni Shipping Ltd.	(i)	-	9,900,000
Pantelis Shipping Ltd.	(j)	-	12,500,000
		56,015,000	71,515,000
Less: Current portion		(12,450,000)	(14,030,000)
Long-term portion		**$ 43,565,000**	**$ 57,485,000**

The future annual loan repayments are as follows:

To December 31:	
2010	14,030,000
2011	9,370,000
2012	9,230,000
2013	15,035,000
2014	12,410,000
Thereafter	11,440,000
Total	**$ 71,515,000**

9. Long-Term Debt - continued

(a) Allendale Investments S.A. and Alterwall Business Inc. drew $20,000,000 on May 26, 2005 against a loan facility for which they are jointly and severally liable. The loan is payable in twenty-four unequal consecutive quarterly installments of $1,500,000 each in the first year, $1,125,000 each in the second year, $775,000 each in the third year, $450,000 each in the fourth through sixth years and a balloon payment of $1,000,000 payable with the final installment due in May 2011. The interest is based on LIBOR plus 1.25% per annum as long as the outstanding loan amount remains below 60% of the fair market value (FMV) of M/V "Ninos" and M/V "Kuo Hsiung" and plus 1.375% if the outstanding loan amount is above 60% of the FMV of such vessels.

(b) This is a $15,500,000 loan drawn by Salina Shipholding Corp. on December 30, 2005. The loan is payable in ten consecutive semi-annual installments consisting of six installments of $1,750,000 each and four installments of $650,000 each and a balloon payment of $2,400,000 payable with the final installment due in January 2011. The interest is based on LIBOR plus a margin that ranges between 0.9%-1.1%, depending on the asset cover ratio. The loan is secured with the following: (i) first priority mortgage over M/V "Artemis", (ii) first assignment of earnings and insurance of M/V "Artemis", (iii) a corporate guarantee of Euroseas Ltd., (iv) a minimum cash balance equal to an amount of no less than $300,000 in an account Salina Shipholding Corp. maintains with the bank, and (v) overall liquidity (cash and cash equivalents) of $300,000 for each of the Company's vessels throughout the life of the facility. M/V Artemis was sold in December 2009 and as a result this loan was fully repaid.

(c) This is an $8,250,000 loan drawn by Xenia International Corp. on June 30, 2006. The loan is payable in twenty three consecutive quarterly installments consisting of $265,000 each and a balloon payment of $2,155,000 payable with the final quarterly installment due in March 2012. The interest is based on LIBOR plus a margin of 0.95%. The loan is secured with the following: (i) first priority mortgage over M/V "Tasman Trader", (ii) first assignment of earnings and insurance of M/V "Tasman Trader", (iii) a corporate guarantee of Euroseas Ltd., and (iv) overall liquidity (cash and cash equivalents) of $300,000 for each of the Company's vessels throughout the life of the facility.

(d) This is a $15,500,000 loan drawn by Prospero Maritime Inc. on September 4, 2006. The loan is payable in fourteen consecutive semi-annual installments consisting of two installments of $1,200,000 each, one installment of $1,000,000 each and eleven installments of $825,000 each and a balloon payment of $3,025,000 payable with the final semi-annual installment due in September 2013. The interest is based on LIBOR plus a margin that ranges between 0.9%-0.95%, depending on the asset cover ratio. The loan is secured with the following: (i) first priority mortgage over M/V "Aristides N.P.", (ii) first assignment of earnings and insurance of M/V "Aristides N.P.", (iii) a corporate guarantee of Euroseas Ltd., (iv) a minimum cash balance equal to an amount of no less than $300,000 in an account Prospero Maritime Inc. maintains with the bank, and (v) overall liquidity (cash and cash equivalents) of $300,000 for each of the Company's vessels throughout the life of the facility.

9. Long-Term Debt - continued

(e) This is a $20,000,000 loan drawn by Xingang Shipping Ltd. on November 15, 2006; Alcinoe Shipping Ltd., owner of the M/V "Gregos", became a guarantor to the loan in March 2007. Diana Shipping Ltd, owner of M/V "Irini" is a guarantor to this loan. After M/V Gregos was sold in December 2009, a cash collateral of $2,000,000 has been maintained with the bank in lieu of any repayment because of the sale. The loan is payable in eight consecutive quarterly installments of $1.0 million each, the first of which is due in February 2007, followed by four consecutive quarterly installments of $750,000 each, followed by sixteen consecutive installments of $250,000 each and a balloon payment of $5.0 million payable with the final quarterly installment due in November 2013. The interest was based on LIBOR plus a margin of 0.935% initially; after Alcinoe Shipping Ltd. became a guarantor the rate became 0.90%. The loan is secured with the following: (i) first priority mortgage over M/V "YM Xingang I", (ii) first assignment of earnings and insurance, (iii) a corporate guarantee of Euroseas Ltd. and (iv) a mortgage on M/V "Irini".

(f) This is a $10,000,000 loan drawn by Manolis Shipping Ltd. on June 11, 2007. In August 2009, an additional guarantee was provided by the Company's wholly owned subsidiary, SAF-Concord Shipping Ltd., owner of vessel M/V "Monica P" in order to ensure compliance with the hull cover ratio covenant (a similar guarantee was provided by SAF-Concord Shipping Ltd. to the loan drawn by Trust Navigation Corp. – see (g) below). On such date, SAF-Concord Shipping Ltd. also granted the lender a second priority mortgage over M/V "Monica" to secure the loan and its guarantee. The loan is payable in thirty-two consecutive quarterly installments of $160,000 each, the first of which is due in September 2007, plus a balloon payment of $4,880,000 payable with the final quarterly installment in June 2015. The interest is based on LIBOR plus a margin of 0.80% if the ratio of the outstanding loan to the vessel value is below 55%, otherwise the margin is 0.90%. The loan is secured with the following: (i) first priority mortgage over M/V "Manolis P", (ii) first assignment of earnings and insurance, (iii) a corporate guarantee of Euroseas Ltd. and (iv) a minimum cash balance equal to an amount of no less than $300,000 in an account Manolis Shipping Ltd. maintains with the bank. Other covenants and guarantees are similar to the rest of the loans of the Company.

9. Long-Term Debt - continued

(g) This loan is a $15,000,000 loan drawn by Trust Navigation Corp. on November 1, 2007. The M/V "Ioanna P" secured the loan until the vessel was sold on January 12, 2009. In anticipation of such sale, on December 29, 2008, a replacement guarantee for the loan was put in place by Tiger Navigation Trust Corp., one of the Company's subsidiaries and the owner of M/V "Tiger Bridge". On such date, Tiger Navigation Trust Corp. also granted the lender a first priority mortgage over M/V "Tiger Bridge" to secure the loan and its guarantee. In August 2009, an additional guarantee was provided by the Company's wholly owned subsidiary, SAF-Concord Shipping Ltd., owner of vessel M/V "Monica P" in order to ensure compliance with the hull cover ratio covenant (a similar guarantee was provided by SAF-Concord Shipping Ltd. to the loan drawn by Manolis Shipping Ltd. – see (f) above). On such date, SAF-Concord Shipping Ltd. also granted the lender a second priority mortgage over M/V "Monica" to secure the loan and its guarantee. The loan is payable in four consecutive quarterly installments of $1,850,000 each, the first of which is due in February 2008, followed by four consecutive quarterly installments of $750,000 each, followed by four consecutive quarterly installments of $550,000 each, plus a balloon payment of $2,400,000 payable with the final quarterly installment in November 2010. The interest is based on LIBOR plus a margin of 0.90%. The loan is secured with the following: (i) first priority mortgage over M/V "Tiger Bridge", (ii) first assignment of earnings and insurance, (iii) a corporate guarantee of Euroseas Ltd. and (iv) a minimum cash balance equal to an amount of no less than $300,000 in an account Trust Navigation Corp. maintains with the bank. Other covenants and guarantees are similar to the rest of the loans of the Company.

(h) This loan is a $10,000,000 loan drawn by SAF-Concord Shipping Ltd. on January 19, 2009. The loan is payable in twenty consecutive quarterly installments of $250,000 each, the first of which is due in April 2009, plus a balloon payment of $5,000,000 payable with the final quarterly installment in January 2014. The interest is based on LIBOR plus a margin of 2.50%. The loan is secured with the following: (i) first priority mortgage over M/V "Monica P", (ii) first assignment of earnings and insurance, (iii) a corporate guarantee of Euroseas Ltd. and (iv) a minimum cash balance equal to an amount of no less than $300,000 in an account SAF-Concord Shipping Ltd. Shipping Ltd. maintains with the bank. Other covenants and guarantees are similar to the rest of the loans of the Company.

(i) This loan is a $10,000,000 loan drawn by Eleni Shipping Ltd. on April 30, 2009. The loan is payable in 10 consecutive semi-annual installments, two in the amount of $100,000, two in the amount of $400,000, two in the amount of $600,000 and four in the amount of $800,000, with a $4.6 million balloon payment to be paid together with the last installment. The margin of the loan is 2.50% above LIBOR for the $5.4 million repaid throughout the 5 years and 2.70% above LIBOR for the amount of the balloon payment. The loan is secured with the following: (i) first priority mortgage over M/V "Eleni P", (ii) first assignment of earnings and insurance, (iii) a corporate guarantee of Euroseas Ltd. and (iv) a minimum cash balance equal to an amount of no less than $300,000 in an account Eleni Shipping Ltd. maintains with the bank. Other covenants and guarantees are similar to the rest of the loans of the Company.

9. Long-Term Debt - continued

(j) This loan is a $13,000,000 loan drawn by Pantelis Shipping Ltd. on September 29, 2009. The loan is payable in 32 consecutive quarterly installments, four in the amount of $500,000 and twenty-eight in the amount of $280,000, with a $3.16 million balloon payment to be paid together with the last installment. The margin of the loan is 2.70% above LIBOR. The loan is secured with the following: (i) first priority mortgage over M/V "Pantelis", (ii) first assignment of earnings and insurance, (iii) a corporate guarantee of Euroseas Ltd. and (iv) a minimum cash balance equal to an amount of no less than $300,000 in an account Pantelis Shipping Ltd. maintains with the bank. Other covenants and guarantees are similar to the rest of the loans of the Company.

In addition to the terms specific to each loan described above, all the above loans are secured with one or more of the following:

- first priority mortgage over the respective vessels on a joint and several basis.
- first assignment of earnings and insurance.
- a personal guarantee of one shareholder.
- a corporate guarantee of Euroseas Ltd.
- a pledge of all the issued shares of each borrower.

The loan agreements contain covenants such as minimum requirements regarding the hull ratio cover (the ratio of fair value of vessel to outstanding loan less cash in retention accounts), restrictions as to changes in management and ownership of the vessel shipowning companies, distribution of profits or assets (i.e. limiting dividends in some loans to 60% of profits, or, not permitting dividend payment or other distributions in cases that an event of default has occurred), additional indebtedness and mortgage of vessels without the lender's prior consent, sale of vessels, maximum fleet-wide leverage, sale of capital stock of our subsidiaries, ability to make investments and other capital expenditures, entering in mergers or acquisitions, minimum cash balance requirements and minimum cash retention accounts (restricted cash). The loans agreements also require the Company to make deposits in retention accounts with certain banks that can only be used to pay the current loan installments. Minimum cash balance requirements are in addition to cash held in retention accounts. These cash deposits amounted to $6,981,264 and $7,691,230 as of December 31, 2008 and 2009, respectively, and are shown as "Restricted cash" under "Current Assets" and "Long-Term Assets" in the consolidated balance sheets. The Company is currently satisfying all the debt covenants.

Interest expense for the years ended December 31, 2007, 2008 and 2009 amounted to $4,777,524, $2,845,596 and $1,327,133, respectively. At December 31, 2009, LIBOR for the Company's loans was on average approximately 0.25% per year, the average interest rate margin over LIBOR on our debt was approximately 1.70% per year for a total average interest rate of approximately 1.95% per year.

10. Income Taxes

Under the laws of the countries of the companies' incorporation and/or vessels' registration, the companies are not subject to tax on international shipping income, however, they are subject to registration and tonnage taxes, which have been included in Vessel operating expenses in the accompanying "Consolidated statements of operations."

Pursuant to the Internal Revenue Code of the United States (the "Code"), U.S. source income from the international operations of ships is generally exempt from U.S tax if the company operating the ships meets certain requirements. Among other things, in order to qualify for this exemption, the company operating the ships must be incorporated in a country, which grants an equivalent exemption from income taxes to U.S corporations. All the company's ship-operations subsidiaries satisfy this particular criterion. In addition, more than 50% of the value of the stock must be owned, directly or indirectly, by individuals who are residents as defined in the countries of incorporation or another foreign country that grants an equivalent exemption to U.S corporations, the "50% Ownership Test", or, the stock is "primarily and regularly traded on an established securities market" in our country of organization, in another country that grants an "equivalent exemption" to United States corporations, or in the United States, the "Publicly-Traded Test". These companies also satisfied the "50% Ownership Test" requirement for 2007. In addition, the management of the Company believes that by virtue of the special rule applicable to situations where the ship operating companies are beneficially owned by a publicly-traded company like the Company, the "Publicly-Traded Test" was satisfied for 2008, 2009 and thereafter, but no assurance can be given that this will remain so, since continued compliance with this rule is subject to factors outside the Company's control.

11. Commitments and Contingencies

(a) There are no material legal proceedings to which the Company is a party or to which any of its properties are subject, other than routine litigation incidental to the Company's business. In the opinion of the management, the disposition of these lawsuits should not have a material impact on the consolidated results of operations, financial position and cash flows.

(b) During the year ended December 31, 2009, the Company has recognized approximately $1.7 million of revenue upon resolution of a contingency related to the redelivery date of a vessel.

(c) Future minimum long-term time charter revenue net of commissions, based on non-cancelable time charter contracts as of December 31, 2009 will be $21.3 million for 2010, $18.6 million for 2011 and $2.7 million for 2012 assuming the scheduled drydockings and special surveys (20-25 days every two and a half years) and one additional offhire day per quarter to account for any unscheduled off-hire time.

12. Stock Incentive Plan

On October 25, 2007, the Board of Directors approved the Company's 2007 Stock Incentive Plan (the "Plan"). The Plan is administered by the Board of Directors which can make awards totaling in aggregate up to 600,000 shares over the next 10 years. The persons eligible to receive awards under the Plan are officers, directors, and executive, managerial, administrative and professional employees of the Company or Eurobulk or Eurochart, (collectively, "key persons") as the Board, in its sole discretion, shall select based upon such factors as the Board shall deem relevant. Awards may be made under the Plan in the form of incentive stock options, non-qualified stock options, stock appreciation rights, dividend equivalent rights, restricted stock, unrestricted stock, restricted stock units and performance shares.

a) The Board awarded 135,000 unvested restricted shares to 12 key persons on December 18, 2007 of which 50% vested on December 20, 2007 and the remaining vested on December 15, 2008 subject to continuous employment with the Company. Awards to officers and directors amounted to 80,000 shares; the remaining 55,000 shares were awarded to employees of Eurobulk.
b) On February 7, 2008, an award of 150,000 unvested restricted shares was made to the same 12 key persons of which 50% vested on August 7, 2008 and the remaining 50% vested on August 7, 2009; awards to officers and directors amounted to 95,000 shares and the remaining 55,000 shares were awarded to employees of Eurobulk; of the latter 5,000 shares were forfeited.
c) On November 12, 2008, an award of 160,000 unvested restricted shares was made to the same 12 and an additional two (a total of 14) key persons of which 50% vested on November 16, 2009 and 50% will vest on November 16, 2010; awards to officers and directors amounted to 100,000 shares and the remaining 60,000 shares were awarded to employees of Eurobulk; of the latter 20,000 shares were forfeited.
d) On November 4, 2009, an award of 165,000 unvested restricted shares was made to 14 key persons of which 50% will vest on July 1, 2010 and 50% on July 1, 2011; awards to officers and directors amounted to 100,000 shares and the remaining 65,000 shares were awarded to employees of Eurobulk.

All unvested restricted shares are conditional upon the grantee's continued service as an employee of the Company, Eurobulk or as a director until the applicable vesting date. The grantee does not have the right to vote such unvested restricted shares until they vest or exercise any right as a shareholder of these shares, however, the unvested shares will accrue dividends as declared and paid which will be retained by the Company until the share vest at which time they are payable to the grantee. As of December 31, 2008 and 2009 the unvested restricted shares accrued dividends of $116,750 and $46,750, respectively. As unvested restricted share grantees accrue dividends on awards that are expected to vest, such dividends are charged to retained earnings.

(All amounts expressed in U.S. Dollars)

12. Stock Incentive Plan - continued

The Company estimates the forfeitures of unvested restricted shares to be immaterial. The Company will, however, re-evaluate the reasonableness of its assumption at each reporting period.

The compensation cost that has been charged against income for those plans was $822,782, $1,618,484 and $820,189 for the years ended December 31, 2007, 2008 and 2009, respectively. The Company has used the straight-line method to recognize the cost of the awards.

A summary of the status of the Company's unvested shares as of December 31, 2009, and changes during the years ended December 31, 2007, 2008 and 2009, are presented below:

Unvested Shares	Shares	Weighted-Average Grant-Date Fair Value
Unvested on January 1, 2007	-	-
Granted	135,000	$ 1,602,450
Vested	67,500	$ 801,225
Forfeited	-	-
Unvested on December 31, 2007	67,500	$ 801,225
Granted	310,000	$ 2,290,000
Vested	(142,500)	$ (1,626,225)
Forfeited	-	-
Unvested on December 31, 2008	235,000	$ 1,465,000
Granted	165,000	$ 658,350
Vested	(140,000)	$ (1,050,000)
Forfeited	(25,000)	$ (135,000)
Unvested on December 31, 2009	235,000	$ 938,350

As of December 31, 2009, there was $828,135 of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under the Plan based on the closing stock price of $3.91 on December 31, 2009 used for the valuation of the shares awarded to non-employees. That cost is expected to be recognized over a weighted-average period of 0.6 years. The total fair value of shares vested during the year ended December 31, 2007 was $797,925 and the recognized portion of the unvested shares was $24,857. The total fair value of shares vested during the year ended December 31, 2008 was $1,422,900 and the recognized portion of the unvested shares was $195,584. The total fair value of shares vested during the year ended December 31, 2009 was $716,974 and the recognized portion of the unvested shares was $103,215.

(All amounts expressed in U.S. Dollars)

13. Earnings / (Loss) Per Share

Basic and diluted earnings / (loss) per common share are computed as follows:

	2007	2008	2009
Income:			
Net income / (loss)	36,463,321	21,490,910	(15,627,504)
Basic earnings per share:			
Weighted average common shares – Outstanding	21,566,619	30,437,107	30,648,991
Basic earnings / (loss) per share	1.69	0.71	(0.51)
Effect of dilutive securities			
Warrants	78,301	18,932	-
Unvested incentive stock awards	-	49,437	-
Weighted average common shares – Outstanding	21,644,920	30,505,476	30,648,991
Diluted earnings / (loss) per share	1.68	0.70	(0.51)

During the year ended December 31, 2007, 248,463 warrants (of the originally issued 585,589) were exercised for gross proceeds of $2,683,400. During the year ended December 31, 2008, 192,213 warrants were exercised resulting in the issuance of 171,998 common shares for gross proceeds of $1,810,922. During 2009, the effect of both the warrants and unvested stock awards was anti-dilutive. As of December 31, 2009, the Company has outstanding warrants that entitle their holders to purchase 144,913 shares of common stock at an exercise price of $10.80 per share which are due to expire on August 25, 2010. As of December 31, 2009, these warrants are out-of-the-money.

In 2007, 2008 and 2009, the Company declared dividends of $20,278,538 ($1.00 per share), $34,664,699 ($1.13 per share) and $10,779,609 ($0.35 per share), respectively.

The Company initiated a continuous offering equity program on September 8, 2009 under which it may sell from time to time shares of common stock. During September 2009 the Company sold under this program 134,100 shares at a average price of $4.94 per share resulting in net sales proceeds of $649,265 after commissions of $13,251. The Company recorded a $4,023 increase in share capital and $204,729 increase in paid-in capital after accounting for offering expenses of $440,513. This program is suspended as of January 16, 2010.

(All amounts expressed in U.S. Dollars)

14. Voyage, Vessel Operating Expenses and Commissions

These consisted of:

	Year ended December 31,		
	2007	**2008**	**2009**
Voyage expense			
Port charges and canal dues	335,091	789,303	793,490
Bunkers	547,046	2,274,908	694,329
Agency fees	15,326	28,112	22,732
Total	**897,463**	**3,092,323**	**1,510,551**
Vessel operating expenses			
Crew wages and related costs	8,152,303	11,012,931	10,349,699
Insurance	2,256,024	3,517,437	2,866,665
Repairs and maintenance	481,557	795,138	390,759
Lubricants	1,815,340	2,583,617	2,290,034
Spares and consumable stores	3,235,221	5,435,171	3,418,607
Professional and legal fees	74,050	46,011	88,630
Other	1,225,637	4,130,889	4,269,086
Total	**17,240,132**	**27,521,194**	**23,673,480**

Commission consisted of commissions charged by:

	Year ended December 31,		
	2007	**2008**	**2009**
Third parties	2,899,616	4,276,934	1,666,897
Related parties (see Note 8)	1,124,416	1,663,526	766,879
	4,024,032	**5,940,460**	**2,433,776**

15. Financial Instruments

The principal financial assets of the Company consist of cash on hand and at banks, trading securities, interest rate swaps, FFA contracts and accounts receivable due from charterers. The principal financial liabilities of the Company consist of long-term loans, FFA contracts and accounts payable due to suppliers.

Interest rate risk

The Company enters into interest rate swap contracts as economic hedges to manage its exposure to variability in its floating rate long term debt. Under the terms of the interest rate swaps the Company and the bank agreed to exchange, at specified intervals the difference between a paying fixed rate and floating rate interest amount calculated by reference to the agreed principal amounts and maturities. Interest rate swaps allow the Company to convert long-term borrowings issued at floating rates into equivalent fixed rates. Even though the interest rate swaps were entered into for economic hedging purposes, the derivatives described below (see Note 16) do not qualify for accounting purposes as fair value hedges, under guidance relating to *Accounting for derivative instruments and hedging activities* , as the Company does not have currently written contemporaneous documentation, identifying the risk being hedged, and both on a prospective and retrospective basis perform an effectiveness test supporting that the hedging relationship is highly effective. Consequently, the Company recognizes the change in fair value of these derivatives in the "Consolidated statements of operations." As of December 31, 2009, the Company had two open swap contracts.

Concentration of credit risk

Financial instruments, which potentially subject the Company to significant concentration of credit risk consist primarily of cash and trade accounts receivable. The Company places its temporary cash investments, consisting mostly of deposits, with high credit qualified financial institutions. The Company performs periodic evaluation of the relative credit standing of these financial institutions that are considered in the Company's investment strategy. The Company limits its credit risk with accounts receivable by performing ongoing credit evaluations of its customers' financial condition and generally does not require collateral for its accounts receivable. As of December 31, 2009, the amounts in trade accounts receivable from each customer accounting for more than 10% of 2009 hire revenues are not significant (see Note 1).

Forward freight agreements ("FFA")

The Company trades in the FFA market with an objective to utilize the FFAs as economic hedging instruments that are effective at reducing the market risk of specific drybulk vessels. The Company does not trade FFAs speculatively. FFA trading generally has not qualified as hedge accounting and as such the trading of FFAs could lead to material fluctuations in the Company's reported results from operations on a period to period basis. As of December 31, 2009, the Company had eleven open FFAs amounting to 905 days vessel-days in 2010 on the Baltic Panamax Index, the equivalent capacity of approximately 2.5 modern panamax –size drybulk carriers. Since December 2008, the Company has sold a total of 765 days for 2009 (all of which settled during 2009) and 1145 days for 2010 and bought 240 days for 2010 (see Note 16). None of the "mark-to-market" positions of the open FFA contracts qualified for hedge accounting treatment.

15. Financial Instruments - continued

Fair value of financial instruments

The carrying values of cash, accounts receivable and accounts payable are reasonable estimates of their fair value due to the short term nature of these financial instruments. The fair value of long term bank loans bearing interest at variable interest rates approximates the recorded values. Additionally, the Company considers the creditworthiness when determining the fair value of the credit facilities. The carrying value approximates the fair market value of the floating rate loans. The fair value of the Company's interest rate swaps was the estimated amount the Company would pay to terminate the swap agreements at the reporting date, taking into account current interest rates and the current creditworthiness of the Company and its counter parties. The fair value of trading securities and FFA contracts is based on the closing price on the last day of the reporting period.

The Company follows guidance relating to "Fair value measurements", which establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosure about fair value measurements. This statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities;
Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data;
Level 3: Unobservable inputs that are not corroborated by market data.

The fair value of the Company's investments in trading securities and FFA contracts are determined based on quoted prices in active markets and therefore are considered Level 1 of the fair value hierarchy as defined in guidance relating to "Fair value measurements".

The fair value of the Company's interest rate swap agreements is determined using a discounted cash flow approach based on market-based LIBOR swap rates. LIBOR swap rates are observable at commonly quoted intervals for the full terms of the swaps and therefore are considered Level 2 items. The fair values of the interest rate swap determined through Level 2 of the fair value hierarchy as defined in guidance relating to "Fair value measurements" are derived principally from or corroborated by observable market data. Inputs include quoted prices for similar assets, liabilities (risk adjusted) and market-corroborated inputs, such as market comparables, interest rates, yield curves and other items that allow value to be determined. As of December 31, 2009 no fair value measurements for assets or liabilities under Level 3 were recognized in the Company's consolidated financial statements.

(All amounts expressed in U.S. Dollars)

15. Financial Instruments - continued

Fair value of financial instruments - continued

	Fair Value Measurement at Reporting Date Using			
	Total, December 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Trading securities	$ 436,598	$ 436,598	-	-
Interest rate swaps, current and long-term portion	$ 386,536	-	$ 386,536	-
FFA contracts, current and long-term portion	-	-	-	-
Liabilities				
Interest rate swaps, current and long-term portion	$ 2,292,865	-	$ 2,292,865	-
FFA contracts, current and long-term portion	$ 9,118,119	$ 9,118,119	-	-

16. Derivative Financial Instruments

The derivative losses for the period ended December 31, 2009 arose from two interest rate swap contracts entered into in July 2008 and 2009 and a number of FFA contracts entered in December 2008 and throughout 2009 that did not meet the criteria for hedge accounting. The losses for the period ended December 31, 2008 arose from the interest rate swap entered into in July 2008 and FFA contracts entered in December 2008 that did not meet the criteria for hedge accounting treatment. The Company did not enter into any derivative transactions in 2007. The FFA contracts entered in December 2008 were entered by Eurotrade S.A., a related party, on the account of the Company and transferred into the Company's own trading account in 2009 (see Note 8 – "Related Party Transactions").

Interest rate swaps

Effective July 14, 2008 and July 8, 2009, respectively, the Company entered into two interest rate swaps with EFG Eurobank – Ergasias S.A. ("Eurobank") on a notional amount of $25.0 million each in order to manage interest costs and the risk associated with changing interest rates. Under the terms of the swaps, Eurobank makes a quarterly payment to the Company equal to the 3-month LIBOR while the Company pays the fixed rate of 3.99% and 2.88% on the two respective swaps based on the relevant notional amount; both contracts are net settled between Eurobank and the Company. The swaps are effective for five years from July 14, 2008 to July 14, 2013 and from July 8, 2009 to July 8, 2014, respectively. The interest rate swaps did not qualify for hedge accounting as of December 31, 2008 and 2009.

16. Derivative Financial Instruments - continued

Interest rate swaps - continued

The Company follows guidance relating to "Fair Value measurements" to calculate the fair value of the swaps (see Note 15). A realized loss of ($77,105) and an unrealized loss of ($2,181,447) are included under "Change in fair value of derivatives" in the "Consolidated statements of operations" for the year ended December 31, 2008, and, a realized loss of ($677,011) and an unrealized gain of $275,117 for the year ended December 31, 2009. A current liability of $471,559 and a long term liability of $1,709,888 are included under the "Derivatives" heading in the respective sections in the "Consolidated balance sheets" of the Company as of December 31, 2008, and, a long term asset of $386,536, a current liability of $1,681,013 and a long term liability of $611,852 as of December 31, 2009.

Freight Forward Agreements ("FFA")

In December 2008, the Company sold six FFA contracts on the Baltic Panamax Index ("BPI") for calendar years 2009 and 2010 totaling 480 and 485 days, respectively, at an average time charter equivalent date of approximately $11,350 and $11,430 per day, respectively. During 2009, the Company also sold and bought a number of additional FFA contracts on the BPI for certain periods of 2009 and calendar year 2010. Specifically, the Company sold an additional 285 days for certain periods of 2009 at an average time charter equivalent rate of approximately $13,550 per day, sold 660 days for calendar 2010 at an average time charter equivalent rate of approximately $14,350 per day and bought 240 days for calendar 2010 at average time charter equivalent rate of approximately $18,300 per day. The contracts are settled on a monthly basis using the average of the BPI for the days of the month the BPI is published. The Company will receive a payment if the average BPI for the month is below the contract rate equal to the difference of the contract rate less the average BPI for the month times the number of contract days sold (for example, January 2009 was settled based on 40 days as 40 of the 480 days sold by the Company referred to January 2009); if the average BPI for the month is greater than the contract rate the Company will make a payment equal to the difference of the average BPI for the month less the contract rate times the number of contract days sold. If the Company buys contracts previously sold (or the opposite) the Company receives or pays the difference of the two rates for the period covered by the contracts.

The FFA contracts did not qualify for hedge accounting as of December 31, 2008 and December 31, 2009, respectively. The Company follows guidance relating to "Fair value measurements" to calculate the fair value of the FFA contracts (see Note 16). An unrealized loss of ($1,216,083) is included under "Change in fair value of derivatives" in the "Consolidated statements of operations" for 2008. As of December 31, 2008, a current asset of $61,670, a long-term asset of $68,038, a current liability of $355,651 and a long-term liability of $990,140 are included under the "Derivatives" heading in the respective sections in the "Consolidated balance sheets" of the Company. A realized loss of ($7,474,279) and an unrealized loss of ($7,902,036) are included under "Change in fair value of derivatives" " in the "Consolidated statements of operations" for 2009. As of December 31, 2009, a current liability of $9,118,119 is included under the "Derivatives" heading in the respective section in the "Consolidated balance sheets" of the Company.

(All amounts expressed in U.S. Dollars)

16. Derivative Financial Instruments - continued

Margin requirements for the FFA contracts are shown under "Other deposits" under "Current Assets" in the "Consolidated balance sheets" as of December 31, 2009. There was no margin requirement as of December 31, 2008. As of December 31, 2009, there was a total margin requirement of $12,376,119 which consisted of a $3,258,000 base margin requirement and a $9,118,119 mark-to-market margin requirement.

Derivatives not designated as hedging instruments	**Balance Sheet Location**	**December 31, 2008**	**December 31, 2009**
FFA contracts	Current assets - Derivatives	61,670	-
FFA contracts	Long-tem assets - Derivatives	68,038	-
Interest rate contracts	Long-tem assets - Derivatives	-	386,536
Total derivative assets		**129,708**	**386,536**
FFA contracts	Current liabilities - Derivatives	355,651	9,118,119
Interest rate contracts	Current liabilities - Derivatives	471,559	1,681,013
Total derivative current liabilities		**827,210**	**10,799,132**
FFA contracts	Long-term liabilities - Derivatives	990,140	-
Interest rate contracts	Long-term liabilities - Derivatives	1,709,888	611,852
Total derivative long-term liabilities		**2,700,028**	**611,852**
Total derivative liabilities		**3,527,238**	**11,410,984**

Derivatives not designated as hedging instruments	**Location of gain (loss) recognized**	**Year Ended December 31, 2008**	**Year Ended December 31, 2009**
FFA contracts – Fair value	Change in fair value of derivatives	(1,216,083)	(7,902,036)
FFA contracts - Realized loss	Change in fair value of derivatives	-	(7,474,279)
Interest rate – Fair value	Change in fair value of derivatives	(2,181,447)	275,117
Interest rate contracts - Realized loss	Change in fair value of derivatives	(77,105)	(677,011)
Total loss on derivatives		**(3,474,635)**	**(15,778,209)**

17. Subsequent Events

a) On February 23, 2010, the Board of Directors declared a cash dividend of $0.05 per Euroseas Ltd. common share. Such cash dividend was paid on or about March 26, 2010 to the holders of record of Euroseas Ltd. common shares as of March 17, 2010.

b) On May 7, 2010, the Board of Directors declared a cash dividend of $0.05 per Euroseas Ltd. common share. Such cash dividend was paid on or about June 18, 2010 to the holders of record of Euroseas Ltd. common shares as of June 11, 2010.

c) On March 25, 2010, the Company entered in a joint venture agreement with two private equity firms to form Euromar LLC. entered into a joint venture (the "Joint Venture") with companies managed by Eton Park Capital Management, L.P. ("Eton Park") and an affiliate of Rhône Capital III L.P. ("Rhône"), two private investment firms, to form Euromar LLC, a Marshall Islands limited liability company ("Euromar"). Euromar will acquire, maintain, manage, operate and dispose of shipping vessels. Pursuant to the terms of the Joint Venture, the Company will invest up to $25 million, while Eton Park and Rhône will each invest up to $75 million for a total of $175 million, with each holding a proportionate ownership interest in Euromar.

d) On May 5, 2010, the Board of Directors adopted a new equity incentive plan. The aggregate number of shares of common stock with respect to which options or restricted shares may at any time be granted under the new plan is 1,500,000 shares of common stock. The new equity incentive plan becomes effective on June 15, 2010.

e) On May 12, 2010, M/V "Eleni P", a vessel owned by a wholly owned subsidiary of the Company, was hijacked by pirates off the coast of Somalia. As of the date of this filing, the Company is working diligently to assure the safety of its crew and to successfully resolve this matter.

f) On May 20, 2010, a subsidiary of the Company purchased the 30,300 dwt, 2008 teu containership vessel M/V "Oder Trader" built in 1998 in Poland, for $15.85 million. The vessel is expected to be delivered to the Company in June 2010. The Company plans to finance the acquisition with cash reserves from its balance sheet.

Exhibit 1.1

ARTICLES OF INCORPORATION
OF
EUROSEAS LTD. (THE "CORPORATION")

PURSUANT TO THE MARSHALL ISLANDS BUSINESS CORPORATIONS ACT

A. The name of the Corporation shall be:

EUROSEAS LTD.

B. The purpose of the Corporation is to engage in any lawful act or activity for which corporations may now or hereafter be organized under the Marshall Islands Business Corporations Act (the "BCA") and without in any way limiting the generality of the foregoing, the corporation shall have the power:

(1) To engage in ocean, coastwise and inland commerce, and generally in the carriage of freight, goods, cargo in bulk, passengers, mail and personal effects by water between the various ports of the world and to engage generally in waterborne commerce.

(2) To act as ship's husband, ship brokers, custom house brokers, ship's agents, manager of shipping property, freight contractors, forwarding agents, warehousemen, wharfingers, ship chandlers, and general traders.

C. The registered address of the Corporation in the Marshall Islands is Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. The name of the Corporation's registered agent at such address is The Trust Company of the Marshall Islands, Inc. However, the Board of Directors may establish branches, offices or agencies in any place in the world and may appoint legal representatives anywhere in the world.

D. (a) The aggregate number of shares of stock that the Corporation is authorized to issue is one hundred twenty million (120,000,000) registered shares (of which twenty million (20,000,000) shall be registered preferred shares); all of the registered shares shall have a par value of one cent (US$0.01) per share

(b) The Corporation is authorized, without further vote or action by the shareholders, to issue the said twenty million (20,000,000) registered preferred shares with a par value of one cent (US$0.01) per share. The Board of Directors shall have the authority to establish such series of preferred shares and with such designations, preferences and relative, participating, optional or special rights and qualifications, limitations or restrictions as shall be stated in the resolutions providing for the issue of such preferred shares.

E. No holder of shares of the Corporation shall, by reason thereof, have any preemptive or other preferential right to acquire, by subscription or otherwise, any unissued or treasury stock of the Corporation, or any other share of any class or series of the Corporation's shares to be issued because of an increase in the authorized capital stock of the Corporation, or any bonds, certificates of indebtedness, debentures or other securities convertible into shares of the Corporation. However, the Board of Directors may issue or dispose of any such unissued or treasury stock, or any such additional authorized issue of new shares or securities convertible into shares upon such terms as the Board of Directors may, in its discretion, determine, without offering to shareholders then of record, or any class of shareholders, any thereof, on the same terms or any terms.

F. The Corporation shall have every power which a corporation now or hereafter organized under the BCA may have.

G. The name and address of the incorporator is:

Name	Post Office Address
Majuro Nominees Ltd.	P.O. Box 1405 Majuro Marshall Islands

H. Corporate existence shall begin upon the filing this Articles of Incorporation with the Registrar of Corporations.

I. The Board of Directors of the Corporation shall consist of such number of Directors, not less than three, as shall be determined from time to time by the Board of Directors as provided in the by-laws. The Board shall be divided into three classes, each nearly equal in number as possible. Directors shall be elected by a plurality of the votes cast at a meeting of the shareholders by the holders of shares entitled to vote in the election. Cumulative voting, as defined in Division 7, Section 71(2) of the BCA, shall not be used to elect directors. Notwithstanding any other provisions of these Articles of Incorporation or the by-laws of the Corporation (and notwithstanding the fact that some lesser percentage may be specified by law, these Articles of Incorporation or the by-laws of the Corporation), the affirmative vote of the holders of 51% or more of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class) shall be required to amend, alter, change or repeal this Article I.

J. The Board of Directors of the Corporation is expressly authorized to make, alter, amend or repeal by-laws of the Corporation by a vote of not less than 51% of the entire Board of Directors, and the shareholders may make additional by-laws and may alter, amend or repeal any by-law by a vote of not less than 51% of the outstanding shares of capital stock of the Corporation entitled to vote. Notwithstanding any other provisions of these Articles of Incorporation or the by-laws of the Corporation (and notwithstanding the fact that some lesser percentage may be specified by law, these Articles of Incorporation or the by-laws of the Corporation), the affirmative vote of the holders of 51% or more of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class) shall be required to amend, alter, change or repeal this Article J.

K. (a) The Corporation may not engage in any Business Combination with any Interested Shareholder for a period of three years following the time of the transaction in which the person became an Interested Shareholder, unless:

(1) prior to such time, the Board of Directors of the Corporation approved either the Business Combination or the transaction which resulted in the shareholder becoming an Interested Shareholder;

(2) upon consummation of the transaction which resulted in the shareholder becoming an Interested Shareholder, the Interested Shareholder owned at least 85% of the voting stock of the Corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned (i) by persons who are directors and also officers and (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

(3) at or subsequent to such time, the Business Combination is approved by the Board of Directors and authorized at an annual or special meeting of shareholders, and not by written consent, by the affirmative vote of at least 51% of the outstanding voting stock that is not owned by the interested shareholder; or

(4) the shareholder became an Interested Shareholder prior to the consummation of the initial public offering of the Corporation's common stock under the United States Securities Act of 1933, as amended.

(b) The restrictions contained in this section shall not apply if:

(1) A shareholder becomes an Interested Shareholder inadvertently and (i) as soon as practicable divests itself of ownership of sufficient shares so that the shareholder ceases to be an Interested Shareholder; and (ii) would not, at any time within the three-year period immediately prior to a Business Combination between the Corporation and such shareholder, have been an Interested Shareholder but for the inadvertent acquisition of ownership; or

(2) The Business Combination is proposed prior to the consummation or abandonment of and subsequent to the earlier of the public announcement or the notice required hereunder of a proposed transaction which (i) constitutes one of the transactions described in the following sentence; (ii) is with or by a person who either was not an Interested Shareholder during the previous three years or who became an Interested Shareholder with the approval of the Board; and (iii) is approved or not opposed by a majority of the members of the Board then in office (but not less than one) who were Directors prior to any person becoming an Interested Shareholder during the previous three years or were recommended for election or elected to succeed such Directors by a majority of such Directors. The proposed transactions referred to in the preceding sentence are limited to:

(i) a merger or consolidation of the Corporation (except for a merger in respect of which, pursuant to the BCA, no vote of the shareholders of the Corporation is required);

(ii) a sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions), whether as part of a dissolution or otherwise, of assets of the Corporation or of any direct or indirect majority-owned subsidiary of the Corporation (other than to any direct or indirect wholly-owned subsidiary or to the Corporation) having an aggregate market value equal to 50% or more of either that aggregate market value of all of the assets of the Corporation determined on a consolidated basis or the aggregate market value of all the outstanding shares; or

(iii) a proposed tender or exchange offer for 50% or more of the outstanding voting shares of the Corporation.

The Corporation shall give not less than 20 days notice to all Interested Shareholders prior to the consummation of any of the transactions described in clause (i) or (ii) of section (b)(2) of this Article K.

(c) For the purpose of this Article K only, the term:

(1) "Affiliate" means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, another person.

(2) "Associate," when used to indicate a relationship with any person, means: (i) Any corporation, partnership, unincorporated association or other entity of which such person is a director, officer or partner or is, directly or indirectly, the owner of 20% or more of any class of voting shares; (ii) any trust or other estate in which such person has at least a 20% beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity; and (iii) any relative or spouse of such person, or any relative of such spouse, who has the same residence as such person.

(3) "Business Combination," when used in reference to the Corporation and any Interested Shareholder of the Corporation, means:

(i) Any merger or consolidation of the Corporation or any direct or indirect majority-owned subsidiary of the Corporation with (A) the Interested Shareholder or any of its affiliates, or (B) with any other corporation, partnership, unincorporated association or other entity if the merger or consolidation is caused by the Interested Shareholder.

(ii) Any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions), except proportionately as a shareholder of the Corporation, to or with the Interested Shareholder, whether as part of a dissolution or otherwise, of assets of the Corporation or of any direct or indirect majority-owned subsidiary of the Corporation which assets have an aggregate market value equal to 10% or more of either the aggregate market value of all the assets of the Corporation determined on a consolidated basis or the aggregate market value of all the outstanding shares;

(iii) Any transaction which results in the issuance or transfer by the Corporation or by any direct or indirect majority-owned subsidiary of the Corporation of any shares, or any share of such subsidiary, to the Interested Shareholder, except: (A) pursuant to the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into shares, or shares of any such subsidiary, which securities were outstanding prior to the time that the Interested Shareholder became such; (B) pursuant to a merger with a direct or indirect wholly-owned subsidiary of the Corporation solely for purposes of forming a holding company; (C) pursuant to a dividend or distribution paid or made, or the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into shares, or shares of any such subsidiary, which security is distributed, pro rata to all holders of a class or series of shares subsequent to the time the Interested Shareholder became such; (D) pursuant to an exchange offer by the Corporation to purchase shares made on the same terms to all holders of said shares; or (E) any issuance or transfer of shares by the Corporation; provided however, that in no case under items (C)-(E) of this subparagraph shall there be an increase in the Interested Shareholder's proportionate share of the any class or series of shares;

(iv) Any transaction involving the Corporation or any direct or indirect majority-owned subsidiary of the Corporation which has the effect, directly or indirectly, of increasing the proportionate share of any class or series of shares, or securities convertible into any class or series of shares, or shares of any such subsidiary, or securities convertible into such shares, which is owned by the Interested Shareholder, except as a result of immaterial changes due to fractional share adjustments or as a result of any purchase or redemption of any shares not caused, directly or indirectly, by the Interested Shareholder; or

(v) Any receipt by the Interested Shareholder of the benefit, directly or indirectly (except proportionately as a shareholder of the Corporation), of any loans, advances, guarantees, pledges or other financial benefits (other than those expressly permitted in subparagraphs (i)-(iv) of this paragraph) provided by or through the Corporation or any direct or indirect majority-owned subsidiary.

(4) "Control," including the terms "controlling," "controlled by" and "under common control with," means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting shares, by contract or otherwise. A person who is the owner of 20 percent or more of the outstanding voting shares of any corporation, partnership, unincorporated association or other entity shall be presumed to have control of such entity, in the absence of proof by a preponderance of the evidence to the contrary. Notwithstanding the foregoing, a presumption of control shall not apply where such person holds voting shares, in good faith and not for the purpose of circumventing this provision, as an agent, bank, broker, nominee, custodian or trustee for one or more owners who do not individually or as a group have control of such entity.

(5) "Interested Shareholder" means any person (other than the Corporation and any direct or indirect majority-owned subsidiary of the Corporation) that (i) is the owner of 15% or more of the outstanding voting shares of the Corporation, or (ii) is an affiliate or associate of the Corporation and was the owner of 15% or more of the outstanding voting shares of the Corporation at any time within the three-year period immediately prior to the date on which it is sought to be determined whether such person is an Interested Shareholder; and the affiliates and associates of such person; provided, however, that the term "Interested Shareholder" shall not include any person whose ownership of shares in excess of the 15% limitation set forth herein is the result of action taken solely by the Corporation; provided that such person shall be an Interested Shareholder if thereafter such person acquires additional shares of voting shares of the Corporation, except as a result of further Company action not caused, directly or indirectly, by such person. For the purpose of determining whether a person is an Interested Shareholder, the voting shares of the Corporation deemed to be outstanding shall include voting shares deemed to be owned by the person through application of paragraph (8) below, but shall not include any other unissued shares which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(6) "Person" means any individual, corporation, partnership, unincorporated association or other entity.

(7) "Voting stock" means, with respect to any corporation, shares of any class or series entitled to vote generally in the election of directors and, with respect to any entity that is not a corporation, any equity interest entitled to vote generally in the election of the governing body of such entity.

(8) "Owner," including the terms "own" and "owned," when used with respect to any shares, means a person that individually or with or through any of its affiliates or associates:

(i) Beneficially owns such shares, directly or indirectly; or

(ii) Has (A) the right to acquire such shares (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise; provided, however, that a person shall not be deemed the owner of shares tendered pursuant to a tender or

exchange offer made by such person or any of such person's affiliates or associates until such tendered shares is accepted for purchase or exchange; or (B) the right to vote such shares pursuant to any agreement, arrangement or understanding; provided, however, that a person shall not be deemed the owner of any shares because of such person's right to vote such shares if the agreement, arrangement or understanding to vote such shares arises solely from a revocable proxy or consent given in response to a proxy or consent solicitation made to 10 or more persons; or

(iii) Has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except voting pursuant to a revocable proxy or consent as described in item (B) of subparagraph (ii) of this paragraph), or disposing of such shares with any other person that beneficially owns, or whose affiliates or associates beneficially own, directly or indirectly, such shares.

(d) Any amendment of this Article K shall not be effective until 12 months after the approval of such amendment at a meeting of the shareholders of the Corporation and shall not apply to any Business Combination between the Corporation and any person who became an Interested Shareholder of the Corporation at or prior to the time of such approval.

(e) Notwithstanding any other provisions of these Articles of Incorporation or the by-laws of the Corporation (and notwithstanding the fact that some lesser percentage may be specified by law, these Articles of Incorporation or the by-laws of the Corporation), the affirmative vote of the holders of [51]% or more of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class) shall be required to amend, alter, change or repeal this Article K.

L. The Corporation may transfer its corporate domicile from the Marshall Islands to any other place in the world.

Exhibit 1.2

EUROSEAS LTD. (the "Corporation")

BY LAWS

As Adopted May 5, 2005

ARTICLE I
OFFICES

The principal place of business of the Corporation shall be at such place or places as the directors shall from time to time determine. The Corporation may also have an office or offices at such other places within or without the Marshall Islands as the Board of Directors may from time to time appoint or the business of the Corporation may require.

ARTICLE II
SHAREHOLDERS

Section 1. **Annual Meeting :** The annual meeting of shareholders of the Corporation shall be held on such day and at such time and place within or without the Marshall Islands as the Board of Directors (the "Board") may determine for the purpose of electing directors and or transacting such other business as may properly be brought before the meeting. The Chairman of the Board or, in the Chairman's absence, another person designated by the Board shall act as the Chairman of all annual meetings of shareholders.

Section 2. **Nature of Business at Annual Meetings of Shareholders :** No business may be transacted at an annual meeting of shareholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board (or any duly authorized committee thereof); (b) otherwise properly brought before the annual meeting by or at the direction of the Board (or any duly authorized committee thereof); or (c) otherwise properly brought before the annual meeting by any shareholder of the Corporation (i) who is a shareholder of record of at least ten percent (10%) of the outstanding shares of the Corporation on the date of the giving of the notice provided for in Section 2 of this Article II and has remained a shareholder of record of at least ten percent (10%) of the outstanding shares of the Corporation through the record date for the determination of shareholders entitled to vote at such annual meeting and (ii) who complies with the notice procedures set forth in Section 2 of this Article II.

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a shareholder, such shareholder must have given timely notice thereof in proper written form to the Secretary of the Corporation (the "Secretary").

To be timely a shareholder's notice to the Secretary of the Corporation must be delivered to or mailed and received at the principal executive offices of the Corporation not less than one-hundred fifty (150) days nor more than one-hundred eighty (180) days prior to the one year anniversary of the immediately preceding annual meeting of shareholders.

In no event shall the public disclosure of any adjournment of an annual meeting of the shareholders commence a new time period for the giving of the shareholder's notice described herein.

To be in proper written form, a shareholder's notice to the Secretary must set forth as to each matter such shareholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of such shareholder, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such shareholder, (iv) a description of all arrangements or understandings between such shareholder and any other person or persons (including their names) in connection with the proposal of such business by such shareholder and any material interest of such shareholder in such business and (v) a representation that such shareholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting. In addition, notwithstanding anything in Section 2 of this Article II to the contrary, a shareholder intending to nominate one or more persons for election as a Director at an annual meeting must comply with Article III Section 3 of these By Laws for such nomination or nominations to be properly brought before such meeting.

No business shall be conducted at the annual meeting of shareholders except business brought before the annual meeting in accordance with the procedures set forth in Section 2 of this Article II; provided, however, that, once business has been properly brought before the annual meeting in accordance with such procedures, nothing in Section 2 of this Article II shall be deemed to preclude discussion by any shareholder of any such business. If the Chairman of an annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, the Chairman of the meeting shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

Section 3. **Special Meeting :** A special meeting of the shareholders may be called at any time by the Board of Directors, or by the Chairman of the Board, or by the President. No other person or persons are permitted to call a special meeting. No business may be conducted at the special meeting other than business brought before the meeting by the Board of Directors, the Chairman of the Board or the President. The Chairman of the Board or, in the Chairman's absence, another person designated by the Board shall act as the Chairman of all meetings of shareholders. If the Chairman of the special meeting determines that business was not properly brought before the special meeting in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

Section 4. **Notice of Meetings :** Notice of every annual and special meeting of shareholders, other than any meeting the giving of notice of which is otherwise prescribed by law, stating the date, time, place and purpose thereof, and in the case of special meetings, the name of the person or persons at whose direction the notice is being issued, shall be given personally or sent by mail, telegraph, cablegram, telex or teleprinter

at least fifteen (15) but not more than sixty (60) days before such meeting, to each shareholder of record entitled to vote thereat and to each shareholder of record who, by reason of any action proposed at such meeting would be entitled to have his shares appraised if such action were taken, and the notice shall include a statement of that purpose and to that effect. If mailed, notice shall be deemed to have been given when deposited in the mail, directed to the shareholder at his address as the same appears on the record of shareholders of the Corporation or at such address as to which the shareholder has given notice to the Secretary. Notice of a meeting need not be given to any shareholder who submits a signed waiver of notice, whether before or after the meeting, or who attends the meeting without protesting prior to the conclusion thereof the lack of notice to him.

Section 5. **Adjournments:** Any meeting of shareholders, annual or special, may adjourn from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Corporation may transact any business which might have been transacted at the original meeting. If the meeting is-adjourned for lack of quorum, notice of the new meeting shall be given to each shareholder of record entitled to vote at the meeting. If after an adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record on the new record date entitled to notice in Section 4 of this Article II.

Section 6. **Quorum :** At all meetings of shareholders, except as otherwise expressly provided by law, there must be present either in person or by proxy shareholders of record holding at least a majority of the shares issued and outstanding and entitled to vote at such meetings in order to constitute a quorum, but if less than a quorum is present, a majority of those shares present either in person or by proxy shall have power to adjourn any meeting until a quorum shall be present. Notwithstanding the foregoing, at all meetings of shareholders for the election of directors, a plurality of the votes cast by the holders of shares entitled to vote in the election shall be sufficient to elect directors.

Section 7. **Voting :** If a quorum is present, and except as otherwise expressly provided by law, the affirmative vote of a majority of the shares of stock represented at the meeting shall be the act of the shareholders. At any meeting of shareholders, with respect to matter for which a shareholder is entitled to vote, each such shareholder shall be entitled to one vote for each share it holds. Each shareholder may exercise such voting right either in person or by proxy provided, however, that no proxy shall be valid after the expiration of eleven months from the date such proxy was authorized unless otherwise provided in the proxy. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in the law of the Marshall Islands to support an irrevocable power. A shareholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or another duly executed proxy bearing a later date with the Secretary of the Corporation. Shareholders may act by way of written consent in accordance with the provisions of Section 67 of the BCA.

Section 8. **Fixing of Record Date:** The Board of Directors may fix a time not more than sixty (60) nor less than fifteen (15) days prior to the date of any meeting of shareholders as the time as of which shareholders entitled to notice of and to vote at such a meeting shall be determined, and all persons who were holders of record of voting shares at such time and no other shall be entitled to notice of and to vote at such meeting. The Board of Directors may fix a time not exceeding sixty (60) days preceding the date fixed for the payment of any dividend, the making of any distribution, the allotment of any rights or the taking of any other action, as a record time for the determination of the shareholders entitled to receive any such dividend, distribution, or allotment or for the purpose of such other action.

ARTICLE III
DIRECTORS

Section 1. **Number:** The affairs, business and property of the Corporation shall be managed by a Board of Directors to consist of such number of directors, not less than three, as shall be fixed by a vote of not less than 51% of the entire Board from time to time. The directors, other than those who may be elected by the holders of one or more series of preferred stock voting separately as a class pursuant to the provisions of a resolution of the Board providing for the establishment of any series of preferred stock, shall be divided into three classes: Class A, Class B and Class C, which shall be as nearly equal in number as possible. The shareholders, acting at a duly constituted meeting thereof, or by unanimous written consent of all shareholders, shall initially designate directors as Class A, Class B or Class C directors. Should the number of directors be increased, there shall be no classification of the additional directors until the next annual meeting of shareholders or the shareholders have classified such additional directors by unanimous written consent of all shareholders. The initial term of office of each class of directors shall be as follows: the directors first designated as Class A directors shall serve for a term expiring at the 2005 annual meeting of the shareholders, the directors first designated as Class B directors shall serve for a term expiring at the 2006 annual meeting, and the directors first designated as Class C directors shall serve for a term expiring at the 2007 annual meeting. At each annual meeting after such initial term, directors to replace those whose terms expire at such annual meeting shall be elected to hold office until the third succeeding annual meeting. Each director shall serve his respective term of office until his successor shall have been elected and qualified, except in the event of his death, resignation or removal. No decrease in the number of directors shall shorten the term of any incumbent director. The directors need not be residents of the Marshall Islands or shareholders of the Corporation. Corporations may, to the extent permitted by law, be elected or appointed directors.

Section 2. **How Elected:** Except as otherwise provided by law or in Section 5 of this Article III, the directors of the Corporation (other than the first Board of Directors if named in the Articles of Incorporation or designated by the incorporators) shall be elected at the annual meeting of shareholders. Except as otherwise provided in Section 1 of this Article III, each Director shall be elected to serve until the third succeeding annual meeting of shareholders and until his successor shall have been duly elected and qualified, except in the event of his death, resignation, removal or the earlier termination of his term of office.

Section 3. **Nomination of Directors:** Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation, except as may be otherwise provided in the Articles of Incorporation with respect to the right of holders of preferred stock of the Corporation to nominate and elect a specified number of directors in certain circumstances. Nominations of persons for election to the Board of Directors may be made at any annual meeting of shareholders (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (b) by any shareholders of the Corporation (i) who is a shareholder of record on the date of the giving of the notice provided for in Section 3 of this Article III and on the record date for the determination of shareholder entitled to vote at such meeting and (ii) who complies with the notice procedures set forth in Section 3 of this Article III.

In addition to any other applicable requirements, for a nomination to be made by a shareholder, such shareholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a shareholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not less than one-hundred fifty (150) days nor more than one-hundred eighty (180) days prior to the anniversary date of the immediately preceding annual meeting of shareholders.

To be in proper written form, a shareholder's notice to the Secretary must set forth; (a) as to each person whom the shareholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by the person and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder applicable to issuers that are not foreign private issuers and (b) as to the shareholder giving the notice (i) the name and record address of such shareholder, (ii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially and of record by such shareholder, (iii) a description of all arrangements or understandings between such shareholder and each proposed nominee and any other person and persons (including their names) pursuant to which the nomination(s) are to be made by such shareholder, (iv) a representation that such shareholder intends to appear in person or by proxy at the meeting to nominate the person or persons named in its notice and (v) any other information relating to such shareholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in Section 3 of this Article III. If the Chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

Section 4. **Removal:** Any or all of the directors may be removed, with cause by the affirmative vote of holders of 51% of the issued and outstanding voting shares of the Corporation. Any director may be removed for cause by action of the Board of Directors. No director may be removed without cause by either the shareholders or the Board of Directors. Except as otherwise provided by applicable law, cause for the removal of a director shall be deemed to exist only if the director whose removal is proposed: (i) has been convicted, or has been granted immunity to testify in any proceeding in which another has been convicted, of a felony by a court of competent jurisdiction and that conviction is no longer subject to direct appeal; (ii) has been found to have been negligent or guilty of misconduct in the performance of his duties to the Corporation in any matter of substantial importance to the Corporation by (A) the affirmative vote of at least 80% of the directors then in office at any meeting of the Board of Directors called for that purpose or (B) a court of competent jurisdiction; or (iii) has been adjudicated by a court of competent jurisdiction to be mentally incompetent, which mental incompetence directly affects his ability to serve as a director of the Corporation.

No proposal by a shareholder to remove a director shall be voted upon at a meeting of the shareholders unless such shareholder has given timely notice thereof in proper written form to the Secretary. To be timely, a shareholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not less than one hundred and twenty (120) days nor more than one hundred eighty (180) days prior to the anniversary date of the immediately preceding annual meeting of the shareholders. To be in proper written form, a shareholder's notice must set forth: (a) a statement of the grounds, if any, on which such director is proposed to be removed, (b) evidence reasonably satisfactory to the Secretary, of such shareholder's status as such and of the number of shares of each class of capital stock of the Corporation beneficially owned by such shareholder, and (c) a list of the names and addresses of other shareholders of the Corporation, if any, with whom such shareholder is acting in concert, and the number of shares of each class of capital stock of the Corporation beneficially owned by each such shareholder.

No shareholder proposal to remove a director shall be voted upon at an annual meeting of the shareholders unless proposed in accordance with the procedures set forth in Section 4 of this Article III. If the Chairman of the meeting determines, based on the facts, that a shareholder proposal to remove a director was not made in accordance with the foregoing procedures, the Chairman shall declare to the meeting that a proposal to remove a director of the Corporation was not made in accordance with the procedures prescribed by these Bylaws, and such defective proposal shall be disregarded.

All of the foregoing provisions of Section 4 of this Article III are subject to the terms of any preferred stock with respect to the directors to be elected solely by the holders of such preferred stock.

Section 5. **Vacancies:** Vacancies in the Board of Directors occurring by death, resignation, creation of new directorship, failure of the shareholders to elect the whole class of directors required to be elected at any annual election of directors or for any other reason, including removal of directors for cause, may be filled by the affirmative vote of a majority of the remaining directors then in office, although less than a quorum, at any special meeting called for that purpose or at any regular meeting of the Board.

Section 6. **Regular meetings:** Regular meetings of the Board of Directors may be held at such time and place as may be determined by resolution of the Board of Directors and no notice shall be required for any regular meeting. Except as otherwise provided by law, any business may be transacted at any regular meeting.

Section 7. **Special meeting:** Special meetings of the Board of Directors may, unless otherwise prescribed by law, be called from time to time by the Chairman, the President, or any officer of the Corporation who is also a director. The President or the Secretary shall call a special meeting of the Board upon written request directed to either of them by any two directors stating the time, place and purpose of such special meeting. Special meetings of the Board shall be held on a date and at such time and at such place as may be designated in the notice thereof by the officer calling the meeting.

Section 8. **Notice of Special Meeting:** Notice of the special date, time and place of each special meeting of the Board of Directors shall be given to each Director at least forty eight (48) hours prior to such meeting, unless the notice is given orally or delivered in person, in which case it shall be given at least twenty-four (24) hours prior to such meeting. For the purpose of this section, notice shall be deemed to be duly given to a Director if given to him personally (including by telephone) or if such notice be delivered to such Director by mail, telegraph, cablegram, telex or teleprinter to his last known address Notice of a meeting need not be given to any Director who submits a signed waiver of notice, whether before of after the meeting, or who attends the meeting without protesting, prior to the conclusion thereof, the lack of notice to him.

Section 9. **Quorum:** A majority of the directors at the time in office, present in person or by proxy or conference telephone, shall constitute a quorum for the transaction of business.

Section 10. **Interested Directors.** No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his or her or their votes are counted for such purpose, if: (i) the material facts as to his or her relationship or interest

and as to the contract or transaction are disclosed or are known to the Board or the committee and the Board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, or, if the votes of the disinterested directors are insufficient to constitute an act of the Board of Directors as defined in Section 55 of the BCA, by unanimous vote of the disinterested directors; or (ii) the material facts as to his relationship or interest and as to the shareholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the shareholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board, a committee thereof or the shareholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board or of a committee which authorizes the contract or transaction.

Section 11. **Voting:** The vote of the majority of the directors, present in person or by proxy or conference telephone, at a meeting at which a quorum is present shall be the act of the directors. Any action required or permitted to be taken at a meeting may be taken without a meeting if all members of the Board consent thereto in writing.

Section 12. **Compensation of Directors and Members of Committees:** The Board may from time to time, in its discretion, fix the amounts which shall be payable to members of the Board of Directors and to members of any committee, for attendance at the meetings of the Board or of such committee and for services rendered to the Corporation.

ARTICLE IV
COMMITTEES

Executive Committee and Other Committees: The Board of Directors may, by resolution or resolutions passed by a majority of the entire Board, designate from among its members an executive committee to consist of two or more of the directors of the Corporation, which, to the extent provided in said resolution or resolutions, or in these By Laws, shall have and may exercise, to the extent permitted by law, the powers of the Board of Directors in the management of the business and affairs of the Corporation, and may have power to authorize the seal of the Corporation to be affixed to all papers which may require it provided, however, that no committee shall have the power or authority to (i) fill a vacancy in the Board of Directors or in a committee thereof, (ii) amend or repeal any By-law or adopt any new By-law, (iii) amend or repeal any resolution of the entire Board, (iv) or increase the number of directors on the Board of Directors, or (v) remove any Director. In addition, the Board may designate from among its members other committees to consist of two or more of the directors of the Corporation, each of which shall perform such functions and have such authority and powers as shall be delegated to such committee by said resolution or resolutions or as provided for in these By Laws, except that only the executive committee may have and exercise the powers of the Board of Directors. Members of the executive committee and any other committee shall hold office for such period as may be prescribed by the vote of the entire Board of Directors, subject, however, to removal at any time by the vote of the Board of Directors. Vacancies in membership of such committees shall be filled by vote of the Board of Directors. Committees may adopt their own rules of procedures and may meet at stated times or on such notice as they may determine. Each committee shall keep a record of its proceedings and report the same to the Board when required.

ARTICLE V
OFFICERS

Section 1. **Number and Designation:** The Board of Directors shall elect a President, Secretary and Treasurer and such other officers as it may deem necessary. Officers may be of any nationality and need not be residents of the Marshall Islands. The Officers shall be elected annually by the Board of Directors at its first meeting following the annual election of directors, (except that the initial officers may be named by the Board at its first meeting following such Board's appointment in the Articles of Incorporation or as designated by the incorporators) but in the event of the failure of the Board to so elect any officer, such officer may be elected at any subsequent meeting of the Board of Directors. The salaries of officers and any other compensation paid to them shall be fixed from time to time by the Board of Directors. The Board of Directors may at any meeting elect additional officers. Each officer shall hold office until the first meeting of the Board of Directors following the next annual election of directors and until his successor shall have been duly elected and qualified except in the event of the earlier termination of his term of office, through death, resignation, removal or otherwise. Any officer may be removed by the Board at any time with or without cause. Any vacancy in an office may be filled for the unexpired position of the term of such office by the Board of Directors at any regular or special meeting.

Section 2. **President:** In the absence of the Chairman of the Board, the President of the Corporation shall preside at all meetings of the Board of Directors and of the shareholders at which he or she shall be present. The President shall perform all duties incident to the office of president of a corporation and such other duties as may, from time to time, be assigned to him or her by the Board of Directors or as may be provided by law.

Section 3. **Secretary:** The Secretary shall act as Secretary of all meetings of the shareholders and of the Board of Directors at which he is present, shall have supervision over the giving and serving of notices of the Corporation, shall be the custodian of the corporate records of the corporate seal of the Corporation, shall be empowered to affix the corporate seal to those documents, the execution of which, on behalf of the Corporation under its seal, is duly authorized and when so affixed may attest the same, and shall exercise the powers and perform such other duties as may be assigned to him by the Board of Directors or the President.

Section 4. **Treasurer:** The Treasurer shall have general supervision over the care and custody of the funds, securities, and other valuable effects of the Corporation and shall deposit the same or cause the same to be deposited in the name of the Corporation in such depositories as the Board of Directors may designate, shall disburse the funds of the Corporation as may be ordered by the Board of Directors, shall have supervision over the accounts of all receipts and disbursements of the Corporation, shall, whenever required by the Board, render or cause to be rendered financial statements of the Corporation, shall have the power and perform the duties usually incident to the office of Treasurer, and shall have such powers and perform other duties as may be assigned to him by the Board of Directors or President.

Section 5. **Other Officers:** Officers other than those treated in Sections 2 through 4 of this Article V shall exercise such powers and perform such duties as may be assigned to them by the Board of Directors or the President.

Section 6. **Bond:** The Board of Directors shall have power to the extent permitted by law to require any officer, agent or employee of the Corporation to give bond for the faithful discharge of his duties in such form and with such surety as the Board of Directors may deem advisable.

ARTICLE VI
CERTIFICATES FOR SHARES

Section 1. **Form and Issuance:** The Shares of the Corporation shall be represented by certificates in form meeting the requirements of law and approved by the Board of Directors. Certificates shall be signed by the President or a Vice-President and by the Secretary or any Assistant Secretary or the Treasurer or any Assistant Treasurer. These signatures may be facsimiles if the certificate is countersigned by a transfer agent or registered by a registrar other than the Corporation itself or its employee.

Section 2. **Transfer:** The Board of Directors shall have power and authority to make such rules and regulations as they may deem expedient concerning the issuance, registration and transfer of certificates representing shares of the Corporation's stock, and may appoint transfer agents and registrars thereof.

Section 3. **Loss of Stock Certificates:** The Board of Directors may direct a new certificate of stock to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or give the Corporation a bond in such sum as it may direct indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost or destroyed.

ARTICLE VII
DIVIDENDS

Declaration and Form: Dividends may be declared in conformity with applicable law by, and at the discretion of, the Board of Directors at any regular or special meeting. Dividends may be declared and paid in cash, stock or other property of the Corporation.

ARTICLE VIII
INDEMNIFICATION

Section 1. **Indemnification:** Any person who is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director or officer of another, partnership, joint venture, trust or other enterprise shall be entitled to be indemnified by the Corporation upon the same terms, under the same conditions, and to the same extent as authorized by Section 60 of the Business Corporation Act of the Marshall Islands, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

Section 2. **Insurance :** The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director or officer against any liability asserted against such person and incurred by such person in such capacity whether or not the Corporation would have the power to indemnify such person against such liability by law or under the provisions of these By Laws.

ARTICLE IX
CORPORATE SEAL

Form: The Seal of the Corporation, if any, shall be circular in form, with the name of the Corporation in the circumference and such other appropriate legend as the Board of Directors may from time to time determine.

ARTICLE X
FISCAL YEAR

Fiscal Year : The fiscal year of the Corporation shall be such period of twelve consecutive months as the Board of Directors may by resolution designate.

ARTICLE XI
AMENDMENTS

Amendments : These By Laws may be amended, added to, altered or repealed, or new By Laws may be adopted, solely at any regular or special meeting of the Board of Directors by the affirmative vote of 51% of the entire Board. The phrase "51% of the entire Board" shall be deemed to refer to 51% of the number of directors constituting the Board of Directors as set forth in accordance with Article III, without regard to any vacancies, or if the number of Directors constituting 51% of the entire Board is greater than the number of members of the Board then in office, the unanimous vote of Directors in office.

Exhibit 1.3

ARTICLES OF AMENDMENT OF

ARTICLES OF INCORPORATION OF

EUROSEAS LTD.

UNDER SECTION 90 OF THE BUSINESS CORPORATIONS ACT

I, Aristides J. Pittas, President of EUROSEAS LTD., a corporation incorporated under the laws of the Republic of the Marshall Islands, for the purpose of amending the Articles of Incorporation of said Corporation hereby certify:

1. The name of the Corporation is: EUROSEAS LTD.

2. The Articles of Incorporation were filed with the Registrar of Corporations as of the 5th day of May, 2005.

3. Section D of the Articles of Incorporation is hereby amended to read as follows:

   (a) The aggregate number of shares of stock that the Corporation is authorized to issue is one hundred twenty million (120,000,000) registered shares (of which twenty million (20,000,000) shall be registered preferred shares); all of the registered common shares shall have a par value of three cents (US$0.03) per share and all of the registered preferred shares have a par value of one cent (US$0.01) per share.

   (b) The Corporation is authorized, without further vote or action by the shareholders, to issue the said twenty million (20,000,000) registered preferred shares with a par value of one cent (US$0.01) per share. The Board of Directors shall have the authority to establish such series of preferred shares and with such designations, preferences and relative, participating, optional or special rights and qualifications, limitations or restrictions as shall be stated in the resolutions providing for the issue of such preferred shares.

   (c) The Corporation has effectuated, effective with the commencement of business on October 6, 2006, a 1 for 3 reverse stock split as to its common stock outstanding, which decreases the number of outstanding shares from 37,860,341 to 12,620,114, subject to increase to the extent that the reverse stock split would result in any holder of the Company's Common Stock receiving fractional shares, in which event such fractional share shall be rounded up to the next whole share. The reverse split shall not change the number of registered shares of common stock the Corporation is authorized to issue. The par value of the shares of common stock shall be increased from $0.01 to $0.03 per share as set forth in paragraph D(a) above. No change shall be made to the number of registered shares of preferred stock the Corporation is authorized to issue or to the par value of the shares of preferred stock.

4. The amendment to the Articles of Incorporation was authorized by vote of the holders of a majority of all outstanding shares entitled to vote thereon at a meeting of shareholders.

IN WITNESS WHEREOF, I have executed these Articles of Amendment on this 4th day of October, 2006.

/s/ Aristides J. Pittas

Name: Aristides J. Pittas
Title: President

STATE OF)
ss:
COUNTY OF)

On this day of October, 2006 before me personally came Aristides J. Pittas known to me to be the individual described in and who executed the foregoing instrument and he duly acknowledged to me that the execution thereof was his act and deed/the act and deed of the corporation.

Exhibit 1.4

EUROSEAS LTD.

AMENDMENT NO. 1 TO

BYLAWS

As Adopted March 25, 2010

WHEREAS, Euroseas Ltd. (the " Corporation ") has entered into that certain Shareholder Voting Agreement (the " Shareholder Agreement "), dated as of March 25, 2010 by and among (i) the Corporation, (ii) Paros Ltd., a Cayman Islands exempted company (" Paros "), (iii) All Seas Investors I, Ltd., a Cayman Islands limited company (" All Seas I "), All Seas Investors II, Ltd., a Cayman Islands limited company (" All Seas II "), All Seas Investors III LP, a Cayman Islands exempted limited partnership (" All Seas III ", and collectively with All Seas I and All Seas II, " All Seas "), (iv) Friends Investment Company, Inc., and (v) Aristides J. Pittas (" Pittas "). Capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed to such terms in the Shareholder Agreement.

WHEREAS, pursuant to the Shareholder Agreement, upon the consummation of any Conversion, the Corporation has agreed to use reasonable efforts (through voting agreements, amendments to the Bylaws or otherwise and including by increasing the size of the Board of Directors, electing such directors to fill such vacancies and nominating such directors to serve on the Board of Directors) to ensure that for so long as the Euroseas Percentage Interest of Paros or All Seas (considered separately), is (x) greater than 35%, Paros or All Seas, as applicable, together with their respective Permitted Transferees, shall each be entitled to select two (2) directors for appointment to the Board of Directors or (y) between 7.5% and 35%, such JV Shareholder(s) shall each be entitled to select one (1) director for appointment to the Board of Directors, in each case in addition to the current seven seats on the Board of Directors and adjusted in proportion to any change in the total number of seats on the Board of Directors;

WHEREAS, pursuant to the Shareholder Agreement, upon the consummation of any Conversion, the Corporation is required to increase the number of directorship positions constituting the full Board of Directors in accordance with the following: (i) by four (4) during a Four Director Period; (ii) by three (3) during a Three Director Period; (iii) by two (2) during a Two Director Period; and (iv) by one (1) during a Single Director Period;

WHEREAS, pursuant to the Shareholder Agreement, if at any time, the number of directorship positions constituting the full Board of Directors is fixed at a number larger or smaller than the number of such directorship positions in effect as of the date hereof (except where such change is the result of action taken pursuant to the Shareholder Agreement), the number of directorship positions that the Corporation shall be obligated to add to the then existing number of directorship positions constituting the full Board of Directors shall be automatically adjusted in proportion to any such change; and

WHEREAS, pursuant to the Shareholder Agreement, if the Euroseas Percentage Interest of either Paros or All Seas is less than 7.5%, the Corporation shall have no obligation pursuant to section 6(a)(i) of the Shareholder Agreement with respect to such JV Shareholder(s), and the directors on the Board of Directors selected for appointment by such JV Shareholder(s), shall resign or may be removed and such JV Shareholder(s) will no longer have any right to elect directors to the Board of Directors;

NOW, THEREFORE, the Corporation hereby amends the Bylaws by adding Section 13 to Article III thereof as set forth herein:

Section 13. Addition of Directors Pursuant to Euromar LLC Shareholder Voting Agreement :

(a) Notwithstanding anything to the contrary contained herein, in the event of a Conversion, the size of the Board of Directors shall automatically be increased as follows: (i) by four (4) during a Four Director Period; (ii) by three (3) during a Three Director Period; (iii) by two (2) during a Two Director Period; and (iv) by one (1) during a Single Director Period; provided, however, that if at any time following the date hereof, the number of directorship positions constituting the full Board of Directors is fixed at a number larger or smaller than seven (7) directorship positions (except where such change is the result of action taken pursuant to the Shareholder Agreement), the number of directorship positions that the Corporation shall be obligated to add shall be automatically adjusted in proportion to any such change.

(b) Upon any such increase in the size of the Board of Directors, the then existing directors shall fill the newly created directorship positions by appointing those individuals to the Board of Directors that have been selected by the applicable JV Shareholder(s). Subject to removal for cause or pursuant to clauses (c) or (d) below, any such JV Directors shall serve until the next annual meeting of the shareholders at which time the Board of Directors shall nominate such JV Directors for re-election by the Corporation's shareholders. With respect to any such re-election, the Board of Directors shall determine whether to classify any such JV Directors as Class A, Class B or Class C Directors and may classify JV Directors in different Classes.

(c) Notwithstanding anything to the contrary contained herein, if at any time while there are JV Directors serving on the Board of Directors, the Euroseas Percentage Interest of either Paros or All Seas decreases such that it is no longer entitled to appoint the number of JV Directors then serving on the Board of Directors, then the requisite number of JV Directors on the Board of Directors shall immediately resign. Failure by such JV Directors to promptly resign shall constitute cause for removal by a majority of the non-JV Directors on the Board of Directors.

(d) Notwithstanding anything to the contrary contained herein, if at any time the Euroseas Percentage Interest of either Paros or All Seas is less than 7.5%, the Corporation shall have no obligation pursuant to section 6(a)(i) of the Shareholder Agreement with respect to such JV Shareholder(s) and any JV Directors on the Board of Directors shall immediately resign. Failure by such JV Directors to promptly resign shall constitute cause for removal by a majority of the non-JV Directors on the Board of Directors.

(e) Capitalized terms used in this Article III, Section 13 and not otherwise defined herein shall have the meanings ascribed to such terms in the Shareholder Voting Agreement (the " Shareholder Agreement "), dated as of March 25, 2010, by and among (i) the Corporation, (ii) Paros Ltd., a Cayman Islands exempted company, (iii) All Seas Investors I, Ltd., a Cayman Islands limited company, All Seas Investors II, Ltd., a Cayman Islands limited company, All Seas Investors III LP, a Cayman Islands exempted limited partnership, (iv) Friends Investment Company, Inc. and (v) Aristides J. Pittas.

Exhibit 2.6

EXECUTION VERSION

REGISTRATION RIGHTS AGREEMENT

This REGISTRATION RIGHTS AGREEMENT (this " ***Agreement*** ") is entered into as of March 25, 2010, by and among Euroseas Ltd., a Marshall Islands corporation (the " ***Company*** "), Paros Ltd., a Cayman Islands exempted company (" ***Paros*** "), All Seas Investors I Ltd., a Cayman Islands exempted company (" ***All Seas I*** "), All Seas Investors II Ltd., a Cayman exempted company (" ***All Seas II*** "), All Seas Investors III LP, a Cayman Islands exempted limited partnership (" ***All Seas III*** ", and collectively with All Seas I and All Seas II, " ***All Seas*** " and together with Paros, the " ***Holders*** " and each individually, a " ***Holder*** ") and Friends Investment Company, Inc., a Marshall Islands corporation (" ***FIC*** ").

Recitals

WHEREAS, pursuant to the terms of that certain Limited Liability Company Agreement of Euromar LLC (" ***Euromar*** "), dated as of the date hereof, among Euromar, the Company and the Holders (the " ***Joint Venture Agreement*** "), the Holders have acquired equity interests in Euromar which are separately exchangeable for or otherwise convertible into common stock of the Company in amounts as determined pursuant to the Joint Venture Agreement (together with all subsequently acquired equity interests in Euromar, the " ***Exchangeable Interests*** ");

WHEREAS, FIC is beneficially owned and controlled by the founders of the Company and owns, as of the date hereof, 10,174,177 shares of Common Stock having a par value of $0.03, of the Company (" ***Common Stock*** ");

WHEREAS, FIC and the Company are party to that Registration Rights Agreement, dated as of November 2, 2005 (the *" **2005 Agreement"***); and

WHEREAS, in order to induce the Holders to consummate the transactions contemplated by the Joint Venture Agreement, the Company has agreed to grant independently to the Holders the registration rights set forth in this Agreement.

NOW, THEREFORE, the parties hereto, in consideration of the foregoing, the mutual covenants and agreements hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, hereby agree as follows:

Section 1. Definitions.

Capitalized terms used, but not otherwise defined herein, shall have the meanings assigned to such terms in the Joint Venture Agreement. As used in this Agreement, the following capitalized defined terms shall have the following meanings:

" ***Agent*** " means the principal placement agent on an agented placement of Registrable Securities.

" ***Agreement*** " has the meaning set forth in the Preamble.

" ***Business Day*** " shall mean a day other than a Saturday, Sunday or other day on which banking institutions in New York, New York are permitted or required by any applicable law to close.

" ***Commission*** " shall mean the Securities and Exchange Commission.

" ***Common Stock"*** has the meaning set forth in the Recitals.

" ***Company*** " shall have the meaning set forth in the Preamble and also shall include the Company's successors.

" ***Cutback*** " shall have the meaning set forth in Section 2(a).

" ***Event*** " shall have the meaning set forth in Section 2(c).

" ***Exchange Act*** " shall mean the Securities Exchange Act of 1934, as amended from time to time.

" ***Exchange Shares*** " shall mean the Common Stock issued or issuable, as applicable, upon exchange or conversion of the Exchangeable Interests.

" ***Exchangeable Interests*** " shall have the meaning set forth in the Recitals.

" ***Expense Cap*** " has the meaning set forth in Section 5.

" ***FIC Registrable Securities*** " shall mean all of the shares of Common Stock that FIC has requested to be registered under the Securities Act by the Company, pursuant to the 2005 Agreement.

" ***Holdback Period*** " shall have the meaning set forth in Section 4(d).

" ***Holders*** " shall have the meaning set forth in the Preamble, and shall include the transferee of any such Person's Registrable Securities acquiring rights in accordance with Section 8(j) hereof whenever such Person owns of record Registrable Securities. If the Company receives conflicting instructions, notices or elections from two or more Persons with respect to the same Registrable Securities, the Company may act upon the basis of the instructions, notice or election received from the registered owner of such Registrable Securities.

" ***Joint Venture Agreement*** " shall have the meaning set forth in the Recitals.

" ***Majority Holders*** " means those Holders whose Registrable Securities included in such Registration Statement represent a majority of the Registrable Securities of all Holders included therein.

" ***NASD*** " shall mean the National Association of Securities Dealers, Inc.

" ***Other Permitted Restrictions*** " shall have the meaning set forth in Section 2(a).

" ***Person*** " shall mean an individual, partnership, corporation, limited liability company, trust, estate, or unincorporated organization, or other entity, or a government or agency or political subdivision thereof.

" ***Prospectus*** " shall mean the prospectus included in a Registration Statement, including any preliminary prospectus, and any such prospectus as amended or supplemented by any prospectus supplement or free-writing prospectus with respect to the terms of the offering of any portion of the Registrable Securities covered by a Registration Statement, and by all other amendments and supplements to such prospectus, including post-effective amendments, and in each case including all material incorporated by reference therein.

" ***Registering Holder*** " has the meaning set forth in Section 2(a).

" ***Registrable Securities*** " shall mean (i) the Exchange Shares and any and all shares of Common Stock issued or issuable upon conversion of the Exchangeable Interests; (ii) any securities issued pursuant to a stock split or a reclassification of, or in substitution for, any Exchange Shares; and (iii) any securities issued in exchange for Exchange Shares in any merger, combination or reorganization of the Company. For purposes of this Agreement, a Person will be deemed to be a holder of Registrable Securities whenever such Person has the then-existing right to acquire such Registrable Securities (by conversion, exchange, purchase or otherwise), whether or not such acquisition has actually been effected and whether or not the Company or any other Person has the right to redeem the securities exchangeable for the Registrable Securities in lieu of issuing the Registrable Securities.

" ***Registration Statement*** " shall mean a "shelf" registration statement of the Company pursuant to the requirements of the Securities Act which covers the issuance or resale of the Registrable Securities on Form F-3 or such other form as the Company is eligible to use under Rule 415 promulgated under the Securities Act, or any similar rule that may be adopted by the Commission, and all amendments and supplements to such registration statement, including post-effective amendments, in each case including the Prospectus, all exhibits thereto and all materials incorporated by reference therein, and including any information deemed to be a part thereof as of the time of effectiveness pursuant to Rule 430A, 430E or 430C.

" ***Rule 144*** " and " ***Rule 145*** " shall mean Rule 144 and Rule 145 promulgated under the Securities Act, and any successor rule or regulation under the Securities Act.

" ***Securities Act*** " shall mean the Securities Act of 1933, as amended from time to time, and any successor act.

" ***Selling Holder(s)*** " means, with respect to a specified Registration Statement pursuant to this Agreement, any party hereto whose Registrable Securities are included in such Registration Statement.

" ***Transfer*** " means and includes the act of selling, giving, transferring, creating a trust (voting or otherwise), assigning or otherwise disposing of (other than pledging, hypothecating or otherwise transferring as security or any transfer upon any merger or consolidation) (and correlative words shall have correlative meanings); provided , however , that any transfer or other disposition upon foreclosure or other exercise of remedies of a secured creditor after an event of default under or with respect to a pledge, hypothecation or other transfer as security shall constitute a Transfer.

" ***Underwriters' Representative*** " means the managing underwriter, or, in the case of a co-managed underwriting, the managing underwriter designated as the Underwriters' Representative by the co-managers.

" ***Underwritten Offering*** " shall have the meaning set forth in Section 4(d).

Section 2. (a) Registration Under the Securities Act . Not later than thirty (30) days after receipt by the Company of notice (a " ***Filing Date*** ") by a Holder that such Holder has exercised or (i) is eligible to exercise its Conversion Right (as defined in the Joint Venture Agreement) within 30 days, and (ii) intends to exercise such Conversion Right, the Company shall file a Registration Statement providing for the sale by the Holder of the Holder's Registrable Securities. If any Holder should cause the Company to file a Registration Statement pursuant to this Section 2(a) (such Holder, a " ***Registering Holder*** "), the Company shall notify each other Holder and each other Holder may, upon written request within five (5) Business Days following the date of the Registering Holder's Notice, request that, and the Company, subject to the provisions set forth below, shall use its best efforts to cause, all of such Holder's Registrable Securities to be registered under the Securities Act. The Registration Statement shall be immediately effective pursuant to Rule 462 or the Company will use its best efforts to cause such Registration Statement to be declared effective by the Commission as soon as practicable. The Company agrees to use its best efforts to keep the Registration Statement continuously effective with respect to all Registrable Securities of such Holder or Holders for a period expiring on the earlier of (x) the date on which all of such Holder's Registrable Securities have been sold pursuant to the Registration Statement, and (y) two years after the Filing Date, and further agrees during such period to supplement or amend the Registration Statement, if and as required by the rules, regulations or instructions applicable to the registration form used by the Company for such Registration Statement or by the Securities Act or by any other rules and regulations thereunder for a shelf registration to the extent necessary to ensure that it is available for resales by the Holder of the Registrable Securities. Notwithstanding the foregoing, the Company shall not be required to file a Registration Statement or to keep a Registration Statement effective and shall be permitted to suspend the use of any then effective Registration Statement if the Chief Executive Officer or the Chief Financial Officer of the Company certifies to the Holders in writing of (i) the existence of circumstances relating to a material pending development, including, but not limited to the need to update or modify financial information or a pending or contemplated material acquisition or merger or other material transaction or event, which would require additional disclosure by the Company in the Registration Statement of previously non-public material information which the Company in its good faith judgment has a bona fide business purpose for keeping confidential and the nondisclosure of which in the Registration Statement might cause the Registration Statement to fail to comply with applicable disclosure requirements, or (ii) the unavailability of financial statements required by Form F-3 or such other form of Registration Statement as the Company is eligible to use; provided, however, that the Company may not delay, suspend or withdraw a Registration Statement more than ninety (90) days in the aggregate during any period of twelve (12) consecutive months pursuant to this Section 2(a); and provided , further , that the Holders acknowledge and accept that in addition to the 90-days referenced above, they may not be permitted to sell their Registrable Securities even after such a Registration Statement is filed and effective, due to any restrictions under applicable securities laws, including as a result of any "blackout" periods adopted by the Company and applicable to the Company's directors or any Holdback Periods (as defined in Section 4(d))(collectively, " ***Other Permitted Restrictions*** "). The Company is not required to file a separate Registration Statement, but may file one Registration Statement covering the Registrable Securities held by more than one Holder. Holders may exercise their rights under this Section 2(a) no more than three times per year, provided that such Holders continue to hold Registrable Securities. If, as a result of applicable law or based upon comments received by the Commission, all of the Registrable Securities to be included in the Registration Statement cannot be so included (a " ***Cutback*** "), then the Company shall only include in the Registration Statement the number of Registrable Securities permitted to be so included and the Company shall thereafter prepare and file additional Registration Statements as soon as permitted to register for resale any Registrable Securities previously omitted from the Registration Statement (and such additional Registration Statements shall not be counted as additional exercises of a Holder's rights under this Section 2(a)) and any such failure to register for resale any such Registrable Securities due to a Cutback shall not count towards the 90-day period referenced above. Notwithstanding anything else to the contrary in this Agreement, if (i) the Company shall have filed a shelf Registration Statement pursuant to Rule 415 under the Securities Act (or any substitute form or rule, respectively, that may be adopted by the Commission) covering, among other things, all the Registrable Securities and (ii) the shelf Registration Statement is effective when the requesting Holders would otherwise make a request for registration under this Section 2(a), the Company shall not be required to separately register any Registrable Securities.

(b) Incidental Registration . If the Company proposes to file a registration statement under the Securities Act for its own account with respect to an offering of its Common Stock (other than a registration statement on a Form F-4 or S-8 or filed in connection with an exchange offer or an offering of securities solely to the Company's existing shareholders or pursuant to Rule 415 under the Securities Act (or any substitute form or rule, respectively, that may be adopted by the Commission)) in an underwritten offering on any form that would also permit the registration of the Registrable Securities, the Company shall promptly give each Holder written notice of such registration setting forth the date on which the Company proposes to file such registration statement and advise each Holder of its right, subject to the provisions set forth below, to have Registrable Securities included in such registration. Upon the written request of any Holder received by the Company within five (5) Business Days following the date of the Company's notice, the Company shall, subject to the provisions set forth below, use its best efforts to cause to be registered under the Securities Act all of the Registrable Securities that each such Holder has requested to be registered. The Company shall have the absolute right to withdraw or cease to prepare or file any registration statement for any offering referred to in this Section 2(b) without any obligation or liability to any Holder. The Company shall not be required to include any Holder's Registrable Securities in any underwriting pursuant to this Section 2(b) unless such Holder accepts the terms of the underwriting agreement as agreed to between the Company and the underwriters. If, in the opinion of the Underwriters' Representative, the amount of Registrable Securities requested to be included in such registration would materially adversely affect such offering, or the timing or distribution thereof, then the Company will include in such registration, to the extent the number of Registrable Securities requested to be included in such registration can be sold without having the adverse effect referred to above (in the opinion of the Underwriters' Representative), the number of Registrable Securities requested to be included in such registration by the Holders pursuant to this Section 2, and all securities offered for the account of other Persons, such amount to be allocated pro rata among all requesting Holders and other Persons on the basis of the relative number of Registrable Securities and securities (on an as-converted basis) owned by each such Holder and other Persons.

(c) Liquidated Damages . If: (i) any Registration Statement required to be filed pursuant to paragraph (a) or if the Company files a Registration Statement without affording the Holders the opportunity to review and comment on the same; or (ii) the Company fails to file with the Commission a request for acceleration in accordance with Rule 461 promulgated under the Securities Act, within five (5) Business Days of the date that the Company is notified (orally or in writing, whichever is earlier) by the Commission that such Registration Statement will not be "reviewed" or be subject to further review; or (iii) prior to the effective date of any Registration Statement, the Company fails to file a pre-effective amendment and otherwise respond in writing to comments made by the Commission in respect of such or any other Registration Statement within fifteen (15) calendar days after the receipt of comments by or notice from the Commission that such amendment is required in order for such Registration Statement to be declared effective; or (iv) after the effective date of any Registration Statement, such Registration Statement ceases for any reason to remain continuously effective as to all Registrable Securities included in such Registration Statement or the Holders are otherwise not permitted to utilize the Prospectus therein to resell such Registrable Securities for more than an aggregate of twenty (20) calendar days during any twelve (12) month period (which need not be consecutive calendar days) (any such failure or breach being referred to as an " ***Event*** ", and for purposes of clause (i) the date on which such Event occurs, or for purposes of clause (ii) the date on which such five (5) Business Day period is exceeded, or for purposes of clause (iii) the date which such fifteen (15) calendar day period is exceeded, or for purposes of clause (vi) the date on which such twenty (20) calendar day period, as applicable, is exceeded being referred to as " ***Event Date*** "), then, in addition to any other rights the Holders may have hereunder or under applicable law, on each such Event Date and on each monthly anniversary of each such Event Date (if the applicable Event shall not have been cured by such date) until the applicable Event is cured, the Company shall pay to each Holder on a monthly basis within five (5) Business Days of the end of the month an amount in cash, as partial liquidated damages and not as a penalty, equal to 0.5% of the lesser of (A) the aggregate amount of such Holder's capital contributions to Euromar made pursuant to the Joint Venture Agreement and (B) the aggregate value of such Holder's Exchangeable Interests as determined pursuant to the Joint Venture Agreement at the time such Exchangeable Interests are converted to Registrable Securities, provided , however , that no such payments shall be required in connection with a delay, suspension or withdrawal, or Other Permitted Restriction or Cutback permitted by Section 2(a). In addition, in the event that the Holders are not permitted to re-sell their Registrable Securities as a result of any "blackout" periods adopted by the Company and applicable to the Company's directors, then each such day that the Holder is not permitted to resell its Registrable Securities after the effective date of the Registration Statement shall not be counted against the twenty (20) calendar day period referred to in clause (iv) above with respect to such Registration Statement. The parties agree that the maximum aggregate liquidated damages payable to a Holder under this Agreement shall be 10% of the aggregate amount of such Holder's capital contributions to Euromar made pursuant to the Joint Venture Agreement. If the Company fails to pay any partial liquidated damages pursuant to this Section in full within five (5) Business Days after the date payable, the Company will pay interest thereon at a rate of 10% per annum (or such lesser maximum amount that is permitted to be paid by applicable law) to such Holder accruing daily from the date such partial liquidated damages are due until such amounts, plus all such interest thereon, are paid in full. The partial liquidated damages pursuant to the terms hereof shall apply on a daily pro-rata basis for any portion of a month prior to the cure of an Event.

(d) Underwriting Procedures . If the Majority Holders so elect, the Company shall use its commercially reasonable efforts to cause the offering made pursuant to Section 2(a) to be in the form of an Underwritten Offering (a " ***Holder Underwritten Offering*** "); provided , however , that if FIC has previously requested that the Company cause an Underwritten Offering of the FIC Registrable Securities (a " ***FIC Underwritten Offering*** "), then the Holders may not cause the Company to conduct a Holder Underwritten Offering until ninety (90) days following the completion of the FIC Underwritten Offering. In addition, the Holders may only participate in such FIC Underwritten Offering with the consent of FIC. Similarly, FIC may elect to cause the Company to conduct a FIC Underwritten Offering; provided , however , that if the Majority Holders have previously requested that the Company cause a Holder Underwritten Offering, then FIC may not cause the Company to conduct a FIC Underwritten Offering until ninety (90) days following the completion of the Holder Underwritten Offering. In addition, FIC may only participate in such Holder Underwritten Offering with the consent of the Majority Holders. In connection with any Holder Underwritten Offering or FIC Underwritten Offering, as applicable, none of the Registrable Securities held by any Holder making a request for inclusion of such Registrable Securities or FIC Registrable Securities, as applicable, shall be included in such Holder Underwritten Offering or FIC Underwritten Offering, as applicable, unless such Holder or FIC, as applicable, accepts the terms of the offering as agreed upon by the Company and the Underwriters' Representative; it being understood and agreed that in any Holder Underwritten Offering or FIC Underwritten Offering, the Company shall have sole right to select the underwriters and to make all decisions regarding the underwriting process and the offering, but the Company shall consult with the Majority Holders and/or FIC, as applicable, with respect to such decisions. Notwithstanding anything to the contrary contained in this Agreement, each Holder may not request more than two (2) Holder Underwritten Offerings in any twelve (12) month period and the Holders may not in the aggregate request more than three (3) Holder Underwritten Offerings in any twelve (12) month period.

Section 3. Registration Procedures .

(a) Obligations of the Company . In connection with the obligations of the Company with respect to the Registration Statement required to be filed pursuant to Section 2 hereof, the Company shall, to the extent applicable, use its best efforts to:

(i) Prepare and file with the Commission within the time period for such filing set forth in Section 2 hereof, a Registration Statement with respect to such Registrable Securities (which Registration Statement shall be available for the Selling Holders' intended method or methods of distribution and shall comply in all material respects with the requirements of the applicable form and include all financial statements required by the Commission to be filed therewith) and, if not effective on filing, use best efforts to cause such Registration Statement to become effective, and to prepare and file any amendments and supplements thereto as are required to keep such Registration Statement continuously effective as provided in Section 2.

(ii) Notify the Holder by facsimile or e-mail as promptly as practicable, and in any event, within two (2) Business Days, after a Registration Statement and any post-effective amendments and supplements is declared effective and shall simultaneously provide the Holders with copies of any related Prospectus to be used in connection with the sale or other disposition of the Registrable Securities covered thereby.

(iii) Notify each Selling Holder of the receipt of any comments from the Commission with respect to the Registration Statement and, subject to Section 2, respond to such comments and prepare and file with the Commission, if necessary, such amendments and supplements to such Registration Statement and the Prospectus used in connection with such Registration Statement or any document incorporated therein by reference or file any other required document as may be necessary to comply with the provisions of the Securities Act and rules thereunder, including the filing of a supplemental Prospectus pursuant to Securities Act Rule 424 or any free-writing prospectus pursuant to Rule 433, with respect to the disposition of all securities covered by such Registration Statement and the instructions applicable to the registration form used by the Company. In the event that any Registrable Securities included in a Registration Statement subject to, or required by, this Agreement remain unsold at the end of the period during which the Company is obligated to maintain the effectiveness of such Registration Statement, the Company may file a post-effective amendment to the Registration Statement for the purpose of removing such securities from registered status.

(iv) Furnish to each Selling Holder of Registrable Securities, without charge, such numbers of copies of the Registration Statement, any amendment thereto, the Prospectus, including each preliminary Prospectus and any amendments or supplements thereto, in each case in conformity with the requirements of the Securities Act and the rules thereunder, and such other related documents as any such Selling Holder may reasonably request in order to facilitate the disposition of Registrable Securities owned by such Selling Holder.

(v) Register and qualify the Registrable Securities covered by such Registration Statement under such other securities or blue sky laws of such states or jurisdictions in the United States as shall be reasonably requested by any Selling Holder and to keep such qualification effective during the period such Registration Statement is effective and obtain the withdrawal of any order suspending the effectiveness of a Registration Statement, or the lifting of any suspension of the qualification (or exemption from qualification) of the offer and transfer of any of the Registrable Securities in any jurisdiction, at the earliest possible moment; provided , however , that the Company shall not be required in connection therewith or as a condition thereto to (A) qualify to do business or register as a broker or dealer in any such jurisdiction where it would not otherwise be required to qualify or register but for this Section 3(a)(v), (B) subject itself to taxation in any such jurisdiction, or (C) to file a general consent to service of process in any such states or jurisdictions.

(vi) Enter into and perform customary agreements and take such other commercially reasonable actions as are required to expedite or facilitate each disposition of Registrable Securities including, in the event of any underwritten or agented offering, enter into and perform the Company's obligations under an underwriting or agency agreement (including indemnification and contribution obligations of underwriters or agents and representations and warranties by the Company to the underwriters), in usual and customary form, with the managing underwriter or underwriters of or agents for such offering and use its best efforts to obtain executed lock-up agreements from the officers and directors of the Company, if requested by the underwriters. The Company shall also reasonably cooperate and cause its affiliates to cooperate with the Underwriters' Representative or Agent for such offering in the marketing of the Registrable Securities, including making available the officers, accountants, counsel, premises, books and records of the Company and its Affiliates for such purpose, and shall cause the appropriate officers of the Company and its Affiliates to attend and participate in any "road shows" or informational meetings.

(vii) Notify each Selling Holder of any stop order suspending the effectiveness of a Registration Statement issued or for the issuance of which proceedings have been instituted, or, to the extent the Company has actual knowledge thereof, threatened to be issued by the Commission in connection therewith and take all commercially reasonable actions required to prevent the entry of such stop order or to remove it if entered.

(viii) Notify each Selling Holder of the happening of any transaction or event during the period a Registration Statement is effective as a result of which the Registration Statement or the related Prospectus contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made (in the case of any Prospectus), not misleading; and thereafter, the Company will use best efforts to promptly prepare (and, when completed, give notice and provide a copy thereof to each Selling Holder) a supplement or amendment to such Prospectus so that such Prospectus will not contain an untrue statement of a material fact or omit to state any fact necessary to make the statements therein not misleading.

(ix) As soon as practicable, the Company will make generally available to the Company's security holders copies of an earnings statement satisfying the provisions of Section 11(a) of the Securities Act and Rule 158, following the end of the twelve (12) month period beginning with the first month of the Company's first fiscal quarter commencing after the effective date of a Registration Statement filed pursuant to this Agreement.

(x) In connection with an offer and sale of Registrable Securities, make available for inspection by any Selling Holder, any underwriter participating in such offering and the representatives of such Selling Holder (but not more than one firm of counsel to each Selling Holder), all financial and other information as shall be reasonably requested by them, and provide the Selling Holders, any underwriter participating in such offering and the representatives of such Selling Holders and Underwriters' Representative the opportunity to discuss the business affairs of the Company with its principal executives and independent public accountants who have certified the audited financial statements included in such Registration Statement, in each case all as reasonably necessary to enable them to exercise their due diligence responsibility under the Securities Act; provided , however , that information that the Company determines, in good faith, to be confidential and which the Company advises such Person in writing is confidential shall not be disclosed unless such Person signs a confidentiality agreement reasonably satisfactory to the Company, or the related Selling Holder of Registrable Securities agrees to be responsible for such Person's breach of confidentiality on terms reasonably satisfactory to the Company.

(xi) In the event of any underwritten or agented offering, obtain a so-called "comfort letter" from the Company's independent public accountants, and legal opinions of counsel to the Company addressed to the underwriter participating in such offering, in customary form and covering such matters of the type customarily covered by such letters, and in a form that shall be reasonably satisfactory to the Underwriters' Representative. Delivery of any such opinion or comfort letter shall be subject to the recipient furnishing such written representations or acknowledgements as are required or customarily provided by selling shareholders who receive such comfort letters or opinions.

(xii) Cause the Company's officers, employees, accountants and counsel, as applicable, to participate in, and to otherwise facilitate and cooperate with the preparation of a Prospectus and to participate in drafting sessions and due diligence sessions, as applicable.

(xiii) Provide and cause to be maintained a transfer agent and registrar for all Registrable Securities covered by such Registration Statement from and after a date not later than the effective date of such Registration Statement.

(xiv) Cause the Registrable Securities covered by such Registration Statement if similar securities of the Company are then listed on a securities exchange or included for quotation in a recognized trading market, to be so listed or included for so long as such similar securities of the Company are so listed or included.

(xv) Provide a CUSIP number for the Exchange Shares that is the same as the CUSIP number for the Common Stock prior to the effective date of the first Registration Statement including Registrable Securities.

(xvi) Promptly file a new Registration Statement and use best efforts to cause such Registration Statement to be declared effective if the Company's previously filed Registration Statement is no longer effective or the Company is ineligible to use the Registration Statement to permit the Holders to resell the Registrable Securities and the Company is still obligated to maintain the effectiveness of the Registration Statement.

(xvii) The Company shall comply with all requirements of the NASD with regard to the issuance of the Exchange Shares and the listing thereof on the NASDAQ Global Select Market and any other or successor securities exchange or automated quotation system, as applicable, on which the Company's Common Stock is traded and cooperate with the Selling Holders and their respective counsel in connection with any filings required to be made with NASD.

(xviii) As expeditiously as possible and within the deadlines specified by the Securities Act, make all required filing fee payments in respect of any Registration Statement or Prospectus (and any offering covered thereby).

(xix) The Company will promptly notify the Holders of any pending proceeding against the Company under Section 8A of the Securities Act in connection with the offering of the Registrable Securities.

(xx) Take such other actions as are reasonably required in order to expedite or facilitate the disposition of Registrable Securities included in each such Registration Statement.

(b) Holders' Obligations . It shall be a condition precedent to the obligations of the Company to take any action pursuant to Sections 2 and 3(a) hereof with respect to the Registrable Securities of any Selling Holder of Registrable Securities that such Selling Holder shall furnish to the Company such information regarding such Selling Holder, the number of the Registrable Securities owned by it, and the intended method of disposition of such Registrable Securities as shall be required to effect the registration of such Selling Holder's Registrable Securities, and to cooperate with the Company in preparing such Registration Statement.

Section 4. Agreements of Selling Holder . In connection with any Registration Statement pursuant to Section 2 hereof, each Selling Holder agrees, as applicable:

(a) to execute the underwriting agreement, if any, agreed to by the Company (and in the case of a Holder Underwritten Offering, the Majority Holders and the Company) and execute all questionnaires, powers of attorney, indemnities and other documents customarily required under the terms of or in connection with such underwriting agreement;

(b) that it will not offer or sell its Registrable Securities under the Registration Statement until it has received copies of the supplemented or amended Prospectus contemplated by Section 3(a)(iv) hereof and receives notice that any post-effective amendment (if required) has become effective;

(c) that, upon receipt of any notice from the Company of the happening of any transaction or occurrence of any event of the kind specified in Sections 2, 3(a)(ii), 3(a)(iii), 3(a)(vii) or 3(a)(viii), such Selling Holder will forthwith discontinue disposition of Registrable Securities pursuant to a Registration Statement until the Selling Holder receives copies of the supplemented or amended Prospectus contemplated by Section 3(a)(iv) hereof and receives notice that any post-effective amendment (if required) has become effective or until it is advised in writing by the Company that the use of the applicable Prospectus and Registration Statement may be resumed, and, if so directed by the Company, the Selling Holder will deliver to the Company (at the expense of the Company) all copies in its possession, other than permanent file copies then in such Selling Holder's possession, of the Registration Statement and Prospectus covering such Registrable Securities current immediately preceding the time of receipt of such notice; and

(d) that, subject to the rights of a Holder to participate in an incidental registration in accordance with Section 2, upon the receipt of notice from the Company, as requested by the managing underwriter or underwriters of a public offering of the Company's Common Stock, or other securities convertible into, or exercisable or exchangeable for, the Company's Common Stock (an " ***Underwritten Offering*** "), the Selling Holder shall not, in each case, other than to an affiliate of such Selling Holder, effect any public or private sale or distribution, including sales pursuant to Rule 144 of the Securities Act of any of the Company's Common Stock, or offer, sell, contract to sell, transfer the economic risk of ownership in, grant an option to purchase, make any short sale of, pledge or otherwise dispose of any shares of Common Stock, options or warrants to acquire any shares of Common Stock, or any securities convertible into, exchangeable or exercisable for, or any other rights to purchase or acquire, any shares of Common Stock, or engage in any hedging transaction, during the period (the " ***Holdback Period*** ") beginning fourteen (14) days prior to the public offering date set forth on the final prospectus relating to the Underwritten Offering, and ending ninety (90) days after the public offering date set forth on the final prospectus relating to the Underwritten Offering; provided , however , that the aggregate number of days during which one or more Holdback Periods are in effect pursuant to this Section 4(d) shall not exceed one hundred eighty (180) days during any period of twelve (12) consecutive months.

Section 5. Expenses of Registration . The Company shall bear and pay all expenses incurred in connection with any registration, filing, or qualification of Registrable Securities with respect to the Registration Statement pursuant to Section 2, including all registration, exchange listing, accounting, filing and FINRA fees, all fees and expenses of complying with securities or blue sky laws, all word processing, duplicating and printing expenses, messenger and delivery expenses, the reasonable fees and disbursements of counsel for the Company, and of the Company's independent public accountants, including the expenses of "comfort letters" required by or incident to such performance and compliance and the reasonable fees and disbursements of one firm of counsel for the Holders (selected by the Selling Holders who constitute Majority Holders), all expenses incurred by a Selling Holder in connection with any registration and all other expenses customarily borne by a Company in an Underwritten Offering; provided that in the event of one or more Underwritten Offerings, if the Company's fees and expenses (including all FINRA filing fees, filing fees with the Commission, legal fees, accounting fees and all other fees and expenses) exceed $200,000 with respect to any one Underwritten Offering or more than $500,000 in the aggregate with respect to all Underwritten Offerings (the " ***Expense Cap*** "), then each of the Selling Holders shall reimburse the Company its pro rata share of such excess amount incurred by the Company for fees and expenses. Each Holder shall be responsible for any underwriting discounts and commissions and taxes of any kind (including, without limitation, transfer taxes) relating to any disposition, sale or transfer of Registrable Securities by such Holder. In the event that a Selling Holder initiates one or more Underwritten Offerings at a time when one (1) or more Holders have yet to exercise its Conversion Rights, the Selling Holder shall not cause the Company to expend more than 50% of the Expense Cap without the written consent of the other Holders.

Section 6. Indemnification; Contribution .

(a) Indemnification by the Company .

If any Registrable Securities are included in a Registration Statement under this Agreement:

(i) To the extent permitted by applicable law, the Company shall indemnify and hold harmless each Selling Holder, each Person, if any, who controls such Selling Holder within the meaning of the Securities Act, and each Affiliate, officer, director, trustee, partner, member, employee and agent of such Selling Holder and such controlling Person, against any and all losses, claims, damages, liabilities and expenses (joint or several), including reasonable attorneys' fees and disbursements and expenses of investigation, incurred by such party arising out of or based upon any of the following statements, omissions or violations (collectively, a " ***Violation*** "):

(A) Any untrue statement or alleged untrue statement of a material fact contained in such Registration Statement, including any preliminary prospectus or final prospectus contained therein, or any amendments or supplements thereto or any document incorporated by reference therein;

(B) Any omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein (in light of the circumstances under which they were made in the case of any prospectus) not misleading; or

(C) Any violation or alleged violation by the Company of the federal securities laws; any applicable state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any applicable state securities law in connection with the Registrable Securities to this Agreement;

provided , however , that the indemnification required by this Section 6(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or expense if such settlement is effected without the consent of the Company, which consent shall not be unreasonably withheld, nor shall the Company be liable in any such case for any such loss, claim, damage, liability or expense to the extent that it arises out of or is based upon a Violation made in reliance upon and in conformity with written information furnished to the Company by a Holder, underwriter or the indemnified party expressly for use in connection with such registration. The Company shall also indemnify underwriters participating in the distribution of the Registrable Securities, their Affiliates, officers, directors, agents and employees and each Person, if any, who controls such Persons (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) to the same extent as provided above with respect to the indemnification of the Selling Holders.

(b) Indemnification by Holder . If any of a Selling Holder's Registrable Securities are included in a Registration Statement under this Agreement, to the extent permitted by applicable law, such Selling Holder shall indemnify and hold harmless the Company, each of its Affiliates, trustees, officers, employees and agents, each Person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, any other Selling Holder, any controlling Person of any such other Selling Holder and each Affiliate, officer, director, partner, and employee of such other Selling Holder and such controlling Person, against any and all losses, claims, damages, liabilities and expenses (joint or several), including reasonable attorneys' fees and disbursements and expenses of investigation, incurred by such party arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in the applicable Registration Statement, including any preliminary prospectus or final prospectus contained therein, or any amendments or supplements thereto or any document incorporated by reference therein or any omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein (in light of the circumstances under which they were made in the case of any prospectus) not misleading or any violation or alleged violation by any Holder or underwriter of the federal securities laws, any applicable state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any applicable state securities law, but only to the extent, that such untrue statement or omission had been contained in any information furnished by such Selling Holder to the Company expressly for use in connection with such registration; provided , however , that (x) the indemnification required by this Section 6(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or expense if settlement is effected without the consent of the relevant Selling Holder of Registrable Securities (which consent shall not be unreasonably withheld), and (y) in no event shall the amount of any indemnity under this Section 6(b) exceed the gross proceeds from the applicable offering received by such Selling Holder. In no event shall a Holder be jointly liable with any other Holder as a result of its indemnification obligations.

(c) Conduct of Indemnification Proceedings . Promptly after receipt by an indemnified party under this Section 6 of notice of the commencement of any action, suit, proceeding, investigation or threat thereof made in writing for which such indemnified party may make a claim under this Section 6, such indemnified party shall deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel retained by the indemnifying party (in which case the indemnifying party shall not thereafter be responsible for the fees and expenses of any separate counsel retained by the indemnified party or parties); provided , however , that such counsel shall be reasonably satisfactory to the indemnified party. The failure to deliver written notice to the indemnifying party within a reasonable time following the commencement of any such action, if not otherwise known by the indemnifying party, shall relieve such indemnifying party of any liability to the indemnified party under this Section 6, to the extent of any material prejudice or forfeiture of substantial rights or defenses resulting therefrom but shall not relieve the indemnifying party of any liability that it may have to any indemnified party otherwise than pursuant to this Section 6. Any fees and expenses incurred by the indemnified party (including any fees and expenses incurred in connection with investigating or preparing to defend such action or proceeding) shall be paid to the indemnified party, as incurred, within thirty (30) days of written notice thereof to the indemnifying party so long as such indemnified party shall have provided the indemnifying party with a written undertaking to reimburse the indemnifying party for all amounts so advanced if it is ultimately determined that the indemnified party is not entitled to indemnification hereunder. Any such indemnified party shall have the right to employ separate counsel in any such action, claim or proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be the expenses of such indemnified party unless (i) the indemnifying party has agreed to pay such fees and expenses, (ii) the indemnifying party shall have failed to assume the defense of such action, claim or proceeding in a timely manner or (iii) the named parties to any such action, claim or proceeding (including any impleaded parties) include both such indemnified party and the indemnifying party, and such indemnified party shall have been advised by counsel that there may be one or more legal defenses available to it which are different from or in-addition to those available to the indemnifying party (in which case, if such indemnified party notifies the indemnifying party in writing that it elects to employ separate counsel at the expense of the indemnifying party, the indemnifying party shall not have the right to assume the defense of such action, claim or proceeding on behalf of such indemnified party, it being understood, however, that the indemnifying party shall not, in connection with any one such action, claim or proceeding or separate but substantially similar or related actions, claims or proceedings in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one additional firm of attorneys (together with appropriate local counsel) at any time for all such indemnified parties). No indemnifying party shall be liable to an indemnified party for any settlement of any action, proceeding or claim without the written consent of the indemnifying party, which consent shall not be unreasonably withheld.

(d) Contribution . If the indemnification required by this Section 6 from the indemnifying party is unavailable to an indemnified party hereunder in respect of any losses, claims, damages, liabilities or expenses referred to in this Section 6:

(i) The indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative fault of the indemnifying party and indemnified parties in connection with the actions which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative fault of such indemnifying party and indemnified parties shall be determined by reference to, among other things, whether any action has been committed by, or relates to information supplied by, such indemnifying party or indemnified parties, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action. The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and expenses referred to above shall be deemed to include, subject to the limitations set forth in Section 6(a) and Section 6(b), any legal or other fees or expenses reasonably incurred by such party in connection with any investigation or proceeding.

(ii) The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 6(d) were determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to in Section 6(d)(i). No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

(e) Full Indemnification . If indemnification is available under this Section 6, the indemnifying parties shall indemnify each indemnified party to the full extent provided in this Section 6 without regard to the relative fault of such indemnifying party or indemnified party or any other equitable consideration referred to in Section 6(d)(i) hereof.

(f) Survival . The obligations of the Company and the Selling Holders of Registrable Securities under this Section 6 shall survive the completion of any offering of Registrable Securities pursuant to a Registration Statement under this Agreement, and otherwise.

Section 7. Covenants of the Company .

(a) The Company hereby agrees and covenants that it shall file as and when applicable, on a timely basis, all reports required to be filed by it under the Securities Act and the Exchange Act. If the Company is not required to file reports pursuant to the Exchange Act, upon the request of any Holder of Registrable Securities, the Company shall make publicly available the information specified in subparagraph (c)(2) of Rule 144. The Company shall take such further action as may be reasonably required from time to time and as may be within the reasonable control of the Company, to enable the Holders to transfer Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by Rule 144 or any similar rule or regulation hereafter adopted by the Commission.

(b) In connection with any sale, transfer or other disposition by a Holder of any Registrable Securities pursuant to Rule 144, the Company shall cooperate with such Holder to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold and not bearing any Securities Act legend, and enable certificates for such transferred securities to be for such number of shares and registered in such names as the Holder may reasonably request at least two Business Days prior to any sale of Registrable Securities.

Section 8. Miscellaneous .

(a) Notices . All notices and other communications given or made pursuant hereto shall be in writing and delivered by hand or sent by registered or certified mail (postage prepaid, return receipt requested) or by nationally recognized overnight air courier service and shall be deemed to have been duly given or made as of the date delivered if delivered personally, or if mailed, on the third Business Day after mailing (on the first Business Day after mailing in the case of a nationally recognized overnight air courier service) to the parties at the following addresses:

if to the Company, to:

Euroseas Ltd.
4 Messogiou Street & Evropis St.
151 25 Maroussi Greece
Attention: Aristides J. Pittas, Chairman, President & CEO

with a copy to:

Seward & Kissel LLP
One Battery Park Plaza
New York, NY 10004
Attention: Lawrence Rutkowski, Esq.

and if to All Seas, to:

All Seas Capital LLC
c/o Rhône Capital III L.P.
630 Fifth Avenue
New York, New York 10111
Attention: Allison Steiner

with a copy to:

Reed Smith LLP
599 Lexington Avenue, 30th Floor
New York, New York 10022
Attention: David M. Grimes, Esq.

and if to Paros, to:

c/o Eton Park Capital Management, L.P., its Investment Manager
399 Park Avenue, 10th Floor
New York, NY 10022
Attention: Marcy Engel, Chief Operating Officer and General Counsel

with a copy to:

c/o Eton Park Capital Management, L.P., its Investment Manager
399 Park Avenue, 10th Floor
New York, NY 10022
Attention: Andreas Beroutsos, Senior Managing Director

and:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019
Attention: Kelley Parker, Esq.

if to FIC, to:

Friends Investment Company, Inc.
4 Messogiou Street & Evropis St.
151 25 Maroussi Greece
Attention: Aristides J. Pittas, Director & Vice-President

with a copy to:

Seward & Kissel LLP
One Battery Park Plaza
New York, NY 10004
Attention: Lawrence Rutkowski, Esq.

Any party may by notice given in accordance with this Section 8(a) to the other parties designate another address or Person for receipt of notices hereunder.

(b) Amendments and Waivers . This Agreement may be modified, amended or supplemented only by an instrument in writing signed by the Company, FIC, and Holders holding at least 66 $^{2}/_{3}$% of the Registrable Securities.

(c) Waiver of Compliance; Consents . Except as otherwise provided in this Agreement, any failure of any of the parties to comply with any obligation, covenant, agreement or condition herein may be waived by the party or parties entitled to the benefits thereof only by a written instrument signed by the party granting such waiver (which, in the case of a waiver by the Holders, shall require the approval of Holders of not less than 66 $^{2}/_{3}$% of the Registrable Securities), but such a waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent other failure. Whenever this Agreement requires or permits consent by or on behalf of any party hereto, such consent shall be given in writing in a manner consistent with the requirements for a waiver of compliance as set forth in this Section 8(c).

(d) FIC's Consent . FIC consents, and upon execution of this Agreement, this Agreement shall constitute a written consent, to the Company's grant of all demand, incidental and other registration rights to the Holders set forth herein.

(e) Governing Law . This Agreement shall be governed by the laws of the State of New York without regard to the conflict of laws principles thereof.

(f) Severability . The invalidity or unenforceability of any provisions of this Agreement in any jurisdiction shall not affect the validity, legality or enforceability of the remainder of this Agreement in such jurisdiction or the validity, legality or enforceability of this Agreement, including any such provision, in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by law. Upon such determination that any provision is invalid, illegal or incapable of being enforced, the parties hereto will negotiate in good faith to modify this Agreement and the Joint Venture Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby and thereby are fulfilled to the extent possible.

(g) Counterparts . This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(h) Section Headings . The section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the parties and shall not in any way affect the meaning or interpretation of this Agreement. All references in this Agreement to Sections are to sections of this Agreement, unless otherwise indicated.

(i) Entire Agreement . This Agreement, together with the Joint Venture Agreement, embodies the entire agreement and understanding of the parties hereto in respect of the transactions contemplated by this Agreement. There are no restrictions, promises, inducements, representations, warranties, covenants or undertakings, other than those expressly set forth or referred to herein or therein. This Agreement and the Joint Venture Agreement supersede all prior written or oral agreements and understandings between the parties with respect to the transactions.

(j) Successors, Assigns and Transferees.

(i) This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of the parties hereto as hereinafter provided. Except as expressly provided in this Section 8(j), the rights of the parties hereto cannot be assigned and any purported assignment or Transfer to the contrary shall be void ab initio. So long as the terms of this Section 8(j) are followed and such transfer is in compliance with the Joint Venture Agreement, any Holder may assign any of its rights under this Agreement, without the consent of the Company, to any Person to whom such Holder Transfers any Registrable Securities or any rights to acquire Registrable Securities so long as such Transfer is not made pursuant to an effective Registration Statement or pursuant to Rule 144 or Rule 145 (or any successor provisions) under the Securities Act or in any other manner or to any Person the effect or consequences of which is to cause the Transferred securities to be freely transferable without regard to the volume and manner of sale limitations set forth in Rule 144 (or any successor provision) in the hands of the transferee on the date of such Transfer.

(ii) Notwithstanding Section 8(j)(i), no Holder may assign any of its rights under this Agreement to any Person to whom such Holder Transfers any Registrable Securities if the Transfer of such Registrable Securities requires registration under the Securities Act.

(iii) No Person may be assigned any rights under this Agreement unless the Company is given written notice by the assigning party stating the name and address of the assignee, identifying the securities of the Company as to which the rights in question are being assigned, and providing a detailed description of the nature and extent of the rights that are being assigned; provided , however , that no such assignment shall be effective until (x) the Company receives the written notice pursuant to this Section 8(j)(iii) and (y) the assignee agrees in writing to be bound by and subject to the terms and conditions of this Agreement, including, without limitation, the provisions of this Section 8(j).

(k) Interpretation.

(i) The parties hereto have participated jointly in the negotiation and drafting of this Agreement. If any ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the parties and no presumptions or burden of proof will arise favoring or disfavoring any party by virtue of authorship of any provisions of this Agreement.

(ii) All pronouns and any variations thereof refer to the masculine, feminine or neuter, singular or plural, as the context may require.

(iii) The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation."

(l) Further Assurances . Each of the parties shall use reasonable efforts to execute and deliver to any other party such additional documents and take such other action, as any other party may reasonably request to carry out the intent of this Agreement and the transactions contemplated hereby.

(m) Specific Performance . The parties hereto acknowledge that there would be no adequate remedy at law if any party fails to perform any of its obligations hereunder, and accordingly agree that each party, in addition to any other remedy to which it may be entitled at law or in equity, shall be entitled to compel specific performance of the obligations (without posting any bond or other security) of any other party under this Agreement in accordance with the terms and conditions of this Agreement in any court of the United States or any State thereof having jurisdiction.

(n) Most Favored Nation . The Company covenants and agrees that if, after the date hereof, it grants registration rights to any other Person containing terms more favorable that the terms set forth herein, the Company shall provide such more favorable terms to the Holders and this Agreement shall be, without any further action by the Holders or the Company, deemed amended and modified in an economically and legally equivalent manner such that the Holders shall receive the benefit of the more favorable terms.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties have executed this Agreement, or caused this Agreement to be duly executed on its behalf, as of the date first written above.

EUROSEAS LTD.

By: _____
Name: Aristides J. Pittas
Title: Chairman, President & CEO

PAROS LTD.

By: _____
Name: Terence Aquino
Title: Director

ALL SEAS INVESTORS I LTD.

By: _____
Name: Baudoin Lorans
Title: Director

ALL SEAS INVESTORS II LTD.

By: _____
Name: Baudoin Lorans
Title: Director

ALL SEAS INVESTORS III LP

By: _____
Name: Baudoin Lorans
Title: Authorized Signatory

FRIENDS INVESTMENT COMPANY, INC.

By: _____
Name: Aristides J. Pittas
Title: Director & Vice-President

Exhibit 3.1

SHAREHOLDER VOTING AGREEMENT

SHAREHOLDER VOTING AGREEMENT (this " ***Agreement*** "), dated as of March 25, 2010 (the " ***Effective Date*** "), is entered into by and among Euroseas Ltd., a Marshall Islands corporation (the " ***Company*** "), Paros Ltd., a Cayman Islands exempted company (" ***Paros*** "), All Seas Investors I Ltd., a Cayman Islands exempted company (" ***All Seas I*** "), All Seas Investors II Ltd., a Cayman Islands exempted company (***"All Seas II"***), All Seas Investors III LP, a Cayman Islands exempted limited partnership (***"All Seas III"*** , and collectively with All Seas I and All Seas II, " ***All Seas"***) , Friends Investment Company, Inc. (the " ***Shareholder*** ") and Aristides J. Pittas. The Company, Paros, All Seas, the Shareholder and Aristides J. Pittas are hereinafter sometimes referred to collectively as the " ***Parties*** " and each as a " ***Party*** ."

RECITALS:

WHEREAS , simultaneously with the execution of this Agreement, the Company, Paros and All Seas are entering into that certain Euromar LLC Limited Liability Company Agreement (the " ***Limited Liability Company Agreement*** ");

WHEREAS , the Shareholder is beneficially owned and controlled by the founders of the Company and owns, as of the date hereof, 10,174,177 shares of all issued and outstanding shares of Common Stock, having a par value of $0.03, of the Company (" ***Common Stock*** ");

WHEREAS , pursuant to the Limited Liability Company Agreement, Paros, All Seas, their respective Permitted Transferees and any other Person that owns Units pursuant to a Permitted Transfer (together, the " ***Joint Venturers*** ") may, from time to time, demand a conversion of part or all of its Units to Common Stock (or, to the extent practicable by way of merger or such other transaction with a similar result, regardless of form, agreed upon by the Company and the Joint Venturers) (the " ***Conversion Right*** ", and any such transaction, a " ***Conversion*** ") pursuant to the terms of the Limited Liability Company Agreement; and

WHEREAS , as an inducement and a condition to entering into the Limited Liability Company Agreement, the Joint Venturers have required the Company and the Shareholder to agree, and the Company and the Shareholder have agreed, to enter into this Agreement.

NOW, THEREFORE , in consideration of the foregoing recitals and the mutual promises, representations, warranties, covenants and agreements contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound hereby, agree as follows:

SECTION 1 CERTAIN DEFINITIONS . For purposes of this Agreement, the following terms shall have the following respective meanings:

(a) " ***Affiliate*** " means, with respect to any Person, any other Person controlling, controlled by or under common control with or, with respect to a Person that is a natural person related to, such Person. The term "control" (as used in the terms "controlling", "controlled by" or "under common control with") means holding the power to direct or cause the direction of the management and policies of a Person, whether by ownership of equity securities, contract or otherwise.

(b) " ***All Seas I*** " has the meaning given in the Preamble.

(c) " ***All Seas II*** " has the meaning given in the Preamble.

(d) " ***All Seas III*** " has the meaning given in the Preamble.

(e) " ***Agreement*** " has the meaning given in the Preamble.

(f) " ***Articles of Incorporation*** " means the Articles of Incorporation of the Company, dated May 5, 2005, as amended from time to time.

(g) " ***Beneficially Own*** " or " ***Beneficial Ownership*** " with respect to any securities means having "beneficial ownership" of such securities as determined pursuant to Rule 13d-3 under the Exchange Act; *provided* , *however* , that, notwithstanding paragraph (d) of Rule 13d-3, for purposes hereof a Person shall not be deemed to "beneficially own" shares of any class or series of Common Stock having voting rights until such time as such Person actually acquires such shares or acquires the right to vote such shares.

(h) " ***Board of Directors*** " means the board of directors of the Company.

(i) " ***Business Day*** " shall mean a day other than a Saturday, Sunday or other day on which commercial banks in New York City are permitted or required by any applicable law to close.

(j) " ***Bylaws*** " means the Bylaws of the Company, as amended from time to time.

(k) " ***Common Stock*** " has the meaning given in the Recitals.

(l) " ***Company*** " has the meaning given in the Preamble.

(m) " ***Conversion*** " has the meaning given in the Recitals.

(n) " ***Conversion Right*** " has the meaning given in the Recitals.

(o) " ***Effective Date*** " has the meaning given in the Preamble.

(p) " ***Euromar*** " means Euromar LLC, a Marshall Islands limited liability company.

(q) " ***Euroseas Percentage Interest*** " means, with respect to Paros or All Seas (in each case together with their respective Permitted Transferees), as of any date, the ratio (expressed as a percentage) of (a) the number of shares of Common Stock held by such JV Shareholder on such date (solely as a result of such JV Shareholder's exercise of its Conversion Right) to (b) the number of issued and outstanding shares of Common Stock on such date.

(r) ***"Euroseas Registration Rights Agreement*** " has the meaning given in the Limited Liability Company Agreement.

(s) " ***Exchange Act*** " shall mean the Securities Exchange Act of 1934, as amended from time to time.

(t) ***"Exempted Transaction*** " has the meaning given in Section 6(c).

(u) ***"Four Director Period"*** means any period during which two JV Shareholders (considered separately) each have a Euroseas Percentage Interest greater than 35%.

(v) " ***Governmental Entity*** " has the meaning given in Section 2(c).

(w) " ***Independent Shares*** " means a number of shares of Common Stock equal to (a) the result of (i) the number of issued and outstanding shares of Common Stock that are not Beneficially Owned by Paros, All Seas, any of their respective Permitted Transferees or by any other Persons who acquired Units originally held by such Member pursuant to a Permitted Transfer, divided by (ii) the sum of (x) 1 (one) minus (y) the lesser of (A) the Percentage Board Representation of Paros and All Seas, and (B) the quotient obtained by dividing the number of issued and outstanding shares of Common Stock that are Beneficially Owned by Paros, All Seas and any of their respective Permitted Transferees by the number of issued and outstanding shares of Common Stock that are Beneficially Owned by Paros, All Seas, any of their respective Permitted Transferees and all other shareholders of Euroseas (other than any Persons (other than Permitted Transferees) who acquired Units originally pursuant to a Permitted Transfer), collectively, minus (b) the number of issued and outstanding shares of Common Stock that are not beneficially owned by Paros, All Seas, any of their respective Permitted Transferees or by any other Persons who acquired Units originally held by such Member pursuant to a Permitted Transfer.

(x) " ***Independent Share Voting Multiplier*** " means, with respect to Paros or All Seas (in each case together with their respective Permitted Transferees), a number (expressed as a percentage) equal to the smaller of (x) the Euroseas Percentage Interest of such JV Shareholder(s) and (y) the Percentage Board Representation of such JV Shareholder(s).

(y) " ***Independent Share Voting Percentage*** " means, with respect to Paros or All Seas (in each case together with their respective Permitted Transferees), the ratio (expressed as a percentage) of the Independent Share Voting Multiplier of such JV Shareholder(s) over the aggregate Independent Share Voting Multiplier of all JV Shareholders.

(z) " ***Joinder Agreement*** " has the meaning given in Section 5(c).

(aa) " ***Joint Venturers*** " has the meaning given in the Recitals.

(bb) " ***JV Director(s)*** " means any candidate designated by a JV Shareholder (as contemplated by Section 4(a)) who is elected to the Board of Directors.

(cc) " ***JV Shareholder(s)*** " means Paros and/or All Seas, together with their respective Permitted Transferees, holding issued shares of Common Stock.

(dd) " ***JV Shareholder Independent Shares*** " means, with respect to Paros or All Seas (in each case together with their respective Permitted Transferees), the product (determined as of the date the applicable vote is to be taken) of (x) such JV Shareholder's Independent Share Voting Percentage as of such date multiplied by (y) the number of Independent Shares as of such date.

(ee) " ***Lien*** " means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind, or any other type of preferential arrangement that has the practical effect of creating a security interest, in respect of such asset.

(ff) " ***Limited Liability Company Agreement*** " has the meaning given in the Recitals.

(gg) " ***Membership Interest*** " means a Joint Venturer's ownership interest in Euromar, including any and all benefits to which the holder of such Membership Interest may be entitled as provided in the Limited Liability Company Agreement or under the Marshall Islands Limited Liability Company Act, as amended from time to time, including a Member's Economic Interest (as defined in the Limited Liability Company Agreement), the Conversion Rights, the right to vote on or participate in the management of Euromar to the extent provided in the Limited Liability Company Agreement, and the right to receive information concerning the business and affairs of Euromar, together with all obligations of such Joint Venturer to comply with the terms and provisions of the Limited Liability Company Agreement.

(hh) " ***Paros*** " has the meaning given in the Preamble.

(ii) " ***Party*** " or " ***Parties*** " has the meaning given in the Preamble.

(jj) " ***Percentage Board Representation*** " means, as of any date, the ratio (expressed as a percentage, except for purposes of calculating the number of "Independent Shares" for which purposes it will be expressed as a decimal fraction) of (a) with respect to Paros or All Seas, the number of directors such JV Shareholder(s) (together with its Permitted Transferees) is entitled to nominate to the Board of Directors pursuant to Section 4(a)(i) on such date and (b) with respect to the JV Shareholders, the aggregate number of directors Paros and All Seas (together with their respective Permitted Transferees) are entitled to nominate to the Board of Directors pursuant to Section 4(a)(i) , in each case to the aggregate number of directors on the Board of Directors as of such date (assuming, for this purpose that the directors Paros and All Seas are entitled to nominate pursuant to Section 4(a)(i) are actually elected).

(kk) " ***Permitted Transfer*** " has the meaning given in the Limited Liability Company Agreement.

(ll) " ***Permitted Transferee*** " has the meaning given in the Limited Liability Company Agreement.

(mm) " ***Person*** " means any individual, firm, corporation, partnership, trust, incorporated or unincorporated association, joint venture, joint stock company, limited liability company or other entity of any kind.

(nn) " ***All Seas*** " has the meaning given in the Preamble.

(oo) " ***SEC*** " means the Securities and Exchange Commission.

(pp) " ***Shareholder*** " has the meaning given in the Preamble.

(qq) " ***Shareholder Group*** " means the Shareholder, together with its Affiliates and associates (as such term is defined in Rule 14a-1(a) under the Exchange Act) and any other Person with whom any of them acts as a partnership, limited partnership, syndicate or other group for the purpose of acquiring, holding or disposing of, or voting or otherwise granting any consent or approval with respect to the votes or similar rights attendant to, any securities of the Company.

(rr) " ***Shareholder Rights Agreement*** " means that certain Shareholder Rights Agreement, filed by the Company with the SEC on May 18, 2009, as amended.

(ss) " ***Shareholder Shares*** " has the meaning given in Section 2(a).

(tt) " ***Single Director Period*** " means any period during which only a single JV Shareholder has a Euroseas Percentage Interest between 7.5% and 35% and the other JV Shareholder has a Euroseas Percentage Interest equal to less than 7.5%.

(uu) " ***Successor Shareholder*** " has the meaning given in Section 5(c).

(vv) " ***Termination Date*** " means the date on which the earlier of the following occurs: (i) the Parties unanimously agree to terminate this Agreement, and (ii) no Joint Venturer has an outstanding Conversion Right and each JV Shareholder's respective Euroseas Percentage Interest is less than 7.5%.

(ww) " ***Three Director Period*** " means any period during which (i) one JV Shareholder has a Euroseas Percentage Interest between 7.5% and 35% and (ii) one JV Shareholder has a Euroseas Percentage Interest greater than 35%.

(xx) " ***Transaction Documents*** " means this Agreement and the Limited Liability Company Agreement, together with the Management Agreement, the Registration Rights Agreement, the Agreement Regarding Vessel Opportunities, the Transaction Fee Agreement (as each term is defined in the Limited Liability Company Agreement) and all other documents entered into on the date hereof in connection with the transactions contemplated herein.

(yy) " ***Two Director Period*** " means any period during which either (i) only a single JV Shareholder has a Euroseas Percentage Interest greater than 35% and the other JV Shareholder has a Euroseas Percentage Interest equal to less than 7.5% or (ii) two JV Shareholders each have a Euroseas Percentage Interest between 7.5% and 35%.

(zz) " ***Units*** " has the meaning given in the Limited Liability Company Agreement.

(aaa) As used herein, the term " ***vote*** " shall also include the giving of written consents or written approvals.

(bbb) " ***Voting Matter*** " means any of the following: (i) the election of members to the Board of Directors (except with respect to JV Directors) and (ii) all other matters with respect to which shareholders of the Company have the right to vote or exercise any right of consent or approval.

(ccc) " ***Voting Period*** " means each period during which either Paros or All Seas is entitled to elect directors pursuant to Section 4(a)(i) and all such directors that either Paros or All Seas are entitled to elect are actually elected (unless such failure to be elected is caused by Paros or All Seas).

(ddd) " ***Voting Securities*** " means, collectively, Voting Shares and any securities that are exercisable or exchangeable for, or convertible into, Voting Shares.

(eee) " ***Voting Shares*** " means, collectively, shares of Common Stock and any other class or series of capital stock of the Company having voting rights.

SECTION 2 REPRESENTATIONS AND WARRANTIES OF THE SHAREHOLDER . The Shareholder represents and warrants to the Company and the Joint Venturers as follows:

(a) OWNERSHIP OF SHARES. The Shareholder is the sole record and Beneficial Owner of, and has good, valid and marketable title to, a number of shares of Common Stock (the " ***Shareholder Shares*** ") that currently represents 33% of the aggregate number of issued and outstanding shares of Common Stock. With respect to all Shareholder Shares, the Shareholder has sole voting power and sole power to issue instructions with respect to the matters herein, sole and unrestricted power of disposition, sole and unrestricted power of conversion, sole and unrestricted power to demand appraisal rights and sole and unrestricted power to agree to all of the matters set forth in this Agreement, in each case with no limitations, qualifications or restrictions on such rights, subject, however, to applicable securities laws and the terms of this Agreement.

(b) POWER; BINDING AGREEMENT. The Shareholder has the legal capacity, and the requisite corporate power and authority, to enter into and perform all of its obligations under this Agreement. The execution and delivery of this Agreement by the Shareholder and the consummation by the Shareholder of the transactions contemplated hereby to be performed by it have been duly authorized by all necessary corporate action on the part of the Shareholder. This Agreement has been duly and validly executed and delivered by the Shareholder and constitutes a legal, valid and binding agreement of the Shareholder, enforceable against the Shareholder in accordance with its terms.

(c) NO CONFLICTS. Except for filings under Section 13 of the Exchange Act, if applicable, no filing with, and no permit, authorization, consent or approval of, any state or federal public body or authority (a " ***Governmental Entity*** ") is necessary for the execution of this Agreement by the Shareholder, the consummation by the Shareholder of the transactions contemplated by this Agreement to be performed by it or compliance by Shareholder with any of the provisions, terms and conditions of this Agreement. None of the execution and delivery of this Agreement by the Shareholder, the consummation by the Shareholder of the transactions contemplated by this Agreement to be performed by it or compliance by the Shareholder with any of the provisions, terms and conditions of this Agreement shall (i) conflict with or result in any violation or breach of any organizational documents applicable to the Shareholder, (ii) result in a violation or breach of, or constitute (with or without notice or lapse of time or both) a default (or give rise to any third party right of termination, cancellation, material modification or acceleration) under any of the terms, conditions or provisions of any material note, loan agreement, bond, mortgage, indenture, license, contract, commitment, arrangement, understanding, agreement or other instrument or obligation of any kind to which the Shareholder is a party or by which the Shareholder or any of its properties or assets may be bound, or (iii) violate any order, writ, injunction, decree, judgment, order, statute, rule or regulation applicable to the Shareholder or any of the Shareholder's properties or assets.

(d) RELIANCE BY THE COMPANY AND THE JOINT VENTURERS. The Shareholder understands and acknowledges that each of the Company and the Joint Venturers is entering into the Limited Liability Company Agreement in reliance upon the Shareholder's execution, delivery and performance of this Agreement and the representations and warranties made by the Shareholder herein.

SECTION 3 DISCLOSURE . The Shareholder and each Joint Venturer agrees that the Company shall have the right to publish and disclose in all documents and schedules filed with the SEC, and any press release or other disclosure document that the Company, in its sole discretion, determines to be necessary or desirable in connection with this Agreement and any transactions related to the Conversion Right, such Party's identity and ownership of Common Stock and the nature of such Party's commitments, arrangements and understandings under this Agreement.

SECTION 4 VOTING AGREEMENT .

(a) JV DIRECTORS.

(i) At each meeting (whether annual or special) of shareholders of the Company at which the record holders of Common Stock are entitled to elect directors to the Board of Directors, the Shareholder and each JV Shareholder shall vote, or cause to be voted, all of the Voting Securities over which it exercises voting control and take all such other actions (including, without limitation, nominating such candidate director for election and delivering timely shareholder notice of such nomination) in favor of the election to the Board of Directors of:

1) during a Four Director Period, the two candidate directors as have been designated by each JV Shareholder having a Euroseas Percentage Interest greater than 35%, in a written notice given to the Shareholder by such JV Shareholder prior to such meeting;

2) during a Three Director Period, (A) the candidate director as has been designated by the JV Shareholder having a Euroseas Percentage Interest between 7.5% and 35% and (B) the two candidate directors designated by the JV Shareholder having a Percentage Interest greater than 35%, in a written notice given to the Shareholder prior to such meeting;

3) during a Two Director Period, (A) the two candidate directors as have been designated by the JV Shareholder having a Euroseas Percentage Interest greater than 35% or (B) the candidate director as has been designated by each JV Shareholder having a Euroseas Percentage Interest between 7.5% and 35%, in a written notice given to the Shareholder by such JV Shareholder prior to such meeting; or

4) during a Single Director Period, the candidate director as has been designated by the JV Shareholder having a Euroseas Percentage Interest between 7.5% and 35%.

(ii) For the avoidance of doubt, the right to appoint directors under Section 4(a)(i) shall be based upon the aggregate ownership of Paros and All Seas each considered separately (together with their respective Permitted Transferees) but shall be a right vested exclusively and separately in each of Paros and All Seas (and not to any other Person except a Permitted Transferee that acquires all of the Units held by Paros or All Seas, as applicable), and at no time shall any Person who acquires Units pursuant to a Permitted Transfer (other than a Permitted Transferee who has acquired all of the Units held by Paros or All Seas, as applicable) and subsequently exercises Conversion Rights have a right to appoint directors, pursuant to Section 4(a)(i) of this Agreement.

(iii) If, at any time following the date hereof, the number of directorship positions constituting the full Board of Directors is fixed at a number larger or smaller than the number of such directorship positions in effect as of the date hereof (except where such change is made pursuant to Section 6(a)), the number of candidates that each JV Shareholder may designate pursuant to Section 4(a)(i) , and for which the Shareholder and each JV Shareholder shall be obligated to vote, or cause to be voted, all of the Voting Securities over which it exercises voting control in favor of for election to the Board of Directors, shall be automatically adjusted in proportion to any such change.

(iv) Notwithstanding anything contained herein to the contrary, if a JV Shareholder does not designate any candidate for election to the Board of Directors at any meeting of shareholders of the Company, then, with regard to such meeting (but only such meeting) such JV Shareholder shall be deemed to have waived its right to designate any candidates for election to the Board of Directors, and the Shareholder and each other JV Shareholder shall have no obligation pursuant to Section 4(a)(i) with respect to such JV Shareholder.

(v) If any individual serving as JV Director shall cease to serve as a member of the Board of Directors (whether on account of such individual's removal or otherwise), then, upon the written request of the JV Shareholder who designated the departed JV Director (and so long as such JV Shareholder still has a right to appoint a JV Director), the Shareholder and each other JV Shareholder shall promptly vote, or cause to be voted, all of the Voting Securities over which it exercises voting control and take all such other actions (including, without limitation, the execution and delivery of a written consent) as such JV Shareholder may reasonably request in writing to elect to the Board of Directors such candidate as such JV Shareholder may designate to fill the vacancy on the Board of Directors left by such individual.

(vi) Neither the Shareholder nor any JV Shareholder shall exercise any vote attendant to or associated with its shares of Common Stock or any related right of approval or consent in a manner inconsistent with the provisions of this Agreement (including, without limitation, this Section 4(a))or with its purpose or intent.

(vii) If the Shareholder or any JV Shareholder fails to vote, or cause to be voted, any of the Voting Securities over which it exercises voting control, as provided above or to exercise (by written consent or otherwise) any right of consent or approval attendant to or associated with its shares of Common Stock as provided above, then the Shareholder or such JV Shareholder, by its execution of this Agreement and granted in connection with the transactions contemplated hereby, irrevocably makes, constitutes and appoints Aristides J. Pittas as its true and lawful agent and attorney in fact, with full power of substitution and full power and authority in its name, place and stead, to vote on the Shareholder's or such JV Shareholder's behalf, as the case may be, in regards to all matters referenced in Section 4(a) and (b) , such power of attorney being irrevocable and coupled with an interest.

(b) VOTING MATTERS. During each Voting Period, on each and every Voting Matter that is submitted to the shareholders of the Company for their vote, each JV Shareholder:

(i) shall promptly and timely vote or cause to be voted any issued shares of Common Stock held by such JV Shareholder, other than the JV Shareholder Independent Shares held by such JV Shareholder(s), in the same proportion as all other shares of Common Stock (including the Independent Shares) cast on such Voting Matter are voted (without taking into consideration, in determining such proportions, any shares of Common Stock that are not voted or with respect to which a "non-vote" or abstention is exercised or registered), unless the requirements of this Section 4(b)(i) have been waived by the Company pursuant to a resolution adopted by the Board of Directors;

(ii) may vote, or cause to be voted, with respect to any matter, in its sole discretion all of the JV Shareholder Independent Shares over which it exercises voting control; and

(iii) Any Person who acquires Units originally held by Paros or All Seas pursuant to a Permitted Transfer and subsequently exercises Conversion Rights agrees that, during any Voting Period, such Person shall vote or cause to be voted any shares of Common Stock held by such Person in the same proportion as all other shares of Common Stock (including the Independent Shares) cast on such Voting Matter are voted.

If any JV Shareholder or any other Person who acquires Units originally held by Paros or All Seas pursuant to a Permitted Transfer fails to vote, or cause to be voted, any of the Voting Securities over which it exercises voting control, as provided above or to exercise (by written consent or otherwise) any right of consent or approval attendant to or associated with its shares of Common Stock as provided above, then the such Person, by its execution of this Agreement and granted in connection with the transactions contemplated hereby, irrevocably makes, constitutes and appoints Aristides J. Pittas as its true and lawful agent and attorney in fact, with full power of substitution and full power and authority in its name, place and stead, to vote on such Person's behalf in accordance with this Agreement, as the case may be, in regards to all matters referenced in Section 4(a) and (b) , such power of attorney being irrevocable and coupled with an interest.

(c) VOTING ON OTHER MATTERS. Except as provided for herein, the Shareholder and each JV Shareholder shall be entitled to exercise all votes and rights of consent or approval attendant to or associated with its shares of Common Stock as such Shareholder or JV Shareholder may, in its sole discretion, from time to time elect.

SECTION 5 SHAREHOLDER COVENANTS.

(a) At no time prior to the Termination Date shall the Shareholder (except with the written consent of the JV Shareholders), in any manner, directly or indirectly, do, or cause or permit any Person controlled by the Shareholder to do, any of the following:

(i) deposit any Common Stock in a voting trust or subject any Common Stock to any arrangement or agreement with respect to the voting of securities of the Company, in each case other than as provided in this Agreement; or

(ii) take any other action that would in any way restrict, limit or interfere with the Shareholder's performance of its obligations under this Agreement or the transactions contemplated hereby.

(b) Any additional shares of Common Stock acquired by the Shareholder subsequent to execution of this Agreement shall be subject to the terms and limitations set forth in this Agreement.

(c) PERMITTED TRANSFERS. Subject to the second sentence of this Section 5(c) , the Shareholder shall be entitled and permitted to sell or otherwise transfer all or any of its Shareholder Shares to any Person. Notwithstanding the foregoing, in the event that the Shareholder sells or otherwise transfers all or any of its Shareholder Shares to a member of the Shareholder Group, each such transferee who has not previously executed this Agreement shall have agreed in a written joinder agreement, in form and substance reasonably acceptable to the Company and the Joint Venturers and delivered to the Company and the Joint Venturers, (any such joinder agreement, a " ***Joinder Agreement*** ") to be bound by this Agreement as a "Shareholder" hereunder and thereunder (any such Person, a " ***Successor Shareholder*** ").

(d) PROXIES. The Shareholder covenants that it shall not grant any proxy, power of attorney or otherwise transfer any voting or similar rights with respect to any of its shares of Common Stock to any Person during the term of this Agreement, except as expressly permitted by this Agreement. Notwithstanding the foregoing, the Shareholder may give a proxy to the Person(s) designated by the Board of Directors in connection with a proxy solicitation by the Board of Directors, provided that, pursuant to such proxy, the holder of such proxy is directed, during the Voting Period, to be voted or exercised in accordance with Section 4 above. Any proxy granted or issued by the Shareholder in violation of the foregoing provisions of this Section 5(d) shall be null and void and of no force or effect.

(e) CONVERSION RIGHT. The Shareholder hereby agrees and covenants that on each and every Voting Matter that is submitted to the shareholders of the Company for their vote, the Shareholder shall not vote, or cause to be voted, any of its Voting Securities over which it exercises voting control in favor of any action that is reasonably likely to result in or in any way prohibit or limit the exercise of any Conversion Right.

(f) AUTHORIZED SHARES. The Shareholder hereby agrees and covenants that, so long as any Joint Venturer has a Conversion Right, such Shareholder shall vote all of its shares of Common Stock in favor of an amendment to the Articles of Incorporation and any other resolution or consent reasonably required to ensure that the total aggregate number of authorized but unissued shares of Common Stock is, at all times, including in instances where the Company undertakes to consummate an offering of its stock, sufficient to permit exercise of the Conversion Right, and in any event not less than 100 million (as adjusted in connection with any stock splits, combinations or the like).

(g) CHANGES TO APPLICABLE LAW. The Parties acknowledge that requirements of the Company's home country or listing exchange may change from time to time. The Shareholder hereby agrees and covenants, however, that it shall not seek to change such requirements of the home country or listing exchange or seek, or vote in favor of, a change in the Company's organizational documents or shareholder agreements to such effect, if such change is reasonably determined by the Joint Venturers to be detrimental to the Company or to the Joint Venturers in their capacity as holders of Conversion Rights.

SECTION 6 COMPANY COVENANTS.

(a) BOARD OF DIRECTORS. The Company hereby agrees and covenants that it shall:

(i) Upon the consummation of any Conversion, the Company shall use reasonable efforts (through voting agreements, amendments to the Bylaws or otherwise and including by increasing the size of the Board of Directors as described in this Section 6(a)(i) , electing such directors to fill such vacancies and nominating such directors to serve on the Board of Directors) to ensure that for so long as the Euroseas Percentage Interest of Paros or All Seas (considered separately), is (x) greater than 35%, such JV Shareholder(s) shall each be entitled to elect two (2) directors to the Board of Directors or (y) between 7.5% and 35%, such JV Shareholder(s) shall each be entitled to elect one (1) director to the Board of Directors, in each case in additional to the current seven seats on the Board of Directors and adjusted in proportion to any change in the total number of seats on the Board of Directors following the date hereof;

(ii) Upon the consummation of any Conversion, the Company shall increase the number of directorship positions constituting the full Board of Directors in accordance with the following:

1) by four during a Four Director Period;

2) by three during a Three Director Period;

3) by two during a Two Director Period; and

4) by one during a Single Director Period;

provided , however , that if at any time following the date hereof, the number of directorship positions constituting the full Board of Directors is fixed at a number larger or smaller than the number of such directorship positions in effect as of the date hereof (except where such change is the result of action taken pursuant to Section 6(a)(i)), the number of directorship positions that the Company shall be obligated to add to the then existing number of directorship positions constituting the full Board of Directors shall be automatically adjusted in proportion to any such change; and

(iii) Provide to each JV Shareholder prior written notice of any intended mailing of notice to the shareholders of the Company for a meeting at which directors are to be elected.

For the avoidance of doubt, if the Euroseas Percentage Interest of either Paros or All Seas is less than 7.5%, the Company shall have no obligation pursuant to Section 6(a)(i) with respect to such JV Shareholder(s), and the directors on the Board of Directors elected by such JV Shareholder(s) shall resign or may be removed and such JV Shareholder(s) will no longer have any right to elect directors to the Board of Directors.

(b) AUTHORIZED SHARES. The Company hereby agrees and covenants that, so long as any Joint Venturer has a Conversion Right, the Company:

(i) Shall use its best efforts to obtain all necessary consents and shareholder approvals, including recommending an amendment to Articles of Incorporation at the 2010 annual meeting of shareholders (but, in any event, at a meeting of shareholders prior to August 31, 2010) to ensure that the total aggregate number of authorized but unissued shares of Common Stock is, at all times, sufficient to permit exercise of the Conversion Right, and in any event not less than 100 million (as adjusted in connection with any stock splits, combinations or the like); and

(ii) Shall not take any action or cause to be done any action or enter into any agreement, understanding or obligation that would result in the total aggregate number of authorized but unissued shares of Common Stock ceasing to be sufficient to permit exercise of the Conversion Right, or in any event less than 100 million (as adjusted in connection with any stock splits, combinations or the like).

Notwithstanding anything to the contrary contained in this Agreement, to the extent any shareholder approval is not obtained, the Company shall not have any liability to any Joint Venturer so long as it has fulfilled its obligations hereunder.

(c) SHAREHOLDER RIGHTS AGREEMENT. The Company hereby agrees and covenants that it shall not amend the Shareholder Rights Agreement (or adopt any new shareholder rights plan) in such a way that, upon any Exempted Transaction (as defined in the Limited Liability Company Agreement), that any Joint Venturer would be deemed an "Acquiring Person" under such plan or such Exempted Transaction would be deemed to be a "Triggering Event" or create a "Distribution Date" or "Shares Acquisition Date" under such plan or otherwise trigger the provisions of such plan or in any way permit any "Rights" to be exercised pursuant to such plan, unless any Joint Venturer fails to comply with the terms set forth in the first amendment to the Shareholder Rights Agreement that is to be executed in connection with this Agreement.

(d) ACTIONS REQUIRING JOINT VENTURER CONSENT. The Company hereby agrees and covenants that, so long as any Joint Venturer has a Conversion Right, if after the date hereof, it grants registration rights to any other Person containing terms more favorable that the terms set forth in the Euroseas Registration Rights Agreement, the Company shall provide such more favorable terms to the Joint Venturer.

(e) CHANGES TO APPLICABLE LAW. The Company hereby agrees and covenants that it shall not seek to change such requirements of the home country or listing exchange or seek a change in its organization documents or shareholder agreements to such effect, if the change is reasonably deemed by the Joint Venturers to be detrimental to the Company or to the Joint Venturers in their capacity as holders of Conversion Rights.

SECTION 7 BLOCK SALES OF COMMON STOCK. Block sales by any Joint Venturer(s) in excess of 2.5% of the total issued and outstanding shares of Common Stock to any single ultimate buyer (*i.e* ., excluding underwriters) other than public market institutional investors (and in no event including sales made pursuant to a registration statement) will be subject to the prior written consent of the Board of Directors, such consent not to be unreasonably withheld.

SECTION 8 JV SHAREHOLDER ACKNOWLEDGEMENT. Each JV Shareholder acknowledges and agrees that any JV Director will be subject to the policies and rules governing all other directors of the Company, including the Company's Code of Ethics.

SECTION 9 MISCELLANEOUS.

(a) ENTIRE AGREEMENT. This Agreement (together with the other Transaction Documents and any other agreements, documents or instruments referred to herein or therein) constitutes the entire agreement with respect to the subject matter hereof and thereof and supersedes all other prior or contemporaneous agreements and understandings, both written and oral, among the Parties, or any of them, with respect to such subject matter.

(b) SUCCESSORS AND ASSIGNS. No Person may be assigned any rights under this Agreement without the prior written consent of the other parties or their Permitted Transferees.

(c) AMENDMENT AND MODIFICATION. No amendment, modification or termination of, or waiver under, any provision of this Agreement shall be valid unless in writing and signed by the Parties and any such amendment, modification, termination or waiver shall be binding on all Parties.

(d) NOTICES. All notices, requests, consents, and other communications under this Agreement shall be in writing and shall be deemed delivered (i) upon personal delivery, (ii) two (2) Business Days after being sent by registered or certified mail, return receipt requested, postage prepaid or (iii) one (1) Business Day after being sent via a reputable nationwide overnight courier service guaranteeing next business day delivery, in each case to the intended recipient as set forth below:

If to the Company:

Euroseas Ltd.
4 Messogiou Street & Evropis St.
151 25 Maroussi Greece
Attention: Aristides J. Pittas, Chairman, President & CEO

with a copy to:

Seward & Kissel LLP
One Battery Park Plaza
New York, NY 10004
Attention: Lawrence Rutkowski, Esq.

and if to All Seas, to:

All Seas Capital LLC
c/o Rhône Capital III L.P.
630 Fifth Avenue
New York, New York 10111
Attention: Allison Steiner

with a copy to:

Reed Smith LLP
599 Lexington Avenue, 30th Floor
New York, New York 10022
Attention: David M. Grimes, Esq.

and if to Paros, to:

c/o Eton Park Capital Management, L.P., its Investment Manager
399 Park Avenue, 10th Floor
New York, NY 10022
Attention: Marcy Engel, Chief Operating Officer and General Counsel

with a copy to:

c/o Eton Park Capital Management, L.P., its Investment Manager
399 Park Avenue, 10th Floor
New York, NY 10022
Attention: Andreas Beroutsos, Senior Managing Director

and:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019
Attention: Kelley Parker, Esq.

and if to the Shareholder:

Friends Investment Company, Inc
4 Messogiou Street & Evropis St.
151 25 Maroussi Greece
Attention: Aristides J. Pittas, Director & Vice-President

with a copy to:

Seward & Kissel LLP
One Battery Park Plaza
New York, NY 10004
Attention: Lawrence Rutkowski, Esq.

Any Party may, by notice given in accordance with this Section 9(d) to the other Parties, designate another address or Person for receipt of notices hereunder.

(e) SEVERABILITY. Any term or provision of this Agreement that is held to be invalid, illegal or unenforceable in any respect in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, such provision shall be interpreted to be only so broad as is enforceable (and, to the extent necessary, shall be deemed amended to be only so broad as is necessary to make it enforceable).

(f) SPECIFIC PERFORMANCE. The Parties acknowledge that there would be no adequate remedy at law if any Party fails to perform any of its obligations hereunder, and accordingly agree that each Party, in addition to any other remedy to which it may be entitled at law or in equity, shall be entitled to compel specific performance of the obligations (without posting any bond or other security) of any other Party under this Agreement in accordance with the terms and conditions of this Agreement in any court of the United States or any State thereof having jurisdiction.

(g) PREVAILING PARTY. In the event any dispute should arise under or with respect to this Agreement or any provision hereof, the prevailing Party in such dispute shall be reimbursed by the defaulting Party or Parties for all reasonable costs and expenses (including, without limitation, reasonable attorneys' fees) incurred by the prevailing Party in any such dispute (including, without limitation, any appeal).

(h) NO WAIVER. No provision hereof may be waived, in whole or in part, except as provided in a written agreement executed and delivered by the Party to be charged therewith. The failure of any Party to exercise any right, power or remedy provided under this Agreement or otherwise available in respect of this Agreement at law or in equity, or to insist upon compliance by any other Party with its obligation under this Agreement, and any custom or practice of the Parties at variance with the terms of this Agreement, will not constitute a waiver by such Party of its right to exercise any such or other right, power or remedy or to demand such compliance.

(i) NO THIRD PARTY BENEFICIARIES. This Agreement is not intended to confer upon any Person other than the Parties (and their respective heirs, beneficiaries, executors, representatives, successors and permitted assigns, including their Permitted Transferees) any rights or remedies hereunder.

(j) INTERPRETATION. The descriptive headings used herein are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement. Unless otherwise specified herein, references to Sections and other divisions or subdivisions refer to Sections and other divisions or subdivisions of this Agreement. Words such as "herein," "hereinafter," "hereof," "hereto," "hereby" and "hereunder," and words of like import, unless the context requires otherwise, refer to this Agreement (including any schedules or other attachments hereto). As used in this Agreement, the masculine, feminine and neuter genders shall be deemed to include the others if the context requires. This Agreement is the product of mutual negotiation; and no Party shall be deemed the draftsperson hereof or of any portion or provision hereof.

(k) GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule that would cause the application of the laws of any jurisdiction other than the State of New York.

(l) CONSENT TO JURISDICTION; SERVICE OF PROCESS. The Parties hereto agree that any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby shall be brought exclusively in federal or state courts located in the County of New York, State of New York, and each of the Parties hereby irrevocably consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on any Party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each Party agrees that service of any process, summons, notice or document by U.S. registered mail to its address set forth in Section 9(d) shall be deemed effective service of process for any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby brought against such Party in any such court as set forth in this Section 9(l) .

(m) WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE TRANSACTION DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

(n) INDEMNIFICATION. Each Party shall indemnify and hold harmless the other Parties from and against, and shall reimburse the other Parties for, any and all damages, charges, claims, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees and other costs of collection or enforcement) resulting from or occasioned by any breach by such Party of any of its representations, warranties, covenants and other agreements set forth in this Agreement.

(o) FURTHER ASSURANCES. From time to time, at any other Party's request and without further consideration, each Party shall execute and deliver any additional documents and take any further lawful actions as may be necessary or desirable to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Agreement. No Party shall take any action inconsistent with the purposes and provisions of this Agreement.

(p) COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

[Signature Page Follows]

IN WITNESS WHEREOF , each of the Parties has caused this Agreement to be executed on the date first written above by its respective officer or other representative thereunder duly authorized.

THE COMPANY

EUROSEAS, LTD.

By: _____
Name: Aristides J. Pittas
Title: Chairman, President & CEO

THE SHAREHOLDER

FRIENDS INVESTMENT COMPANY, INC.

By: _____
Name: Aristides J. Pittas
Title: Director & Vice-President

ARISTIDES J. PITTAS

_____

THE JOINT VENTURERS

PAROS LTD.

By: _____
Name: Terence Aquino
Title: Director

ALL SEAS INVESTORS I LTD.

By: _____
Name: Baudoin Lorans
Title: Director

ALL SEAS INVESTORS II LTD.

By: _____
Name: Baudoin Lorans
Title: Director

ALL SEAS INVESTORS III LP

By: _____
Name: Baudoin Lorans
Title: Director

Exhibit 4.12

AMENDMENT NO. 1 TO LOAN AGREEMENT DATED NOVEMEBER 14, 2006

This Amendment No. 1 is dated as of April 14, 2010 (the "Amendment") and amends that certain loan agreement dated as of November 14, 2006 (the "Loan Agreement"), entered into by and among (1) Xingang Shipping Ltd., as borrower (the "Borrower"), (2) Diana Trading Ltd., as a corporate guarantor (the "First Corporate Guarantor"), (3) Euroseas Ltd., as corporate guarantor (the "Second Corporate Guarantor"), and (4) HSBC Bank plc, as lender. All terms not defined herein shall have the meanings given thereto in the Loan Agreement.

WHEREAS, the parties to the Loan Agreement have agreed to enter into this Amendment to amend certain provisions set forth in the Loan Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual agreements set forth herein, the parties hereby agree as follows:

Section 1. Amendment of Loan Agreement . The Loan Agreement is hereby amended as follows:

(a) Section 1: The following definitions shall be incorporated in their respective alphabetical order:

"First Corporate Guarantor" means Diana Trading Ltd.

"Second Corporate Guarantor" means Euroseas Ltd.

(b) Section 8.02(iv) shall be amended to add the following at the end thereof:

"or entering into contracts or agreements that are related to the shipping business";

(c) Section 8.02(v) shall be amended to add "(other than the Second Corporate Guarantor") following the word, "Obligors";

(e) Section 8.02(vii) shall be amended to add "other than with respect to the Second Corporate Guarantor," at the beginning thereof;

(f) Section 8.03 shall be deleted and replaced in its entirety with the following:

"The Obligors undertake that:

(i) none of the documents defining their respective constitutions shall be altered in any manner whatsoever, provided that the Second Corporate Guarantor shall be permitted to (A) amend its Articles of Incorporation to increase the number of authorized shares permitted thereunder and (B) amend its bylaws to provide for the increase in the size of the board of directors of the Second Corporate Guarantor by up to four (4) additional directors and to provide provisions for the appointment and removal of such directors if, in the future, certain investors in the Second Corporate Guarantor own certain ownership percentages in the Second Corporate Guarantor; and

(ii) the Second Corporate Guarantor shall remain the sole owner of the Borrower and the First Corporate Guarantor"; and

(g) Section 8.10 shall be deleted and replaced in its entirety with the following:

"The Obligors undertake to ensure and procure that Aristides J. Pittas remains the Chief Executive Officer or the Chairman of the Second Corporate Guarantor."

Section 2. Governing Law . This Amendment shall be deemed to be a contract made under the laws of England.

Section 3. Counterparts . This Amendment may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument. A signature to this Amendment transmitted electronically shall have the same authority, effect, and enforceability as an original signature.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first written above.

XINGANG SHIPPING LTD.

By: /s/Nicholas Pittas
Name: Nicholas Pittas
Title: Attorney-in-Fact

DIANA TRADING LTD.

By: /s/Nicholas Pittas
Name: Nicholas Pittas
Title: Attorney-in-Fact

EUROSEAS LTD.

By: /s/Aristides J. Pittas
Name: Aristides J. Pittas
Title: Chief Executive Officer

HSBC BANK PLC

By: /s/Nicholas Karellis
Name: Nicholas Karellis
Title: Head of Shipping

Exhibit 4.16

THIS FIRST SUPPLEMENTAL AGREEMENT is made the 5 th day of August Two thousand nine between:

(1) **MANOLIS SHIPPING LIMITED,** being a company incorporated in accordance with the laws of the Republic of the Marshall Islands, whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960, Republic of Marshall Islands (referred to below as the " **Borrower"**);

(2) **SAF-CONCORD SHIPPING LTD** , being a company incorporated in accordance with the laws of the Republic of Liberia whose registered office is situated at 80, Broad Street, Monrovia, Liberia (referred to below as the " **Additional Corporate Guarantor** "); and

(3) **EFG EUROBANK ERGASIAS, S.A.,** a banking societe anonyme duly incorporated under the laws of Greece, having its registered office at 8, Othonos Street, Athens, Greece, acting for the purposes of this Agreement through its office at 83, Akti Miaouli, 185 38 Piraeus, Greece (referred to below as **"the Bank").**

SUPPLEMENTAL TO a loan agreement dated 7 th June 2007 (hereinafter called the " **Original Loan Agreement** ") made between (i) the Borrower and (ii) the Bank whereby the Bank advanced to the Borrower a loan facility of (originally) up to United States Dollars ten million (US$ 10,000,000) (the " **Original Loan** "), of which Original Loan the parties to this First Supplemental Agreement acknowledge that the amount presently remaining outstanding is United States Dollars eight million seven hundred twenty thousand (US$ 8,720,000) (the " **Loan** ").

WHEREAS:-

(A) In view of the decline observed in the value of the Vessel (as this term is defined in the Original Loan Agreement) and in order for the Bank to continue to make the Loan available to the Borrower, the Bank has requested, that the Borrower provides to the Bank in accordance with the provisions of Clause 13.5 of the Original Loan Agreement with additional security, which the Borrower has agreed to do on the terms and subject to the conditions of this First Supplemental Agreement.

(B) As a condition precedent to the Bank's agreement to continue to make the Loan available to the Borrower, the Borrower has agreed, inter alia, to procure that additional security be provided and more particularly to procure the Additional Corporate Guarantor (as hereinafter defined), being a company with common financial interests and mutual cooperation and assistance with the Borrower to execute and deliver the Additional Corporate Guarantee (as hereinafter defined) of the Borrower's obligations under the Loan Agreement and the Master Swap Agreement, the Additional Corporate Guarantee to be secured by the Collateral Mortgage, the Collateral

Assignment and the New Manager's Undertaking (as these terms are hereinafter defined) and to accept certain amendments to be made to the Original Loan Agreement as described hereinafter.

(C) The Bank has agreed to give its consent to the above on the terms and subject to the conditions of this First Supplemental Agreement which shall be read as one with the Original Loan Agreement and the definitions contained in the Original Loan Agreement shall apply to the provisions of this First Supplemental Agreement, save to the extent that such definitions are amended hereunder and in consequence thereof the parties hereto enter into this First Supplemental Agreement.

NOW THIS FIRST SUPPLEMENTAL AGREEMENT WITNESSES as follows:

1. DEFINITIONS AND INTERPRETATION

In this First Supplemental Agreement the following words and expressions shall have the following meanings:

" Additional Corporate Guarantee" means a guarantee and indemnity given or, as the context may require, to be given by the Additional Corporate Guarantor in form and substance satisfactory to the Bank, of all the Borrower's obligations under the Loan Agreement and the Master Swap Agreement in favour of the Bank, as a security for the Indebtedness and any and all obligations of the Borrower under the Loan Agreement and the Master Swap Agreement, such Additional Corporate Guarantee to expire on the 31 st July 2010. The Additional Corporate Guarantee shall be automatically renewed on each anniversary date of such expiry date for one (1) year following the Borrower's respective request and the Additional Corporate Guarantor's written consent and subject to the Bank's prior written approval at its free and absolute discretion.

" Additional Corporate Guarantor " means SAF-CONCORD SHIPPING LTD **,** being a company incorporated in accordance with the laws of the Republic of Liberia whose registered office is situated at 80, Broad Street, Monrovia, Liberia;

" **Additional Security Documents** " means the Collateral Security Documents and the New Manager's Undertaking;

" **Collateral Assignment"** means the second priority deed of assignment of the Insurances Earnings and Requisition Compensation in respect of the Collateral Vessel executed or, as the context may require, to be executed by the Additional Corporate Guarantor in favour of the Bank;

"Collateral Mortgage" means the second preferred Liberian ship mortgage on the Collateral Vessel executed or, as the context may require, to be executed by the Additional Corporate Guarantor in favour of the Bank;

"Collateral Security Documents" means the Additional Corporate Guarantee, the Collateral Mortgage, the Collateral Assignment and the New Manager's Undertaking;

"Collateral Vessel" means the m.v. "MONICA P." built in 1998, being of 27011 gross tons and of 16011 net tons currently registered under the Liberian flag in the ownership of the Additional Corporate Guarantor with Official Number 10909 **;**

"Effective Date" means the date on which the Bank certifies to the Borrower that all of the conditions referred to in Clause 2 have been satisfied;

" **General Assignments** " means:
(a) the first priority deed of assignment of the Insurances, Earnings and Requisition Compensation in respect of Vessel A (as herein defined) dated 7 th June 2007 executed by the Borrower in favour of the Bank; and
(b) the Collateral Assignment;

"Loan Agreement" means the Loan Agreement dated 7 th June 2007, made between the Bank and the Borrower and more particularly described in Recital (A) hereto, as amended by the present First Supplemental Agreement and as the same may from time to time be amended or supplemented;

"New Manager's Undertaking" means the manager's undertaking to be granted by the Manager in favour of the Bank in form and substance satisfactory to the Bank in relation to the Collateral Vessel pursuant to which the Manager will subrogate its rights to the Loan throughout the Facility Period;

"Mortgages" means:
(a) the first preferred Marshall Islands Ship Mortgage dated 7 th June 2007 made between the Borrower and the Bank as same may be further amended (the " **Mortgage on Vessel A** "); and
(b) the Collateral Mortgage; and

"Vessels" means:
(a) the m.v. Manolis P. built in 1995, being of 14962 tons gross, 7579 tons net, currently registered under the flag of the Republic of the Marshall Islands with Official Number 2849 in the name of the Borrower (hereinafter called " **Vessel A** ") and
(b) the Collateral Vessel;
and "a Vessel" means either of them as the context may require.

1.2 Unless the context otherwise requires, all words and expressions defined in the Original Loan Agreement shall have the same meaning when used in this First Supplemental Agreement; words denoting the plural number shall be deemed to include the singular, and words denoting persons shall be deemed to include corporations, partnerships, associations of persons (whether incorporated or not) or governmental or quasi-governmental authorities and vice-versa.

1.3 References to Clauses and Recitals are to clauses of and the recitals to this First Supplemental Agreement; references to this First Supplemental Agreement include the Recitalsand references in this First Supplemental Agreement to any document are (unless the context otherwise requires) to be interpreted to that document as amended, novated, supplemented or replaced from time to time.

2. CONDITIONS PRECEDENT AND SUBSEQUENT

2.1 Conditions precedent

Save for Clause 3 (which shall take effect immediately upon the execution of this First Supplemental Agreement) before any of the provisions of this First Supplemental Agreement shall take effect the Borrower shall have delivered or cause to be delivered to or to the order of the Bank in form and substance satisfactory to the Bank the following documents and evidence accompanied where necessary by certified translation into the English language and containing such legalisations and/or attestations as the Bank may require:-

(a) This First Supplemental Agreement and the Additional Security Documents in favour of the Bank, duly executed by the relevant Security Party and in the case of the Collateral Mortgage registered with second priority at the competent port of registry;

(b) Official Certificate of Goodstanding of each of the Borrower, the Corporate Guarantor and the Additional Corporate Guarantor;

(c) Duly legalised copies of minutes of properly constituted meetings of all the directors of each of the Borrower and the Additional Corporate Guarantor approving the execution of this First Supplemental Agreement and the Additional Security Documents to which it is or is to become a party and all matters incidental hereto and thereto;

(d) The Power of Attorney of each of the Security Parties under which any documents (including this First Supplemental Agreement) are to be executed or transactions undertaken by the Security Parties under or pursuant to this First Supplemental Agreement including for the avoidance of doubt the Additional Corporate Guarantee, the Collateral Mortgage, the Collateral Assignment and the New Manager's Undertaking;

(e) Copy of the Management Agreement entered into between the Manager and the Additional Corporate Guarantor in respect of the Collateral Vessel;

(f) Evidence satisfactory to the Bank that the Collateral Vessel is insured in the name of the Additional Corporate Guarantor in accordance with the terms and conditions of the Collateral Mortgage and that appropriate letters of undertaking will be issued in the manner specified by the Collateral Mortgage; and

(g) Evidence satisfactory to the Bank that the Collateral Vessel maintains the relevant classification free of all requirements and recommendations of the relevant classification society.

2.2 Conditions Subsequent

The Borrower undertakes to deliver or to cause to be delivered to the Bank on or as soon as practicable after the Effective Date:

(a) Certificate issued by the Ships Register of the Republic of Liberia confirming that the Collateral Vessel is owned by the Additional Corporate Guarantor and that the Collateral Mortgage is duly registered with second priority and other than the First Preferred Mortgage dated 19 th January 2009 granted by the Additional Corporate Guarantor to the Bank free of registered encumbrances;

(b) Photocopies, certified as true, accurate and complete, by a director of the Additional Corporate Guarantor in relation to the Collateral Vessel of the DOC and of the SMC;

(c) Evidence that the Manager of the Collateral Vessel has obtained certification of compliance with ISPS code;

(d) Letters of Undertaking issued by hull and machinery brokers and War Risks Association or brokers and Protection and Indemnity Association or Club in form acceptable to the Bank and accompanied by copies of all current policies of insurance, cover notes and certificates of entry in respect of the Collateral Vessel in the name of the Additional Corporate Guarantor; and

(e) Such legal opinions as the Bank shall require.

2.3 The Bank shall be under no obligation to consent to the amendment of the Loan Agreement if at such time an Event of Default shall have occurred or if any event shall have occurred which with the giving of notice and/or the passage of time and/or the satisfaction of any materiality test would constitute an Event of Default or if an Event of Default would result therefrom.

3. REPRESENTATIONS AND WARRANTIES

Each of the representations and warranties contained in Clause 4 of the Original Loan Agreement shall be deemed repeated by the Borrower at the date of this First Supplemental Agreement by reference to the facts and circumstances then pertaining, as if references to the Security Documents included this First Supplemental Agreement and as if references to the Security Parties included the Additional Corporate Guarantor.

4. AMENDMENTS TO THE ORIGINAL LOAN AGREEMENT

4.1 With effect from the Effective Date the Bank hereby consents to continue to make the Loan available to the Borrower.

4.2 The definition of any term defined in any of the Security Documents shall, upon the execution of this First Supplemental Agreement, be modified to the extent necessary to reflect the amendments to the Security Documents made in or pursuant to this First Supplemental Agreement. With effect from the Effective Date the Security Documents shall be amended as follows, and, as so amended, shall be binding on the Borrower and the other Security Parties in accordance with their terms by interpreting all references in any of the Security Documents to the Original Loan Agreement (however described) as references to the Loan Agreement as amended or supplemented by this First Supplemental Agreement:-

4.2.1 by construing all references in the Original Loan Agreement to "the Guarantor", or "such Guarantor" as references to the Corporate Guarantor and the Additional Corporate Guarantor;

4.2.2 by interpreting all references in the Security Documents to the Security Documents as if they included the A dditional Security Documents;

4.2.3 by interpreting all references in the Security Documents to the Loan Agreement (however described) as references to the Original Loan Agreement as amended and supplemented by this First Supplemental Agreement;

4.2.4 by inserting after the words "Corporate Guarantor" in Clauses 4.8 and 13.4.1 the words "or the Additional Corporate Guarantor" and by inserting after the words "Corporate Guarantee" in clauses 4.1 (g), 25 (a), the words "Additional Corporate Guarantee";

4.2.5 by construing all references in the Original Loan Agreement to "the Vessel" or "Vessel" as if they included the Collateral Vessel as well, exception being made in relation to the "Charter" which will be referring only to the Vessel A;

4.2.6 by construing the definitions set out in Clause 1.1 of this First Supplemental Agreement as if they were inserted mutatis mutandis in Clause 1 of the Original Agreement;

4.2.7 by replacing references to "General Assignment", "Mortgage" and "Vessel" and respective definitions by "General Assignments or either of them", "Mortgages or either of them" and "Vessels or either of them" and respective definitions as herein defined;

4.2.8 by inserting in Clause 12.1 the followings new sub-clauses::

"(j) the Additional Corporate Guarantee executed by the Additional Corporate Guarantor in favour of the Bank;
(k) the Collateral Mortgage executed by the Additional Corporate Guarantor in favour of the Bank;
(l) the Collateral Assignment executed by the Additional Corporate Guarantor in favour of the Bank;
(m) the New Manager's Undertaking."

4. CONFIRMATION

The Borrower confirms that, subject to the amendments to the Security Documents made in or pursuant to this First Supplemental Agreement, each of the Security Documents referred to in the Original Loan Agreement remains in full force and effect in accordance with its respective terms and is ratified and confirmed.

5. NOTICES, LAW AND JURISDICTION

The provisions of Clauses 24 and 25 of the Original Loan Agreement shall apply to this Addendum as if they were set out in full and as if references to the Original Loan Agreement were references to this Addendum.

IN WITNESS whereof the parties hereto have executed this Addendum the day and year first before written.

SIGNED by
Mrs Stephania Karmiri)
duly authorised)
attorney for and on behalf of) /s /Stephania Karmiri
MANOLIS SHIPPING LIMITED)
in the presence of:-)
/s/ Loukia M. Michail

SIGNED by
Mrs Stephania Karmiri)
duly authorised)
attorney for and on behalf of) /s /Stephania Karmiri
SAF-CONCORD SHIPPING LTD)
in the presence of:-)
/s/ Loukia M. Michail

SIGNED by
……)
and John Tsirikos)
the duly authorised) /s/ John Tsirkos
attorneys for and on behalf of)

EFG EUROBANK ERGASIAS S.A.)
in the presence of:-)
/s/ Loukia M. Michail

In consideration of the Bank's agreement contained in the First Supplemental Agreement, EUROSEAS LTD. of the Republic of the Marshall Islands hereby acknowledges that its obligations under or pursuant to the Guarantee given by it in favour of the Bank dated 7 th June 2007 (the " **Guarantee** ") continue in full force and effect notwithstanding the amendments to, and variations of, the Loan Agreement and the other Security Documents contained in or made pursuant to the First Supplemental Agreement, as if references in the Guarantee to the Loan Agreement were references to the Loan Agreement as amended and supplemented by the First Supplemental Agreement.

ACKNOWLEDGED, AGREED and)
COUNTERSIGNED by)
Mrs Stephania Karmiri) /s /Stephania Karmiri
duly authorised)
attorney for and on behalf of)
EUROSEAS LTD.)
in the presence of:-)
/s/ Loukia M. Michail

Exhibit 4.24

FIRST AMENDMENT TO SHAREHOLDERS RIGHTS AGREEMENT

FIRST AMENDMENT TO SHAREHOLDERS RIGHTS AGREEMENT, dated as of March 25, 2010 (the " Amendment ") to the Shareholders Rights Agreement, dated as of May 18, 2009 (the " Rights Agreement "), between Euroseas Ltd., a Marshall Islands corporation (the " Company "), and American Stock Transfer and Trust Company, LLC, as rights agent (the "Rights Agent"). Terms used herein but not defined shall have the meaning assigned to them in the Rights Agreement.

WHEREAS, the Company and the Rights Agent have heretofore executed and entered into the Rights Agreement;

WHEREAS, the Company intends to enter into the Limited Liability Company Agreement (the " LLC Agreement ") of Euromar LLC, a Marshall Islands limited liability company (" Euromar "), by and among the Company, Paros Ltd., a Cayman Islands exempted company (" Paros "), and All Seas Investors I, Ltd., a Cayman Islands exempted company (" All Seas I "), All Seas Investors II, Ltd., a Cayman Islands exempted company (" All Seas II "), All Seas Investors III LP, a Cayman Islands exempted limited partnership (" All Seas III ", and collectively, with All Seas I and All Seas II, " All Seas " and, individually, an " All Seas Member "), pursuant to which Paros and each of the All Seas Members shall be granted the Conversion Right (as defined in the LLC Agreement) in respect of which Paros and each of the All Seas Members shall enter into the Shareholders' Agreement (as defined in the LLC Agreement);

WHEREAS, pursuant to Section 27 of the Rights Agreement, under circumstances set forth therein, the Company may from time to time, and the Rights Agent shall, if the Company so directs, supplement or amend the Rights Agreement without the approval of any holders of Rights; and

WHEREAS, the Company desires to amend the Rights Agreement as set forth herein and to direct the Rights Agent to execute this Amendment.

NOW, THEREFORE, in consideration of the premises and the mutual agreements set forth herein, the parties hereby agree as follows:

Section 1. Amendment of Rights Agreement . The Rights Agreement is hereby amended as follows:

1.1 Section 1 of the Rights Agreement is hereby amended by inserting the following defined term therein:

" All Seas " means collectively All Seas I, All Seas II and All Seas III.

" All Seas I " means All Seas Investors I, Ltd., a Cayman Islands exempted company.

" All Seas II " means All Seas Investors II, Ltd., a Cayman Islands exempted company.

" All Seas III " means All Seas Investors III, LP, a Cayman Islands exempted limited partnership.

" All Seas Member " means each of All Seas I, All Seas II and All Seas III.

" Exempted Transaction " shall mean any of the following: (i) the approval, adoption, execution or delivery of the LLC Agreement or any other Transaction Document (as defined in the LLC Agreement), including, without limitation, the Shareholders' Agreement, (ii) the approval or consummation of any of the transactions contemplated by the LLC Agreement or any other Transaction Document, (iii) the approval or grant of the Conversion Right, the Conversion Right becoming exercisable or the exercise thereof in accordance with and subject to the terms of the LLC Agreement and the terms hereof, and/or (iv) the announcement of any of the foregoing, it being the purpose of the Company that neither the execution of the LLC Agreement nor any other Transaction Document by any of the parties thereto nor the consummation of any of the transactions contemplated thereby, including the grant and exercise of the Conversion Right in accordance with and subject to the terms of the LLC Agreement and the terms hereof, shall in any respect give rise to the existence of any Acquiring Person, Distribution Date, Shares Acquisition Date or Triggering Event or in any way permit any Rights to be exercised pursuant to Section 11 of the Rights Agreement, Section 13 of the Rights Agreement or otherwise.

" LLC Agreement " means the Limited Liability Company Agreement of Euromar LLC, a Marshall Islands limited liability company, by and among the Company, Paros and each All Seas Member.

" Paros " shall have the meaning given to such term in the second recital above.

1.2 The definition of " Permitted Person " in Section 1 of the Rights Agreement is hereby deleted in its entirety and replaced with the following:

" Permitted Person " shall mean (i) Friends Investment Company Inc. or any of its Affiliates, (ii) Eurobulk Marine Holdings, Inc. or any of its Affiliates, (iii) Aristides Pittas or any of his Affiliates, (iv) Paros, any of its Permitted Transferees (as defined in the LLC Agreement) or any other third parties that acquire Units in Euromar from Paros pursuant to a Permitted Transfer (as defined in the LLC Agreement), and (v) each All Seas Member, any of its respective Permitted Transferees or any other third parties that acquire Units in Euromar from any All Seas Member pursuant to a Permitted Transfer; provided , however , that in the case of Paros and each All Seas Member, any of their respective Permitted Transferees and any other third parties that acquire Units in Euromar from Paros or any All Seas Member pursuant to a Permitted Transfer (collectively, the " Paros All Seas Persons "), each such Paros All Seas Person shall be a Permitted Person solely in the event that such Paros All Seas

Person becomes a Beneficial Owner of shares of Common Stock of the Company by reason of an Exempted Transaction and is not otherwise the Beneficial Owner of any other shares of Common Stock of the Company. Notwithstanding anything to the contrary, if any Paros All Seas Person (A) becomes the Beneficial Owner of 15% or more of the shares of Common Stock of the Company other than solely as a result of the exercise of its Conversion Right or (B) becomes the Beneficial Owner of 15% or more of the shares of Common Stock of the Company solely as a result of the exercise of its Conversion Right and, after the exercise of the Conversion Right, becomes the Beneficial Owner of any additional shares of Common Stock of the Company (other than pursuant to a dividend or distribution paid or made by the Company on the outstanding shares of Common Stock in shares of Common Stock or pursuant to a split or subdivision of the outstanding shares of Common Stock), then such Paros All Seas Person shall be deemed to be an Acquiring Person unless, (x) in the case of clause (B), upon becoming the Beneficial Owner of such additional shares of Common Stock of the Company, such Paros All Seas Person is not the Beneficial Owner of 15% or more of the aggregate shares of Common Stock of the Company then outstanding or (y) in the case of clause (A) or (B), if the Company's Board determines in good faith that a Paros All Seas Person who would otherwise be deemed an "Acquiring Person" has become such inadvertently (including, without limitation, because such Paros All Seas Person was unaware that it beneficially owned a percentage of the shares of Common Stock that would otherwise cause such Paros All Seas Person to be deemed an "Acquiring Person,") or through its ownership of a basket of securities or index fund and without any intention of changing or influencing control of the Company, and if such Paros All Seas Person divested or divests as promptly as practicable a sufficient number of shares of Common Stock so that such Person would no longer be deemed an "Acquiring Person," then such Paros All Seas Person shall not be deemed to be or have ever been an "Acquiring Person" for any purposes of this Rights Agreement.

Section 2. Direction to Rights Agent . The Company hereby directs the Rights Agent, in accordance with the terms of Section 27 of the Rights Agreement, to execute this Amendment.

Section 3. Effectiveness and Continued Effectiveness . In accordance with the resolutions adopted by the Company's Board of Directors on March 24, 2010, the amendment to the Rights Agreement set forth in Section 1 above is effective as of date hereof. The parties hereto hereby acknowledge and agree that, except as specifically supplemented and amended, changed or modified in Section 1 above, the Rights Agreement shall be unaffected by this Amendment and remain in full force and effect in accordance with its terms.

Section 4. Governing Law . This Amendment shall be deemed to be a contract made under the laws of New York and for all purposes shall be governed by and construed in accordance with the laws of such jurisdiction applicable to contracts to be made and performed entirely within such jurisdiction.

Section 5. Counterparts . This Amendment may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument. A signature to this Amendment transmitted electronically shall have the same authority, effect, and enforceability as an original signature.

Section 6. Descriptive Headings . Descriptive headings of the several Sections of this Amendment are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

Section 7. Benefits of this Amendment . Nothing in this Amendment shall be construed to give to any person other than the Company, the Rights Agent and the Permitted Persons any legal or equitable right, remedy or claim under this Amendment; but this Amendment shall be for the sole and exclusive benefit of the Company, the Rights Agent and the Permitted Persons. Further, nothing in this Amendment shall be construed to give any holder of Rights or any other Person legal or equitable right, remedy or claim under this Amendment by virtue or, or as a result of, any Exempted Transaction.

Section 8. Rights of Action .

(a) Any Permitted Person, without the consent of the Rights Agent or any other Person, may, in his or her own behalf and for his or her own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, his or her rights under this Amendment. Without limiting the foregoing or any remedies available to the Permitted Persons, it is specifically acknowledged that the Permitted Persons may not have an adequate remedy at law for any breach of this Amendment and will be entitled to seek specific performance of the obligations under, and injunctive relief against actual or threatened violations of, the obligations of any Person subject to this Amendment.

(b) Notwithstanding anything in this Amendment to the contrary, neither the Company nor the Rights Agent shall have any liability to any Permitted Person or any other Person as a result of its inability to perform any of its obligations under this Amendment by reason of any preliminary or permanent injunction or other order, judgment, decree or ruling (whether interlocutory or final) issued by a court or by a governmental, regulatory, self-regulatory or administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority, prohibiting or otherwise restraining performance of such obligation; provided, however, that the Company shall use all reasonable efforts to have any such injunction, order, judgment, decree or ruling lifted or otherwise overturned as soon as possible.

Section 9. Successors . All the covenants and provisions of this Amendment by or for the benefit of the Company shall bind and inure to the benefit of its successors and assigns hereunder.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first written above.

EUROSEAS LTD.

By: /s/Tasos Aslidis
Name: Tasos Aslidis
Title: Chief Financial Officer

AMERICAN STOCK TRANSFER AND TRUST COMPANY, LLC,
as Rights Agent

By: /s/Herb Lemmer
Name: Herb Lemmer
Title: Vice President

Exhibit 4.25

Dated 14 th December 2009

HSBC BANK PLC
as Lender

-and-

PANTELIS SHIPPING CORP.
as Borrower

FINANCIAL AGREEMENT
loan facility of up to US$13,000,000

INDEX

THIS AGREEMENT is made the 14 th day of December 2009

BETWEEN

1) **HSBC BANK PLC** as Lender; and

2) **PANTELIS SHIPPING CORP.** as Borrower.

IT IS AGREED as follows:

1. PURPOSE

1.01. This Agreement sets out the terms and conditions on which the Lender agrees to make available to the Borrower a term loan facility of up to Thirteen million Dollars ($13,000,000) for for the purpose of financing the acquisition cost of the Ship.

1.02. The Borrower will hedge its exposure under this Agreement to interest rate fluctuations by entering into interest rate swap transactions with the Lender at the times and in the manner hereinafter set forth.

2. DEFINITIONS

2.01 In this Agreement the following terms shall have the following meanings:

" **Accounts** " means collectively the Earnings Account and the Retention Account and, in the singular, means either of them;

" **Accounts' Charges** " means collectively the Earnings Account Charge and the Retention Account Charge, and in the singular means either of them;

" **Accounting Information** " means the audited by the Auditors or unaudited annual or semi annual financial statements of the Group, each as provided or (as the context may require) to be provided to the Lender in accordance with Clause 18.01 of this Agreement;

" **Accounting Period** " means (a) each financial year of the Guarantor and (b) each half of each financial year of the Guarantor for which Accounting Information is required to be delivered pursuant to this Agreement;

" **Applicable Accounting Principles** " means those accounting principles, standards and practices on which preparation of the Accounting Information is based, which are US GAAP and principles and practices adopted by the Guarantor and its Subsidiaries (including without limitation the Borrower) at the date hereof or at any time thereafter and notified to and accepted by the Lender;

" **Applicable Margin** " means two point seven per cent (2.7%) per annum;

" **Applicable Security Margin** " means (i) during the first twenty four months as from the Drawdown Date, a percentage not less than one hundred and fifty per cent (150%) of the Facility at any time and (ii) during the remaining Security Period a percentage not less than one hundred and twenty five per cent (125%) of the Facility at any time;

" **Approved Brokers** " means the insurance brokers appointed by the Borrower with the Lender's prior approval;

" **Auditors** " means any first class firm of international accountants to be approved by the Lender;

" **Availability Period** " means the period commencing from the date of this Agreement and ending on the Termination Date;

" **Balloon Payment** " means a payment in the amount of Three million One hundred Sixty thousand Dollars ($3,160,000) payable together with the thirty-second (32 nd) and final Repayment Instalment;

" **Banking Day** " means a day on which banks and financial markets are open for business in all of Piraeus, New York and London and any other financial centre which the Lender may deem appropriate for the operation of the provisions of this Agreement;

" **Borrower** " means **PANTELIS SHIPPING CORP.** , a corporation organised and existing under the laws of Liberia, with Registration Nr C-112837 having its registered office at 80 Broad Street, Monrovia, Liberia;

" **Borrowed Money** " means indebtedness in respect of (i) money borrowed or raised and debit balances at banks, (ii) any bond, note, loan stock, debenture or similar debt instrument, (iii) acceptance of documentary credit facilities, (iv) receivables sold or discounted (otherwise than on a non-recourse basis), (v) deferred payments for assets or services acquired, (vi) finance leases and hire purchase contracts, (vii) swaps, forward exchange contracts, futures and other derivatives, (viii) any other transaction (including without limitation forward sale or purchase agreements) having the commercial effect of a borrowing or raising of money or of any of (ii) to (vii) above and (ix) guarantees in respect of indebtedness of any person falling within any of (i) to (viii) above;

"Broken Funding Costs" means any amount that the Lender may certify as necessary to compensate the Lender for any loss (other than Taxes) incurred or to be incurred by the Lender as a consequence of repayment in respect of funds borrowed (or committed to be borrowed) or deposits taken (or committed to be taken) from third parties in connection with the Facility, or in liquidating or re-employing such funds or deposits for the remaining part of the then current Interest Period;

" **Classification Society** " means Rina or such other classification society member of the IACS as may be approved in writing by the Lender;

" **Compulsory Acquisition** " means requisition for title or other compulsory acquisition, requisition, appropriation, expropriation, deprivation, forfeiture or confiscation for any reason of the Ship by any Government Entity or other competent authority, whether de jure or de facto, but shall exclude requisition for use or hire not involving requisition of title;

"Confirmation" in relation to any continuing Designated Transaction, has the meaning ascribed to it in the Master Agreement;

" **Control** " means in relation to a body corporate:

(a) the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to:

(i) cast, or control the casting of, more than fifty per cent (50%) of the maximum number of votes that might be cast at a general meeting of such body corporate; or

(ii) appoint or remove all, or the majority, of the directors or other equivalent officers of such body corporate; or

(ii) give directions with respect to the operating and financial polices of such body corporate with which the directors or other equivalent officers of such body corporate are obliged to comply; and/or

(b) the holding beneficially of more than fifty per cent (50%) of the issued share capital of such body corporate (excluding any part of that issued capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital),

and " **Controlled** " shall be construed accordingly;

" **Consolidated Debt** " means, in respect of an Accounting Period, the aggregate amount of Debt owed by the members of the Group (other than any Debt owing by any member of the Group to another member of the Group), as stated in the then most recent Accounting Information relevant to such Accounting Period;

" **Corporate Security Parties** " means those of the Security Parties, which are companies or corporations and not natural persons and, in the singular, means any of them;

" **Debt** " means, in relation to any member of the Group (the " **debtor** "):

(a) Borrowed Money of the debtor;

(b) liability for any credit to the debtor from a supplier of goods or services or under any instalment purchase or payment plan or other similar arrangement;

(c) contingent liabilities of the debtor (including without limitation any taxes or other payments under dispute) which have been or, under the Applicable Accounting Principles consistently applied, should be recorded in the notes to the Accounting Information;

(d) deferred tax of the debtor; and

(e) liability under a guarantee, indemnity or similar obligation entered into by the debtor in respect of a liability of another person who is not a member of the Group which would fall within (a) to (d) above if the references to the debtor referred to the other person;

" **Default Rate** " means the rate referred to in Clause 7.04 of this Agreement;

" **Designated Transaction** " means a Transaction which, without prejudice to the provisions of Clause 4.03, fulfils the following requirements:

a) it is entered into by the Borrower pursuant to the Master Agreement with the Lender;
b) its purpose is the hedging of the Borrower's exposure under this Agreement to fluctuations in LIBOR arising from the funding of the Facility; and
c) it is designated by the Borrower, by delivery by the Borrower to the Lender of a notice of designation as a Designated Transaction for the purposes of the Security Documents;

" **Dollars** " or " **$** " means the lawful currency for the time being of the United States of America;

" **Drawdown** " means the advance of the Facility by the Lender to the Borrower;

" **Drawdown Date** " means, in relation to the Facility, the date requested by the Borrower for the Facility to be advanced or (as the context may require) the date on which the Facility is actually advanced;

"Early Termination Date" in relation to any continuing Designated Transaction, shall have the meaning ascribed to it in the Master Agreement;

" **Earnings** " means in relation to the Ship all freight, hire, passage monies and any other amounts whatsoever which may at any time be earned by or become payable to or for the account of the Borrower or its agents arising out of or as a result of the ownership, possession, management and/or operation of the Ship by the Borrower or its agents or under any charter, contract of carriage or other contract (including a salvage or towage contract) for the use, operation or management of the Ship, all payments for any variation of any such contract and all damages for any breach of any such contract, all general average and salvage remuneration and all compensation for requisition for hire;

" **Earnings Account** " means the account Nr. 001.044296.036 opened by the Borrower with the Lender into which all the Earnings of the Ship are to be paid, in accordance with Clause 20.03 such account to include any substitute account or sub-account or revised account or revised designation or number whatsoever and any deposit account to which monies from such account may from time to time be paid on a time deposit basis;

" **Earnings Account Charge** " means the assignment, pledge and charge to be granted by the Borrower to the Lender on the Earnings Account in form and substance satisfactory to the Lender, as the same may from time to time hereafter be amended or supplemented;

" **Encumbrance"** means any mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment, trust agreement or security interest or other encumbrance of any kind securing any obligation of any person or having the effect of conferring security or any type of preferential agreement (including without limitation, title transfer and/or retention arrangements having a similar effect);

" **Environmental Approvals** " means any permit, licence, approval, ruling, certification, exemption or other authorisation relating to the Ship required under applicable Environmental Laws;

" **Environmental Claim** " means:

(a) any claim by or directive from any applicable governmental, judicial or regulatory authority alleging breach of, or non-compliance with any Environmental Laws or Environmental Approvals or otherwise howsoever relating to or arising out of an Environmental Incident; or

(b) any claim by any other person which relates to an Environmental Incident or to an alleged Environmental Incident;

and in each such case " **claim** " shall mean a claim for damages, clean-up costs, compensation, fines, penalties or any other payment of any kind whether or not similar to the foregoing; an order or direction to take, or not to take, certain action or to desist from or suspend certain action; and any form of enforcement or regulatory action, including the arrest or attachment of any asset;

" **Environmental Incident** " means:

(a) any release, discharge, disposal or emission of Environmentally Sensitive Material by or from a Relevant Ship; or

(b) any incident in which Environmentally Sensitive Material is released from a vessel other than a Relevant Ship and which involves a collision between a Relevant Ship and such other vessel or some other incident of navigation or operation, in either case, in connection with which a Relevant Ship is actually or potentially liable to be arrested, attached, detained or injuncted and/or a Relevant Ship and/or any owner and/or any other operator or manager thereof is at fault or otherwise liable to any legal or administrative action; or

(c) any other incident in which Environmentally Sensitive Material is released otherwise than from a Relevant Ship and in connection with which any Relevant Ship is actually or potentially liable to be arrested and/or where any owner and/or any operator or manager of any Relevant Ship is at fault or otherwise liable to any legal or administrative action;

" **Environmental Laws** " means all national and international laws, ordinances, rules, regulations, rules of common law, conventions and agreements whatsoever pertaining to pollution or protection of human health or the environment, to the carriage of Environmentally Sensitive Material or to actual or threatened releases of Environmentally Sensitive Material (including without limitation, the United States Oil Pollution Act of 1990 and any comparable laws of the individual States of the United States of America);

" **Environmentally Sensitive Material** " means oil, oil products and any other substance (including any chemical, gas or other hazardous or noxious substance), which is (or is capable of being or becoming) polluting, toxic or hazardous;

" **Event of Default** " means any event referred to in Clause 22;

" **Excess Risks** " means in relation to the Ship the proportion of claims for general average and salvage charges and under the ordinary running-down clause, which is not recoverable in consequence of the value at which the Ship is assessed for the purpose of such claims exceeding her insured value;

" **Facility** " means the amount of up to Thirteen million Dollars ($13,000,000) to be made available to the Borrower by the Lender in one (1) advance pursuant to the terms of Clause 3 or, if the context may so require, so much thereof as shall for the time being be outstanding to the Lender hereunder;

" **First Repayment Date** " means the twenty ninth (29 th) December 2009;

" **Fleet Book Value** " means at the end of a relevant period the aggregate book value of the Fleet Vessels less depreciation as stated in the most recent Accounting Information of the Group delivered pursuant to Clause 18.01;

" **Fleet Market Value** " means at the date of calculation the aggregate of the Market Values of the Fleet Vessels;

" **Fleet Vessels** " means all of the vessels (including but not limited to the Ship) from time to time wholly owned by members of the Group (including, without limitation, the Borrower) and, in the singular means any of them;

" **General Assignment** " means the first priority deed of assignment made or (as the context may require) to be made by and between the Borrower and the Lender relative to the Insurances, the Earnings and the Requisition Compensation of the Ship in form and substance satisfactory to the Lender as the same may from time to time be amended, varied or supplemented with the Lender's prior written consent;

" **Government Entity** " means and includes (whether having a distinct legal personality or not) any national or local government authority, board, commission, department, division, organ, instrumentality, court or agency or tribunal and any association, organisation or institution of which any of the foregoing is a member or to whose jurisdiction any of the foregoing is subject or in whose activities any of the foregoing is a participant;

" **Group** " means the Guarantor and its Subsidiaries (whether direct or indirect and including without limitation the Borrower and each other Corporate Security Party, other than the Manager) from time to time during the Security Period and " **members of the Group** " shall be construed accordingly;

" **Guarantee** " means the guarantee in respect of the Borrower's obligations, under this Agreement, the Master Agreement and the other Security Documents, to be executed by the Guarantor in favour of the Lender, in form and substance satisfactory to the Lender, in its sole discretion as the same may from time to time be amended, varied or supplemented;

" **Guarantor** " means **EUROSEAS LTD.** , a corporation organised and existing under the Laws of the Marshall Islands having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands and each other company or person, who may from time to time guarantee the obligations of the Borrower hereunder and, in the singular, means any of them;

" **Indebtedness** " means the aggregate of the Facility and interest thereon and all liabilities, actual or contingent, present or future, owing to the Lender under the Master Agreement and all other moneys, liabilities and obligations (whether actual or contingent, whether existing or hereafter arising, whether or not for the payment of money, and including, without limitation, Broken Funding Costs (if any), and any obligation or liability to pay damages) which are now or which may at any time and from time to time hereafter be due, owing, payable or incurred or expressed to be due, owing, payable or incurred from the Borrower and/or the other Security Parties (whether as principal, surety or otherwise) to the Lender under this Agreement, the Master Agreement and the other Security Documents and/or in connection herewith and/or therewith (as conclusively certified by the Lender);

" **Insurance Documents** " means all slips, cover notes, contracts, policies, certificates of entry or other insurance documents evidencing or constituting the Insurances from time to time in effect;

" **Insurances** " means all policies and contracts of insurance (which expression includes all entries of the Ship in a protection and indemnity or mutual hull or war risks association) or such other arrangements by way of insurance which are from time to time taken out or entered into in respect of or in connection with the Ship pursuant to this Agreement and including all benefits thereof including all claims of whatsoever nature and return of premiums;

" **Insurers** " means the underwriters, insurance companies and mutual insurance associations with or by which the Insurances are effected;

" **Interest Determination Date** " means the Banking Day, which is two (2) Banking Days prior to the commencement of an Interest Period;

" **Interest Payment Date** " means each day on which interest is payable in accordance with Clause 7, provided that if any such day is not a Banking Day, the relevant Interest Payment Date shall be the next succeeding day which is a Banking Day, unless such next succeeding Banking Day falls into another calendar month, in which event, the relevant Interest Payment Date shall be immediately preceding Banking Day;

" **Interest Period** " means each of the successive periods determined in accordance with Clause 6 of this Agreement during which the Facility or any part thereof is outstanding and for which an Interest Rate in respect thereof is to be established hereunder;

" **Interest Rate** " means (save as provided in Clause 8) the rate of interest applicable to the Facility (or any part thereof) during each Interest Period in respect thereof which is/are conclusively certified by the Lender to the Borrower to be the aggregate of (a) the Applicable Margin and (b) LIBOR;

" **ISM Code** " means, in relation to its application to the Borrower, the Ship and her operation:

(a) 'The International Management Code for the Safe Operation of Ships and for Pollution Prevention', currently known or referred to as the 'ISM Code', adopted by the Assembly of the International Maritime Organisation by Resolution A.741(18) on 4 November 1993 and incorporated on 19 May 1994 into chapter IX of the International Convention for the Safety of Life at Sea 1974 (SOLAS 1974); and

(b) all further resolutions, circulars, codes, guidelines, regulations and recommendations which are now or in the future issued by or on behalf of the International Maritime Organisation or any other entity with responsibility for implementing the ISM Code, including without limitation, the 'Guidelines on implementation or administering of the International Safety Management (ISM) Code by Administrations produced by the International Maritime Organisation pursuant to Resolution A.788(19) adopted on 25 November 1995,

as the same may be amended, supplemented or replaced from time to time;

" **ISM Code Documentation** " includes, in relation to the Ship:

(a) the document of compliance (DOC) and safety management certificate (SMC) issued pursuant to the ISM Code within the periods specified by the ISM Code; and

(b) all other documents and data which are relevant to the ISM SMS and its implementation and verification which the Lender may require; and

(c) any other documents which are prepared or which are otherwise relevant to establish and maintain compliance of the Ship or the compliance of the Borrower with the ISM Code which the Lender may require;

" **ISM SMS** " means, in relation to the Ship, the safety management system for the Ship, which is required to be developed, implemented and maintained by the Borrower under the ISM Code;

" **ISPS Code** " means the International Ship and Port Facility Security Code adopted by the International Maritime Organization Assembly as the same may have been or may be amended or supplemented from time to time;

" **ISPS Code Documentation** " includes in relation to the Ship:

(a) the International Ship Security Certificate issued pursuant to the ISPS Code within the periods specified by the ISPS Code; and

(b) all other documents and data which are relevant to the ISPS Code and its implementation and verification which the Lender may require;

" **Lender** " means HSBC BANK PLC., a banking company duly incorporated under the laws of England whose registered office is at 8 Canada Square, London E14 5HQ England, acting for the purposes of this Agreement through its branch at 93 Akti Miaouli, 185 38 Piraeus, Greece and shall include its successors and assigns;

" **Leverage Ratio** " means, in respect of an Accounting Period, the ratio of the Consolidated Debt as stated in the then most recent Accounting Information to the Market Value Adjusted Total Assets of the Group, relevant to such Accounting Period;

" **LIBOR** " means, for each Interest Period:

(a) the rate per annum equal to the offered quotation for deposits in Dollars for a period equal to, or as near as possible equal to, the relevant Interest Period which appears on the appropriate page of the Reuters Monitor Money Rates Service at or about 11.00 a.m. (London time) on the Interest Determination Date for that Interest Period (or on such other service as may be nominated by the British Bankers' Association as the information vendor for the purpose of displaying British Bankers' Association Interest Settlement Rates for Dollars); or

(b) if no rate is quoted on the appropriate page of the Reuters Monitor Money Rates Service, the rate per annum determined by the Lender to be the arithmetic mean (rounded upwards, if necessary, to the nearest one-sixteenth of one per cent) of the rates per annum at which deposits in Dollars are offered to the Lender by leading banks in the London Interbank Market, at the Lender's request at or about 11.00 a.m. (London time) on the Interest Determination Date for that Interest Period for a period equal to that Interest Period and for delivery on the first Banking Day of it;

" **Loan Account** " means collectively the account or accounts maintained by the Lender referred to in Clause 12;

" **Major Casualty** " means, in relation to the Ship, any casualty to the Ship in respect of which the claim or the aggregate of the claims against all insurers, before adjustment for any relevant franchise or deductible, exceeds Five hundred thousand Dollars ($500,000) or the equivalent in any other currency;

" **Management Agreement** " means the management agreement in respect of the Ship made or (as the context may require) to be made by and between the Borrower and the Manager in form and substance satisfactory to the Lender as the same may from time to time be materially amended, varied or supplemented with the Lender's prior written consent, such consent not to be unreasonably withheld;

" **Manager** " means **EUROBULK LTD.** , a company organised and existing under the laws of Liberia, with its registered office at 80 Broad Street, Monrovia, Liberia, having established an office in Greece under Law 89/67 (as in force) at Aethrion Centre, 40, Ag. Konstantinou Street, Marousi 15124, Athens, Greece or any other company approved by the Lender as manager of the Ship;

" **Manager's Undertaking** " means in relation to the Ship, a letter of undertaking including, where appropriate, an assignment of any insurances of which the Manager is a beneficiary to be executed by the Manager in favour of the Lender, in such terms as the Lender may approve or require;

" **Market Value** " means in respect of each of the Fleet Vessels (including without limitation the Ship), the value thereof determined in accordance with the provisions of Clause 20.25;

" **Market Value Adjusted Net Worth** " means at any relevant time the amount obtained by deducting from the Market Value Adjusted Total Assets the amount of the Total Liabilities;

" **Market Value Adjusted Total Assets** " means at any relevant time the Total Assets as adjusted by replacing the Fleet Book Value with the Fleet Market Value;

"Master Agreement" means the master agreement (on the 1992 ISDA (Multicurrency – Crossborder) form) made or to be made between the Borrower and the Lender and includes all Designated Transactions from time to time entered into and Confirmations from time to time exchanged thereunder;

" **Mortgage** " means together the first preferred Liberian mortgage on the Ship, to be granted by the Borrower to the Lender to secure the due payment of the Indebtedness in form and substance satisfactory to the Lender as the same may from time to time be amended, varied or supplemented;

" **NASDAQ** " means the National Association of Securities Dealers Automated Quotation;

" **Nomination Date** " means the Banking Day which is three (3) Banking Days prior to the commencement of an Interest Period;

" **Notice of Drawdown** " means the written notice given by the Borrower to the Lender pursuant to Clause 5.01.02 substantially in the form set out in Schedule 1 hereto;

" **Permitted Liens** " means any supplier's, carrier's, workman's or similar lien arising in the ordinary course of business automatically by statute or by operation of law and not by way of contract in respect of amounts not yet due and payable but excluding any lien arising from any default or omission of the Security Parties or any of them;

" **Possible Event of Default** " means an event which with the giving of notice, lapse of time or the fulfilment of any other condition or any combination of the foregoing may become an Event of Default;

" **Proceeds** " means the proceeds paid under the terms of this Agreement, the Master Agreement and the other Security Documents (including but not limited to the proceeds of any sale of the Ship, the Earnings and the Insurances), the proceeds from the enforcement of any of the Security Documents, and following an Event of Default any moneys to the credit of the Earnings Account and the Retention Account or either of them;

" **Protection and Indemnity risks** " means the usual risks covered by a protection and indemnity association that is a member of the International Group of Protection and Indemnity Associations, including the proportion not otherwise recoverable in case of collision under the ordinary running-down clause;

" **Purchase Documents** " means in relation to the Ship collectively all contracts, bills of sale and other documents whatsoever whereby the Seller contracted to sell the Ship to the Borrower and the Borrower contracted to and did purchase and acquire title for the Ship from the Seller;

" **Relevant Ship** " means all Fleet Vessels, (including without limitation the Ship), and any other ship from time to time owned, managed or crewed by, or demise or bareboat chartered to the Borrower, the Manager or any other member of the Group;

" **Repayment Dates** " means, collectively, the First Repayment Date and each of the thirty one (31) dates falling at consecutive three (3) monthly intervals thereafter; provided that if any such day is not a Banking Day the relevant Repayment Date shall be the next succeeding day which is a Banking Day unless such next succeeding Banking Day falls in another calendar month in which event the relevant Repayment Date shall be the immediately preceding Banking Day;

" **Repayment Instalments** " means, in respect of the Facility, collectively the Repayment Instalments referred to in Clause 10.01(a) and in the singular means any of them;

" **Requisition Compensation** " means all compensation payable by reason of any Compulsory Acquisition of the Ship;

"Retention Account" means the account Nr. 001.044296.037 opened in the name of the Borrower where monies shall be deposited in accordance with Clause 25.02 such account to include any substitute account or revised account or revised designation or number whatsoever and any deposit account to which monies from such account may from time to time be paid on a time deposit basis;

" **Retention Account Charge** " means the assignment, pledge and charge to be granted by the Borrower to the Lender on the Retention Account in form and substance satisfactory to the Lender, as the same may from time to time hereafter be amended or supplemented;

" **Security Documents** " means collectively this Agreement, the Master Agreement, the Accounts' Charges, the General Assignment, the Manager's Undertaking, the Mortgage, the Guarantee any other documents as may have been or shall from time to time after the date of this Agreement be executed pursuant hereto and/or thereto as security for the due payment of the Indebtedness;

" **Security Parties** " means each party to the Security Documents (other than the Lender) and, in the singular, means any of them;

" **Security Period** " means the period during which the Security Documents remain in effect and ending when the Indebtedness is paid in full;

" **Seller** " means Messrs. **Pantelis Shipping Limited** , a corporation organised and existing under the laws of Malta, having its registered office at Mayflower Court, Apt. 8, St. Aloysius Street, Msida, Malta;

" **Ship** " means the motor vessel " *PANTELIS"* , a bulk carrier vessel, built in 2000, registered in the ownership of the Borrower under the Liberian flag, at the Ships Registry of Monrovia, Liberia, with IMO No 9207730;

" **Subsidiary** " of a person means: (a) any other person directly or indirectly Controlled by that person; or (b) any other person whose dividends or distributions on ordinary voting share capital that person is entitled to receive more than fifty per cent (50%); or (c) any entity (whether or not so Controlled) treated as a Subsidiary in the financial statements of that person from time to time;

" **Swap Exposure** " means, at any relevant date, the amount certified by the Lender (whose certificate shall in the absence of manifest error be conclusive and binding on the Borrower and the Lender) to be the aggregate net amount in Dollars which would be payable by the Borrower to the Lender, under (and calculated in accordance with) section 6(e) (Payments on Early Termination) of the Master Agreement if an Early Termination Date had occurred on the relevant date in relation to all continuing Designated Transactions entered into between the Borrower and the Lender;

" **Taxes** " means all present and future taxes, levies, imposts, duties, charges, fees, deductions and withholdings, and any restrictions or conditions resulting in a charge (other than taxes on the overall net income of the Lender) and " **Tax** " and " **Taxation** " shall be construed accordingly;

" **Termination Date** " means the 28 th December 2009 or such later date as the Lender may approve in writing;

" **Total Assets** " means at any relevant time the total assets (excluding cash and cash equivalents) of the Group as stated in the most recent combined Accounting Information of the Group;

" **Total Liabilities** " means at any relevant time the total liabilities of the Group as stated in the most recent combined Accounting Information of the Group;

" **Total Loss** " means:

(a) the actual or constructive or compromised or arranged or agreed total loss of the Ship; and

(b) the Compulsory Acquisition of the Ship; and

(c) the hijacking, theft, condemnation, capture, seizure, arrest, detention or confiscation of a Ship (other than where the same amounts to the Compulsory Acquisition of a Ship) by any Government Entity or by persons acting or purporting to act on behalf of any Government Entity unless such Ship be released and restored to the Owner thereof from such hijacking, theft, condemnation, capture, seizure, arrest, detention or confiscation within thirty (30) days after the occurrence thereof;

"Transaction" has the meaning ascribed to it in the Master Agreement.

" **US GAAP** " means generally accepted accounting principles adopted in the United States;

" **War Risks** " includes all risks referred to in the Institute Time Clauses (Hulls) (1/10/83) and (1/11/95) including, but not limited to, the risk of mines, blocking and trapping, missing vessel, confiscation and all risks excluded by Clause 22 of the Institute Time Clauses (Hulls) (1/10/83) or Clause 23 of the Institute Time Clauses (Hulls) (1/10/83) or Clause 24 of the Institute Time Clauses (Hulls) (1/11/1995).

2.02 In this Agreement clause headings are for ease of reference only and shall be disregarded in the construction of this Agreement.

2.03 In this Agreement unless the context otherwise requires:

2.03.01 words importing the singular number shall include the plural and vice versa;

2.03.02 fees, costs and expenses shall be exclusive of any value added tax or similar tax (if any) which shall accordingly be payable in addition;

2.03.03 any reference to a document or instrument is a reference to that document or instrument as the same may have been, or may from time to time be amended or supplemented;

2.03.04 the liquidation, winding-up or dissolution of a company or body corporate or the appointment of a receiver, administrative receiver, manager or administrator of or in relation to a company or corporation or any of its assets shall be construed so as to include any equivalent or analogous proceedings under the laws of the jurisdiction in which it is incorporated or any jurisdiction in which it carries on business or has assets or liabilities;

2.03.05 references to persons include any individual, partnership, firm, trust, body corporate, government, governmental body, authority, agency, unincorporated body of persons or association;

2.03.06 a reference to any enactment or statutory provision include any enactment or statutory provision which amends, extends, consolidates or replaces the same or which has been amended, extended, consolidated or replaced by the same and shall include any orders, regulations, codes of practice, instruments or other subordinated legislation made under the relevant enactment or statutory provision;

2.03.07 " **month** " means a period beginning in one calendar month and ending in the next calendar month on the day numerically corresponding to the day of the calendar month on which it started, provided that (a) if the period started on the last Banking Day in a calendar month or if there is no such numerically corresponding day, it shall end on the last Banking Day in such next calendar month and (b) if such numerically corresponding day is not a Banking Day, the period shall end on the next following Banking Day in the same calendar month but if there is no such Banking Day it shall end on the preceding Banking Day and " **months** " and " **monthly** " shall be construed accordingly; and

2.03.08 the words 'herein', 'hereto' and 'hereunder' refer to this Agreement as a whole and not to the particular Clause or Schedule in which the words may be used.

3. THE FACILITY - AVAILABILITY

3.01 Subject to the terms and conditions hereof and in reliance (inter alia) of the representations and warranties of the Borrower and of the other Security Parties set out herein and in the other Security Documents, the Lender hereby agrees to make available to the Borrower, in one advance and for the purposes stated in Clause 1, the Facility in the principal amount of up to Thirteen million Dollars ($13,000,000);

3.02 The Borrower undertakes to apply the proceeds of the Facility for the purposes stated in Clause 1; the Lender shall be entitled (but not obliged) to monitor the application of such proceeds;

3.03 Subject as herein provided, the Facility is available to be drawn by the Borrower only during the Availability Period. Any part of the Facility, which remains undrawn at the close of business in Piraeus on the Termination Date shall be automatically cancelled.

4. HEDGING STRATEGY

4.01 The Borrower acknowledges the significance of addressing the interest rate risk inherent in this Agreement in cooperation with the Lender. Along these lines:

4.01.01 the Borrower undertakes to establish, together with the Lender, mechanisms to monitor the interest rate exposure and evaluate available hedge strategies;

4.01.02 the Borrower invites the Lender to provide on a regular basis hedging ideas and products; and

4.01.03 the Borrower undertakes that it shall, by no later than the date falling six (6) months from the Drawdown Date, enter into a Designated Transaction so as to limit its exposure under this Agreement to interest rate fluctuations on terms and conditions mutually agreed between the Borrower and the Lender.

4.02 Any Designated Transaction shall be entered into on the basis of the Master Agreement and pursuant to the strategy set out herein and shall be concluded with the Lender.

4.03 No Designated Transaction may be entered into by the Borrower:

4.03.01 if a material adverse change occurs in the financial condition or operation of any one or more of the Security Parties or any other member of the Group and/or if any other Event of Default or a Possible Event of Default occurs;

4.03.02 for a period longer than five (5) years, commencing on the date of the conclusion of the first Designated Transaction (by the time provided for in Clause 4.01.03);

4.03.03 for an amount less than or equal to the whole amount of the Facility, as reducing from time to time thereafter pursuant to Clause 10.01 so that the notional principal amount of the continuing Designated Transactions does not (taking into account the scheduled amortisation) exceed at any relevant time the amount of the Facility as reducing from time to time thereafter pursuant to Clause 10.01;

4.03.04 if the Lender determines that at the relevant time the Swap Exposure exceeds, or might exceed as a result thereof, the amount of One million Five hundred thousand Dollars ($1,500,000);

4.04 Without prejudice and in addition to the Borrower's obligations under Clause 21, if at any time during the Security Period, the Lender determines that the Swap Exposure exceeds the amount of One hundred thousand Dollars ($100,000), the Borrower shall provide the Lender, within fifteen (15) days of being advised by the Lender of such excess, with additional security in form and substance in all respects acceptable to the Lender (valued in accordance with normal banking practice) and which in the sole opinion of the Lender provides security in an amount at least equal to the amount of such excess. Such additional security to be constituted by:

4.04.01 pledged cash deposits to the credit of the Retention Account in an amount sufficient to cover such excess and/or;

4.04.02 any other security acceptable to the Lender, provided in a manner satisfactory to the Lender in its sole discretion.

4.05 Notwithstanding any provision of this Agreement and/or the Master Agreement to the contrary, if for any reason a Designated Transaction has been entered into but the Facility is not drawn under this Agreement then, subject to clause 4.06, the Lender shall be entitled but not obliged (and, where relevant, may do so without the consent of the Borrower where it would otherwise be required whether under the Master Agreement or otherwise) to amend, supplement, cancel, net out, terminate, liquidate, transfer or assign all or any part of the rights, benefits and obligations created by such Designated Transaction and/or the Master Agreement and/or to obtain or re-establish any hedge or related trading position in any manner and with any person the Lender in its absolute discretion may determine.

4.06 If a Designated Transaction has been entered into but the Facility is not drawn down under this Agreement and the Lender in its absolute discretion agrees, following a written request of the Borrower, that the Borrower may be permitted to maintain all or part of a Designated Transaction, the Borrower shall, within fifteen (15) days of being notified by the Lender of such requirement, provide the Lender with, or procure the provision to the Lender of, such additional security as shall in the opinion of the Lender be adequate to secure the performance of such Designated Transaction, which additional security shall take such form and be constituted by such documentation, as the Lender in its absolute discretion may approve or require.

4.07 The Borrower shall on the first written demand of the Lender indemnify the Lender in respect of all losses, costs and expenses (including, but not limited to, legal costs and expenses) incurred or sustained by the Lender as a consequence of or in relation to the effecting of any matter or transactions referred to in Clauses 4.05 and 4.06.

4.08 Without prejudice to or limitation of the obligations of the Borrower under Clause 4.07, in the event that the Lender exercises any of its rights under Clauses 4.05 or 4.06 and such exercise results in all or part of a Designated Transaction being terminated such termination shall be treated under the Master Agreement in the same manner as if it were a Terminated Transaction (as defined in section 14 of the Master Agreement) effected by the Lender after an Event of Default (as so defined in that section 14) by the Borrower and, accordingly, the Lender shall be permitted to recover from the Borrower a payment for early termination calculated in accordance with the provisions of section 6(e)(i) of the Master Agreement.

5. NOTICE OF DRAWDOWN

5.01 Subject to:

5.01.01 the receipt by the Lender of the documents and satisfaction of the other conditions specified in Clause 17 in form and substance satisfactory to the Lender and its legal advisers before the Drawdown Date; and

5.01.02 the receipt by the Lender of a Notice of Drawdown in the form set out in Schedule 1 hereto not later than 11.00 a.m. (London time) three (3) Banking Days prior to the Drawdown Date setting out the date of the proposed Drawdown the Facility shall be made available to the Borrower in accordance with and on the terms and conditions of this Agreement.

5.02 The Notice of Drawdown shall be irrevocable and the Borrower shall be bound to borrow in accordance with such notice.

5.03 On payment of the amount drawn in respect of the Facility, the Borrower shall sign an Acknowledgement in the form set out in Schedule 2 hereto.

5.04 If the Borrower gives the Notice of Drawdown pursuant to Clause 5.01.02 and the Lender makes arrangements on the basis of such notice to acquire Dollars in the London Interbank Market to fund the Facility or any part thereof and the Borrower is not permitted or otherwise fails to borrow in accordance with such Notice of Drawdown (either on account of any condition precedent not being fulfilled or otherwise) the Borrower shall indemnify the Lender against any damages, losses or expenses which the Lender may incur (either directly or indirectly) as a consequence of the failure by the Borrower to borrow in accordance with such Notice of Drawdown.

6. INTEREST PERIODS

6.01 Subject as provided in Clause 6.02, the Interest Periods applicable to the Facility shall (subject to market availability) be periods of a duration of one (1), two (2), three (3), six (6), nine (9) or twelve (12) months as selected by the Borrower by written notice to be received by the Lender not later than 11.00 a.m. (London time) on the Nomination Date;

6.02 Notwithstanding the provisions of Clause 6.01:

6.02.01 the initial Interest Period in respect of the Facility shall commence on the Drawdown Date thereof and shall end on the 29 th December 2009 and each subsequent Interest Period shall commence on the expiry of the preceding Interest Period in respect thereof;

6.02.02 if any Interest Period would otherwise end on a day which is not a Banking Day, that Interest Period shall be extended to the next succeeding day which is a Banking Day unless such next succeeding Banking Day falls in another calendar month in which event that Interest Period shall end upon the immediately preceding Banking Day;

6.02.03 if any Interest Period commences on the last Banking Day in a calendar month or if there is no numerically corresponding day in the month in which that Interest Period ends, that Interest Period shall end on the last Banking Day in that later month;

6.02.04 where any Repayment Date occurs other than at the end of an Interest Period there shall in respect of that part of the Facility equivalent to the amount of the Repayment Instalment falling due on such Repayment Date be a separate Interest Period expiring on such Repayment Date and the Interest Rate relating to such part shall be fixed separately;

6.02.05 no Interest Period shall extend beyond the final Repayment Date;

6.02.06 if the Borrower fails to select an Interest Period in accordance with the above, such Interest Period shall be of three (3) months duration or of such other duration as the Lender in its sole discretion may select; and

6.02.07 save as provided in Clause 6.02.04 the Borrower shall not select more than one Interest Periods at any one time.

7. INTEREST

7.01 Subject to the terms of this Agreement the Borrower shall pay to the Lender interest in respect of the Facility accruing at the Interest Rate for each Interest Period relating thereto in arrears on the final day of such Interest Period, provided however that if any Interest Period is of a duration longer than three (3) months, accrued interest in respect of the Facility shall be payable quarterly in arrears during such Interest Period.

7.02 Interest shall be calculated on the basis of the actual number of days elapsed and a three hundred and sixty (360) day year.

7.03 The Lender will calculate and determine the Interest Rate applicable for the Facility, each determination being promptly notified by the Lender to the Borrower at the beginning of each Interest Period in respect thereof. The Lender's certificate as to the Interest Rate applicable shall be final and (except in the case of manifest error) binding on, the Borrower and the other Security Parties.

7.04 In the event of a failure by the Borrower to pay any amount on the date on which such amount is due and payable pursuant to this Agreement and/or any one or more of the other Security Documents (unless otherwise specifically provided in any Security Document) and irrespective of any notice by the Lender or any other person to the Borrower in respect of such failure, the Borrower shall pay interest on such amount on demand from the date of such default up to the date of actual payment (as well after as before judgment) at the rate per annum which is the aggregate of (a) Two percent (2%) and (b) the Applicable Margin and (c) the rate at which the Lender in accordance with its normal practice is offered deposits in Dollars in the London Interbank Market for such period as the Lender may select at or about 11.00 a.m. (London time) on the Banking Day immediately following that on which the Lender becomes aware of such failure and, so long as such failure continues, such rate shall be recalculated on the same basis thereafter.

7.05 Any interest which shall have accrued under Clause 7.04 in respect of an unpaid amount shall be due and payable at the end of the period by reference to which it is calculated or such other date or dates as the Lender may specify by written notice to the Borrower.

7.06 Clauses 7.02 and 7.03 shall apply to the calculation of interest on amounts in default.

8. SUBSTITUTE BASIS

8.01 If the Lender determines (which determination shall be conclusive) that:

8.01.01 at 11.00 a.m. (London time) on any Interest Determination Date the Lender was not being offered by banks in the London Interbank Market deposits in Dollars in the required amount and for the required period; or

8.01.02 by reason of circumstances affecting the London Interbank Market such deposits are not available to the Lender in such market; or

8.01.03 adequate and reasonable means do not or will not exist for the Lender to ascertain the Interest Rate applicable to the next succeeding Interest Period; or

8.01.04 Dollars will or may not continue to be freely transferable;

then, and in any such case the Lender shall give notice of any such event to the Borrower and in case any of the above occurs on the Interest Determination Date prior to the Drawdown Date the Borrower's right to borrow the Facility shall be suspended during the continuation of such circumstances.

8.02 If, however, any of the events described in Clause 8.01 occurs on any other Interest Determination Date relative to the Facility or any part thereof, then the duration of the relevant Interest Period(s) shall be up to one (1) month and during such Interest Period the Interest Rate applicable to the Facility or the relevant part thereof shall be the rate per annum determined by the Lender rounded upwards to the nearest whole multiple of one sixteenth per cent (1/16th%) to be the aggregate of the Applicable Margin and the cost (expressed as a percentage rate per annum) to the Lender of funding the amount of the Facility during such Interest Period(s).

8.03 During such Interest Period(s) the Borrower and the Lender shall negotiate in good faith in order to agree an Interest Rate or Rates and Interest Period or Periods satisfactory to the Borrower and the Lender to be substituted for those which but for the occurrence of any such event as specified in this Clause would have applied. If the Borrower and the Lender are unable to agree on such an Interest Rate (s) and Interest Period(s) by the day which is two (2) Banking Days before the end of the Interest Period referred to above, the Borrower shall repay the Facility together with accrued interest thereon at the Interest Rate set out above together with all other amounts due under this Agreement relative to the Facility but without any prepayment fee, on the last day of such Interest Period.

9. PREPAYMENT

9.01 The Borrower shall be obliged to prepay the total amount of the Indebtedness if the Ship is sold or becomes a Total Loss or the Mortgage on the Ship is discharged:

(a) in the case of a sale of the Ship, on or before the date on which such sale is completed by delivery of the Ship to its buyer; or

(b) in the case of a Total Loss, on the earlier or the date falling one hundred eighty (180) days after the date of occurrence of such Total Loss and the date or receipt by the Lender of the proceeds of insurance relating to such Total Loss; or

(c) in the case the Mortgage on the Ship is discharged (other than in the circumstances referred to in paragraph (a) above and where the Borrower and the other Security Parties have discharged all their obligations, whether actual or contingent, under this Agreement, the Master Agreement and the other Security Documents), on or before the date on which the Mortgage on the Ship is discharged.

9.02 For the purposes of Clause 9.01 a Total Loss shall be deemed to have occurred

(a) in the case of an actual total loss of the Ship on the actual date and at the time the Ship was lost or if such date is not known, on the date on which the Ship was last reported;

(b) in the case of a constructive total loss of the Ship upon the date and at the time notice of abandonment of the Ship is given to the Insurers of the Ship for the time being (provided a claim for such total loss is admitted by such Insurers) or, if such Insurers do not admit such a claim, or, in the event that such notice of abandonment is not given by the Borrower to the Insurers, on the date and at a time on which the incident which may result, in the Ship, being subsequently determined to be a constructive total loss has occurred;

(c) in the case of a compromised or arranged total loss of the Ship, on the date upon which a binding agreement as to such compromised or arranged total loss has been entered into by the Insurers of the Ship;

(d) in the case of Compulsory Acquisition of the Ship, on the date upon which the relevant requisition of title or other compulsory acquisition occurs; and

(e) in the case of hijacking, theft, condemnation, captured, seizure, arrest, detention or confiscation of the Ship (other than where the same amounts to Compulsory Acquisition of the Ship by any Government Entity, or by persons purporting to act on behalf of any Government Entity), which deprives the Borrower thereof of the use of the Ship for more than thirty (30) days, upon the expiry of the period of thirty (30) days after the date upon which the relevant hijacking, theft, condemnation, capture, seizure, arrest, detention or confiscation occurred.

9.03 On giving not less than ten (10) days' prior written notice to the Lender the Borrower may prepay all or any part of the Facility (but if in part the amount to be prepaid shall be equal to one Repayment Installment, or an multiple thereof) at the end of the then current Interest Period. The Borrower shall obtain any consent or approval from the relevant authorities that may be necessary to make any such prepayment of the Facility and if it fails to obtain and/or comply with the terms of such consent or approval and in consequence thereof the Lender has to repay the amount prepaid or the Lender incurs any penalty or loss then the Borrower shall indemnify the Lender forthwith against all amounts so repaid and/or against all such penalties and losses incurred.

9.04 Prepayments under Clause 9.03 shall be applied first against the Balloon Payment and thereafter against the Repayment Installments in inverse order of maturity or in any other manner as the Lender may determine in its sole discretion.

9.05 Save as otherwise herein expressly provided, any prepayment of the Facility made or deemed to be made under this Agreement shall, if made otherwise than at the end of an Interest Period relative to the amounts prepaid, be made together with accrued interest thereon and such additional amount (if any) as the Lender may certify as necessary to compensate the Lender for any Broken Funding Costs incurred or to be incurred by it as a result of such prepayment including any loss of the Applicable Margin up to the end of the then current Interest Period in respect of the whole amount of the Facility which is outstanding at the beginning of such Interest Period.

9.06 Any notice of prepayment given by the Borrower under this Agreement shall be irrevocable and the Borrower shall be bound to prepay in accordance with each such notice.

9.07 The Borrower may not prepay all or any part of the Facility except in accordance with the express terms of this Agreement.

9.08 On or prior to any prepayment of the Facility or any part thereof under this Clause 9 or any other provision of this Agreement, the Borrower shall wholly or partially reverse, offset, unwind or otherwise terminate one or more of the continuing Designated Transactions as applicable so that the notional principal amount of the continuing Designated Transactions thereafter remaining does not and will not in the future (taking into account the scheduled amortization) exceed the amount of the Facility as reducing from time to time thereafter pursuant to Clause 10.01.

9.09 Without prejudice to the foregoing, if less than the full amount of the Facility remains outstanding following a prepayment under this Agreement and the Lender in its absolute discretion agrees, following a written request of the Borrower, that the Borrower may be permitted to maintain all or part of a Designated Transaction in an amount not wholly matched with or linked to all or part of the Facility, the Borrower shall, within fifteen (15) days of being notified by the Lender of such requirement, provide the Lender with, or procure the provision to the Lender of, such additional security as shall in the opinion of the Lender be adequate to secure the performance of such Designated Transaction, which additional security shall take such form and be constituted by such documentation, as the Lender in its absolute discretion may approve or require.

9.10 Notwithstanding any provision of the Master Agreement to the contrary, in the case of a prepayment of all or part of the Facility (including, without limitation, following the occurrence of a Total Loss or upon a sale of the Ship or the discharge of the Mortgage in accordance with Clause 9.01 or under clauses 8, 14 or 21) then, subject to Clause 9.09, the Lender shall be entitled but not obliged (and, where relevant, may do so without the consent of the Borrower, where it would otherwise be required whether under the Master Agreement or otherwise) to amend, supplement, cancel, net out, terminate, liquidate, transfer or assign all or any part of the rights, benefits and obligations created by any Designated Transaction and/or the Master Agreement and/or to obtain or re-establish any hedge or related trading position in any manner and with any person the Lender in its absolute discretion may determine and both the Lender's and the Borrower's continuing obligations under any Designated Transaction and/or the Master Agreement shall, unless agreed otherwise by the Lender, be calculated so far as the Lender considers it practicable by reference to the amended repayment schedule for the Facility taking into account the fact that less than the full amount of the Facility remains outstanding.

9.11 The Borrower shall on the first written demand of the Lender indemnify the Lender in respect of all losses, costs and expenses (including, but not Corp. to, legal costs and expenses) incurred or sustained by the Lender as a consequence of or in relation to the effecting of any matter or transactions referred to in Clauses 9.09 and 9.10.

9.12 Without prejudice to or limitation of the obligations of the Borrower under Clause 9.11, in the event that the Lender exercises any of its rights under Clauses 9.09 or 9.10 and such exercise results in all or part of a Designated Transaction being terminated such termination shall be treated under the Master Agreement in the same manner as if it were a Terminated Transaction (as defined in section 14 of the Master Agreement) effected by the Lender after an Event of Default (as so defined in that section 14) by the Borrower and, accordingly, the Lender shall be permitted to recover from the Borrower a payment for early termination calculated in accordance with the provisions of section 6(e)(i) of the Master Agreement.

10. REPAYMENT:

10.01 The Borrower shall repay the Facility by:

a) thirty two (32) consecutive three monthly Repayment Instalments, the first four (4) of which shall be in the amount of Five hundred thousand Dollars ($500,000) each, and the succeeding twenty eight (28) Repayment Instalments shall be in the amount of Two hundred Eighty thousand Dollars ($280,000) each, the first such Repayment Instalment being due and payable on the First Repayment Date and each of the succeeding thirty one (31) such Repayment Instalments, on the thirty one (31) Repayment Dates falling at consecutive three (3) monthly intervals thereafter, with the thirty second (32 nd) and final such Repayment Instalment being due and payable on the thirty second (32 nd) and final Repayment Date;

and

b) the Balloon Payment payable together with the thirty second (32 nd) Repayment Instalment referred to in sub-paragraph 10.01(a) above on the thirty second (32 nd) and final Repayment Date;

Provided however, that if the amount of the Facility actually drawn is less than Dollars Thirteen million ($13,000,000) then the Balloon Payment and the Repayment Instalments shall be reduced pro rata by the undrawn amount.

10.02 Each Repayment Instalment and the Balloon Payment shall be paid in Dollars; and

10.03 Any amounts repaid or prepaid under this Agreement may not be re-borrowed.

10.04 On or prior to any repayment of the Facility or any part thereof under this Clause 10, the Borrower shall wholly or partially reverse, offset, unwind or otherwise terminate one or more of the continuing Designated Transactions as applicable so that the notional principal amount of the continuing Designated Transactions thereafter remaining does not and will not in the future (taking into account the scheduled amortisation) exceed the amount of the Facility as reducing from time to time thereafter pursuant to Clause 10.01.

10.05 Without prejudice to the provisions of the foregoing Clause 10.04, Clauses 9.09, 9.10, 9.11 and 9.12 will also apply on the repayment of the Facility or any part thereof under this Clause 10.

11. APPLICATION OF PROCEEDS AND EARNINGS

11.01 All Proceeds received by the Lender shall, notwithstanding anything to the contrary whether express or implied, in any of this Agreement, the Master Agreement and/or the other Security Documents, be applied as follows:

(a) firstly, in or towards payment of all sums other than principal of or interest on the Facility which may be owing to the Lender under this Agreement and the other Security Documents or any of them;

(b) secondly, in or towards payment to the Lender of any interest owing in respect of the Facility or any part thereof under this Agreement and/or the other Security Documents, other than the Master Agreement;

(c) thirdly, in or towards payment to the Lender of principal owing in respect of the Facility;

(d) fourthly, in or towards payment to the Lender of any amount due to it in accordance with the provisions of Clause 27 by reason of any such payment in respect of the Facility not being effected on the last day of an Interest Period in respect of the total amount of the Facility or the relevant party thereof;

(e) fifthly, in or towards payment of any amounts then payable to the Lender under the Master Agreement and the other Security Documents including without limitation any net amount which the Borrower shall have become liable to pay or deliver under section 2 (Obligations) of the Master Agreement but shall have failed to pay or deliver to the Lender at the time of application or distribution under this Clause 11, or any part thereof;

(f) sixthly, at any time on or after the occurrence of an Event of Default or a Possible Event of Default in retention of a sum equal to the total of any and all other amounts which (in the reasonable opinion of the Lender) although not then due to the Lender under this Agreement, the Master Agreement and/or the other Security Documents will become so due to the Lender, such sums thereafter to be applied by the Lender from time to time in accordance with this Clause 11; and

(g) seventhly, the surplus (if any) shall be paid to the Borrower or to whomsoever else may be entitled to receive such surplus.

11.02 If any Proceeds recovered by the Lender have to be repaid by the Lender on the ground of unfair or fraudulent preference or on any other ground, the Lender shall have the same rights hereunder and/or under the other Security Documents against the Borrower as if such amounts had never been applied in payment of the Indebtedness.

11.03 The Borrower hereby undertakes to ensure that, throughout the Security Period all payments by the Lender to the Borrower under each Designated Transaction are paid to the Earnings Account.

12. EVIDENCE OF DEBT

12.01 The Lender shall maintain in accordance with its usual practice one or more Loan Accounts in the name of the Borrower evidencing the Indebtedness, which Loan Accounts shall collectively constitute the " **account current** " referred to in the Mortgage.

12.02 In any legal action or proceedings arising out of or in connection with this Agreement and/or the Master Agreement and/or the other Security Documents the entries made in the Loan Account(s) maintained pursuant to Clause 12.01 or a certificate signed by any two authorized officers of the Lender shall be conclusive evidence (save in the case of manifest error) of the existence and amounts of the liabilities of the Borrower therein recorded.

13. PAYMENTS

13.01 All amounts payable under this Agreement and/or the Master Agreement and/or the other Security Documents by the Borrower, including amounts payable under this Clause 13, shall be paid in full to the Lender without set-off or counterclaim or retention and free and clear of and without any deduction or withholding for or on account of any Taxes.

13.02 In the event the Borrower is required by law to make any such deduction or withholding from any payment hereunder then the Borrower shall forthwith pay to the Lender such additional amount as will result in the immediate receipt by the Lender (as the case may be) of the full amount which would have been received hereunder had no such deduction or withholding been made, but if the Lender shall be or become entitled to any Tax credit or relief in respect of any Tax which is deducted from any payment by the Borrower and if the Lender in its sole determination actually receives a benefit from such Tax credit or relief in its/their country of domicile, incorporation or residence, the Lender shall, subject to any laws or regulations applicable thereto, pay to the Borrower after such benefit is effectively received by the Lender such amounts (which shall be conclusively certified by the Lender) as shall ensure that the net amount actually retained by the Lender is equal to the amount which would have been retained if there had been no such deduction; the Borrower shall immediately forward to the Lender official receipt of the relevant taxation or other authority or other evidence acceptable to the Lender of the amount deducted or withheld as aforesaid, provided that in the event that it shall be illegal for the Borrower to pay such additional amount as is referred to in this Clause 13.02 then the Indebtedness shall be repayable by the Borrower to the Lender on demand.

13.03 All payments to be made by the Borrower under this Agreement and/or the Master Agreement and/or the other Security Documents shall be made in Dollars in immediately available and freely transferable and convertible funds not later than 11.00 a.m. London time on the date upon which the relevant payment is due to the Lender at such account as the Lender may from time to time nominate by written notice to the Borrower.

13.04 The Borrower undertakes to indemnify the Lender against any loss incurred by the Lender as a result of any judgment or order being given or made for the payment of any amount due hereunder and such judgment or order being expressed in a currency other than the currency in which the payment was due hereunder and as a result of any variation having occurred in rates of exchange between the date on which the currency is converted for the purpose of such judgment or order and the date of actual payment thereof. This indemnity shall constitute a separate and independent liability of the Borrower and shall continue in force and effect notwithstanding any such judgment or order as aforesaid.

14. CHANGE OF CIRCUMSTANCES

14.01 If:

14.01.01 any law, regulation, treaty or official directive (whether or not having the force of law) or the interpretation thereof by any authority charged with the administration thereof:

(a) subjects the Lender to any Tax with respect to payments of principal of or interest on the Facility or any other amount payable hereunder and/or under any of the other Security Documents; or

(b) changes the basis of Taxation of payments to the Lender of principal of or interest on the Facility or of any other amount payable hereunder and/or under any of the other Security Documents (other than a change in the rate of Tax on the overall net income of the Lender); or

(c) imposes, modifies or deems applicable any reserve and/or special deposit requirements against or in respect of assets or liabilities of, or deposits with or for the account of, or loans or credit extended by any office of the Lender; or

(d) imposes on the Lender any other condition affecting this Agreement, the Facility or its funding; or

14.01.02 the Lender complies with any request, law, regulation, including any regulation which relates to capital adequacy or liquidity control or which affects the manner in which the Lender allocates capital resources to its obligations under this Agreement (including without limitation, those resulting from the implementation or application of or compliance with the "International Convergence of Capital Measurement and Capital Standards, a Revised Framework" published by the Basel Committee on Banking Supervision in June 2004 in the form existing on the date of this Agreement (" **Basel II** ") or any other law or regulation which implements Basel II) or directive from any applicable fiscal or monetary authority (whether or not having the force of law) and as a result of any of the foregoing:

(a) the cost to the Lender of making, funding or maintaining the Facility is increased; or

(b) the amount of principal, interest or other amount payable to the Lender or the effective return to the Lender hereunder is reduced; or

(c) the Lender makes any payment or foregoes any interest or other return on or calculated by reference to the gross amount receivable by it from the Borrower hereunder,

then and in each such case upon demand from time to time the Borrower shall pay to the Lender such amount as shall compensate the Lender for such increased cost, reduction, payment or foregone interest or other return. If the Lender is entitled to make a claim pursuant to this Clause it shall notify the Borrower of the event by reason of which it is so entitled and shall submit to the Borrower a certificate setting out details of the event giving rise to such compensation, the amount thereof and the manner in which it has been calculated and in the absence of manifest error such certificate shall be conclusive.

On receipt of such certificate the Borrower shall have the option to prepay within ninety (90) days the Facility together with all interest accrued thereof and all costs and other amounts (including amounts payable referred to above and any Broken Funding Costs) payable to the Lender hereunder. If the Borrower decides to exercise such option it shall give written notice to the Lender and prepay the amount due to the Lender within ninety (90) days of the receipt of the certificate referred to above in accordance with the provisions of this Agreement. The Lender's duties and liabilities hereunder shall be cancelled on the giving of such notice.

14.02 Notwithstanding anything to the contrary herein contained, if any change in law, regulation or treaty or in the interpretation or application thereof by any authority charged with the administration thereof shall make it unlawful for the Lender to make, fund or maintain the Facility or any part thereof, the Lender may by written notice thereof to the Borrower declare that the Lender's duty to provide the Borrower with the Facility shall be terminated forthwith whereupon the Borrower will prepay forthwith (or if permitted by law on the next following Interest Payment Date) the Facility together with all interest accrued thereon and all other amounts payable to the Lender hereunder including any Broken Funding Costs. The Lender's duties and liabilities hereunder shall be cancelled on the giving of such notice.

14.03 If any of the events referred to in Clause 14.01 or Clause 14.02 shall occur, but without prejudice to the liability of the Borrower to prepay the Facility, the Borrower and the Lender shall negotiate in good faith with a view to agreeing terms for making the Facility available from another jurisdiction, or funding the Facility from alternative sources or otherwise restructuring the Facility on a basis which is not unlawful.

15. REPRESENTATIONS AND WARRANTIES

15.01 The Borrower hereby represents and warrants to the Lender that:

15.01.01 each Corporate Security Party is a company or corporation duly formed and validly existing under the laws of the country of its incorporation and has the power and authority to own its assets and carry on business in each jurisdiction in which it owns assets or carries on business and complies with all relevant legislation and laws and regulations (including but not limited to the laws and regulations relating to the listing of the shares of the Guarantor in NASDAQ) to the extend applicable to it **;**

15.01.02 each Security Party has power to enter into this Agreement, the Master Agreement and the other Security Documents to which it is a party and to perform and discharge its duties and liabilities hereunder and thereunder and the Borrower has the power to borrow hereunder and each Security Party has taken all necessary action (whether corporate or otherwise) required to authorise the execution, delivery and performance of this Agreement, the Master Agreement and the other Security Documents and the borrowings to be made hereunder;

15.01.03 the execution, delivery and performance of this Agreement, the Master Agreement and the other Security Documents will not contravene or exceed the powers granted to each Security Party or by, or any provision of, any law or regulation (including but not limited to the laws and regulations relating to the listing of the shares of the Guarantor in NASDAQ, as the case may be), in any jurisdiction to which the Security Parties or any of them are/is subject any order or decree of any governmental agency or court of or in any jurisdiction to which the Security Parties or any of them are/is subject, the certificates of incorporation, memoranda and articles of association of the Corporate Security Parties or any of them or any mortgage, deed, contract or agreement to which the Security Parties or any of them is/are a party and which is binding upon the Security Parties' assets, and will not cause any Encumbrance to arise over or attach to all or any part of any Security Party's revenues or assets nor require any Security Party to create any such Encumbrance;

15.01.04 all consents, licences, approvals, registrations, authorisations or declarations (including, without limitation, all foreign exchange control approvals) in any jurisdiction to which the Security Parties or any of them is/are subject required to enable the Borrower to borrow hereunder and the Borrower and the other Security Parties lawfully to enter into and perform and discharge their respective duties and liabilities under this Agreement, the Master Agreement and the other Security Documents, to which each of them is a party and to

ensure that the duties and liabilities of each of the Borrower and the other Security Parties hereunder and thereunder are legal, valid and enforceable in accordance with the terms of this Agreement, the Master Agreement and the other Security Documents, to which each of them is a party and to make this Agreement, the Master Agreement and the other Security Documents admissible in evidence in such aforesaid jurisdictions have been obtained or made and are in full force and effect;

15.01.05 this Agreement, the Master Agreement and the other Security Documents constitute the legal, valid, binding and unconditional duties and liabilities of each Security Party, as is a party thereto, enforceable against such Security Party (as the case may be) in accordance with the terms thereof;

15.01.06 Except where contested in good faith and by the appropriate proceedings, no Security Party has failed to pay when due any amount or to perform any duty under the provisions of any agreement relating to indebtedness in excess in the aggregate of One million Dollars ($1,000,000) to which it is a party or by which it may be bound and which would be materially adverse thereto and no event has occurred and is continuing which constitutes, or which with the giving of notice or lapse of time or both would constitute, a material breach or default by such Security Party under any such agreement;

15.01.07 no litigation or administrative proceedings in any court, arbitration tribunal or governmental authority are pending or, to the knowledge of the Borrower, threatened against any Security Party or any of its assets which might materially adversely affect such Security Party's ability to perform and discharge its duties and liabilities hereunder and under the Security Documents as is a party thereto;

15.01.08 the financial condition of the Borrower and the other Security Parties has not suffered any material deterioration since that condition was last disclosed to the Lender;

15.01.09 the information provided to the Lender in relation to this transaction is true and correct in all material respects and does not omit any material detail;

15.01.10 except for the registration of the Mortgage at the appropriate Registry of Ships in Liberia, it is not necessary or advisable to ensure the legality, validity, enforceability or admissibility in evidence of this Agreement, the Master Agreement and the other Security Documents, that any of them be filed, recorded or enrolled with any governmental authority or agency or that they be stamped with any stamp, registration or similar transaction tax in the United States or in United Kingdom or in the Marshall Islands or in the Republic of Liberia or in the Republic of Greece or in any other country where any Security Party carries on business;

15.01.11 the choice of law agreed to govern this Agreement, the Master Agreement and each other Security Document and the submission to the jurisdiction of the courts agreed herein and therein are or will be on execution of the respective Security Documents valid and binding on the Borrower and any other Security Party which is a party thereto;

15.01.12 no Security Party is entitled to claim any immunity in relation to itself or its assets under any law or in any jurisdiction in connection with any legal proceedings, set off or counterclaim relating to this Agreement, the Master Agreement and the other Security Documents to which it is a party or in connection with the enforcement of any judgment or order arising from such proceedings;

15.01.13 no Taxes are imposed by deduction withholding or otherwise or any other payment to be made by any Security Party under this Agreement, the Master Agreement and/or any of the other Security Documents or are imposed on or by virtue of the execution or delivery of this Agreement and/or the Master Agreement and/or any of the other Security Documents or any document or instrument to be executed or delivered hereunder or thereunder and all relevant tax returns have been filed;

15.01.14 save as herein provided, the Borrower has not authorized or accepted any capital commitments;

15.01.15 all the obligations and liabilities of the Borrower and the other Security Parties hereunder or under the other Security Documents rank and will rank at least *pari passu* in right of payments with all other unsubordinated indebtedness of the Borrower of the other Security Parties;

15.01.16 the giving of the Guarantee pursuant to this Agreement by the Guarantor is to the commercial benefit of the Guarantor;

15.01.17 the Accounting Information provided by the Borrower and/or the Guarantor to the Lender is complete and correct and present fairly the position of the members of the Group and the results of the operations of the members of the Group ended on the relevant date, and have been prepared in accordance with the Applicable Accounting Principles and practices consistently applied and give a true and fair view of the financial condition, assets and liabilities of the members of the Group therein stated at the date to which the Accounting Information have been prepared and since that date there has been no adverse change in the financial condition of the business, assets or operation of the members of the Group therein stated and/or the Group taken as a whole;

15.02 The Borrower hereby further represents and warrants to the Lender that on the Drawdown Date the following matters will be true and shall remain true in all material respects until full payment of all amounts payable hereunder:

15.02.01 the Ship has unconditionally been delivered by the Seller to and accepted by the Borrower pursuant to the relevant Purchase Documents and the full amount of the purchase price payable in respect thereof has been duly paid to the Seller and she will be duly registered in the ownership of the Borrower under the laws and flag of Liberia;

15.02.02 the Ship will be in the absolute and unencumbered ownership of the Borrower save as contemplated by this Agreement and the other Security Documents;

15.02.03 the Ship will maintain the highest class with the Classification Society free of all recommendations and qualifications of its Classification Society;

15.02.04 the Ship will be operationally seaworthy;

15.02.05 the Ship will comply in all material respects with all relevant laws, regulations and requirements (statutory or otherwise) including without limitation the ISM Code, the ISPS Code, the ISM Code Documentation and the ISPS Code Documentation as are applicable to (i) ships registered under the laws of the flag it is flying and (ii) engaged in the same or a similar service as the Ship is engaged;

15.02.06 the Ship will be under the management of the Manager under the terms of the Management Agreement;

15.02.07 the Ship will be insured in accordance with the provisions of this Agreement in respect of the Insurances;

15.02.08 the Borrower and the Manager will have complied with the provisions of all Environmental Laws in respect of the Ship (as appropriate);

15.02.09 the Borrower and the Manager will have obtained all Environmental Approvals and will be in compliance therewith in respect of the Ship (as appropriate).

15.03 The representations and warranties of the Borrower set out in Clauses 15.01 and 15.02 above shall survive the execution of this Agreement and the Master Agreement and shall be deemed to be repeated on the Drawdown Date and on each Interest Payment Date and on the date of entering into each Designated Transaction with respect to the facts and circumstances existing at each such time as if made at such time.

16. SECURITIES

16.01 The Borrower hereby agrees that the Security Documents shall secure with first priority the due payment of the Indebtedness.

16.02 It is declared and agreed in relation to the security created by the Security Documents that:

16.02.01 it shall be held by the Lender as a continuing security for the payment of the Indebtedness; and

16.02.02 the security so created shall not be satisfied or discharged by intermediate payment or satisfaction of any part of the amount secured thereunder; and

16.02.03 the security so created shall be in addition to and shall not in any way be prejudiced or affected by any collateral or other security now or hereafter held by the Lender for all or any part of the amounts thereby secured; and

16.02.04 every power and right given to the Lender hereunder shall be in addition to and not in limitation of any and every other power or right of the Lender under the Security Documents and may be exercised from time to time in such order and as often as the Lender may consider appropriate.

17. CONDITIONS PRECEDENT

17.01 Without prejudice to the provisions of Clause 5, the Lender shall have no obligation to permit the drawdown of the Facility (or any part thereof) and/or the entering into any Designated Transaction until the Lender has received the following documents or evidence in form and substance satisfactory to the Lender and its legal advisers:

17.01.01 a copy, certified as a true copy by the secretary of each Corporate Security Party of the resolutions of the board of directors authorising the transaction contemplated hereby and authorising a person or persons to sign or execute on behalf of each Corporate Security Party this Agreement, the Master Agreement, the Notice of Drawdown, the Acknowledgement (as in the form of Schedule 2 hereof) and the Security Documents as is a party thereto and in respect of the Borrower, a copy, certified as a true copy by the secretary of the Borrower, of the resolutions of its shareholders;

17.01.02 the originals of any power or powers of attorney granted pursuant to Clause 17.01.01;

17.01.03 certificate issued by the respective director or secretary of each Corporate Security Party specifying the Directors and Officers of each such Corporate Security Party (and of any corporate director and officer thereof), its authorized and issued share capital (and of any corporate shareholder thereof) and in respect of the Borrower, a certificate issued by the secretary of the Borrower, specifying the shareholders thereof;

17.01.04 certificates or other evidence satisfactory to the Lender, in its sole discretion of the existence and good standing of each Corporate Security Party dated not more than fifteen (15) days before the date of this Agreement;

17.01.05 copies, duly certified as a true copy by the respective director or secretary of each Corporate Security Party of the certificate of incorporation and the memorandum and articles of association or the articles of incorporation and By-laws (as the case may be) of each Corporate Security Party;

17.01.06 certified copies of all documents (with a certified translation if an original is not in English) evidencing any other necessary action (including but without limitation governmental approval, consents, licences, authorisations, validations or exemptions which the Lender or its legal advisers may require) by the Security Parties or any of them with respect to this Agreement, the Master Agreement and the other Security Documents;

17.01.07 evidence that the Accounts have been duly opened by the Borrower, as appropriate and all mandate forms, signature cards and authorities have been duly delivered and that each of such Accounts is free of all liens or charges other than the liens and charges in favour of the Lender pursuant to the Accounts' Charges;

17.01.08 the Master Agreement duly executed by the Borrower;

17.01.09 the Accounts' Charges duly executed by the Borrower;

17.01.10 the Guarantee duly executed by the Guarantor;

17.01.11 payment to the Lender of the fees payable to the Lender, in accordance with Clause 24;

17.01.12 evidence that the Ship is on the Drawdown Date duly registered in the ownership of the Borrower at the Ships Registry of the port of Monrovia, Liberia;

17.01.13 evidence that save for the Encumbrances created by the Security Documents there is no Encumbrance whatsoever on the Ship;

17.01.14 evidence that the Ship is insured in accordance with the provisions of this Agreement;

17.01.15 evidence that the Ship is classed at the highest classification status with the Classification Society free of recommendations or other conditions or notations affecting her class;

17.01.16 certified copies of the classification and international safety and trading certificates issued by the Classification Society of the Ship free of recommendations or other conditions affecting her class;

17.01.17 copies of ISM Code Documentation and the ISPS Code Documentation in relation to the Ship, the Borrower and the Manager;

17.01.18 the Mortgage on the Ship duly executed by the Borrower and registered at the Shipping Registry of Liberia;

17.01.19 the General Assignment duly executed by the Borrower;

17.01.20 notices of assignment of the Insurances in respect of the Ship duly signed by the Borrower;

17.01.21 notices of assignment of the Earnings duly signed by the Borrower;

17.01.22 certified copy of the Management Agreement;

17.01.23 the Manager's Undertaking, together with notices of assignment of the right, title and benefit of the Manager to the Insurances of the Ships, duly executed, as appropriate;

17.01.24 the opinion letters from counsels appointed and/or acceptable to the Lender in relation to this Agreement and the other Security Documents in form and substance satisfactory to the Lender;

17.01.25 a letter from the agents referred to in Clauses 37.04 and 37.05 addressed to the Lender confirming acceptance of their appointment as agents for service of process;

17.01.26 the copies of the Purchase Documents delivered by the Borrower to the Lender are true and complete copies thereof;

17.01.27 such further documents and evidence as the Lender may hereafter request.

17.02 The obligation of the Lender to advance the Facility is subject to the following further conditions:

17.02.01 that both at the date of the Drawdown Notice and on the Drawdown Date:

(i) no Event of Default or Possible Event of Default has occurred or might result from the making of the Facility; and

(ii) the representations and warranties of the Borrower set out in Clause 15 as well as the representations and warranties of the Borrower and of the other Security Parties (other than the Lender) set out to the other Security Documents are true and accurate in all material respects as of each such date, as if made on each such date with reference to the facts then subsisting.;

(iii) no material adverse change has occurred in the financial condition or operation of any one or more of the Security Parties or any other member of the Group;

(iv) that none of the circumstances specified in Clause 14 has occurred and its continuing;

17.02.02 that if the test set out in Clause 21 were applied immediately following the advance of the Facility, the Borrower would not be obliged to provide additional security or prepay part of the Facility as therein provided.

17.03 If the Lender, at its discretion, permits the Facility or any part thereof to be borrowed before certain of the conditions referred to in Clause 17.01, the Borrower shall ensure that those conditions are satisfied within five (5) Banking Days after the Drawdown Date (or such longer period as the Lender specifies).

18. FINANCIAL AND GENERAL UNDERTAKINGS

The Borrower undertakes with the Lender to comply with the following provisions of this Clause 18 at all relevant times during the Security Period, except as the Lender may otherwise permit:

18.01 to (and procure that the other Security Parties shall) supply the Lender with such number of copies as the Lender may require of (a) the annual Accounting Information of the Group, as soon as available but in any event not later than one hundred and fifty (150) days after the end of the relevant period to which they relate starting with the 2008 financial statements and (b) such other information with regard to the business, properties or financial condition of the Borrower, the Guarantor, the Manager and the other members of the Group as the Lender may from time to time reasonably request;

18.02 to procure that the Accounting Information to be delivered from time to time in accordance with Clause 18.01 shall be prepared in accordance with the Applicable Accounting Principles and practices consistently applied, which shall present fairly the financial positions, as at the end of each such financial year to which they relate, of the Group, and the results of their operations for the year to which the Accounting Information relate.

18.03 to (and procure that each other Security Party shall) obtain promptly at any time and from time to time such registrations, licenses, consents and approvals as may be required in respect of this Agreement, the Master Agreement and the other Security Documents under any applicable law or regulation to enable them to perform and discharge their duties and liabilities hereunder and there under and promptly supply the Lender with copies thereof;

18.04 to (and procure that each other Security Party shall) ensure that at all times the claims of the Lender against each Security Party under this Agreement and the other Security Documents rank at least *pari passu* with the claims of all its other unsecured creditors save those whose claims are preferred by any bankruptcy, insolvency or other similar laws of general application;

18.05 to (and procure that each other Security Party shall) deliver to the Lender translations into English (certified by an authorised translator) of any documents which have to be delivered to the Lender under the terms of this Agreement or the Security Documents, the originals of which are not in the English language;

18.06 not to make any loans or advances to, or any investments in any person, firm, corporation or joint venture (or to any officer, director, stockholder, employee or customer of any such person) other than loans or advances made in the ordinary course of business;

18.07 not to borrow any money or permit any such borrowing to continue other than by way of subordinated shareholders' loans or enter into any agreement for payment on deferred terms (otherwise than on customary suppliers' credit terms) or any equipment lease or contract hire agreement other than in the ordinary course of business;

18.08 not to assume, guarantee or otherwise undertake the liability of any person, firm or company (otherwise than pursuant to the terms hereof and/or in the ordinary course of operation or trading of the Ship);

18.09 not to authorise or accept any capital commitments (save and except in connection with the ordinary course of operation or trading of the Ship);

18.10 not (and procure that each other relevant Security Party shall not) change the nature of their respective business or commence any business other than the ownership and operation of ships;

18.11 not (and procure that each other relevant Security Party shall not) (save and except as provided in this Agreement or otherwise in favour of the Lender), create or permit to exist any Encumbrance whatsoever on the Ship or on any of their other property or assets, real or personal, whether now owned or hereafter acquired, other than a Permitted Lien without the prior written consent of the Lender;

18.12 without prejudice to the obligations under Clause 18.20, promptly after the happening of an event which is or would with the passage of time or giving of notice or both or fulfilment of any condition would constitute an Event of Default, to (and procure that each other relevant Security Party shall) notify the Lender of such event and of the steps (if any) which are being taken to nullify or mitigate its effect;

18.13 from time to time on request by the Lender to (and procure that each other relevant Security Party shall) deliver to it a certificate signed by a director or officer of such Corporate Security Party confirming that, save as may be notified in detail in such certificate, no Event of Default or Possible Event of Default has occurred and is then subsisting to be accompanied by such evidence as to the information and matters contained in such certificate as the Lender may from time to time reasonably require.

18.14 to (and procure that each other relevant Security Party shall) ensure and procure that each Corporate Security Party shall maintain its corporate existence under the laws of the country of its incorporation and shall comply in all material respects with all relevant legislation and laws and regulations (including but not limited to the laws and regulations relating to the listing of the shares of the Guarantor in NASDAQ), applicable to such Corporate Security Party;

18.15 to (and procure that each other relevant Security Party shall) ensure and procure that no change in the registered or beneficial ownership of the shares of the Borrower and the Ship shall occur without the Lender's prior written consent;

18.16 to execute and procure the execution by each other Security Party of any further document or documents reasonably required by the Lender in order to perfect or complete the security created by the Security Documents;

18.17 to pay and to ensure and procure that the other Security Parties shall pay all Taxes, assessments and other governmental charges when the same fall due, except to the extent that the same are being contested in good faith by appropriate proceedings and adequate reserves have been set aside for their payment if such proceedings fail and ensure and procure that all relevant tax returns of the Borrower and the other Security Parties shall be properly and timely filed;

18.18 not convey, assign, transfer, sell or otherwise dispose of or deal with the Ship or any of its real or personal property, assets or rights whether present or future, neither to assign or otherwise transfer its rights title and interest unto the Master Agreement without the prior written consent of the Lender;

18.19 to send (and procure that each other Security Party shall sent) to the Lender as soon as the same is instituted (or, to the knowledge of the Security Parties or any of them threatened), details of any litigation, arbitration or administrative proceedings against or involving the Borrower, the other Security Parties (or any of them) or the Ship which is likely to have a material adverse effect on the Borrower, the other Security Parties (or any of them) or the operation of the Ship;

18.20 to comply (and ensure that each other Security Party will comply) with all laws regulations (including but not limited to the laws and regulations relating to the listing of the shares of the Guarantor in NASDAQ, as the case may be), treaties and conventions applicable to the Borrower, the other Security Parties and the Ship and to carry on the Ship all certificates and other documents which may from time to time be required to evidence such compliance;

18.21 not to and ensure and procure that each other Corporate Security Party shall not dissolve, merge into or consolidate with any other company or person and ensure and procure that no change in the management of the Borrower and the Ship shall be effected;

18.22 use the proceeds of the Facility for its benefit and under its full responsibility and exclusively for the purposes specified in this Agreement;

18.23 to (and procure that the Guarantor will) ensure that no change in the Chief Executive Officer and/or the Chairman of the Guarantor shall occur without the prior written consent of the Lender;

18.24 to (and procure that the Guarantor will) ensure that on 31 st December 2009 and on each of the dates falling at consecutive six (6) monthly intervals thereafter:

i) the Market Value Adjusted Net Worth shall not be less than Fifteen million Dollars ($15,000,000);
ii) the Leverage Ratio will not be higher than 0.75:1; and
iii) on a consolidated basis, at all times, the aggregate amount of cash deposits held in accounts of the Borrower and/or the Guarantor free from any Encumbrances (other than Encumbrances in favour of the Lender) shall not be less than Three hundred thousand Dollars ($300,000) per Fleet Vessel; and

18.25 to (and ensure that each other Security Party shall) provide the Lender with such documents as the Lender may from time to time reasonably require on the basis of laws and regulations applicable from time to time and the Lender's internal guidelines and "know your customer" requirements applicable from time to time and required to identify the Borrower and each other Security Party, including without limitation, documents and information in respect of the ultimate legal and beneficial owner or owners of such entities, and any other persons involved or affected by the transaction(s) contemplated by this Agreement;

19. INSURANCE UNDERTAKINGS

The Borrower hereby undertakes with the Lender to ensure and procure that during the Security Period, at the expense of the Borrower and upon such terms, in such amounts and with such Insurers as shall from time to time be approved in writing by the Lender, the Borrower shall comply with the following provisions of this Clause 19 at all times during the Security Period:

19.01 to insure and keep insured the Ship in Dollars or such other currency as may be approved in writing by the Lender, in the full aggregate insurable value of the Ship but in no event for an aggregate amount less than the higher of (i) the Market Value of the Ship and (ii) One hundred and Twenty Five per cent (125%) of the aggregate amount of the Facility and the Swap Exposure at any relevant time against fire, marine and other risks (including Excess Risks) and War Risks covered by hull and machinery policies;

19.02 to enter the Ship in the name of the Borrower, for her full value and tonnage in a protection and indemnity association approved by the Lender with unlimited liability if available otherwise for the highest possible standard cover for the time being US$1,000,000,000 for oil pollution and for excess oil spillage and pollution liability insurance for the highest possible standard cover against all Protection and Indemnity Risks;

19.03 if the Ship enters the territorial waters of the United States of America (U.S.A.) for any reason whatsoever, to take out such additional insurance to cover such risks as may be necessary in order to obtain a Certificate of Financial Responsibility from the United States Coastguard;

19.04 to effect such additional Insurances as may reasonably be requested by the Lender to maintain the scope of the existing cover of the Insurances;

19.05 to renew the Insurances at least fourteen (14) days before the relevant Insurances expire and to procure that the Approved Brokers shall promptly confirm in writing to the Lender as and when each such renewal is effected;

19.06 to punctually pay all premiums, calls, contributions or other sums payable in respect of the Insurances and to produce all relevant receipts when so required in writing by the Lender;

19.07 to pay to the Lender on demand all premiums or other amounts payable by the Lender in effecting a mortgagee's interest policy and a mortgagee's interest (additional perils) insurance policy in respect of the Ship in the name of the Lender for a minimum insured amount of one hundred and ten per cent (110%) of the aggregate of the Facility and the Swap Exposure at any relevant time and under such wording and conditions acceptable to the Lender;

19.08 to arrange for the execution of such guarantees as may from time to time be required by any Protection and Indemnity or War Risks association;

19.09 to give notice of assignment of the Insurances to the Insurers in the form set out in Schedule 2 to the General Assignment and to procure that a copy of the notice of assignment shall be endorsed upon or attached to the relevant Insurance Documents;

19.10 to procure that the Insurance Documents shall be deposited with the Approved Brokers and that such brokers shall provide the Lender with certified copies thereof and shall issue to the Lender a letter or letters of undertaking in such form as the Lender shall reasonably require;

19.11 to procure that the Protection and Indemnity and/or War Risks associations in which the Ship is entered shall provide the Lender with a letter or letters of undertaking in their standard form and shall provide the Lender with a copy of the certificates of entry;

19.12 to procure that the Insurance Documents (including all certificates of entry in any Protection and Indemnity and/or War Risks association) shall contain loss payable clauses in the form set out in Schedule 3 or Schedule 4 (as may be appropriate) to the General Assignment;

19.13 to procure that the Insurance Documents shall provide that the lien or set off for unpaid premiums or calls shall be limited to only the premiums or calls due in relation to the Insurances on the Ship and for fourteen (14) days prior written notice to be given to the Lender by the Insurers (such notice to be given even if the Insurers have not received an appropriate enquiry from the Lender) in the event of cancellation or termination of the Insurances and in the event of the non-payment of the premium or calls, the right to pay the said premium or calls within a reasonable time;

19.14 to promptly to provide the Lender with full information regarding any casualties or damage to the Ship in an amount in excess of Five hundred thousand Dollars ($500,000) or in consequence whereof the Ship has become or may become a Total Loss;

19.15 at the request of the Lender, to provide the Lender, at the Borrower's cost, with a detailed report issued by a firm of marine insurance brokers or consultants appointed by the Lender in relation to the Insurances;

19.16 not to do any act nor voluntarily suffer nor permit any act to be done whereby any Insurance shall or may be suspended or avoided and not to suffer nor permit the Ship to engage in any voyage nor to carry any cargo not permitted under the Insurances in effect without first covering the Ship to the amount herein provided for with Insurance satisfactory to the Lender for such voyage or the carriage of such cargo;

19.17 (without limitation to the generality of the foregoing) in particular not to permit the Ship to enter or trade to any zone which is declared a war zone by any Government or by the Ship's War Risks Insurers unless there shall have been effected by the Borrower and at its expense such special insurance as the War Risk Insurers may require; and

19.18 to procure that all amounts payable under the Insurances are paid in accordance with the loss payable clause in the form set out in Schedule 3 or Schedule 4 (as may be appropriate) to the General Assignment and to apply and procure that all amounts as are paid to the Borrower are applied to the repair of the damage and the reparation of the loss in respect of which the said amounts shall have been received.

20. OPERATIONAL UNDERTAKINGS

The Borrower hereby further undertakes with the Lender to comply with the following provisions of this Clause 20 at all relevant times during the Security Period:

20.01 to ensure that the Ship shall be kept registered as a Liberian flag ship at the Port of Monrovia, Liberia and the Borrower shall not or do not suffer to be done anything whereby such registration may be forfeited or imperilled;

20.02 to maintain and ensure that each other Corporate Security Party shall maintain its corporate existence under the laws of the country of its incorporation and comply with all relevant legislation applicable to it;

20.03 to ensure that all Earnings of the Ship shall be paid into the Earnings Account;

20.04 to ensure that when due and payable, all taxes, assessments, levies, governmental charges, fines and penalties lawfully imposed on and enforceable against the Ship shall be paid by the Borrower, unless contested in good faith by the appropriate proceedings;

20.05 to ensure that the Ship (or any share thereof or interest therein) shall not be sold transferred, mortgaged, charged, hypothecated (save as provided in the Mortgage) or abandoned (save in the case of maritime necessity) and neither the Insurances nor the Earnings of the Ship will be assigned without the prior written consent of the Lender, which it shall have full power to withhold;

20.06 to ensure that the Ship shall not be operated in any manner contrary to any law or regulation in any relevant jurisdiction including without limitation to the ISM Code and the ISPS Code and neither the Borrower nor the Manager to engage in any unlawful trade or carry any cargo that will expose the Ship to penalty, forfeiture or capture and in the event of hostilities in any part of the world (whether a war be declared or not) nor to employ the Ship or voluntarily suffer her employment in carrying any contraband goods;

20.07 not to create or permit to be created or continued any lien or Encumbrance(s) on the Ship and/or the Insurances and/or the Earnings (other than Permitted Liens) and/or to satisfy all claims and demands which if unpaid might in law or by statute or otherwise create a lien or Encumbrance(s) and (without prejudice to the generality of the foregoing) no lien or Encumbrance(s) shall be created or permitted to be created or continued on the Ship for any reason whatsoever;

20.08 on the request of the Lender, to provide to and procure that the Lender shall be provided with satisfactory evidence that the wages, allotments, insurance and pension contributions of the Master and crew of the Ship (if any) are being paid in accordance with the relevant agreements relating to the Ship and the relevant regulations, and that all deductions from the remuneration of the Master and crew in respect of any tax liability (including all social insurance contributions) are being made and accounted for to the relevant authority and that the Master of the Ship has no claim for disbursements other than those properly incurred by him in the ordinary trading of the Ship on the voyage then in progress;

20.09 if any writ or proceedings are issued against the Ship or if the Ship is otherwise attached, arrested or detained by any proceeding in any court or tribunal or by any government or other authority, to immediately notify and procure that the Lender shall be notified thereof by telefax confirmed by letter and as soon as practicably possible thereafter cause the Ship to be released and all liens or Encumbrance(s) (except for the Mortgage and any Permitted Liens on the Ship) thereon to be discharged;

20.10 not without the prior written consent of the Lender (which not to be unreasonably withheld) voyage or time charter the Ship or place her under any contract for employment for any period which when aggregated with any optional periods of extension contained in the said charter or contract, would exceed twelve (12) months duration;

20.11 not to demise charter the Ship for any period whatsoever;

20.12 at all times and at the Borrower's own expense, to maintain the Ship in good running order and repair in accordance with first class ship ownership and ship management practice and to keep and procure that the Ship is kept in such condition as will entitle her to the highest classification status with the Classification Society free from recommendations and notations which have not been complied with in accordance with their terms and procure that the Lender is provided with a certificate issued by the Classification Society that such classification status is maintained and with copies of all other classification certificates as the Lender may request in writing;

20.13 to submit the Ship regularly to such periodical or other surveys as may be required for classification purposes and, if so required by the Lender in writing, supply and procure that the Lender is supplied with copies of all survey reports issued in respect thereof;

20.14 to notify and procure that the Lender is notified immediately by telefax of any recommendation or requirement imposed on the Ship by its Classification Society, its Insurers or by any other competent authority that is not complied with in accordance with its terms;

20.15 to authorise and procure that the Classification Society and all other regulatory authorities of the Ship are authorised to disclose to the Lender any information or documents reasonably requested by the Lender relating to the classification, repair, maintenance or seaworthiness of the Ship;

20.16 to comply with all legal requirements whether imposed by enactment, regulation or otherwise and have on board the Ship as and when legally required valid certificates showing compliance therewith;

20.17 without prejudice to Clause 20.16, to take all necessary and proper precautions to prevent any infringements of the Anti-Drug Abuse Act of 1986 of the United States of America or any similar legislation applicable to the Ship in any jurisdiction in or to which the Ship shall be employed or trade or which may otherwise be applicable to the Ship or the Borrower and, if the Lender shall so require, to enter into a "Carrier Initiative Agreement" with the United States Customs Service and to procure that such agreement (or any similar agreement hereafter introduced by any agency of the United States of America) is maintained in full force and effect by the Borrower;

20.18 to comply with and will ensure and procure that the Manager and all servants and agents of the Borrower and the Manager shall comply with, the ISM Code, the ISM Code Documentation, the ISPS Code, the ISPS Code Documentation, all Environmental Laws and all legislation of any state or government in relation to the Ship, its ownership, operation and management or to the business of the Borrower and the Manager, including, without limitation, requirements relating to manning, submission of oil spill response plans, designation of qualified individuals and establishing financial responsibility;

20.19 to hold or procure that the Manager shall hold all appropriate ISM Documentation and provide the Lender with copies of the relevant ISM Code Documentation and ISPS Code Documentation duly issued to the Borrower, the Manager and the Ship pursuant to the ISM Code and the ISPS Code;

20.20 to keep, or procure that there is kept, on board the Ship a copy of all relevant ISM Code Documentation and ISPS Code Documentation respectively;

20.21 to perform and discharge all duties and liabilities imposed on the Borrower under any charter, bill of lading or other contract relating to the Ship;

20.22 not to remove or permit the removal of any part of the Ship or any equipment belonging thereto, nor make or permit to be made any alteration in the structure type or speed of the Ship which materially reduced the value of the Ship (unless such removal or alteration is required by statute or by her Classification Society) without the prior written consent of the Lender, such consent not to be unreasonably withheld;

20.23 at all reasonable times and on reasonable notice, to permit and procure that the Lender or its authorised representative is permitted full and complete access to the Ship for the purpose of inspecting the state and condition of the Ship and her cargo and papers and at the written request of the Lender deliver and procure the delivery for inspection copies of any and all contracts and documents relating to the Ship whether on board or not;

20.24 to keep and procure that the Lender is kept fully informed as to the use, the employment and the position of the Ship and promptly provide and procure that the Lender is provided with information concerning the classification, status and insurance of the Ship from time to time as and when so required in writing by the Lender;

20.25 when so requested by the Lender, to appoint and procure that a firm of independent sale and purchase shipbrokers shall be appointed, as nominated or approved by the Lender, to give valuation of the Ship in Dollars, such valuation to be made without physical inspection (unless otherwise required by the Lender) and on the basis of an arm's-length transaction by a willing buyer from a willing seller and where the Ship is subject to a charter, with or without taking into account such charter (whichever results to a lower value of the Ship); all costs and fees payable in connection with each such valuation shall be paid by the Borrower;

20.26 in the event of Compulsory Acquisition of the Ship by any Government Entity, the Borrower shall execute and procure the execution of any assignment that the Lender may request in relation to any and all amounts which such Government Entity shall be liable to pay as compensation for the Ship or for her use and if received by the Borrower to pay and procure the payment of such amounts immediately to the Lender,

20.27 to appoint and procure the appointment of the Manager as manager of the Ship and not to vary or terminate this appointment without the Lender's prior written consent,;

20.28 to execute and procure the execution by each other Security Party of any further document or documents reasonably required by the Lender in order to perfect or complete the security created by the Security Documents;

20.29 to execute and deliver to the Lender such documents of transfer as the Lender may require in the event of sale of the Ship pursuant to any power of sale contained in the Mortgage or which the Lender may have in law;

20.30 not to employ the Ship nor allow its employment in any manner contrary to any law or regulation in any relevant jurisdiction including, but not limited to, the ISM Code and the ISPS Code;

20.31 to immediately notify the Lender by fax, confirmed forthwith by letter, of:

(i) any casualty in respect of the Ship which is or is likely to be or to become a Major Casualty;

(ii) any occurrence as a result of which the Ship has become or is, by the passing of time or otherwise, likely to become a Total Loss;

(iii) any requirement or recommendation made by any insurer or classification society or by any competent authority in respect of the Ship which is not complied with in accordance with its terms;

(iv) any arrest or detention of the Ship, any exercise or purported exercise of any lien on the Ship or her Earnings or her Insurances or any requisition of the Ship for hire;

(v) any Environmental Claim made against the Borrower or in connection with the Ship or any Environmental Incident in respect thereof;

(vi) any claim for breach of the ISM Code or the ISPS Code being made against the Borrower and/or the Manager or otherwise in connection with the Ship;

and advise and procure that the Lender shall be advised in writing on a regular basis and in such detail as the Lender shall require of the Borrower's or any other person's response to any of those events or matters; and

20.32 to keep prominently in the Chart Room and in the Master's cabin of the Ship a framed duly completed notice printed in plain type of such size that the area of print shall cover a space not less than six inches wide and nine inches high reading as follows:

" NOTICE OF MORTGAGE

This Ship is owned by ***PANTELIS SHIPPING CORP.*** *of Liberia (the "* ***Owner*** *") and is subject to a First Preferred Liberian Mortgage in favour of* ***HSBC BANK PLC*** *. Under the terms of the said Mortgage, a certified copy of which is preserved with the Ship's papers, neither the Owner nor the Captain nor any officer or agent nor any charterer of this Ship nor any other person whatsoever has any power, right or authority whatever to create, incur or permit the imposition on this Ship any commitments or encumbrances except for crews wages accrued for not more than three (3) months or salvage.";* and

20.33 to comply with its respective obligations under the Management Agreement and not to vary amend or terminate thereof.

21. SECURITY MARGIN

In the event that the Market Value of the Ship (determined pursuant to Clause 20.25) is less than the Applicable Security Margin at any relevant time then the Borrower shall within fifteen (15) Banking Days of receipt of a notice from the Lender advising the Borrower of the amount of such deficiency (which notice shall be conclusive) **either** constitute to the satisfaction of the Lender such further security for the Facility as shall be acceptable to the Lender having a value for security purposes (as determined by the Lender in its absolute discretion) at the date upon which such further security shall be constituted which, when added to the Market Value of the Ship (determined in accordance with Clause 20.25) shall not be less than the Applicable Security Margin at the relevant time or prepay part of the Facility in accordance with Clause 9 so that the Market Value of the Ship (determined in accordance with Clause 20.25) equals at least to the Applicable Security Margin.

22. EVENTS OF DEFAULT

22.01 If:

22.01.01 the Borrower or any other Security Party fails to pay on the due date for payment any amount, which shall have become due hereunder or under the other Security Documents;

22.01.02 any representation, warranty or statement made by the Borrower or any other Security Party in this Agreement or in the Master Agreement or in any of the Security Documents or any certificate, statement or opinion delivered or made hereunder or under the Security Documents or in connection herewith or with the Security Documents shall be incorrect or inaccurate when made in any material respect;

22.01.03 the Borrower or any other Security Party fails duly and punctually to perform or observe any other term of this Agreement and/or the Master Agreement and/or the other Security Documents and in any such case such failure, if capable of remedy, shall continue for fifteen (15) days after the Lender shall have given to the Borrower notice of such failure;

22.01.04 Except where contested in good faith and by the appropriate proceedings, any other indebtedness of the Borrower or the Guarantor exceeding in aggregate One million Dollars (US$1,000,000) becomes due and payable or, with the giving of notice or lapse of time or both, capable of being declared due and payable prior to its stated maturity by reason of any circumstance entitling the creditor(s) thereof to declare such indebtedness due and payable and such indebtedness is not paid within fifteen (15) days thereof;

22.01.05 the Borrower or any other Security Party enters into voluntary or involuntary bankruptcy, liquidation or dissolution, or becomes insolvent, or an administrator, administrative receiver, receiver or liquidator is appointed of all or a material part of its/their undertaking or assets or proceedings are commenced by or against it/them under any reorganisation, arrangement, readjustment of debts, dissolution or liquidation law or regulation, or if any event shall occur which, under the relevant system of law, shall have an equivalent effect;

22.01.06 the Borrower or any other Security Party ceases or threatens to cease to carry on the whole or a substantial part of its/their business;

22.01.07 there shall be a transfer or disposal of all or a substantial part of the assets of the Borrower or any other Security Party, whether by one or a series of transactions, related or not, without the prior written consent of the Lender;

22.01.08 there is a considerable deterioration in the financial position of the Borrower or any other Security Party, which in the reasonable opinion of the Lender is likely to affect the ability of the Borrower or such other Security Party to pay all amounts due from time to time under this Agreement and/or the other Security Documents;

22.01.09 any governmental or other consent, licence or authority required to make this Agreement and/or the Master Agreement and/or the other Security Documents legal, valid, binding, enforceable and admissible in evidence or required to enable the Borrower or any other Security Party to perform its/their duties and discharge its/their liabilities hereunder or under the other Security Documents is withdrawn or ceases to be in full force and effect unless the Borrower or such other Security Party procures that such consent, licence or authority is reinstated or re-issued to the satisfaction of the Lender within fifteen (15) days of the said withdrawal or cessation;

22.01.10 any distress or execution is levied or enforced against a material (in the opinion of the Lender) part of the property and assets of the Borrower or any other Security Party and such distress or execution is not withdrawn or discharged within fifteen (15) days;

22.01.11 the Borrower or any other Security Party shall stop payment of or shall be unable to or shall admit inability to pay its/their debts as they fall due or shall enter into any composition or other arrangement with its/their creditors generally or shall declare a general moratorium on the payment of indebtedness;

22.01.12 any of the events referred to in Clauses 22.01.01 up to and inclusive 22.01.11 occurs, *mutatis mutandis* , in respect of any other Security Party other than the Manager;

22.01.13 if an Event of Default or Potential Event of Default (in each case as defined in the Master Agreement) has occurred and is continued under the Master Agreement or (b) an Early Termination Date (as defined in the Master Agreement) has occurred or been or become capable of being effectively designated under the Master Agreement or (c) a person entitled to do so gives notice of an Early Termination Date under Section 6(b)(iv) of the Master Agreement or (d) the Master Agreement is terminated, cancelled, suspended, rescinded or revoked or otherwise ceases to remain in full force and effect for any reason;

22.01.14 the Borrower sells, transfers, disposes of or encumbers the Ship or any interest or share therein, or agrees so to do (other than by Permitted Liens) without the prior written consent of the Lender;

22.01.15 the Ship is arrested or detained and such arrest or detention is not released within twenty (20) days, or an order for the sale of such Ship is made by a court of competent jurisdiction;

22.01.16 the Ship is a Total Loss and the Borrower fails to make the payment required to be made under Clause 9.01 in respect of such Total Loss;

22.01.17 the Ship is laid up for a period exceeding sixty (60) days without the prior written consent of the Lender;

22.01.18 the Guarantor ceases to be actively involved in the business of the Borrower and/or the Manager;

22.01.19 an Event of Default under any of the other Security Documents (as defined therein) shall occur;

22.01.20 the Security Documents or any of them shall cease, in whole or in part, to be valid, binding and enforceable;

22.01.20 if any Security Party repudiates or evidences an intention to repudiate any one or more of the Security Documents and the Management Agreements;

22.01.21 the fulfilment of any one or more of the obligations, covenants and undertakings contained in any or more of this Agreement, the Master Agreement and the other Security Documents and any other documents executed pursuant hereto or thereto or the exercise of any of the rights vested in the Lender hereunder or thereunder becoming either unlawful under any applicable law or unauthorized by any authority having jurisdiction or otherwise impossible.

22.02 Upon the occurrence of an Event of Default and at any time thereafter:

22.02.01 the Lender may by written notice to the Borrower declare that any undrawn part of the Facility shall be cancelled, whereupon the same shall be cancelled;

22.02.02 declare the Indebtedness immediately due and payable whereupon the same shall become so payable to the Lender;

22.02.03 take any other action, exercise any other right or pursue any other remedy conferred upon the Lender by this Agreement and/or the other Security Documents or by any applicable law or regulation or otherwise as a consequence of such Event of Default.;

22.02.04 the Lender shall be entitled but not obliged to, exercise all its rights under the Master Agreement and to, inter alia, cancel, net out, unwind, terminate or liquidate all or any part of the rights, benefits and obligations created by any Designated Transaction and/or the Master Agreement. Without prejudice to or limitation of the obligations of the Borrower hereunder and under the Master Agreement, in the event that the Lender exercises any of its rights hereunder and such exercise results in all or part of a Designated Transaction being terminated, such termination shall constitute a Terminated Transaction (as defined in section 14 of the Master Agreement) effected by the Lender after an Event of Default (as so defined in that section 14) by the

Borrower and, accordingly, the Lender shall be entitled to recover from the Borrower a payment for early termination calculated in accordance with the provisions of section 6(e)(i) of the Master Agreement.

22.03 All amounts received by the Lender under or pursuant to any of the Security Documents after the happening of any Event of Default shall be applied by the Lender in payment of the Indebtedness in accordance with the terms of Clause 11.

22.04 On the occurrence of an Event of Default the Lender shall have the right and power to order the Ship to proceed forthwith at the Borrower's risk and expense to a port or place nominated by the Lender. The Borrower undertakes to give the necessary instructions to the Master(s) of the Ship to comply with any such order of the Lender and if the Borrower fails to give such instructions for any reason whatsoever the Lender shall have the right and power to give such instructions direct to the Master(s).

23. SET-OFF

23.01 The Borrower authorises the Lender, without prejudice and in addition to all rights of set off, combination, lien or otherwise which the Lender has at law or under any agreement between the Lender and the Borrower, at any time without demand and without notice:

23.01.01 to set off any amount to the credit of any existing accounts of the Borrower with the Lender, (whether deposit, loan or otherwise, in the name of the Borrower or otherwise) including, without limitation, the Earnings Account and the Retention Account, in or towards satisfaction of all amounts due from the Borrower and/or the other Security Parties under this Agreement and/or the Master Agreement and/or the other Security Documents; and

23.01.02 to transfer and apply any amount standing to the credit of any such existing accounts of the Borrower with any associate or subsidiary of the Lender in or towards satisfaction of all amounts due from the Borrower and/or the other Security Parties under this Agreement and/or the Master Agreement and/or the other Security Documents.

23.02 Without prejudice to its rights hereunder and/or under the Master Agreement, the Lender may at the same time as, or at any time after, an Event of Default or a Possible Event of Default occurs under this Agreement or the Borrower's default under the Master Agreement, set-off any amount due now or in the future from the Borrower to the Lender under this Agreement against any amount due from the Lender to the Borrower under the Master Agreement and apply the first amount in discharging the second amount. The effect of any set-off under this Clause 23.02 shall be effective to extinguish or, as the case may require, reduce the liabilities of the Lender under the Master Agreement.

23.03 Where such set-off or transfer requires the conversion of one currency into another, such conversion shall be calculated at the spot rate as conclusively determined by the Lender for purchasing such currency with the currency in which the relevant amounts are denominated on the date of actual payment.

24. FEES

24.01 The Borrower agrees to pay to the Lender's legal advisors an amount of Euro Five thousand five hundred (Euro 5,500) on or before the date of this Agreement.

25. EARNINGS AND RETENTION ACCOUNTS

25.01 The Borrower hereby agrees to ensure and procure that all the Earnings of the Ship, shall be paid into the Earnings Account, which shall be charged to the Lender by the Earnings Accounts' Charge. Unless and until an Event of Default or a Possible Event of Default occurs, whereupon the Lender may give notice to the Borrower that it requires that all Earnings of the Ship are paid directly to the Lender, all amounts in the Earnings Account shall be applied as follows:

i) first, towards the payment of fees and costs that are due and payable by the Borrower to the Lender under the Security Documents;
ii) second, towards payment to the Retention Account of the amounts that may be required to be transferred to the credit thereof in accordance with this Clause 25.02; and
iii) third, any balance thereafter remaining in the Earnings Account shall be available to the Borrower for the payment of the Operating Expenses of the Ship as well as for the payment of dividends and the repayment of any shareholders' loans.

25.02 The Borrower hereby agrees to open the Retention Account with the Lender, which shall be charged to the Lender by the Retention Account Charge. On the date falling one (1) month from the Drawdown Date and on the same date in each consecutive following calendar month (provided that if such day is not a Banking Day, the next following Banking Day) the Lender will transfer from the Earnings Account to the Retention Account an amount equal to one third (1/3 rd) of each Repayment Instalment payable on the next Repayment Date thereof and the relevant monthly fraction of the interest in respect thereof due on the relevant next Interest Payment Date; PROVIDED HOWEVER THAT, without prejudice to the provisions of Clause 31, the Lender will be entitled not to exercise the right conferred on the Lender under this Clause 25.02, for as long as the Lender thinks fit, at the Lender's sole and absolute discretion.

25.03 The Lender shall pay interest to the Borrower on the credit balances from time to time in the Retention Account at the rate, which it usually pays on equivalent amounts and in accordance with its usual practice.

25.04 On each Repayment Date the Lender shall transfer from the Retention Account to the Loan Account(s) an amount equal to each relevant Repayment Instalment payable on that date and on each relevant Interest Payment Date the Lender shall transfer from the Retention Account to the Loan Account(s) an amount equal to the interest payable in respect thereof under Clause 7 on that date.

25.05 In the event that there are insufficient funds in the Earnings Accounts to pay the amounts referred to in Clause 25.02 above the Borrower agrees to pay to the Lender an amount equal to the difference between the actual amount in the Earnings Account and the amount due under Clause 25.02 on the first Banking Day in such month.

25.06 The Lender acknowledges that the Borrower shall, unless and until an Event of Default or a Possible Event of Default shall occur and the Lender shall direct to the contrary, be entitled from time to time, to require that moneys for the time being standing to the credit of the Accounts be transferred in such amounts and for such periods as the Borrower selects to fixed-term deposit accounts (" **deposit accounts** ") opened in the name of the Borrower with the Lender.
The Borrower shall not be entitled to withdraw moneys standing to the credit of the relevant Account which are the subject of a fixed term deposit until the expiry of the period of such deposit unless the Borrower shall, on withdrawing such moneys pay to the Lender on demand any loss or expense which the Lender shall certify that it has sustained or incurred as a result of such withdrawal being made prior to the expiry of the period of the relevant deposit and the Lender shall be entitled to debit the relevant Account for the amount so certified prior to such withdrawal being made. In the event that any moneys so deposited are to be applied pursuant to this Clause 25, the Borrower shall, on such application being made, pay to the Lender on demand any loss or expense which the Lender shall certify that it has sustained or incurred as a result of such application being made prior to the expiry of the period of the relevant deposit and the Lender shall be entitled to debit the relevant Account for the amount so certified prior to such application being made. Any deposit accounts shall, for all the purposes of the Security Documents, be deemed to be sub-accounts of the relevant Account from which the moneys deposited in the deposit accounts were transferred and all references in the Security Documents to such Account shall be deemed to include the deposit accounts deemed as aforesaid to be sub-accounts thereof.

26. EXPENSES

26.01 Whether or not the Facility or any part thereof, is actually drawn down the Borrower shall reimburse the Lender on demand for all costs, charges and expenses incurred by the Lender in connection with the preparation, negotiation and conclusion of this Agreement and the Security Documents including fees and expenses of the Lender's legal advisers.

26.02 The Borrower shall reimburse the Lender on demand for all charges and expenses (including legal fees) incurred by the Lender in or in connection with the exercise of the Lender's rights and powers under this Agreement, the Master Agreement and the other Security Documents (including but not limited to the fees and charges of auditors, brokers, surveyors and lawyers instructed by the Lender) and with the actual, attempted or purported enforcement of, or preservation of rights under this Agreement and the Security Documents.

27. INDEMNITY

The Borrower hereunder undertakes and agrees to indemnify the Lender, upon the Lender's first demand, from and against any losses, costs or expenses (including legal expenses) which it incurs in consequence of any Event of Default including (but without limitation) all losses (including loss of profit for the current Interest Period), premiums and penalties incurred or to be incurred in liquidating or redeploying deposits made by third parties or funds acquired or arranged to advance or maintain the Facility or any part thereof and any liability items which arise, or are asserted, under or in connection with any law relating to safety at sea.

28. ENVIRONMENTAL INDEMNITY

The Borrower undertakes to indemnify the Lender against all damages, losses, liabilities, costs, expenses, penalties, fines or proceedings which may be incurred or paid by or imposed on the Lender directly or indirectly at any time (whether before or after the Indebtedness has been repaid in full) pursuant to any Environmental Law or any other environmental legislation of any state or government which would not have been incurred or paid by or imposed on the Lender had it not entered into this Agreement and/or the Security Documents.

29. STAMP DUTIES

The Borrower shall pay any and all stamp, registration and similar taxes and charges of whatsoever nature, which may be payable or determined to be payable on, or in connection with, the execution, registration, notarisation, performance or enforcement of this Agreement or the Security Documents. The Borrower shall indemnify the Lender against any and all liabilities with respect to or resulting from delay or omission on the part of the Borrower to pay any such taxes.

30. DETERMINATIONS

Each determination of an Interest Rate or a Default Rate or of any amount in respect of principal or interest or fees or expenses by the Lender in accordance with this Agreement and every other determination or certification by the Lender under this Agreement shall be conclusive and binding on the Borrower in the absence of manifest error.

31. NO WAIVER

No failure to exercise and no delay on the part of the Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right or power preclude any other or future exercise thereof or the exercise of any other right or power. The rights, powers and remedies herein provided are cumulative and not exclusive of any rights, powers or remedies provided by law.

32. PARTIAL INVALIDITY

In the event that any term or condition of this Agreement is rendered or declared illegal, invalid or inoperative in whole or in part by any statute rule or regulation or any decision of any court or tribunal of competent jurisdiction then such determination or declaration shall neither affect the validity of any other term or condition of this Agreement which (save as aforesaid) will remain in full force and effect nor the legality, validity or enforceability of such term or condition under the laws of any other jurisdiction.

33. TRANSFER AND ASSIGNMENT

33.01 This Agreement shall bind and be to the benefit of the Borrower and the Lender and their respective successors and permitted assigns.

33.02 The Borrower may not assign any of each rights, powers, duties or liabilities hereunder without the prior written consent of the Lender, which it shall have full power to withhold.

33.03 The Lender may at any time assign or transfer all or part of the Facility and its rights and powers under this Agreement to any other bank or other financial institution (the "Transferee Lender").

Any assignment or transfer of all or part of the Lender's rights or benefits under this Agreement may only be effected with the prior written consent of the Borrower such consent not to be unreasonably withheld unless the assignee or the transferee shall be a subsidiary or the holding company of the Lender or a subsidiary of such holding company in which case no such consent shall be required but written notice of such assignment or transfer shall be given to the Borrower.

33.04 The Lender may at any time and from time to time change its lending office in respect of the whole or any part of its participation in the Facility. The Lender shall notify the Borrower of any such change in the lending office as soon as is practicable.

33.05 If the Lender assigns or transfers all or any part of its rights, powers duties and liabilities hereunder pursuant to Clause 33.03 the Borrower undertakes immediately on being requested to do so by the Lender and at the cost of the Lender to enter into and procure that the other parties to the Security Documents shall enter into, such documents as may be necessary or desirable to transfer to the Transferee Lender all or the relevant part of the Lender's interest in the Security Documents and all relevant references in this Agreement and the Security Documents to the Lender shall thereafter be construed as a reference to the Lender and/or its assignee or transferee (as the case may be) to the extent of their respective interests.

34. NON-IMMUNITY

34.01 The Borrower does not have any right of immunity from set-off, suit or execution, attachment or other legal process under the laws of the United Kingdom or the Republic of Greece, or the Republic of the Marshall Islands or the Republic of Liberia.

34.02 The exercise by the Borrower of its respective rights and performance and discharge of its duties and liabilities hereunder will constitute commercial acts done and performed for private and commercial purposes.

34.03 To the extent that the Borrower may in any jurisdiction in which proceedings may at any time be taken for the enforcement of this Agreement and/or any of the Security Documents claim for itself or its assets immunity from suit, judgment, execution, attachment (whether, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets any such immunity (whether or not claimed), the Borrower hereby irrevocably agrees not to claim and hereby irrevocably waives any such immunity to the full extent permitted by the laws of such jurisdiction.

35. NOTICES

35.01 Unless otherwise specifically provided, any notice under or in connection with any Security Document shall be given by letter or fax; and references in the Security Documents to written notices, notices in writing and notices signed by particular persons shall be construed accordingly.

35.02 A notice shall be sent:

(a) to the Borrower: c/o EUROBULK LTD
Aethrion Center
40, Agiou Konstantinou Street
151 24 Maroussi
Greece
Fax No.: +30 211 1804097

(b) to the Lender: 93 Akti Miaouli
185 38 Piraeus, Greece
Fax No: +30 210 4290506

or to such other address as the relevant party may notify the other in writing.

35.03 Subject to Clauses 35.04 and 35.05:

a) a notice which is delivered personally or posted shall be deemed to be served, and shall take effect, at the time when it is delivered;

b) a notice which is sent by fax shall be deemed to be served, and shall take effect, two (2) hours after its transmission is completed.

35.04 However, if under Clause 35.03 a notice would be deemed to be served:

a) on a day which is not a Banking Day in the place of receipt; or

b) on such a Banking Day, but after 5 p.m. local time;

the notice shall (subject to Clause 35.05) be deemed to be served, and shall take effect, at 9 a.m. on the next day which is such a Banking Day.

35.05 Clauses 35.03 and 35.04 do not apply if the recipient of a notice notifies the sender within one (1) hour after the time at which the notice would otherwise be deemed to be served that the notice has been received in a form, which is illegible in a material respect.

35.06 A notice under or in connection with a Security Document shall not be invalid by reason that the manner of serving it does not comply with the requirements of this Agreement or, where appropriate, any other Security Documents under which it is served if the failure to serve it in accordance with the requirements of this Agreement or other Security Documents, as the case may be, has not caused any party to suffer any significant loss or prejudice.

35.07 Any notice under or in connection with a Security Document shall be in English.

35.08 In this Clause "notice" includes any demand, consent, authorisation, approval, instruction, waiver or other communication.

36 SUPPLEMENTAL

36.01 The rights and remedies which the Security Documents give to the Lender are:

a) cumulative;

b) may be exercised as often as appears expedient; and

c) shall not, unless a Security Document explicitly and specifically states so, be taken to exclude or limit any right or remedy conferred by any law.

36.02 If any provision of a Security Document is or subsequently becomes void, unenforceable or illegal, that shall not affect the validity, enforceability or legality of
the other provisions of that Security Document or of the provisions of any other Security Document.

36.03 A Security Document may be executed in any number of counterparts.

36.04 A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

36.05 This Agreement supersedes the terms and conditions contained in any correspondence relating to the subject matter of this Agreement exchanged between the Lender and the Borrower or its representatives prior to the date of this Agreement.

37 LAW AND JURISDICTION

37.01 This Agreement shall be governed by, and construed in accordance with, English law.

37.02 Subject to Clause 37.03, the courts of England shall have exclusive jurisdiction to settle any disputes, which may arise out of or in connection with this Agreement.

37.03 Clause 37.02 is for the exclusive benefit of the Lender, which reserves the right:

(a) to commence proceedings in relation to any matter which arises out of or in connection with this Agreement in the courts of the Republic of Greece and/or any country other than England or Greece and which have or claim jurisdiction to that matter; and

(b) to commence such proceedings in the courts of any such country or countries concurrently with or in addition to proceedings in England or Greece or without commencing proceedings in England or Greece.

The Borrower shall not commence any proceedings in any country other than England in relation to a matter, which arises out of or in connection with this Agreement.

37.04 The Borrower irrevocably appoints Messrs. Hill Dickinson Service (London) Limited presently at Irongate House, Duke's Place, London EC3A 7LP England, to act as its agent to receive and accept on its behalf any process or other document relating to any proceedings in the English courts which are connected with this Agreement.

37.05 The Borrower irrevocably designates and appoints Mr. Ioannis Vekris, Advocate, with offices at 9, Neofytou Vamva street, 10674, Athens, Greece as agent for the service of process in Greece (" *antiklitos* ") and agrees to consider any legal process or any demand or notice made served by or on behalf of the Lender on the said agent as being made to the Borrower. The designation of such an authorized agent (" *antiklitos* ") shall remain irrevocable until all Indebtedness shall have been paid in full in accordance with the terms of this Agreement and the other Security Documents.

37.06 Nothing in this Clause 37 shall exclude or limit any right, which the Lender may have (whether under the law of any country, an international convention or otherwise) with regard to the bringing of proceedings, the service of process, the recognition or enforcement of a judgment or any similar or related matter in any jurisdiction.

37.07 In this Clause 37, "proceedings" means proceedings of any kind, including an application for a provisional or protective measure or enforcement court order (*diatagi pliromis*).

38. THIS AGREEMENT AND THE OTHER SECURITY DOCUMENTS

In case of any conflict between the provisions of this Agreement and any of the other Security Documents the provisions of this Agreement shall prevail.

AS WITNESS the hands of the duly authorised representatives of the parties hereto the day and year first above written.

SIGNED)
By Mr. Gerassimos Mendoros)
for and on behalf of) /s/Gerassimos Mendoros
HSBC BANK PLC)
in the presence of:)

SIGNED by)
By Mrs. Stefania Karmiri)
for and on behalf of) /s/Stefania Karmiri

PANTELIS SHIPPING CORP.)
in the presence of:)

SCHEDULE 1

Notice of Drawdown

TO: HSBC BANK PLC
93 Akti Miaouli
185 38 Piraeus
Greece

Date: [●]

Dear Sirs,

Financial Agreement dated December 2009

1. We refer to the financial agreement dated December 2009 (the " **Financial Agreement** ") and made between ourselves as borrower and yourselves as lender, in connection with a loan facility of up to $13,000,000.

Terms defined in the Financial Agreement have their defined meanings when used in this Notice of Drawdown.

2. We request to borrow the Facility as follows:

(a) Amount: US$ [˜];

(b) Drawdown Date: [˜] 2009;

(c) Duration of the first Interest Period shall be [˜] months; and

(d) Payment instructions: [˜]

3. We represent and warrant that:

(a) the representations and warranties in Clause 15 of the Financial Agreement and in the other Security Documents would remain true and not misleading if repeated on the date of this notice with reference to the circumstances now existing;

(b) no Event of Default has occurred or will result from the borrowing of the Facility.

4. This notice cannot be revoked without your prior written consent of the Lender.

5. We authorise you to deduct from the proceeds of the Facility the amount of the fees referred to in Clause 24

Yours faithfully,

For and on behalf of
PANTELIS SHIPPING CORP.

_____
……..
Attorney-in-Fact

SCHEDULE 2

Acknowledgement

[˜] 2009

Financial Agreement dated December 2009 (the "Financial Agreement")

We the undersigned Borrower declare that in connection with the above Financial Agreement we received the Facility in the amount of [˜] Dollars ($[˜]) value [˜] 2009.

Capitalized terms used herein shall have the respective meanings specified in the Financial Agreement.

Yours faithfully,

For and on behalf of
PANTELIS SHIPPING CORP.

_____
……..
Attorney-in-Fact

Exhibit 4.26

AMENDMENT NO. 1 TO FINANCIAL AGREEMENT DATED DECEMBER 15, 2009

This Amendment No. 1 is dated as of April 14, 2010 (the "Amendment") and amends that certain financial agreement dated as of December 15, 2009 (the "Loan Agreement"), entered into by and between (1) HSBC Bank plc, as lender and (2) Pantelis Shipping Corp., as borrower. All terms not defined herein shall have the meanings given thereto in the Loan Agreement.

WHEREAS, the parties to the Loan Agreement have agreed to enter into this Amendment to amend certain provisions set forth in the Loan Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual agreements set forth herein, the parties hereby agree as follows:

Section 1. Amendment of Loan Agreement . The Loan Agreement is hereby amended as follows:

(a) Section 18.10 shall be amended to add the following at the end thereof:

"or entering into contracts or agreements that are related to the shipping business"; and

(b) Section 18.15 shall be deleted and replaced in its entirety with the following:

"to (and procure that each other relevant Security Party shall) ensure and procure that (a) the Borrower remains the sole owner of the Ship and (b) Euroseas Ltd. remains the sole owner of the Borrower;"

Section 2. Governing Law . This Amendment shall be deemed to be a contract made under the laws of England.

Section 3. Counterparts . This Amendment may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument. A signature to this Amendment transmitted electronically shall have the same authority, effect, and enforceability as an original signature.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first written above.

PANTELIS SHIPPING CORP.

By: /s/Stephania Karmiri
Name: Stephania Karmiri
Title: Attorney-in-Fact

HSBC BANK PLC

By: /Nicholas Karellis
Name: Nicholas Karellis
Title: Head of Shipping

Exhibit 4.27 **EXECUTION COPY**

LIMITED LIABILITY COMPANY AGREEMENT
FOR
EUROMAR LLC
A MARSHALL ISLANDS LIMITED LIABILITY COMPANY

THE SECURITIES REPRESENTED BY THIS AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, THE REPUBLIC OF THE MARSHALL ISLANDS OR ANY OTHER FOREIGN JURISDICTION. THE SECURITIES MAY NOT BE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE AFORESAID ACT AND APPLICABLE STATE AND FOREIGN SECURITIES LAWS OR PURSUANT TO AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF AFORESAID ACT AND SUCH LAWS.

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EXHIBITS

LIMITED LIABILITY COMPANY AGREEMENT
FOR
EUROMAR LLC
A MARSHALL ISLANDS LIMITED LIABILITY COMPANY

This Limited Liability Company Agreement (as amended, supplemented or modified from time to time, this " Agreement ") of Euromar LLC, a Marshall Islands limited liability company (the " Company "), is made and to be effective as of March 24, 2010 by and among Euroseas Ltd., a Marshall Islands corporation (" Euroseas "), Paros Ltd., a Cayman Islands exempted company (" Paros "), and All Seas Investors I Ltd., a Cayman Islands limited company (" All Seas I "), All Seas Investors II Ltd., a Cayman Islands limited company (" All Seas II "), All Seas Investors III LP, a Cayman Islands exempted limited partnership (" All Seas III ", and collectively with All Seas I and All Seas II, " All Seas " and, individually, an " All Seas Member "). In consideration of the mutual promises and obligations set forth herein, and with the intent of being legally bound, the parties hereto hereby agree as follows:

RECITALS

WHEREAS, the Company has been formed pursuant to the Act by the filing of a Certificate of Formation of the Company (the " Certificate of Formation ") with the office of the Registrar of Corporations of the Republic of the Marshall Islands on January 4, 2010;

WHEREAS, on the date hereof, each of Paros, All Seas I, All Seas II, All Seas III and Euroseas are committing to purchase Units in exchange for Capital Contributions to the Company pursuant to the terms and conditions herein;

WHEREAS, the Persons committing to acquire Units as described in the preceding recital shall be admitted as Members of the Company; and

WHEREAS, concurrently with the execution of this Agreement and as set forth in the Management Agreement, the Company has granted Options to Euroseas to purchase Option Units in accordance with, and which Options and Option Units shall be governed by, the Management Agreement and this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Members agree as follows:

ARTICLE 1

DEFINITIONS

1.1 Definitions . As used in this Agreement, and unless the context requires a different meaning, the following terms have the meanings indicated:

" 80% Holder " means a holder of Capital Percentage Interests representing more than 80% of the Paros All Seas Percentage Interest.

" Act " means the Marshall Islands Limited Liability Company Act, as amended from time to time.

" Acquisition Guidelines " means the Acquisition Guidelines attached hereto as Exhibit D .

" Adjusted Euroseas Capital Market Value " means an amount equal to the product of (a) 92.5% multiplied by (b) the excess of (i) the product of (A) the Euroseas VWAP multiplied by (B) the sum of (1) the number of all shares of Euroseas Common Stock issued and outstanding as of the date of delivery of the Conversion Notice plus (2) the number of all vested In-The-Money Options and Warrants as of the date of delivery of the Conversion Notice plus (3) the number of all unvested In-The-Money Options and Warrants and shares of unvested restricted Euroseas Common Stock granted under Euroseas' stock plans, in each case as of the date of delivery of the Conversion Notice, not to exceed, in the aggregate, 2% of the total number of all shares, options and warrants included pursuant to clauses (1) and (2) over (ii) the product (the " Aggregate Exercise Price ") of (x) the number of all vested and unvested In-The-Money Options and Warrants as of the date of delivery of the Conversion Notice to the extent included in clauses (2) and (3) multiplied by (y) the average exercise or strike price of such options or warrants as of the date of delivery of the Conversion Notice; provided , however, that such amount shall be equitably adjusted if Euroseas issues equity, declares or pays any dividend, makes any distribution of any kind to any shareholder, makes any direct or indirect redemption, retirement, purchase or other acquisition of any shares of Euroseas Common Stock or otherwise effects any capital transaction following delivery of a Conversion Notice but prior to the consummation of the related Conversion or rescission of such exercise of Conversion Rights.

" Affiliate " means, with respect to any Person, any other Person controlling, controlled by or under common control with, such Person. The term "control" (as used in the terms "controlling", "controlled by" or "under common control with") means holding the power to direct or cause the direction of the management and policies of a Person, whether by ownership of equity securities, contract or otherwise.

" Agreement Regarding Vessel Opportunities " means the Agreement Regarding Vessel Opportunities, dated as of the date hereof, by and among the Company and each of Euroseas, Eurobulk Ltd., Eurochart S.A. and Aristides J. Pittas, as may be amended, supplemented or modified from time to time.

" All Seas GP " means Rhône Capital III LP.

" Appraised Net Asset Value " means, with respect to any Subject Company, the sum of (A) the aggregate Fair Market Value for all Vessels directly or indirectly wholly-owned by the Subject Company as determined in accordance with Section 8.8(a) , plus (B) the Other Net Assets Amount of the Subject Company as determined in accordance with Section 8.8(b).

" Assignee " means the owner of an Economic Interest who has not been admitted as a substitute Member in accordance with ARTICLE 8.

" Assumed Tax Rate " means with respect to each Member (or Person whose tax liability is determined by reference to the income of a Member), a rate equal to the sum of the maximum rate of New York state and local income tax and United States federal income tax that would be imposed on any individual Member if it was a resident of New York City, taking into account the year in which the income is recognized by the Company, the character of the income of the Company and the deductibility of state and local income taxes for United States federal income tax purposes.

" Business Day " means any day other than a Saturday, Sunday or other day on which commercial banks in New York City are required by law or executive order to close.

" Capital Account " means, with respect to any Member, the capital account which the Company establishes and maintains for such Member pursuant to Section 3.2 and ARTICLE 7 .

" Capital Contribution " means, with respect to any Member, the total amount of cash and fair market value of property contributed to the Company by such Member, whether before or after the date hereof, reduced, in the case of each All Seas Member, by the Investment Fee paid to All Seas GP in connection with such Member's Initial Capital Contribution pursuant to the terms of the Transaction Fee Agreement.

" Capital Percentage Interest " means, with respect to any Member as of any date, the ratio (expressed as a percentage) of the aggregate Capital Contributions of such Member on such date to the aggregate Capital Contributions of all Members on such date. The combined Capital Percentage Interest of all Members shall at all times equal 100%. The Capital Percentage Interests of the Members as of the date hereof (after giving effect to the Initial Capital Contributions) is set forth on Exhibit A hereto.

" Capital Transaction " means (a) a liquidation, dissolution or winding up of the Company pursuant to ARTICLE 10 or any other recapitalization transaction outside of the ordinary course in which cash or other assets are distributed to the Members, or (b) a Significant Corporate Transaction.

" Code " means the Internal Revenue Code of 1986, as amended, or any successor statute thereto.

" Company Minimum Gain " with respect to any year, means the "partnership minimum gain" computed in accordance with the principles of Treasury Regulations Sections 1.704-2(b)(2) and 1.704-2(d).

" Conversion Value " means, with respect to any Converting Member(s), an amount equal to the amount that such Converting Member(s) would receive in respect of its/their Conversion Units that are being exchanged pursuant to Section 8.5 if (a) the Appraised Net Asset Value of the Company were distributed to such Units under Section 10.3 as of the date of the delivery of the Conversion Notice and (b) all Options that would be automatically exercised as a result of such Distribution were deemed to be exercised in accordance with their terms.

" Converted Percentage Interest " means an amount equal to the ratio (expressed as a percentage) of (A) the Conversion Value to (B) the sum of (1) the greater of (i) the sum of (X) the Appraised Net Asset Value of Euroseas as of the date of delivery of the Conversion Notice plus (Y) the Aggregate Exercise Price and (ii) the Adjusted Euroseas Capital Market Value plus (2) the Conversion Value.

" Converting Member Independent Shares " means, with respect to Paros, individually or the All Seas Members, in the aggregate (in each case together with their respective Permitted Transferees), the product (determined as of the date the applicable vote is to be taken) of (x) such Converting Member's Independent Share Voting Percentage as of such date multiplied by (y) the number of Independent Shares as of such date.

" Deal Fee " has the meaning set forth in the Transaction Fee Agreement.

" Depreciation " means, for each Fiscal Year or other period, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable for United States federal income tax purposes with respect to an asset for such year or other period, except that if the Gross Asset Value of any asset differs from its adjusted basis for United States federal income tax purposes at the beginning of such year or other period, Depreciation shall be an amount which bears the same ratio to such beginning Gross Asset Value as the United States federal income tax depreciation, amortization, or other cost recovery deduction for such year or other period bears to such beginning adjusted tax basis, provided , however , that if the adjusted basis of an asset for United States federal income tax purposes at the beginning of such Fiscal Year is zero, Depreciation shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the Tax Matters Member.

" Disposition " means, with respect to any property, the direct or indirect transfer, sale, or other disposition (but not, for the avoidance of doubt, a pledge, encumbrance, mortgage or hypothecation) of such property including, with respect to any Vessel, a total loss, casualty or compulsory acquisition of such Vessel.

" Distributable Cash " means, as of the date of determination, the excess, if any, of (x) without duplication, the amount of cash, cash equivalents, money, currency, credit balance in any demand or deposit account (other than to the extent attributable to loan proceeds and excluding any such amounts held in a restricted account or retention account with a lender) and any freely tradable equity or debt securities that are listed for trading on a national exchange or automated quotation system, in each case that is held by the Company or any Subsidiary as of such date and excluding any amounts included in Distribution Event Proceeds over (y) the Reserve Amount determined as of such date.

" Distribution Event " means (i) the Disposition of any Vessel owned by the Company or any Subsidiary, (ii) the sale of any Subsidiary, and (iii) any Capital Transaction or other sale of the Company.

" Distribution Event Proceeds " means net cash proceeds (after the repayment of any indebtedness required to be repaid in connection with the consummation of such Distribution Event, brokerage fees and other costs and expenses incurred in connection therewith)

received by the Company or any Subsidiary in connection with any Distribution Event except (with respect to clauses (i) or (ii) of the definition of Distribution Event) to the extent the Board of Managers, by unanimous vote, determines to exclude any such proceeds from such calculation, less any amounts a Qualified Majority of Managers deems necessary (after consultation with Euroseas) to reserve for customary and usual transaction costs, expenses and taxes payable (but not yet paid) by the Company and/or any applicable Subsidiary in connection with such Distribution Event.

" Drag Along Seller " means any of Paros and/or any All Seas Member if, at the time of determination, such Member (together with its Affiliates) owns (i) greater than 20% of the Paros All Seas Percentage Interest, and (ii) a Capital Percentage Interest greater than 10%.

" Economic Interest " means the right to receive distributions of the Company's assets and allocations of income, gain, loss, deduction, credit and similar items from the Company pursuant to this Agreement and the Act, but shall not include any other rights of a Member, including the right to vote or participate in the management of the Company, any Conversion Right or except as provided in the Act, any right to information concerning the business and affairs of the Company.

" Euroseas Common Stock " means (a) the Common Stock of Euroseas, par value $0.03, and (b) any other securities into which, or for which, any of the securities described in clause (a) may be converted or exchanged pursuant to a recapitalization, merger, reorganization or similar transaction.

" Euroseas Percentage Interest " means, with respect to Paros or All Seas as of any date, the ratio (expressed as a percentage) of (a) the number of shares of Euroseas Common Stock held by such Member(s) (together with any Permitted Transferees) on such date (solely as a result of such Member's exercise of its Conversion Rights hereunder) to (b) the number of issued and outstanding shares of Euroseas Common Stock on such date.

" Euroseas VWAP " means the daily volume weighted average price per share of the Euroseas Common Stock on its principal trading market over the 10 Trading Days preceding (a) for purposes of determining the Adjusted Euroseas Capital Market Value, the date of delivery of the Conversion Notice and (b) for all other purposes, such date as may be specified.

" Exempted Transaction " means any of the following: (i) the approval, adoption, execution or delivery of this Agreement or any other Transaction Document, (ii) the approval or consummation of any of the transactions contemplated by this Agreement or any other Transaction Document, (iii) the approval or grant of the Conversion Rights, any Conversion Right becoming exercisable or the exercise thereof and/or (iv) the announcement of any of the foregoing.

" Exit Notice " means the Euroseas Redemption Notice or any Conversion Notice, as applicable.

" Exiting Member " means, in the case of the exercise of the Euroseas Redemption Right, Euroseas, and, in the case of the exercise of a Conversion Right, the Member who exercised such Conversion Right.

" Fair Market Value " shall mean, with respect to any Vessel, the amount which a willing buyer, under no compulsion to buy, would pay a willing seller, under no compulsion to sell, in an arm's-length transaction for such Vessel, including the value, positive or negative, of such Vessel's charter arrangements (i) for periods capable of lasting more than thirteen (13) months or (ii) otherwise reasonably determined to impact the Fair Market Value of such Vessel, but without physical inspection of the Vessel and without taking into account any Indebtedness related to such Vessel.

" Fiscal Year " means the Company's fiscal year, which shall be the twelve (12) months ended on December 31 of each year, unless a different year end is required by applicable law.

" G&A Budget " means the Initial G&A Budget or any general and administrative expense budget of the Company subsequently approved by the Board of Managers pursuant to Section 5.4(c) or otherwise in effect pursuant to Section 9.4 .

" GAAP " means United States generally accepted accounting principles in effect from time to time.

" Gross Asset Value " means, with respect to any asset, the asset's adjusted basis for United States federal income tax purposes, except as follows:

(i) the initial Gross Asset Value of any asset contributed by a Member to the Company shall be the fair market value of such asset, as determined by the contributing Member and the Company; and

(ii) The Gross Asset Values of all Company assets shall be adjusted to equal their respective fair market values, as of the following times: (1) the acquisition of an additional Membership Interest in the Company by any new or existing Member in exchange for more than a de minimis Capital Contribution or for services to be rendered to or on behalf of the Company; (2) the distribution by the Company to a Member of more than a de minimis amount of Company property as consideration for a Membership Interest in the Company; and (3) the liquidation of the Company within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(g); provided , however , that the adjustments pursuant to clauses (1) and (2) shall be made only if the Board of Managers reasonably determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the members in the Company;

(iii) The Gross Asset Value of any Company asset distributed to any member shall be adjusted to equal the fair market value of such asset on the date of distribution; and

(iv) the Gross Asset Values of Company assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Section 732(d), Section 734(b) or Section 743(b) of the Code, but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m) and Section 7.4 ; provided , however , that Gross Asset Values shall not be adjusted pursuant to this clause (iv) to the extent that the Members determine that an adjustment pursuant to clause

(ii) of this definition is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this clause (iv); and

(v) if the Gross Asset Value of any asset has been determined or adjusted pursuant to clauses (i), (ii) or (iv) of this definition, such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing gains or losses from the disposition of such asset.

" Hedging Obligation " means, with respect to any Person, any liability of such Person under any interest rate, currency or commodity swap agreement, cap agreement or collar agreement, and any other agreement or arrangement designed to protect a Person against fluctuations in interest rates, currency exchange rates or commodity prices, including any freight forward agreement.

" Indebtedness " of a Person means, at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments (excluding contingent obligations under surety bonds), (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising and paid in the ordinary course of business, (iv) the capitalized amount of all capital leases of such Person, (v) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit, bankers acceptance, surety bond or similar instrument, (vi) all equity securities of such Person subject to repurchase or redemption otherwise than at the sole option of such Person, (vii) all obligations secured by a Lien on any asset of such Person, whether or not such obligation is otherwise an obligation of such Person, (viii) all Hedging Obligations of such Person, and (ix) all Indebtedness of others guaranteed by such Person. Any obligation constituting Indebtedness solely by virtue of the preceding clause (vii) shall be valued at the lower of the fair market value of the corresponding asset and the aggregate unpaid amount of such obligation.

" Independent Share Voting Multiplier " means, with respect to Paros or All Seas (in each case together with their respective Permitted Transferees), a number (expressed as a percentage) equal to the smaller of (x) the Euroseas Percentage Interest of such Converting Member(s) and (y) the Percentage Board Representation of such Converting Member(s).

" Independent Share Voting Percentage " means, with respect to Paros or All Seas (in each case together with their respective Permitted Transferees), the ratio (expressed as a percentage) of the Independent Share Voting Multiplier of such Converting Member(s) over the aggregate Independent Share Voting Multiplier of all such Converting Members.

" Independent Shares " means a number of shares of Euroseas Common Stock, rounded to the nearest whole share, equal to (a) the result of (i) the number of issued and outstanding shares of Euroseas Common Stock that are not beneficially owned by Paros, All Seas, any of their respective Permitted Transferees or by any other Persons who acquired Units originally held by such Member pursuant to a Permitted Transfer, divided by (ii) the sum of (x) 1 (one) minus (y) the lesser of (A) the Percentage Board Representation of Paros and All Seas and (B) the quotient obtained by dividing the number of issued and outstanding shares of Euroseas Common Stock that are beneficially owned by Paros, All Seas and

any of their respective Permitted Transferees by the number of issued and outstanding shares of Euroseas Common Stock that are beneficially owned by Paros, All Seas, any of their respective Permitted Transferees and all other shareholders of Euroseas (other than any Persons (other than Permitted Transferees) who acquired Units originally pursuant to a Permitted Transfer), collectively, minus (b) the number of issued and outstanding shares of Euroseas Common Stock that are not beneficially owned by Paros, All Seas, any of their respective Permitted Transferees or by any other Persons who acquired Units originally held by such Member pursuant to a Permitted Transfer.

" Independent Majority of Managers " means, (a) at such times as the Paros All Seas Percentage Interest is at least 50% and either of Paros (together with its Permitted Transferees) or All Seas (together with its Permitted Transferees) is an 80% Holder, the affirmative vote of all of the Managers designated by such 80% Holder and (b) at all other times, the affirmative vote of a majority of the Managers designated by Paros and All Seas.

" Initial G&A Budget " means the general and administrative expense budget of the Company for the remainder of the 2010 Fiscal Year as set forth on Exhibit C .

" Investment Fee " has the meaning set forth in the Transaction Fee Agreement.

" In-The-Money Options and Warrants " means, as of any date, all options and warrants in respect of Euroseas Common Stock outstanding on such date, with an exercise or strike price that is less than the Euroseas VWAP as of such date.

" IRS " means the Internal Revenue Service.

" Lien " means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind, or any other type of preferential arrangement that has the practical effect of creating a security interest, in respect of such asset. For the purposes of this Agreement, the Company shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

" Management Agreement " means the Management Agreement, dated as of the date hereof, by and among the Company, Euroseas, Eurobulk Ltd. and Eurochart S.A., as amended, supplemented or modified from time to time.

" Market Disruption Event " shall mean that any of the following events that has occurred: (i) any suspension of, or limitation imposed on, trading by the Relevant Market during any period or periods aggregating one half-hour or longer during the regular trading session for the Relevant Market on the relevant day and whether by reason of movements in price exceeding limits permitted by the Relevant Market, or otherwise relating to the Euroseas Common Stock or in futures or options contracts relating to the Euroseas Common Stock for the Relevant Market; (ii) any event (other than an event described in clause (iii) below) that disrupts or impairs (as determined by Euroseas in its reasonable discretion) the ability of market participants during any period or periods aggregating one half-hour or longer during the regular trading session for the Relevant Market on the relevant day in general to effect transactions in, or obtain market values for, the Euroseas Common Stock in the Relevant Market or to effect transactions in, or obtain market values for, futures or options contracts relating to the Euroseas Common Stock for the Relevant Market; or (iii)

the failure to open of the Relevant Market on which futures or options contracts relating to Euroseas Common Stock, are traded or the closure of such market prior to its respective scheduled closing time for the regular trading session on such day (without regard to after hours or any other trading outside of the regular trading session hours) unless such earlier closing time is announced by such market at least one hour prior to the earlier of the actual closing time for the regular trading session on such day, and the submission deadline for orders to be entered into such market for execution at the actual closing time on such day.

" Maximum Capital Contribution Obligation " means, with respect to each Member, the maximum Capital Contribution such member is obligated to make which, with respect to (a) Euroseas, means an amount equal to $25 million, (b) Paros, means an amount equal to $75 million, and (c) the All Seas Members, means an amount initially equal to $75 million, for which such amount the All Seas Members shall be jointly and severally liable; provided , that such aggregate amount shall be allocated among the All Seas Members, pursuant to Section 3.5(d) prior to the funding of the Initial Capital Contribution.

" Member " means Paros, All Seas I, All Seas II, All Seas III, Euroseas and any Person who has been admitted to the Company as a Member in accordance with this Agreement or is an Assignee who has become a Member in accordance with ARTICLE 8 .

" Member Nonrecourse Debt " means liabilities of the Company treated as "partner nonrecourse debt" under Treasury Regulations Section 1.704-2(b)(4).

" Member Nonrecourse Debt Minimum Gain " means an amount of gain characterized as "partner nonrecourse debt minimum gain" under Treasury Regulation Sections 1.704-2(i)(2) and 1.704-2(i)(3).

" Membership Interest " means a Member's ownership interest in the Company including any and all benefits to which the holder of such Membership Interest may be entitled as provided in this Agreement or under the Act, including any Units (including Option Units), a Member's Economic Interest, the Conversion Rights, the right to vote on or participate in the management to the extent provided in this Agreement, and the right to receive information concerning the business and affairs of the Company, together with all obligations of a Member to comply with the terms and provisions of this Agreement.

" Membership Interest Equivalents " means any security or obligation that is by its terms, directly or indirectly, convertible into or exchangeable or exercisable for Units or other equity securities of the Company, and any option (including the Options), warrant or other subscription or purchase right with respect to Membership Interests or such other equity securities of the Company.

" Net Income " and " Net Losses " mean, for each Fiscal Year or other period, an amount equal to the Company's taxable income or loss, as the case may be for such year or period, determined in accordance with Section 703(a) of the Code (for this purpose, all items of income, gain, loss and deduction required to be stated separately pursuant to Section 703(a)(1) of the Code shall be included in taxable income or loss), with the

following adjustments: (i) any income of the Company that is exempt from United States federal income tax and not otherwise taken into account in computing Net Income or Net Losses pursuant to this definition shall be added to such taxable income or loss; (ii) any expenditures of the Company described in Section 705(a)(2)(B) of the Code or treated as Section 705(a)(2)(B) expenditures pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Net Income or Net Losses pursuant to this definition shall be subtracted from such taxable income or loss; (iii) in lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Fiscal Year or other period, computed in accordance with the definition thereof; (iv) to the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Section 734(b) of the Code is required, pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as a result of a distribution other than in liquidation of a Member's interest in the Company, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) from the disposition of such asset and shall be taken into account for purposes of computing Net Income or Net Losses; (v) in the event that the Gross Asset Value of any Company asset is adjusted pursuant to subparagraphs (ii) or (iii) of the definition of "Gross Asset Value," the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset for purposes of computing Net Income or Net Losses; (vi) Gain or loss from any disposition of property with respect to which gain or loss is recognized for U.S. federal income tax purposes shall be computed by reference to the Gross Asset Value of the property disposed of, notwithstanding that the adjusted tax basis of such property differs from its Gross Asset Value; and (vii) notwithstanding any other provision of this definition, any items which are specially allocated pursuant to Section 7.4 shall not be taken into account in computing Net Income and Net Losses.

" Non-Exiting Member(s) " means, in the case of the exercise of the Euroseas Redemption Right, the Members other than Euroseas, and, in the case of the exercise of a Conversion Right, Euroseas and any Member who did not exercise such Conversion Right.

" Options " means the options to purchase Units that have been granted under the Management Agreement.

" Option Units " means any Units issued as a result of the exercise of any Option.

" Other Net Asset Amount " means the sum, either positive or negative, of (x) the value of the assets of the Subject Company as recognized on such Person's most recent balance sheet prepared in accordance with GAAP and consistent with past practice (which shall reflect the value of the Subject Company's interests in any Person that is less than wholly-owned by the Subject Company and, without duplication, the value of the Subject Company's interest in all Vessels not wholly owned directly or indirectly by the Subject Company, in each case as recognized on such Person's most recent balance sheet prepared in accordance with GAAP), but excluding the value of the Vessels directly or indirectly wholly-owned by the Subject Company, and, to the extent not duplicative, the value of the contingent assets of the Subject Company, in each case excluding intangible assets (such as but not limited to goodwill, intellectual property, deferred financing fees) and adjusted to reflect any material changes since the date of

such balance sheet, including to reflect casualty losses and insurance proceeds received since the date of such balance sheet, minus (y) the Indebtedness of the Subject Company and, to the extent not duplicative, the value of the liabilities of the Subject Company as recognized on such Person's most recent balance sheet prepared in accordance with GAAP and consistent with past practice, but excluding any original issue discounts applied to Indebtedness and adjusted to reflect any material changes since the date of such balance sheet, and for the avoidance of doubt, excluding any obligations of the Company under Section 6.1(c) , in each case determined on a consolidated basis with respect to such Subject Company.

" Paros All Seas Percentage Interest " means the aggregate Capital Percentage Interest held by Paros and All Seas, together with their Permitted Transferees.

" Percentage Board Representation " means, as of any date, the ratio (expressed as a percentage, except for purposes of calculating the number of "Independent Shares" for which purposes it will be expressed as a decimal fraction) of (a) with respect to Paros or All Seas, the number of directors such Member(s) (together with its Permitted Transferees) is entitled to nominate to the Euroseas Board of Directors pursuant to Section 8.6(d) on such date and (b) with respect to the Paros Converting Members and the All Seas Converting Members, the aggregate number of directors Paros and All Seas (together with their respective Permitted Transferees) are entitled to nominate to the Euroseas Board of Directors pursuant to Section 8.6(d) , in each case to the aggregate number of directors on the Euroseas Board of Directors as of such date (assuming, for this purpose that the directors Paros and All Seas are entitled to nominate pursuant to Section 8.6(d) are actually elected).

" Percentage Interest " means, with respect to any Member as of any date, the ratio (expressed as a percentage) of the aggregate number of Units held by such Member on such date to the aggregate number of Units held by all Members on such date. The combined Percentage Interest of all Members shall at all times equal 100%.

" Permitted Distributions " means aggregate Distributions (together with all prior Distributions pursuant to Section 6.1(c) or Section 6.2 , but excluding any Transaction Fees) to Members that would not result in the automatic exercise of any Option.

" Permitted Transferee " means, (i) with respect to any Member who is an individual, a member of such Member's immediate family, which shall include such Member's spouse, children or grandchildren, or a trust, corporation, partnership or limited liability company all of the beneficial interests of which shall be held by such Member or one or more members of such Member's immediate family, and shall include such Member's heirs, successors, administrators and executors; (ii) with respect to any Member that is an entity, (x) any Affiliate of such Member; provided , that no Affiliate of Euroseas will be a Permitted Transferee of the Units unless such Affiliate has been appointed by the Board of Managers to manage the day-to-day operations of the Company, or (y) any partner, shareholder, member or similar equityholder of such Member or any of its Affiliates (except any partner, shareholder, member or similar equityholder of Euroseas). For the avoidance of doubt, except for the transferees set forth above, a Permitted Transferee shall not include any other Persons who acquire Units originally held by such Member pursuant to a Permitted Transfer.

" Person " means any individual, firm, corporation, partnership, trust, incorporated or unincorporated association, joint venture, joint stock company, limited liability company or other entity of any kind.

" Prime Rate " shall mean the prime rate (the base rate on corporate loans at large U.S. money center commercial banks) as published in the Money Rates section of the Wall Street Journal or other equivalent publication if the Wall Street Journal no longer publishes such information; provided , that if more than one such prime rate is published on any given day, the lowest of such published rates shall be the Prime Rate for purposes of this Agreement.

" Public Offering " means, in the case of an offering in the United States, a firm commitment underwritten public offering of equity securities, pursuant to an effective registration statement filed with the Securities Exchange Commission pursuant to the Securities Act, as then in effect, and, in the case of an offering in any other jurisdiction, a widely distributed offering of equity securities in which both retail and institutional investors are eligible to buy in accordance with the securities laws of such jurisdiction, in each case in an offering that is anticipated to result in gross proceeds of not less than $40,000,000, as determined by the Board of Managers; provided , that a Public Offering shall not include an offering made in connection with a business acquisition or combination.

" Qualified Majority of Managers " means, (a) at such times as the Paros All Seas Percentage Interest is at least 50% and each of Paros (together with its Permitted Transferees) and All Seas (together with its Permitted Transferees) holds Capital Percentage Interests representing at least 20% of the Paros All Seas Percentage Interest, the affirmative vote of all of the Managers nominated for election by either Paros or All Seas, (b) at such times as the Paros All Seas Percentage Interest is at least 50% but either of Paros (together with its Permitted Transferees) or All Seas (together with its Permitted Transferees) is an 80% Holder, the affirmative vote of all of the Managers designated by the 80% Holder, and (c) at such times as the Paros All Seas Percentage Interest is less than 50%, the affirmative vote of a majority of the Managers present at a meeting at which a quorum is present.

" Redemption Value " means an amount equal to the amount that Euroseas would receive in respect of its Units that are being redeemed pursuant to Section 8.4 (for the avoidance of doubt, excluding any amounts attributable to its Option Units) if (a) the Appraised Net Asset Value of the Company were distributed to such Units under Section 10.3 as of the date of the delivery of the Euroseas Redemption Notice and (b) all Options that would be automatically exercised as a result of such Distribution were deemed to be exercised in accordance with their terms.

" Related Party Transaction " means any transaction between the Company or any of its controlled Affiliates, on the one hand, and any Member, any Affiliate of a Member, or any director, officer, employee or "associate" (as defined in Rule 12b-2 promulgated under the Securities Exchange Act of 1934, as amended) of the Company, a Member or any Affiliate of a Member, on the other hand.

" Relevant Market " means the principal trading market of the Euroseas Common Stock.

" Reserve Amount " means the amount of cash which the Board of Managers deems necessary for the Company's business (following consultation with Euroseas), taking into account all debts, liabilities and obligations of the Company then due, and working capital and other amounts deemed necessary for the Company's business or to place into reserves for customary and usual expenditures or claims with respect to such business.

" Securities Act " means the Securities Act of 1933, as amended, and the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

" Shareholder Rights Plan " means the Shareholder Rights Agreement, dated as of May 18, 2009, between Euroseas and American Stock Transfer and Trust Company, LLC, as Rights Agent, as amended, supplemented or modified from time-to-time.

" Significant Corporate Transaction " means (i) any transfer, sale or other Disposition by the Company or any of its Subsidiaries of all or substantially all of (A) the assets of the Company and its Subsidiaries or (B) the outstanding equity of the Company (including by way of tender offer, merger, combination, reorganization or consolidation), in each case to any Person or group of Persons in a transaction or series of transactions, and (ii) any Public Offering.

" Subject Company " means Euroseas (together with its subsidiaries) or the Company (together with its Subsidiaries), as the case may be.

" subsidiary " means, with respect to any Person, any entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other body performing similar functions are at any time directly or indirectly owned by such Person.

" Subsidiary " means a subsidiary of the Company.

" Supermajority-in-Interest of the Members " means, (a) at such times as the Paros All Seas Percentage Interest is at least 50% and each of Paros (together with its Permitted Transferees) and All Seas (together with its Permitted Transferees) holds Capital Percentage Interests representing at least 20% of the Paros All Seas Percentage Interest, the affirmative vote of both Paros and All Seas, (b) at such times as the Paros All Seas Percentage Interest is at least 50% but either of Paros (together with its Permitted Transferees) or All Seas (together with its Permitted Transferees) is an 80% Holder, the affirmative vote of such 80% Holder, and (c) at such times as the Paros All Seas Percentage Interest is less than 50%, the affirmative vote of a majority of the Members (without regard to such Members' Capital Percentage Interest or Percentage Interest) as of the date hereof who, as of the date determination, hold, together with their Permitted Transferees, a Capital Percentage Interest of at least 5% as of the date of determination; provided, that for purposes of this clause (c), the All Seas Members shall be considered a single Member and their Capital Percentage Interest shall be determined in the aggregate.

" Tax Distribution Date " means January 10, April 10, June 10 and September 10 of each Fiscal Year.

" Trading Day " shall mean, for purposes of determining the Euroseas VWAP, a Business Day on which the Relevant Market is scheduled to be open for business and on which there has not occurred or does not exist a Market Disruption Event.

" Transaction Documents " means this Agreement, the Management Agreement, the Euromar Registration Rights Agreement, the Euroseas Registration Rights Agreement, the Agreement Regarding Vessel Opportunities, the Shareholders' Agreement, the Transaction Fee Agreement, the Management Rights Agreement and all other documents entered into on the date hereof in connection with the transactions contemplated herein.

" Transaction Fee Agreement " means the transaction fee agreement between Euroseas, Paros, the All Seas Members and All Seas GP, dated as of the date hereof, as amended, supplemented or modified from time to time.

" Transaction Fees " means Investment Fees and Deal Fees.

" Treasury Regulations " means the regulations promulgated under the Code.

" Uncalled Capital Contribution Obligation " means, as of the date of determination, with respect to any Member, the excess, if any, of (a) such Member's Maximum Capital Contribution Obligation over (b) the sum of (i) the aggregate amount of all Capital Contributions made by such Member as of such date pursuant to Section 3.5 plus (ii) the aggregate amount of all Contribution Loans made by such Member that, as of such date, remain outstanding and have not been foreclosed upon or converted into Make-Up Contributions, plus (iii) the aggregate amount of all Make-Up Contributions made by such Member as of such date.

" Unit " means a limited liability company interest in the Company.

" Valid Business Reason " means the withholding of consent to admit a third party as a Member if, (a) with respect to Euroseas, in the reasonable judgment of Euroseas, the third party or its Affiliates is engaged in direct competition with the Company or Euroseas, (b) in the case of any Member or Manager, in the reasonable judgment of such Member or Manager, as the case may be, such third party or its Affiliates has a criminal record or is otherwise of ill repute and (c) in the case of any Member or Manager, if such third party does not execute an instrument satisfactory to each Manager in its reasonable judgment, accepting and adopting the terms and provisions of this Agreement.

1.2 Other Definitions . The following capitalized terms are defined in the following Sections of this Agreement:

Term	**Section**
Accounting Referee	8.8(b)
Actions	5.13
Additional Capital Contribution	3.5(a)
Aggregate Exercise Price	1.1
Agreement	Preamble
All Seas	Preamble

Term	Section
All Seas I	Preamble
All Seas II	Preamble
All Seas III	Preamble
All Seas Converting Members	8.6(d)
All Seas Member	Preamble
Approved Transaction	8.1(a)(i)
Board of Managers	5.1
Business	2.6
By-Laws Amendment	3.4(b)
Capital Call	3.5(a)
Capital Default	3.6(a)
Capital Default Notice	3.6(a)
Certificate of Formation	Recitals
Change of Control	8.5(a)
Charter Amendment	8.6(a)
Commitment Period	3.5(a)
Company	Preamble
Company Manager	5.18
Contribution Lender	3.6(a)
Contribution Loan	3.6(a)
Conversion	8.5(a)
Conversion Notice	8.5(a)
Conversion Right	8.5(a)
Conversion Units	8.5(a)
Converting Member(s)	8.5(a)
Default Amount	3.6(a)
Defaulting Capital Member	3.6(a)
Defaulting Manager	3.6(a)(i)
Dissolution Event	10.1
Distribution	6.1(b)
Early Termination Event	3.5(a)
Euromar Registration Rights Agreement	8.3
Euroseas	Preamble
Euroseas Board Representation	8.6(d)
Euroseas Redemption Notice	8.4(a)
Euroseas Redemption Right	8.4(a)
Euroseas Registration Rights Agreement	8.5(f)
Euroseas Statement	8.8(b)
Exit Transaction	8.2(a)
Exit Transaction Notice	8.2(a)
Final Appraiser	8.8(a)
Initial Appraiser	8.8(a)
Initial Capital Contribution	3.4(a)
Interested Member	4.5
IPO Conversion	2.7(a)

Term	Section
Make-Up Contribution	3.6(a)(ii)(A)
Manager	5.2
Managers	5.2
Non-Defaulting Capital Member	3.6(a)
Objection Notice	8.8(b)
Observers	5.2
Paros	Preamble
Paros Converting Members	8.6(d)
Permitted G&A Budget Rollover Increase	9.4
Permitted Transfer	8.1(a)(i)
Redemption	8.4(a)
Redemption Units	8.4(a)
Reviewing Member(s)	8.8(b)
Shareholders' Agreement	8.5(g)
Supermajority Matter	4.10
Tax Distribution	6.2(a)
Tax Liability Amount	6.2(a)
Tax Matters Member	9.8(b)
Transaction Expenses	12.1
Transfer	8.1(a)(i)
Vessels	2.6
Withholding Advances	6.3(b)

1.3 Interpretation . For purposes of this Agreement, except as otherwise expressly provided herein or unless the context otherwise requires: (a) words using the singular or plural number shall also include the plural or singular number, respectively, and the use of any gender herein shall be deemed to include the other genders; (b) references herein to "Articles," "Sections," "subsections" and other subdivisions, and to Exhibits, Annexes and other attachments, without reference to a document are to the specified Articles, Sections, subsections and other subdivisions of, and Exhibits, Annexes and other attachments to, this Agreement; (c) a reference to a subsection without further reference to a Section is a reference to such subsection as contained in the same Section in which the reference appears, and this rule shall also apply to other subdivisions within a Section or subsection; (d) the words "herein," "hereof," "hereunder," "hereby" and other words of similar import refer to this Agreement as a whole and not to any particular provision; (e) the words "include," "includes" and "including" are deemed to be followed by the phrase "without limitation"; (f) any reference to the Code, the Treasury Regulations, the Act or other statutes or laws will include all amendments, modifications or replacements of the specified sections and provisions concerned; (g) "or" is not exclusive; and (h) all dollar amounts set forth herein are in U.S. Dollars.

ARTICLE 2

ORGANIZATIONAL MATTERS

2.1 Formation . The Company was formed as a limited liability company under the Act by the filing of the Certificate of Formation on January 4, 2010. The rights and liabilities of the Members shall be determined pursuant to the Act and this Agreement. To the extent that the rights or obligations of any Member are different by reason of any provision of this Agreement than they would be in the absence of such provision, this Agreement shall, to the extent permitted by the Act, control.

2.2 Name . The name of the Company is currently Euromar LLC. The business of the Company may be conducted under that name or, upon compliance with applicable laws, any other name that the Board of Managers deems appropriate or advisable.

2.3 Term . The Company shall continue in existence perpetually, unless sooner dissolved as provided by this Agreement or required by the Act.

2.4 Office and Agent . The Company shall continuously maintain an office and registered agent in the Marshall Islands as required by the Act. The principal office of the Company shall be located in Maroussi, Greece, or such other place as may be determined by the Board of Managers. The registered office of the Company in the Marshall Islands shall be located at Trust Company Complex, Ajeltake Island, Ajeltake Road, Majuro, Marshall Islands MH 96960, or such other place within the Marshall Islands as may be determined by the Board of Managers. The registered agent for service of process on the Company shall be The Trust Company of the Marshall Islands, Inc., or any successor registered agent appointed by the Board of Managers in accordance with the Act.

2.5 Addresses of the Members and the Managers . The respective addresses of the Members are set forth on Exhibit A and the respective addresses of the Managers are set forth on Exhibit B . A Member or Manager may change his or her address upon notice thereof to the Company.

2.6 Purpose and Business of the Company . The sole purpose of the Company is to engage in the business of acquiring, maintaining, managing, operating and disposing of shipping vessels (the " Vessels " and such business, the " Business "). The Company may engage in other businesses as the Board of Managers may determine from time to time in accordance with Section 5.4 , subject to the approval rights of the Members pursuant to Section 4.10 . The Company shall have any and all powers necessary or desirable to carry out the purpose and business of the Company, to the extent the same may be lawfully exercised by limited liability companies under the Act. In order to facilitate the purpose of the Company, as set forth above, the Board of Managers may cause the Company to form one or more subsidiary special purpose entities or vehicles to own all or individual Vessels (or interests therein) or to conduct a portion of the Business; provided , however , except as otherwise unanimously approved by the Board of Managers and approved by a Supermajority-in-Interest of the Members, the terms of the organizational documents relating to the formation of such entities or vehicles must contain such provisions as will, together with the provisions of this Agreement, have substantially

the same effect as would be the case if the Vessels were held and all such business were conducted by the Company pursuant to the terms of this Agreement, taking into account any modifications necessary due to the jurisdiction (and related local laws) of such entities or vehicles; and provided , further , that the tax and regulatory circumstances of the Company and each of the Members shall be considered by the Board of Managers in determining the domicile, flag state and legal structure of any such entity or vehicle.

2.7 Conversion to IPO Corporation .

(a) In connection with any proposed Public Offering (i) approved by the Board of Managers pursuant to Section 5.3 and a Supermajority-In-Interest of the Members, the Board of Managers may, or (ii) initiated by a Drag Along Seller pursuant to Section 8.3 , the Board of Managers shall, in each case without the further consent of any Member, to the extent necessary to facilitate such Public Offering: (1) form a corporation (the assets of which would consist of interests in the Company) or amend this Agreement to provide for a conversion in accordance with Marshall Islands law to a corporation or such other capital structure as the Board of Managers may determine; (2) distribute equity interests in the resulting company to the Members; (3) form a Subsidiary holding company and distribute its shares to the Members; (4) subject to Section 5.4 , move the Company or any successor to another jurisdiction to facilitate any of the foregoing; or (5) take such other steps as it deems necessary to create a suitable vehicle for an offering or sale, in each such case in accordance with the Act and applicable law, and in each case for the express purpose of an initial offering of the securities of such corporation for sale to the public in a registered public offering pursuant to the Securities Act that is a Public Offering (an " IPO Conversion "). At the election of the Board of Managers, such IPO Conversion may take the form of an umbrella partnership structure in which the Members would control the new public vehicle through special voting arrangements and retain substantially all of their economic interest directly in the Company, with the right to exchange such interests for shares (or other equity securities and/or options at fair market value) in the new public vehicle. When electing the form of the IPO Conversion and the resulting public vehicle, the Board of Managers shall consider the tax and regulatory circumstances of the Company and each of the Members. Notwithstanding anything to the contrary contained herein, the Board of Managers shall not approve the IPO Conversion pursuant to Section 5.3 unless it shall have determined in good faith that a Public Offering can reasonably be expected to be consummated within sixty (60) days of the IPO Conversion and the IPO Conversion shall only occur on the day prior to the closing of the Public Offering.

(b) In connection with any proposed IPO Conversion, at the option of the Board of Managers without the further consent of any Member, all or any portion of the Units may be converted into or redeemed for shares (or other equity securities and/or options at fair market value) and other rights with substantially equivalent economic, governance, priority and other rights and privileges as in effect immediately prior to such IPO Conversion (disregarding the tax treatment of such conversion or redemption). If any such conversion or redemption is effected, each Member agrees that its consent is not required and that it shall raise no objection to such

conversion or redemption and shall execute and deliver all agreements, instruments and documents as may be reasonably required in order to consummate such conversion or redemption.

(c) If the Board of Managers undertakes an IPO Conversion pursuant to Section 2.7(a) , the Members shall take such actions as may be reasonably required and otherwise cooperate in good faith with the Board of Managers, including taking all actions required by the Board of Managers, in connection with consummating the IPO Conversion (including the voting of any Units (including any voting as Members as may be necessary to effect a transfer by continuation or to authorize a share capital, whether by liquidation of the Company and creation of a new entity, amendment to this Agreement or otherwise), to approve such IPO Conversion and to take any other actions required in order to effectuate an IPO Conversion).

2.8 Representations and Warranties Relating to Investment Company Act . Each of Euroseas and the Company hereby represents and warrants (severally, and not jointly or jointly and severally) to each of Paros and All Seas, that the Company is not and, upon the funding of the Maximum Capital Contribution Obligations hereunder, shall not be, subject to regulation under the Investment Company Act of 1940, as amended.

ARTICLE 3

CAPITAL CONTRIBUTIONS AND PERCENTAGE INTERESTS

3.1 Units .

(a) Each Unit shall be issued in exchange for a Capital Contribution in the amount of $1,000 or pursuant to the exercise of an Option in accordance with the terms thereof.

(b) Exhibit A sets forth the number of Units, the Capital Percentage Interest and the Percentage Interest of each Member after giving effect to each such Member's Initial Capital Contribution. The Company shall amend Exhibit A upon any issuance of Units (other than, for the avoidance of doubt, in connection with the Initial Capital Contributions).

(c) Holders of Units shall (v) share in each item of Company income, gain, loss, deduction, and credit as provided in ARTICLE 7 , (w) be entitled to such Distributions made pursuant to Section 6.1(c) in the amount set forth in such Section, (x) be entitled to such Tax Distributions made pursuant to Section 6.2 in the amount set forth in such Section, (y) be entitled to such distributions made pursuant to Sections 10.2 and 10.3 in the amounts and priorities as set forth in such Sections and (z) be entitled to such other voting and participation rights as are set forth in this Agreement.

(d) Option Units shall be subject to forfeiture, cancellation and adjustment as set forth in Section 21.3 and Section 21.4 of the Management Agreement.

3.2 Capital Accounts . A separate Capital Account will be established for each Member. Each Capital Account will be maintained in accordance with ARTICLE 7 . Except as otherwise expressly provided in this Agreement, no Member will be personally liable for or be required to restore any deficit Capital Account balance. If any Membership Interest in the Company is Transferred in accordance with the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent the Capital Account related to such Transferred Membership Interest. The Company shall amend Exhibit A to reflect any Capital Contribution (other than any Initial Capital Contribution) made from and after the date hereof in accordance with the terms of this Agreement.

3.3 No Interest . Except as otherwise expressly provided in this Agreement, no Member shall be entitled to receive any interest on its Capital Contributions.

3.4 Initial Capital Contributions .

(a) Subject to Section 3.4(b), no later than twenty-five (25) Business Days following the date hereof, each of the Members shall make an initial Capital Contribution in the amounts set forth opposite such Member's name under the heading "Capital Account Balance" on Exhibit A with respect to its Units (each such Member's " Initial Capital Contribution ") in exchange for the number of Units set forth opposite such Member's name on Exhibit A plus , in the case of each All Seas Member, an amount equal to the Investment Fee payable in connection with such Member's Initial Capital Contribution. The Initial Capital Contributions shall be used primarily to pay the expenses described in Section 12.1 , make deposits to secure the acquisition of Vessels and for other working capital requirements of the Company.

(b) The obligation of each of Paros and each All Seas Member to make such Member's Initial Capital Contribution shall be subject to the satisfaction, or waiver by Paros and each All Seas Member, each in its sole discretion, of the condition that (i) Euroseas obtain the consent, in form and substance satisfactory to Paros and each All Seas Member, of each party set forth on Schedule 3.4(b) to the Charter Amendment and By-Laws Amendment and to the granting and exercise of the Conversion Rights pursuant to the terms of this Agreement, in each case to the extent required under such Agreement, (ii) the Board of Directors of Euroseas adopting an amendment to the By-Laws of Euroseas (the " By-Laws Amendment ") to provide for the expansion of the Euroseas Board of Directors and the election of designees of Paros and All Seas as provided in Section 8.6 and (iii) Euroseas deliver a fully executed First Amendment to the Shareholder Rights Plan, in the form of Exhibit J hereto.

3.5 Additional Capital Calls .

(a) The Board of Managers may, at any time during the Commitment Period, (x) in accordance with Section 5.4 upon the approval of a Vessel acquisition in accordance with Section 5.4 or (y) in connection with the incurrence of an expense in accordance with the G&A Budget then in effect, make a call or calls on Members (each, a " Capital Call ") to make additional Capital Contributions (each, an " Additional Capital Contribution ") in proportion to their respective Uncalled Capital Contribution Obligations;

provided , that in no event shall the Board of Managers make a Capital Call for Additional Capital Contributions in excess of such Member's Uncalled Capital Contribution Obligation, as determined as of the date such Capital Call is made. Members shall be severally (and not jointly or jointly and severally) liable for funding Capital Calls. Any notice of a Capital Call shall state with reasonable detail the anticipated use of such funds and notify each Member of its obligation to fund such Additional Capital Contribution as soon as practicable, and in any event within fifteen (15) Business Days of delivery of such notice (or such earlier date as may be determined by the unanimous approval of the Board of Managers and a Supermajority-In-Interest of the Members). Notwithstanding anything to the contrary contained herein, other than, for the avoidance of doubt, the commitment to make Capital Contributions pursuant to Section 3.4 or the first sentence of this Section 3.5(a) , no Member (or Affiliate of any Member) will be required to make any loan or advance to the Company or guaranty or make any other financial commitment with respect to any debt or other obligation of the Company, including to fund operations of the Company or meet any tax liabilities of the Members; provided , however , that Euroseas will use its best efforts to assist the Company in obtaining bank financing but will not, for the avoidance of doubt, be required to provide a guaranty of such Indebtedness. Except as provided in Section 3.6 in connection with the funding of any Defaulting Capital Member's Capital Default, no Member (or Affiliate of any Member) shall make any Capital Contribution without the prior unanimous written consent of the Board of Managers. The " Commitment Period " shall be the period beginning on the date hereof and ending on the earliest of: (a) such time as the Uncalled Capital Contribution Obligation of one or more Members has been reduced to zero and each Member with a positive Uncalled Capital Contribution Obligation failed to fund the most recent Capital Call; (b) the one year anniversary of the date hereof in the event the Company has not acquired or made a binding commitment to acquire a Vessel in accordance with Section 5.4 , unless such period is extended to the second anniversary of the date hereof by the unanimous approval of the Board of Managers; (c) the two year anniversary of the date hereof, unless such period is extended to the third anniversary of the date hereof by the unanimous approval of the Board of Managers; or (d) the date on which the Company's Board of Managers rejects a sixth consecutive investment proposal, all of which complied with the Acquisition Guidelines; provided , however , that the Board of Managers may, by unanimous vote, determine that such event set forth in clause (d) shall not terminate the Commitment Period (in which event this clause (d) shall apply to each consecutive subsequent investment proposal in line with the Acquisition Guidelines). In the event (x) an event described in clause (b) or clause (d) of the previous sentence occurs and the Board of Managers does not, by unanimous vote, determine that such event shall not terminate the Commitment Period and (y) as of the date of such event the Company has not invested or made a binding commitment to invest at least $26.25 million, such event shall be an " Early Termination Event ".

(b) In the event an Additional Capital Call is made for the purpose of Vessel acquisition(s) and such Additional Capital Contributions are not invested within thirty (30) days from the date of such Capital Call, the Additional Capital Contributions shall be promptly returned to the Members who funded such Capital Call pro rata in proportion to the Capital Contributions of such Members pursuant to such Capital Call less any Transaction Fees paid to such Members in respect of such Capital Contributions;

provided , that such thirty (30) day period may, upon the unanimous consent of the Board of Managers (such consent not to be unreasonably withheld), be extended to sixty (60) days from the date of such Capital Call.

(c) The obligation of each of Paros and each All Seas Member to make any Additional Capital Contribution shall be subject to the satisfaction or waiver by Paros and each All Seas Member, each in its sole discretion, of the condition that each of the representations and warranties made by Euroseas in Section 8.7 shall be true and correct in all material respects on and as of the date of such Additional Capital Contribution with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date, and the vote of the Managers appointed by Euroseas to approve a Capital Call shall be deemed to be a representation and warranty made by Euroseas to each of the other Members to the foregoing effect.

(d) Each All Seas Member may transfer or assign its funding obligations hereunder, in whole or from time to time in part, to any other All Seas Member that agrees to accept such obligations; provided , that such transfer or assignment does not delay or adversely affect the funding of any Capital Call and shall not relieve such Member of its obligations hereunder or enlarge, alter or change any obligation of any Member other than an All Seas Member. In the event that such funding obligations are transferred or assigned, appropriate adjustments will be made to the Maximum Capital Contribution Obligation of the All Seas Members (provided , that such amount shall at all times equal $75 million in the aggregate) and the Uncalled Capital Contribution Obligation of the All Seas Members (provided , that the aggregate Uncalled Capital Contribution Obligation of the All Seas Members immediately prior to such transfer or assignment shall be equal to the Uncalled Capital Contribution Obligation of the All Seas Members immediately following such transfer or assignment) and Exhibit A hereto shall be amended accordingly in the case of an transfer or assignment made prior to the funding of each All Seas Member's Initial Capital Contribution.

3.6 Failure to Make Capital Contributions Pursuant to Capital Calls .

(a) The failure of a Member (the " Defaulting Capital Member ") to make all or any portion of an Additional Capital Contribution pursuant to Section 3.5 shall constitute a default (a " Capital Default ") hereunder. In the event of each such Capital Default, the Board of Managers shall deliver a notice (the " Capital Default Notice ") to each Member notifying them of the Capital Default and calling on each Member who is not a Defaulting Capital Member (each, a " Non-Defaulting Capital Member ") to fund a pro rata portion (determined in proportion to the relative Uncalled Capital Contribution Obligations of the Non-Defaulting Capital Members) of the amount of the Additional Capital Contribution which the Defaulting Capital Member failed to contribute to the Company (the " Default Amount ") in the form of a loan (a " Contribution Loan " and such Non-Defaulting Capital Member making a Contribution Loan a " Contribution Lender ") within the time period set forth in the Capital Default Notice (which shall, in no event, be fewer than fifteen (15) Business Days from the date such

notice is delivered) as set forth below. Notwithstanding anything to the contrary contained herein, in no event shall any Member be required to make a Contribution Loan hereunder in excess of such Member's Uncalled Capital Contribution Obligation, as determined as of the date the applicable Capital Default Notice is delivered.

(i) Contribution Loan .

(A) Each Contribution Loan shall be contributed to the capital of the Company on behalf of the Defaulting Capital Member to which such Contribution Loan is made. Each Contribution Loan shall be deemed to be a Capital Contribution by such Defaulting Capital Member in respect of the related Capital Call, and shall be deemed to be a "demand" loan from the Contribution Lender to the Defaulting Capital Member with such Contribution Lender having the right to call the Contribution Loan at any time from and after the tenth day following the date such Contribution Loan is made and the Defaulting Capital Member having the obligation to repay the Contribution Loan in full on five (5) Business Days notice. Such Contribution Loan shall be made at an annual rate of interest equal to the lower of (x) 20% and (y) the maximum rate of interest permitted by law, compounded monthly and shall be calculated based on the actual number of days elapsed on the basis of a 360 day year. During the period in which a Contribution Loan is outstanding, all distributions to the Defaulting Capital Member shall be deemed distributed to the Defaulting Capital Member for purposes of determining the Capital Account balance of the Defaulting Capital Member and for purposes of ARTICLE 6 hereof, but shall be paid to the Contribution Lender (or in the event there is more than One Contribution Lenders, to each Contribution Lender in proportion to its Contribution Loan) in satisfaction of its Contribution Loan. Such payments shall first be applied to interest and then in reduction of principal of any such Contribution Loan. The Defaulting Capital Member shall grant to the Contribution Lender, as collateral security for the Contribution Loan, a security interest in and to all of the Defaulting Capital Member's Membership Interest (or in the event there is more than One Contribution Lenders, to each Contribution Lender in proportion to its Contribution Loan) and shall execute such UCC financing statements, pledge agreements, or other further assurances thereof as may be required by the Contribution Lender.

(B) While any Contribution Loan remains outstanding, (1) the Defaulting Capital Member (and if such Defaulting Capital Member is an All Seas Member, all All Seas Members) by its execution of this Agreement and granted in connection with the transactions contemplated hereby, irrevocably makes, constitutes and appoints each of the Contribution Lenders as its true and lawful agents and attorneys in fact, with full power of substitution and full power and authority in its name, place and stead, to vote (on a pro rata basis in proportion to the outstanding balance of the Contribution Loan made by such Contribution Lenders) on such Defaulting Capital Member's behalf (and if such Defaulting Capital Member is an All Seas Member, on all All Seas Members' behalf) in regards to all matters requiring the approval of Members, such power of attorney being irrevocable and coupled with an interest and (2) the Contribution Lender (or, in the event there is more than one (1) Contribution Lender, the Contribution Lender with the greater Capital Percentage Interest) shall have the right to elect, by notice delivered to the Defaulting Capital Member, that the Managers designated by such Defaulting Capital Member (and if such Defaulting Capital Member is an All Seas Member, by all All Seas Members) (the " Defaulting Managers ") either (x) immediately tender their resignation as Managers, with replacement

Managers designated in their stead by such Contribution Lender or (y) each designate a replacement Manager by proxy (as selected by such Contribution Lender) to represent such Defaulting Manager at all meetings of the Board of Managers. Such proxy must be notified to the Board of Managers by letter or facsimile, signed by the Defaulting Manager giving the proxy, addressed to the Board of Managers of the Company and delivered prior to the commencement of the subsequent meeting of the Board of Managers. In the event there is more than one Contribution Lender and both Contribution Lenders have the same Capital Percentage Interest, such Contribution Lenders shall share the rights set forth in this Section 3.6(a)(i)(B) in equal proportion.

(C) Upon any default in respect of any Contribution Loan that results in a foreclosure on a Membership Interest, (i) the Contribution Lender shall be deemed to have made the Capital Contributions made (or deemed made pursuant to this Section 3.6 (a)(i)) by the Defaulting Capital Member to the Company and received the Distributions and Tax Distributions received by the Defaulting Capital Member from the Company (or in the event there is more than one (1) Contribution Lender, a portion of such Capital Contributions, Distributions and Tax Distributions in proportion to the percentage of the Default Amount funded by such Contribution Lender) and (ii) the Defaulting Capital Member shall be deemed not to have made such Capital Contributions and not to have received such Distributions and Tax Distributions. Further, upon such a foreclosure on such Membership Interest, the Contribution Lender may elect to cause a sale of all or a portion of such Membership Interest to any Person or Persons, subject to the unanimous consent of the Board of Managers, which consent may only be withheld for a Valid Business Reason. Proceeds from any such sale shall be paid to the Contribution Lender in satisfaction of its Contribution Loan, with any balance paid to the Defaulting Capital Member (or, in the event there is more than one Contribution Lender, to such other Contribution Lender to reduce the principal outstanding, if any, of such Contribution Lender's Contribution Loan).

(D) Notwithstanding anything to the contrary set forth in this Section 3.6(a)(i) , a Defaulting Capital Member which has received a Contribution Loan pursuant to this Section 3.6(a)(i) may, at any time such Contribution Loan remains outstanding, pay to the Contribution Lender the outstanding principal of, and all accrued and unpaid interest, fees, costs and expenses on, such Contribution Loan in complete satisfaction thereof; provided, however, that in the event there is more than one (1) Contribution Lender, all such payments shall be shared by the Contribution Lenders on a pro rata basis in proportion to the outstanding balance of the Contribution Loan made by such Contribution Lenders. Concurrently with a Defaulting Capital Member's payment in full of a Contribution Loan, including pursuant to a sale of the Defaulting Capital Member's Membership Interest, (1) the Contribution Lender's security interest in such Defaulting Capital Member's remaining Membership Interest shall terminate and expire, and such Contribution Lender shall execute and deliver such instruments or agreements, including UCC-3 termination statements, as the Defaulting Capital Member shall request in order to effect the termination of the Contribution Lender's security interest in the Defaulting Capital Member's remaining Membership Interest and (2) any replacement Managers designated pursuant to clause (x) above shall immediately tender their resignation as such, with replacement Managers designated in their stead by the Defaulting Capital Member, to the extent such Defaulting Capital Member has the right to appoint Managers pursuant to Section 5.2 , and any proxy pursuant to clause (A) or clause (B) above shall be deemed revoked; provided , however, that if any Contribution Loan remains outstanding with respect to such Defaulting Member such other

Contribution Lender shall have all of the rights and remedies set forth in this Section 3.6 to the extent such rights and remedies are relinquished by another Contribution Lender upon payment of its Contribution Loan.

(ii) Make-Up Contribution .

(A) Upon any default in respect of a Contribution Loan, the Contribution Lender may elect, at any time following such default, in its sole discretion, to deem the amount of the principal of such Contribution Loan a Capital Contribution of such Contribution Lender (a " Make-Up Contribution "). In the event a Contribution Loan is deemed to be a Make-Up Contribution, (x) the Defaulting Capital Member's Capital Percentage Interest shall be reduced by an amount equal to the product of (i) one and one-half (1.5) multiplied by (ii) a fraction expressed as a percentage, (A) the numerator of which is the amount of the Contribution Loan and (B) the denominator of which is the aggregate of the Capital Contributions made or to be made by the Members up to and including such time, including the Default Amount and (y) the Capital Percentage Interest of such Contribution Lender shall be increased by the same percentage that the Capital Percentage Interest of the Defaulting Capital Member is decreased. Further, in the event a Contribution Loan is deemed to be a Make-Up Contribution, the Units (including those Units issuable upon such Make-Up Contribution) shall be reallocated among the Members in proportion to the Capital Percentage Interests of the Members (after giving effect to the adjustment set forth in the prior sentence). In addition, the Contribution Lender(s) shall have the right to cause an amendment to this Agreement to be entered into by the Members for the purpose of making appropriate adjustments to Section 6.1(c) and for such other purposes as are deemed necessary and appropriate by the Contribution Lender(s) as a consequence of such changes in the number of Units and Capital Percentage Interests of the Members consistent with the provisions of Sections 704(c) and 706(d) of the Code and the Treasury Regulations promulgated thereunder; provided , that such amendment shall not affect the Members' Capital Accounts as of the date of the Make-Up Contribution (as determined immediately prior thereto), but rather their respective rights to future gain and loss allocations and related distributions.

(B) In the event a Contribution Loan is deemed to be a Make-Up Contribution, (1) the Defaulting Capital Member (and if such Defaulting Capital Member is an All Seas Member, all All Seas Members) by its execution of this Agreement and granted in connection with the transactions contemplated hereby, irrevocably makes, constitutes and appoints each of the Contribution Lenders as its true and lawful agents and attorneys in fact, with full power of substitution and full power and authority in its name, place and stead, to vote (on a pro rata basis in proportion to the amount of the Contribution Loan or Make-Up Contributions of such Contribution Lenders) on such Defaulting Capital Member's behalf (and if such Defaulting Capital Member is an All Seas Member, on all All Seas Members' behalf) in regards to all matters requiring the approval of Members, such power of attorney being irrevocable and coupled with an interest and (2) the Contribution Lender (or, in the event there is more than one (1) Contribution Lender, the Contribution Lender with the greater Capital Percentage Interest) shall have the right to elect, by notice delivered to the Defaulting Capital Member, that the Defaulting Managers (including, if such Defaulting Capital Member is an All Seas Member, the Managers appointed by all All Seas Members) either (x) immediately tender their resignation as Managers, with replacement Managers designated in

their stead by such Contribution Lender or (y) each designate a replacement Manager by proxy (as selected by such Contribution Lender) to represent such Defaulting Manager at all meetings of the Board of Managers. Such proxy must be notified to the Board of Managers by letter or facsimile, signed by the Defaulting Manager giving the proxy, addressed to the Board of Managers of the Company and delivered prior to the commencement of the subsequent meeting of the Board of Managers. In the event there is more than one Contribution Lender and both Contribution Lenders have the same Capital Percentage Interest, such Contribution Lenders shall share the rights set forth in this Section 3.6(a)(ii)(B) in equal proportion. Further, the Contribution Lender may elect to cause a sale of all or a portion of the Units received by such Contribution Lender pursuant to this Section 3.6(a)(ii) to any Person, subject to the unanimous consent of the Board of Managers, which consent may only be withheld for a valid Business Reason.

(b) The Defaulting Capital Member, effective upon the date of its Capital Default, hereby irrevocably constitutes and appoints each of the Non-Defaulting Capital Members as its true and lawful attorney-in-fact, in its name, place and stead, to make, execute on behalf of the Defaulting Capital Member, consent to, swear to, acknowledge, deliver, record and file such conveyances, agreements, notes, deeds and partnership transfer instruments or other documents which may be necessary, in the sole and absolute discretion of the Non-Defaulting Capital Members, to confirm and render fully effective the remedies set forth in this Section 3.6 , such power of attorney being irrevocable and coupled with an interest.

(c) Upon a Capital Default, the Board of Managers may, by unanimous consent of the Managers other than the Defaulting Managers, eliminate the right of any Defaulting Member to make any further Capital Contributions to the Company.

(d) The failure of any Non-Defaulting Member to fund a Contribution Loan required to be funded pursuant to this Section 3.6 shall be deemed to be a Capital Default and subject to the remedies set forth in this Section 3.6 .

(e) The remedies provided in this Section 3.6 for the failure by any Member to make an Additional Capital Contribution shall be cumulative and not exclusive, and shall be in addition to any and all remedies available to the Non-Defaulting Capital Member(s), including specific performance or damages claims.

3.7 Representation and Warranty . Each Member hereby represents and warrants, severally, and not jointly and severally, that the Membership Interests to be acquired hereunder are being purchased by such Member for such Member's own sole benefit and account for investment and not with a view to, or for resale in connection with, a public offering or distribution thereof.

ARTICLE 4

MEMBERS

4.1 Limited Liability . Except as expressly set forth in this Agreement or required by law, no Member shall be personally liable for any debt, obligation, or liability of the Company, whether that liability or obligation arises in contract, tort, or otherwise.

4.2 Admission of Additional Members .

(a) Subject to the approval of a Supermajority-in-Interest of the Members (to the extent applicable) and the unanimous approval of the Board of Managers, the Board of Managers may admit to the Company additional Members from time to time in accordance with the following:

(i) The additional Members shall have made Capital Contributions in such amounts and on such terms as the Board of Managers unanimously determines to be appropriate based upon the needs of the Company, the net value of the Company's business, the Company's financial condition, and other such factors used to determine the then-prevailing fair market value of the Company at the date of such admission of the additional Members;

(ii) The additional Members execute an instrument satisfactory to the entire Board of Managers accepting and adopting the terms and provisions of this Agreement; and

(iii) The additional Members pay any reasonable expenses as unanimously determined by the Board of Managers in connection with his, her or its admission as a new Member.

The foregoing provisions of this Section 4.2 shall only apply to additional Members to whom Units are issued by the Company, and shall not apply to any additional or substitute Members to whom Units are Transferred by an existing Member. Notwithstanding anything to the contrary, Assignees may only be admitted as substitute Members in accordance with ARTICLE 8 .

(b) The Company shall amend Exhibit A to reflect the admission of additional Members.

4.3 Termination of Membership Interest . Upon any attempted Transfer of a Member's Membership Interests in violation of ARTICLE 8 , all rights associated with the Membership Interests, other than Economic Interest, held by such Member shall be terminated by the Board of Managers and thereafter such Member shall be deemed an Assignee only. Each Member acknowledges and agrees that such termination of the Membership Interests upon the occurrence of the foregoing events is not unreasonable under the circumstances existing as of the date hereof.

4.4 Corporate Opportunities; Non-Solicit .

(a) Corporate Opportunities . Except as set forth in the Agreement Regarding Vessel Opportunities, each of the Members and each of their respective officers, directors, shareholders, partners, members, managers, agents, employees and Affiliates (including the Managers of the Company designated by such Members) may engage or invest in, independently or with others, any business activity of any type or description, including those that might be in the same business as or similar to the Company's business and that might be in direct or indirect competition with the Company. Except as set forth in the Agreement Regarding Vessel Opportunities, neither the Company nor any other Members shall have any right in or to such other ventures or activities or to the income or proceeds derived therefrom. Except as set forth in the Agreement Regarding Vessel Opportunities, none of the Members, or the Managers designated by any such Members shall be obligated to present any investment opportunity or prospective economic advantage to the Company, even if the opportunity is of the character that, if presented to the Company, could be taken by the Company. Except as set forth in the Agreement Regarding Vessel Opportunities, each of the Members shall have the right to hold any investment opportunity or prospective economic advantage for their own account or to recommend such opportunity to Persons other than the Company. Except as set forth in the Agreement Regarding Vessel Opportunities, each Member acknowledges that each Member and each of their respective officers, directors, shareholders, partners, members, managers, agents, employees and Affiliates (including the Managers designated by any of the Members) may own and/or manage other businesses, including businesses that may compete directly with the Company and for any Member's time, and each such Member hereby waives any and all rights and claims which it may otherwise have against any of the Members and each of their respective officers, directors, shareholders, partners, members, managers, agents, employees, or Affiliates (including the Managers designated by any of the Members) as a result of any such activities. To the extent that, at law or at equity, any Member (or any of their respective officers, directors, shareholders, partners, members managers, agents, employees and Affiliates, including the Managers of the Company designated by the Members) have, or would, but for this Section 4.4 , have duties (including fiduciary duties) and liabilities relating to the Company and the other Members regarding the subject matter of this Section 4.4 , all Members expressly waive, to the fullest extent permissible at law and equity, any such duties to the extent they are not expressly set forth in this Section 4.4 and none of the Members shall be liable to the Company or the other Members for its good faith reliance on the provisions of this Agreement, including this Section 4.4 . Notwithstanding anything to the contrary contained in this Section 4.4 , the Members shall not, and shall use reasonable efforts to cause their respective officers, directors, managers, agents, employees and controlled Affiliates (including the Managers designated by such Member) not to, engage or invest in any business activity, venture or opportunity if (i) such Person first learned of such activity, venture or opportunity when it was presented to the Company by another Member or a third party, (ii) such activity, venture or opportunity complied with the Acquisition Guidelines and was within the financial capabilities of the Company, (iii) the Company elected not to pursue such activity, venture or opportunity and (iv) the Managers designated by such Member present at the relevant meeting of the Board of Managers either abstained from voting or voted not to pursue such activity, venture or opportunity; provided , that in the event that the Managers designated by a Member vote in favor of pursuing such activity, venture or opportunity but the Company elects not to pursue

such activity, venture or opportunity, then such Member or its officers, directors, managers, agents, employees and controlled Affiliates (including the Managers designated by such Member) may pursue such activity, venture or opportunity independent of the Company on terms that are not materially more favorable to such Member than those considered by the Company.

(b) Non-Solicit . During the period commencing on the date hereof and terminating one year following the occurrence of any Dissolution Event, each of Paros and All Seas agree not to, and to cause their controlled Affiliates not to, hire, engage or retain any Person who was, within the year prior to such hiring, engagement or retention, an executive employee of Euroseas, Eurobulk Ltd. or Eurochart S.A.; provided , however , that the foregoing shall not apply to the hiring, engaging or retaining by any portfolio company under the direct or indirect common control of an Affiliate of Paros or All Seas so long as Paros and All Seas do not directly control or participate in the recruitment activities of such portfolio company.

4.5 Transactions with the Company . A Member (such Member, an " Interested Member ") may lend money to and transact other business with the Company subject to any limitations set forth in this Agreement (including Section 5.13) and with the prior approval of the Board of Managers in accordance with Section 5.4 ; provided , that the Transaction Documents shall be deemed approved pursuant to this Section 4.5 . Subject to other applicable law, such Interested Member has the same rights and obligations with respect thereto as a Person who is not a Member.

4.6 Remuneration of Members . Except as otherwise specifically provided in this Agreement and the Management Agreement, no Member is entitled to remuneration from the Company.

4.7 Members Are Not Agents . Pursuant to Section 5.1 , the management of the Company is vested in the Board of Managers. The Members shall have no power to participate in the management of the Company except as expressly authorized by this Agreement and except as expressly required by the Act. No Member, acting solely in the capacity of a Member, is an agent of the Company nor does any Member, unless expressly and duly authorized in writing to do so by the Board of Managers, have any power or authority to bind or act on behalf of the Company in any way, to pledge its credit, to execute any instrument on its behalf or to render it liable for any purpose.

4.8 Voting Rights and Action by Members . Except as expressly provided in this Agreement, for all matters requiring the approval of Members provided in this Agreement or otherwise required by the Act, the Members shall be entitled to cast one vote for each Unit (other than any Option Unit) held by such Member. Except as otherwise provided herein, all matters in which a vote, approval or consent of the Members is required, a vote, consent or approval of the Members shall require the approval of a Supermajority-in-Interest of the Members by (A) resolution at a duly convened meeting of the Members or (B) written consent (which may be satisfied by delivery of consent via an email of an authorized officer of a Member) of the Members having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all Members entitled to vote thereto were present and voted. In the case of any such approval, the Company or Members holding at least a

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10% Capital Percentage Interest, may call a meeting of the Members at such time and place in New York, New York or by means of telephone or other communications facility that permits all persons participating in such meeting to hear and speak to each other for the purpose of a vote thereon. Notice of any such meeting shall be required, which notice shall include a brief description of the action or actions to be considered by the Members. Unless waived by any such Member in writing, notice of any such meeting shall be given to each such Member at least three (3) Business Days prior thereto. Attendance or participation of a Member at a meeting shall constitute a waiver of notice of such meeting, except when the Member attends or participates in the meeting for the express purpose of objecting at the beginning thereof to the transaction of any business because the meeting is not properly called or convened.

4.9 Approval Standard . Except as otherwise specifically provided in this Agreement, all votes, approvals or consents of the Members may be given or withheld, conditioned or delayed as each Member may determine in their sole and absolute discretion.

4.10 Matters Requiring Approval of a Supermajority-in-Interest of the Members . Notwithstanding any other provisions of this Agreement to the contrary, none of the following actions (each, a " Supermajority Matter ") may be taken by the Company (and the Company shall not permit any of the Subsidiaries to take any of the following actions) without the prior vote, written consent or approval of a Supermajority-in-Interest of the Members; provided , that the Members shall be given two (2) Business Days prior written notice of any meeting of the Board of Managers at which such actions are to be considered (or any date the Board of Managers is expected to take action by written consent), which notice shall include a copy of all materials to be presented to the Board of Managers in connection with the taking of such action, and if any Member fails to cast a vote or deliver a written consent or statement that they are withholding consent within one (1) Business Day of the date the Board of Managers approves such action, then such Member shall be deemed to have consented to such action:

(a) acquire any Vessel;

(b) amend, alter, repeal, terminate or waive any of the terms of the Acquisition Guidelines;

(c) admit to the Company any additional Member or create or issue any Units or any Membership Interest Equivalents (other than the Option Units), including, but not limited to, issuances pursuant to commercial transactions;

(d) amend, alter, repeal, terminate or waive any provision of the Certificate of Formation, this Agreement or other organizational documents of the Company or any Subsidiary (other than any amendment of Exhibit A or Exhibit B in accordance with the terms set forth herein or pursuant to Section 2.7 or Section 3.6 in accordance with the terms set forth therein);

(e) increase or decrease the size of the Board of Managers or change the composition of the Board of Managers, except as expressly provided for herein; provided , that the size of the Board of Managers shall not be decreased to less than the aggregate number of Managers the Members have the right to appoint pursuant to Section 5.2 ;

(f) approve the Transfer (other than a Permitted Transfer or Approved Transaction) of any equity interests in the Company;

(g) enter into any Significant Corporate Transaction (other than a Public Offering or an Exit Transaction initiated by a Drag Along Seller pursuant to Sections 8.2 or 8.3);

(h) amend, alter, repeal, terminate or waive any of the terms of any Transaction Document;

(i) liquidate, dissolve or wind up the affairs of the Company;

(j) make any acquisition of securities of a Person or all or a material amount of the assets of a business or Person, except in connection with the acquisition of a Vessel approved pursuant to Section 5.3(a) ;

(k) change the Business of the Company, enter new lines of business, or exit the current line of business;

(l) create any debt security or incur any indebtedness for borrowed money in excess of $750,000;

(m) employ any person;

(n) take any action or make any determination that, pursuant this Agreement or to any other Transaction Document, is prohibited from being taken without the prior vote, written consent or approval of the Members;

(o) make or enter into, or amend, alter, repeal, terminate or waive any of the terms of, an agreement, arrangement, commitment or understanding giving rise to a Hedging Obligation on the part of the Company; or

(p) make or enter into any agreement, arrangement, commitment or understanding to do or cause to be done any of the foregoing.

ARTICLE 5

MANAGEMENT AND GOVERNANCE OF THE COMPANY

5.1 Management of the Company by Board of Managers . The management of the Company is vested in a Board of Managers (the " Board of Managers "), which will have the power and authority to manage and direct the business and affairs of the Company under the terms and conditions of this Agreement, subject to the Member approval rights provided for in Section 4.10 . The Members will appoint a Board of Managers as provided in Section 5.2 . Except as otherwise expressly provided in this Agreement (including pursuant to Section 4.10) the Members (in their capacity as Members) will not participate in the control of the Company and will have no right, power or authority to act for or on behalf of or otherwise bind, the Company and will have no right to vote on or consent to any other matter, act, decision or document involving the Company or its

business. For so long as the Management Agreement is in effect, Euroseas shall manage the day-to-day operations of the Company in accordance with the terms of the Management Agreement. Upon the termination of the Management Agreement, the Board of Managers may appoint another Person to manage the day-to-day operations of the Company; provided , that Euroseas shall have the right to terminate any replacement management agreement entered into by the Company in its sole discretion if, at such time, either (x) Euroseas holds a Capital Percentage Interest equal to 75% and the Management Agreement was not terminated pursuant to Section 18.2 thereof or (y) Euroseas holds a Capital Percentage Interest equal to 100% and the Management Agreement was terminated pursuant to Section 18.2 thereof and, in the case of clause (x) or (y), any such replacement management agreement shall provide for termination without penalty in such event with six (6) months prior notice (or Paros and All Seas shall otherwise agree to pay any penalties associated with such termination).

5.2 Board of Managers Composition . Unless or until the size of such Board of Managers is increased or reduced in accordance with Section 4.10 and Section 5.4 , the Board of Managers will be comprised of six (6) members (each, a " Manager "). Each of Euroseas, Paros and All Seas will be entitled to designate two (2) Managers so long as the Capital Percentage Interest of such Member (together with its Permitted Transferees) is 5% or greater. At such time as the Capital Percentage Interest of any of Euroseas, Paros or All Seas (each together with its Permitted Transferees) is less than 5%, the Managers designated by such Member shall cease to be " Managers" for purposes hereof and will no longer have voting rights and the size of the Board of Managers will be decreased by two (2) in respect of each such Member; provided , that to the extent a Member's Capital Percentage Interest declines to less than 5% but then subsequently increases to at least 5% (as a result of the exercise of any Redemption, Conversion or otherwise), then such Member shall once again be entitled to designate two (2) Managers; and provided , further that for so long as such Member continues to hold a Capital Percentage Interest of 1% or greater, such Member shall be entitled to designate two observers (" Observers ") who shall be entitled to attend all meetings of the Board of Managers and participate in all discussions during each such meeting, be notified of all actions taken by the Board of Managers by written consent and shall have the right to review all minutes of meetings of the Board of Managers, and any actions taken thereat. The initial Managers are set forth on Exhibit B hereto.

5.3 Voting; Action by Qualified Majority of Managers .

(a) Each Manager shall be entitled to cast one vote on any matter which Managers are entitled to vote thereon and, subject to Section 5.4 and Section 5.6 , the affirmative vote of a Qualified Majority of Managers will be the act of the Board of Managers. Any Manager may be represented at a meeting of the Board of Managers by another Manager designated by proxy, which proxy must be notified to the Board of Managers by letter or facsimile, signed by the Manager giving the proxy, addressed to the Board of Managers of the Company and delivered prior to the commencement of the meeting. A quorum will consist of at least one Manager designated by each Member who is entitled to designate Managers pursuant to Section 5.2 ; provided , that if both of the Managers designated by any Member shall have failed to attend two consecutive properly noticed meetings of the Board of Managers, the presence of a Manager designated by such Member shall not be required to attain a quorum at the next properly noticed meeting thereafter; and provided , further , that the presence of a Manager designated by a Member who is party to a potential Related Party Transaction shall not be

required to attain a quorum at any meeting of the Board of Managers at which such Related Party Transaction is the sole item to be considered. Any action required or permitted to be taken at any meeting of the Board of Managers may only be taken without a meeting, if a consent in writing, setting forth the actions so taken, shall be signed by all of the Managers. The Board of Managers shall cause to be kept a book of minutes of all its actions by written consent and its meetings in which there shall be recorded the time and place of such meetings, whether it is a regular meeting or a special meeting, the notice thereof given, the names of those present and the proceedings thereof. Upon reasonable notice, any Member shall have the right, during business hours, to inspect for any proper purpose, such book of minutes, and to make copies or extracts therefrom.

(b) Without limiting the generality of Section 5.3(a) , none of the following actions may be taken by the Company (and the Company shall not permit any Subsidiary to take any of the following actions) without the prior vote, written consent or approval of a Qualified Majority of Managers, unless such action is otherwise approved by an Independent Majority of Managers pursuant to Section 5.13 :

(i) directly or indirectly transfer, sell, encumber, mortgage, pledge, hypothecate or otherwise dispose of any Vessel or Subsidiary owning a Vessel, except, in each case, in connection with an Exit Transaction;

(ii) charter any Vessel by way of bareboat or demise charter;

(iii) charter any Vessel by way of voyage charter or time charter for a period capable of lasting more than thirteen (13) months or for a duration which would extend beyond the period of the Management Agreement (as the same may be extended in accordance with Section 17 thereof), or amend any existing charter to provide for such a period or duration;

(iv) amend, alter, repeal, terminate or waive any of the terms of any Transaction Document;

(v) terminate the Management Agreement in accordance therewith;

(vi) enter into any Significant Corporate Transaction or approve an IPO Conversion (in each case, other than in connection with an Exit Transaction or Public Offering initiated by a Drag Along Seller pursuant to Sections 8.2 or 8.3);

(vii) upon the termination of the Management Agreement, appoint another Person to manage the day-to-day operations of the Company;

(viii) create a Subsidiary of the Company or sell, encumber, mortgage, pledge, hypothecate or otherwise dispose of the stock or other equity interests of any Subsidiary of the Company;

(ix) make any loan or advance to, or own any stock or other securities of, any Subsidiary or other corporation, partnership, or other entity unless it is wholly owned by the Company;

(x) make any loan or advance to any Person, other than ordinary course advances to officers, crew, managers and agents of any owned Vessel;

(xi) make any investment in securities other than investments in prime commercial paper, money market funds, certificates of deposit in any internationally recognized bank having a net worth in excess of $100,000,000 or obligations issued or guaranteed by the United States of America, in each case having a maturity not in excess of 365 days;

(xii) initiate or settle any material suit, claim or cause of action;

(xiii) take any action or make any determination that, pursuant this Agreement or to any other Transaction Document requires approval of the Board of Managers and is not subject to the unanimous approval of the Managers or the approval of an Independent Majority of Managers; or

(xiv) make or enter into any agreement, arrangement, commitment or understanding to do or cause to be done any of the foregoing.

(c) The Company shall cause the wholly and majority owned Subsidiaries to provide the Members with representation and rights on such Subsidiaries' board of directors, board of managers, or other similar body, in the same manner as provided for herein.

5.4 Matters Requiring Unanimous Approval of the Managers . Notwithstanding any other provisions of this Agreement to the contrary, none of the following actions may be taken by the Company (and the Company shall not permit any Subsidiary to take any of the following actions) without the prior unanimous vote, written consent or approval of the Managers, unless such action is otherwise approved by an Independent Majority of Managers pursuant to Section 5.13 or taken in order to effect a Redemption pursuant to Section 8.4 , which actions shall be subject to approval pursuant to Section 5.3 :

(a) acquire securities of a Person, acquire all or a material amount of the assets of a business or Person, acquire a Vessel, or charter in any Vessel;

(b) adopt any operating budget for any Vessel, submitted pursuant to the Management Agreement;

(c) adopt any G&A Budget; modify, amend or update the G&A Budget; conduct business other than in accordance with the G&A Budget; or deviate from the G&A Budget by either (i) twenty-five percent (25%) or more with respect to any individual expense line item or (ii) ten percent (10%) or more with respect to the aggregate expenses set forth therein; provided , that

notwithstanding the foregoing, any deviation from such G&A Budget in any Fiscal Year shall only be permitted absent unanimous Manager approval if it does not obligate the Company or any of its Subsidiaries to incur expenses in any subsequent Fiscal Year;

(d) make any Capital Call;

(e) enter into any material equity or debt financing (other than a Public Offering approved by the Board of Managers and a Supermajority-In-Interest of the Members or initiated by a Drag Along Seller) or amend, alter, repeal, terminate or waive any of the terms thereof,

(f) create any debt security or incur any Indebtedness in excess of $750,000 or amend, alter, repeal, terminate or waive any of the terms thereof;

(g) make or enter into, or amend, alter, repeal, terminate or waive any of the terms of, an agreement, arrangement, commitment or understanding giving rise to a Hedging Obligation on the part of the Company

(h) create or incur any Liens on any Company assets;

(i) enter into any agreement, arrangement, commitment or understanding that prohibits or restricts the Company's ability to make Distributions;

(j) enter into any Related Party Transaction, including termination of the Management Agreement other than pursuant to Section 18.2 of such agreement (except as set forth in Section 8.4(d));

(k) admit to the Company any additional Member or create or issue any Units or any Membership Interest Equivalents (other than the Option Units), including, but not limited to, issuances pursuant to commercial transactions;

(l) amend, alter or repeal any provision of the Certificate of Formation, this Agreement or other organizational documents of the Company or any Subsidiary in any way that is material (other than any amendment of Exhibit A or Exhibit B in accordance with the terms set forth herein or pursuant to Section 2.7 or Section 3.6 in accordance with the terms set forth therein) or change the jurisdiction in which the Company or any successor is organized;

(m) increase or decrease the size of the Board of Managers or change the composition of the Board of Managers, except as expressly provided for herein; provided , that the size of the Board of Managers shall not be decreased to less than the aggregate number of Managers the Members have the right to appoint pursuant to Section 5.2 ;

(n) change the independent auditors of the Company, it being agreed that Deloitte & Touche LLP shall be the initial independent auditors of the Company;

(o) approve the Transfer (other than a Permitted Transfer or Approved Transaction) of any equity interests in the Company;

(p) exclude from the calculation of Distribution Event Proceeds the proceeds received from the sale of any Vessel or the sale of a Subsidiary;

(q) take any action or make any determination that, pursuant this Agreement or to any other Transaction Document, is prohibited from being taken without the unanimous vote, written consent or approval of all of the Managers;

(r) liquidate, dissolve or wind up the affairs of the Company, except in connection with an Early Termination Event or upon termination of the Management Agreement pursuant to Clause 18.2(x) thereof;

(s) purchase or redeem or pay any dividend or make any distribution on any Unit (other than as required pursuant to Section 6.1 , any Distribution pursuant to the terms of Section 6.2 and Section 8.4);

(t) change the Business of the Company, enter new lines of business, or exit the current line of business; or

(u) make or enter into any agreement, arrangement, commitment or understanding to do or cause to be done any of the foregoing.

5.5 [Intentionally Omitted] .

5.6 Manager and Observer Term and Replacement . Each Manager or Observer, as the case may be will serve on the Board of Managers until such time as he or she resigns, retires, dies or is removed in accordance with the terms of this Agreement. Upon the resignation, retirement, death or removal of any Manager or Observer, the Member who appointed such Manager or Observer, as the case may be will designate a replacement Manager or Observer, as the case may be. Managers and Observers may be removed and replaced with or without cause at any time but only by the Members who designated such Managers or Observers pursuant to Section 5.2 .

5.7 Board of Managers Meetings . The Board of Managers will meet at least once per calendar quarter (unless otherwise agreed to by all Managers) at such time and place as determined by the Board of Managers (or by telephone or other communications facility that permits all persons participating to hear and speak to each other), including to discuss strategic and operational trends and issues relating to the Company, the Business and its industry, and may be called to a special meeting by the Board of Managers upon the request of any two Managers or any of Euroseas, Paros or All Seas. Notice shall be required for any meeting of the Board of Managers, which notice shall include a brief description of the action or actions to be considered by the Board of Managers. Unless waived by all Managers in writing (before or after a meeting), prior notice shall be given to each Manager (i) thirty (30) days before the date of any regularly scheduled meeting of the Board of Managers and (ii) three (3)

Business Days prior notice to all Managers before the date of any special meeting. Each Observer (if any) shall be entitled to notice of any meeting in the same manner and at the same time as is provided to the Board of Managers. The Company shall also provide to Observers copies of all notices, reports, minutes and consents at the time and in the manner as they are provided to the Board of Managers or any committee thereof; provided , however , that the Company shall not be required to deliver copies of any of the foregoing to Observers if the Company reasonably believes, upon the advice of counsel, that such disclosure would cause the Company to waive (or be deemed to waive) the attorney-client privilege with respect thereto (provided , that in such event the Company shall use commercially reasonable efforts to cooperate to permit disclosure of such copies in a manner consistent with the preservation of such attorney-client privilege). Observers will be entitled to be present in person at meetings of the Board of Managers or, if a meeting is held by telephone conference, to participate therein by telephone.

5.8 Committees . The Board of Managers may establish committees as it sees fit and delegate to such committees or to any officers such power and authority as the Board of Managers unanimously determines is appropriate, subject to the limitations below and on the Board of Managers generally. Each committee will contain combinations of Managers as determined by the Board of Managers; provided , that at least one Manager designated by each Member then entitled to designate Managers shall be appointed to each committee in each case, subject to the provisions of Section 5.4 .

5.9 Agency Authority of Managers or Officers . The Board of Managers may authorize any Manager or officer to endorse checks, drafts, and other evidences of Indebtedness made payable to the order of the Company (but only for the purpose of deposit into the Company's accounts) or to sign contracts and obligations on behalf of the Company. Eytan Tigay is hereby authorized to enter into each of the Transaction Documents on behalf of the Company.

5.10 Performance of Duties; Liability of Managers .

(a) The Managers shall perform their duties in good faith, in a manner they reasonably believe to be in the best interest of the Company and its Members, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. No Manager shall be personally liable to the Company or to any Member for any loss or damage sustained by the Company or any Member, unless a court of competent jurisdiction pursuant to a final non-appealable judgment determines that the loss or damage shall have been the result of fraud, deceit, gross negligence, reckless or intentional misconduct, or a knowing violation of law by such Manager. No Manager shall be liable, responsible, or accountable, in damages or otherwise, to any Member or to the Company for any act performed by such Manager within the scope of the authority conferred on such Manager by this Agreement, and within the standard of care specified herein, and the Company shall indemnify each Manager for any such act performed.

(b) In performing his or her duties, each Manager shall be entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, of the following persons or groups unless they have knowledge

concerning the matter in question that would cause such reliance to be unwarranted and provided that such Manager acts in good faith and after reasonable inquiry when the need therefor is indicated by the circumstances:

(i) One or more agents of the Company or the Subsidiaries whom such Manager reasonably believes to be reliable and competent in the matters presented;

(ii) Any attorney, independent accountant, or other person as to matters which such Manager reasonably believes to be within such person's professional or expert competence; or

(iii) A committee of the Board of Managers upon which such Manager does not serve, duly designated in accordance with a provision of this Agreement, as to matters within its designated authority, which committee such Manager reasonably believes to merit competence.

5.11 Devotion of Time . No Manager is obligated to devote all of his or her time or business efforts to the affairs of the Company pursuant to the terms of this Agreement; provided , however , that such Manager shall devote such time and effort as appropriate for the discharge of such Manager's duties and responsibilities to the Company and the Members pursuant to the terms of this Agreement and as required by the Act.

5.12 Transactions between the Company and the Managers . Notwithstanding that it may constitute a conflict of interest, and without limiting Section 5.10(a) , the Managers may, and may cause their Affiliates to, engage in any transaction (including the purchase, sale, lease, or exchange of any property or the rendering of any service, or the establishment of any salary, other compensation, or other terms of employment) with the Company so long as such transaction is not expressly prohibited by this Agreement and is approved by the Board of Managers in accordance with Section 5.4 . Nothing in this Section 5.12 shall be deemed to prohibit the fulfillment of any party's rights or obligations under the Management Agreement.

5.13 Rights of Enforcement . Notwithstanding any other provisions of this Agreement (including Section 4.10 , Section 5.3 or Section 5.4) to the contrary, any right of enforcement or remedy of the Company (collectively, " Actions ") pursuant to the terms of (i) the Agreement Regarding Vessel Opportunities and (ii) the Management Agreement (including termination of the Management Agreement pursuant to Section 18.2 of such agreement but not termination other than pursuant to such sections) and any agreement entered into pursuant to the Management Agreement shall be vested in the Independent Majority of Managers and any such Action shall require the approval of the Independent Majority of Managers. The Independent Majority of Managers shall also have the authority reasonably necessary to cause the Company to carry out any duly approved Action. Any approval of the Independent Majority of Managers in accordance with this Section 5.13 shall be deemed to be the act of the Board of Managers and all of the Managers of the Company shall, in good faith, effect any Action approved by the Independent Majority of Managers in accordance with this Section 5.13 .

5.14 Reimbursement of Expenses to Managers and Observers .

(a) Except with respect to any Manager or Observer who may receive remuneration pursuant to the Management Agreement, no Manager or Observer is entitled to remuneration for services rendered or goods provided to the Company.

(b) The Company shall reimburse the Managers and Observers for all reasonable travel, accommodation and entertainment expenses incurred in connection with attendance at meetings of the Board of Managers or for performing such business on behalf of the Company as the Board of Managers should so direct, upon presentation of appropriate documentation therefor.

5.15 Limited Liability . No person who is a Manager or an Observer shall be personally liable under any judgment of a court, or in any other manner, for any debt, obligation, or liability of the Company, whether that liability or obligation arises in contract, tort, or otherwise, solely by reason of being a Manager or Observer.

5.16 Compliance with Laws . The Company shall, and for so long as the Management Agreement is in effect, Euroseas shall cause the Company to use all commercially reasonable efforts to cause to be done all things necessary to preserve, renew and keep in full force and effect and good standing the Company's existence, rights, licenses and permits and shall use all commercially reasonable efforts to cause the Company to comply in all material respects with all applicable laws and regulations, including the Foreign Corrupt Practices Act of 1977.

5.17 Affirmative Power of Board . The Board of Managers shall have the power to cause the transfer, sale, mortgage, encumbrance, pledge, hypothecation or other disposition of any Vessel, and proceeds thereof shall be distributed in accordance with Section 6.1 (c) . The Board of Managers shall have the power to cause the Company to exercise its rights under all of the Transaction Documents. The Company, the Board of Managers, the Members and, for so long as the Management Agreement is in effect, Euroseas, shall execute and deliver any documents and instruments and perform any additional acts that may be necessary or appropriate to effectuate and perform such transfer, sale, encumbrance, pledge, hypothecation or other disposition or the exercise of such rights.

5.18 Binding Authority . The Board of Managers may, but shall not be required to, appoint certain agents of the Company with such titles, powers, authority and duties as are specified by the Board of Managers from time to time. During the term of the Management Agreement, the day-to-day operations of the Company shall be the responsibility of Euroseas, which has agreed to manage the Company pursuant to the Management Agreement (in such capacity, the " Company Manager "). During the term of the Management Agreement, the Company Manager shall have the power and authority to, and shall, if and as directed by the Board of Managers, execute documents and instruments in the name and on behalf of the Company and to otherwise bind the Company and to perform acts as are necessary or appropriate to conduct the Company's business, in each case in accordance with this Agreement, the Management Agreement and applicable law.

5.19 Management Rights Agreement . The Company shall have entered into and delivered to each of All Seas I and All Seas II a Management Rights Agreement in the form attached to this Agreement as Exhibit I.

ARTICLE 6

DISTRIBUTIONS; RIGHTS

6.1 Distributions .

(a) Subject to Section 6.1(b) , unless otherwise determined by the unanimous consent of the Board of Managers, (i) Distribution Event Proceeds shall be distributed among the Members in accordance with Section 6.1(c) within thirty (30) days of the Company's (or its Subsidiary's) receipt of cash in connection with the occurrence of such Distribution Event and (ii) Distributable Cash shall be distributed among the Members in accordance with Section 6.1(c) on a quarterly basis as soon as practicable following each quarter's end and in any event no later than the later of (A) forty-five (45) days following the end of each quarter and (B) five (5) days following the quarterly meeting of the Board of Managers; provided , that if the amount of Distributable Cash is, as of any month end, determined to be greater than $10,000,000, then Distributable Cash shall be distributed among the Members in accordance with Section 6.1(c) as soon as practicable following the end of such month.

(b) Prior to the termination of the Commitment Period, (i) no distributions of Distribution Event Proceeds or Distributable Cash (each, a " Distribution ") or Tax Distribution in excess of the Permitted Distributions shall be made and (ii) all Distribution Event Proceeds and Distributable Cash in excess of the amount of Permitted Distributions shall be paid into a separate bank account of the Company and distributed by the Company immediately upon the termination of the Commitment Period in accordance with Section 6.1(c) .

(c) Any Distributions made to the Members shall be made pro rata in accordance with each Member's then-current Percentage Interest, as adjusted to reflect any exercise of the Options in accordance with the terms thereof.

(d) None of the following shall result in a Distribution: (i) any redemption or repurchase by the Company or any Member of any Membership Interests; (ii) any recapitalization or exchange of securities of the Company; (iii) any Unit splits, Unit combinations, distributions of Units or other similar events; or (iv) any fees or remuneration paid to any Member in such Member's capacity as a consultant or other provider of services to the Company.

(e) In connection with any Public Offering by the Company, refinancing by the Company of all or substantially all of the Indebtedness of the Company and its Subsidiaries or a sale by the Company of all or substantially all of the equity or all or substantially all of the assets of the Company, the Company shall make a distribution to any Member who does not elect (or, in the case

of All Seas, All Seas GP does not elect) to cause the Company to pay a Deal Fee pursuant to the Transaction Fee Agreement in an amount equal to the Deal Fee the Company would have paid with respect to such Member pursuant to the Transaction Fee Agreement if such member (or, in the case of All Seas, All Seas GP) had elected to receive a Deal Fee.

(f) Notwithstanding anything to the contrary contained herein, any distributions received by a Member prior to a Forfeiture Event (as defined in the Management Agreement) with respect to any Option Units shall not be forfeited or disgorged and shall remain the sole property of such Member.

6.2 Tax Distributions .

(a) Subject to Section 6.1(b) , but notwithstanding the other distribution provisions of Section 6.1 , to the extent it has legally sufficient funds to do so, the Company shall distribute to each Member who is a holder of Units (other than Option Units) with respect to each Fiscal Year of the Company (excluding the Fiscal Year in which the Company is being liquidated) an amount of cash equal to such Member's Tax Liability Amount (a " Tax Distribution "). For this purpose, " Tax Liability Amount " for any given Fiscal Year of the Company means an amount equal to (x) the Assumed Tax Rate multiplied by (y) the difference between (1) the cumulative net taxable income (including separately stated items) and gain allocated (as shown on the Schedule K-1s provided to Members pursuant to Section 9.3(b)) to such Member with respect to its Units (other than Option Units) for all Fiscal Years of the Company through and including such Fiscal Year and (2) the aggregate amount distributed to such Member with respect to its Units (other than Option Units) for all Fiscal Years of the Company through and including such Fiscal Year.

(b) To the extent deemed feasible by the Board of Managers, Tax Distributions shall be made on each Tax Distribution Date based on estimates of the Company's income to facilitate the Members' (or their direct or indirect owners') ability to make quarterly estimated tax payments with respect to their income from the Company. Following the final determination of the taxable income or loss of the Company and the provision of such information to Members pursuant to Section 9.3(b) , the Members will, upon request of the Board of Managers, refund to the Company the amounts of any excess Tax Distributions calculated in the manner provided above received by them based on such final determination.

(c) Tax Distributions are advances of Distributions that otherwise would be payable to a Member. All Tax Distributions will be repaid to the Company by reducing the amount of the contemporaneous or next succeeding Distribution or Distributions which would have otherwise been made to such Member, or if such distributions are not sufficient for that purpose, by so reducing the proceeds of liquidation otherwise payable to such Member. In the event that the Company is liquidated and a liability is asserted against any Member for amounts received as a Tax Distribution, such Member will have the right to be reimbursed from any other Member that received Tax Distributions to the extent such other Member has received cumulative Distributions in excess of what it would have received without regard to this Section 6.2 .

(d) The Company will not, nor will it permit any of the Subsidiaries to, enter into any agreements prohibiting Tax Distributions, other than any material financing arrangements that are approved by the Board of Managers (in accordance with Section 4.10 , Section 5.3 and Section 5.4 to the extent applicable) after using its commercially reasonable efforts to remove such prohibition.

6.3 Tax Withholding; Withholding Advances .

(a) Tax Withholding ; Tax Cooperation .

(i) If requested by the Board of Managers, each Member shall, if able to do so, deliver to the Board of Managers: (A) an affidavit in form satisfactory to the Board of Managers that the applicable Member (or its members, as the case may be) is not subject to withholding under the provisions of any federal, state, local, foreign or other law; (B) any certificate that the Board of Managers may reasonably request with respect to any such laws; and/or (C) any other form or instrument reasonably requested by the Board of Managers relating to any Member's status under such law. If a Member fails or is unable to deliver to the Board of Managers an affidavit described in subclause (A) of this Section 6.3(a)(i) , the Board of Managers may cause the Company to withhold amounts from such Member in accordance with Section 6.3(b) . Each Member shall reasonably cooperate with the Board of Managers in connection with any tax audit of the Company or any of the Subsidiaries.

(ii) After receipt of a written request of any Member, the Board of Managers shall cause the Company to provide such information to such Member and take such other action as may be reasonably necessary to assist such Member in making any necessary filings, applications or elections to obtain any available exemption from, or any available refund of, any withholding imposed by any taxing authority with respect to amounts distributable or items of income allocable to such Member hereunder to the extent not adverse to the Company or any member. In addition, the Board of Managers shall, at the request of any Member, make or cause to be made (or cause the Company to make) any such filings, applications or elections; provided , that any such requesting Member shall cooperate with the Board of Managers or the Company, as the case may be, with respect to any such filing, application or election to the extent reasonably determined by the Board of Managers and that any filing fees, taxes or other out-of-pocket expenses reasonably incurred and related thereto shall be paid and borne by such requesting Member or, if there is more than one requesting Member, by such requesting Members pro rata based on their Percentage Interests.

(b) Withholding Advances . To the extent the Company is required by law to withhold or to make tax payments on behalf of or with respect to any Member (e.g., backup withholding) (" Withholding Advances "), the Board of Managers may withhold such amounts and make such tax payments as so required.

(c) Repayment of Withholding Advances . All Withholding Advances made on behalf of a Member, plus interest thereon from the date of the demand for repayment at a rate equal to the Prime Rate as of the date of such Withholding Advances plus 2% per annum, shall (i) be repaid on demand by the Member on whose behalf such Withholding Advances were made, or (ii) with the consent of the Board of Managers, in its sole discretion, be repaid by reducing the amount of the current or next succeeding distribution or

distributions which would otherwise have been made to such Member or, if such distributions are not sufficient for that purpose, by so reducing the proceeds of liquidation otherwise payable to such Member. If repayment of a Withholding Advance is made by a Member pursuant to clause (ii), such Member shall not be required to pay any interest thereon. Notwithstanding the foregoing, whenever repayment of a Withholding Advance by a Member is made as described in clause (ii), for all other purposes of this Agreement such Member shall be treated as having received all distributions (whether before or upon Dissolution) unreduced by the amount of such Withholding Advance.

6.4 Distribution Demands . Except as expressly provided herein, a Member, regardless of the nature of the Member's Capital Contribution, has no right to demand and receive any distribution from the Company.

6.5 Restriction on Distributions .

(a) Notwithstanding anything to the contrary contained herein, no Distribution shall be made if, after giving effect to the Distribution, (i) the Company would not be able to pay its debts as they become due in the usual course of business; or (ii) the Company's total assets would be less than the sum of its total liabilities plus the amount that would be needed, if the Company were to be dissolved at the time of such Distribution, to satisfy any preferential rights of other Members, if any, upon dissolution that are superior to the rights of the Member receiving such Distribution.

(b) The Board of Managers may base a determination that a Distribution is not prohibited on any of the following:

(i) Financial statements prepared on the basis of accounting practices and principles that are reasonable in the circumstances;

(ii) A fair market valuation of the Company or its assets; or

(iii) Any other method that is reasonable in the circumstances.

(c) Except as otherwise expressly provided herein (including in Section 8.4(c)), without the unanimous approval of the Board of Managers and a Supermajority-in-Interest of the Members, no distribution shall be made in any form other than cash prior to a Dissolution of the Company.

The effect of a Distribution is to be measured as of the date the Distribution is authorized if the payment occurs within 120 days after the date of authorization, or the date payment is made if it occurs more than 120 days of the date of authorization.

ARTICLE 7

ALLOCATION OF NET INCOME, NET LOSSES AND OTHER ITEMS AMONG THE MEMBERS

7.1 Capital Accounts .

(a) A Member's Capital Account shall from time to time be (i) increased by (A) the amount of money and the Gross Asset Value of any property contributed by the Member to the Company (net of liabilities secured by the property or to which the property is subject), and (B) the Net Income allocated to the Member under Section 7.2 and any other items of income and gain specially allocated to the Member under Section 7.4 and (ii) decreased by (A) the amount of money and the Gross Asset Value of any property distributed to the Member by the Company (net of liabilities secured by the property or to which the property is subject) and (B) the Net Losses allocated to the Member under Section 7.2 and any other items of deduction and loss specially allocated to the Member under Section 7.4 .

(b) For purposes of this Section 7.1 , an assumption of a Member's liability by the Company or the transfer of an asset by a Member to the Company subject to a liability shall be treated as a distribution of money to that Member. An assumption of the Company's liability by a Member or the distribution of an asset by the Company to a Member subject to a liability shall be treated as a cash contribution to the Company by that Member.

(c) If assets of the Company other than money are distributed to a Member in liquidation of the Company, or if assets of the Company other than money are distributed to a Member in kind, in order to reflect unrealized gain or loss, Capital Accounts for the Members shall be adjusted for the hypothetical "book" gain or loss that would have been realized by the Company if the distributed assets had been sold for their Gross Asset Values on the date of distribution in a cash sale. Capital Accounts shall also be adjusted upon the constructive termination of the Company as provided under Section 708 of the Code as required by Section 1.704-1(b)(2)(iv)(I) of the Treasury Regulations.

7.2 Allocation of Net Income and Net Loss . Except as otherwise provided in this Agreement, Net Income and Net Loss (and, to the extent necessary, individual items of income, gain, loss, deduction or credit) of the Company shall be allocated among the Members in a manner such that, after giving effect to the special allocations set forth in Section 7.4 , the Capital Account balance of each Member, immediately after making such allocation, is, as nearly as possible, equal to (i) the distributions that would be made to such Member pursuant to Section 10.3 if the Company were dissolved, its affairs wound up and its assets sold for cash equal to their Gross Asset Value, all Company liabilities were satisfied (limited with respect to each nonrecourse liability to the Gross Asset Value of the assets securing such liability), and the net assets of the Company were distributed, in accordance with Section 10.3 , to the Members immediately after making such allocation, minus (ii) such Member's share of Company

Minimum Gain and Member Nonrecourse Debt Minimum Gain, computed immediately prior to the hypothetical sale of assets. For purposes of allocating Net Income and Net Losses, and all others of income, gain, deduction and loss pursuant to Section 7.2 (and Section 7.4 , to the extent applicable), all outstanding Options shall be treated as exercised in accordance with their terms and not subject to forfeiture.

7.3 Compliance With Treasury Regulations . If the Board of Managers determines, after consultation with the Company's accountant, that the manner in which the Capital Accounts are maintained should be modified, or that any particular item of income, gain, loss, deduction or credit should be allocated in a manner other than as provided above in order to comply with the Treasury Regulations, the Board of Managers may make the modification or the allocation.

7.4 Special Allocations .

(a) Section 704 of the Code and the Treasury Regulations issued thereunder, including but not limited to the provisions of such Treasury Regulations addressing qualified income offset provisions, minimum gain chargeback requirements and allocations of deductions attributable to nonrecourse debt and partner nonrecourse debt, are hereby incorporated by reference. If, as a result of the provisions of Section 704 of the Code and such Treasury Regulations, items of Net Income or Net Loss are allocated to the Members in a manner that is inconsistent with the manner in which the Members intend to divide Company distributions as reflected in Section 7.2 , to the extent permitted under such Treasury Regulations, items of future income and loss shall be allocated among the Members so as to prevent such allocations from distorting the manner in which Company distributions will be divided among the Members pursuant to this Agreement.

(b) If the Company pays a Transaction Fee with respect to any Member pursuant to the Transaction Fee Agreement, the amount of such fee shall be specially allocated to such Member.

7.5 Allocation of Certain Tax Items .

(a) Whenever a proportionate part of the Net Income and Net Loss is allocated to a Member for book purposes pursuant to ARTICLE 7 , every item of income, gain, loss, deduction or credit entering into the computation of such Net Income or Net Loss or arising from the transactions with respect to which such Net Income or Net Loss were realized shall be credited or charged, as the case may be, to such Member in the same proportion for U.S. federal income tax purposes; provided , however , that recapture income, if any, shall be allocated to the Members in the same manner as were the corresponding Depreciation deductions.

(b) In accordance with Section 704(c) of the Code and the Treasury Regulations thereunder, income, gain, loss and deduction with respect to any property contributed to the capital of the Company shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company for United States federal

income tax purposes and the initial Gross Asset Value thereof (computed in accordance with clause (i) of the definition of the term Gross Asset Value herein).

(c) If the Gross Asset Value of any Company asset is adjusted pursuant to clause (iii) of the definition of the term Gross Asset Value, subsequent allocations of income, gain, loss and deduction with respect to such asset shall take account of any variation between the adjusted basis of such asset for United States federal income tax purposes and its Gross Asset Value in the same manner as under Section 704(c) of the Code and the Treasury Regulations thereunder.

(d) If the Company has in effect an election under Section 754 of the Code, allocations of income, gain, loss or deduction to affected Members for United States federal, state and local tax purposes shall take into account the effect of such election pursuant to applicable provisions of the Code.

(e) Any elections or other decisions relating to such allocations shall be made by the Board of Managers in any manner that reasonably reflects the purpose and intention of this Agreement. Allocations pursuant to this Section 7.5 are solely for United States federal, state and local tax purposes and shall be included in the information provided to Members pursuant to Section 9.3(b) each year. Except to the extent allocations under this Section 7.5 are reflected in the allocations of the corresponding "book" items pursuant to Sections 7.2 or 7.3 (as a component of Net Income or Net Losses), or 7.4 , allocations under this Section 7.5 shall not affect, or in any way be taken into account in computing, any Member's Capital Account or share of Net Income, Net Losses, other items of income, gain, loss, deduction or credit or distributions pursuant to any provision of this Agreement.

7.6 Allocation Between Assignor and Assignee . For any Fiscal Year during which a Unit is assigned by a Member (or by an assignee or successor in interest to a Member), the portion of the income, gain, losses, credits, and deductions of the Company that is allocable with respect to such Unit shall be apportioned between the assignor and the assignee of the Unit on the basis of an interim closing of the books, unless the Members agree to some other reasonable, consistently applied basis permitted by the applicable Treasury Regulations under Section 706 of the Code.

7.7 Profit Shares . Solely for purposes of determining a Member's proportionate share of the Company's "excess nonrecourse liabilities," as defined in Treasury Regulation Section 1.752-3(a), each Member's interest in Company profits shall be deemed to be its Percentage Interest.

ARTICLE 8

TRANSFER AND ASSIGNMENT OF MEMBERSHIP INTERESTS; EXITS

8.1 Transfers .

(a) Permitted Transfers .

(i) Unless such Transfer is (A) approved by the Board of Managers pursuant to Section 5.4 and by a Supermajority-In-Interest of the Members pursuant to Section 4.10 or (B) effected in connection with a Significant Corporate Transaction approved pursuant to Section 4.10 and Section 5.3 (an " Approved Transaction "), no Member may sell, encumber, mortgage, hypothecate, assign, pledge, transfer or otherwise dispose of, directly or indirectly, all or any portion of its Membership Interest or Membership Interest Equivalents (each, a " Transfer ") except: (u) with respect to any Member, to Permitted Transferees of such Member, provided that such Transfer is made in good faith, without intention to evade the restrictions of this ARTICLE 8 , (v) that each of Paros and All Seas, and each of such Members' Affiliates, may Transfer such Membership Interests and Membership Interest Equivalents to each other and to each other's Affiliates, (w) by any Drag Along Seller and the other Members subject to an Exit Transaction pursuant to Section 8.2 , (x) by Euroseas pursuant to Section 8.4 , (y) by either Paros or All Seas pursuant to Section 8.5 and (z) with respect to any Contribution Lender, to the extent permitted pursuant to Section 3.6 (each such transfer described in clauses (u)-(z) hereof, a " Permitted Transfer ").

(ii) Notwithstanding anything contained in Section 8.1(a)(i) to the contrary, in the event that any direct or indirect equityholder or group of equityholders of any Member proposes to sell, encumber, mortgage, hypothecate, assign, pledge, transfer or otherwise dispose of, directly or indirectly (including by operation of law), all or any portion of its equity interests in such Member to a third party, in a transaction or series of related transactions, wherein the majority of the value transferred by such direct or indirect equity holder(s) is attributable to the Transfer of an equity interest in the Company (as determined by a majority of the Managers not appointed by such Member), such Transfer shall also be subject to and governed by this ARTICLE 8 as though such Transfer were a Transfer of Membership Interests or Membership Interest Equivalents by such Member.

(iii) Notwithstanding anything to the contrary contained herein, any Transfer by Euroseas of its Membership Interest or Membership Interest Equivalents shall be deemed to exclude the Options and the Option Units, except to the extent otherwise expressly provided in the last sentence of Section 8.2(a) .

(b) Certain Restrictions . Notwithstanding anything to the contrary contained in this Agreement, no Member may Transfer any Membership Interest or Membership Interest Equivalents if, in the opinion of legal counsel to the Company, such proposed Transfer would require the filing of a registration statement under the Securities Act by the Company or would otherwise violate any federal or state securities laws or regulations applicable to the Company, and no proposed Transfer by a Member of its Membership Interest or Membership Interest Equivalents may be made to any Person if: (i) in the reasonable opinion of legal counsel for the Company, it

would result in the Company being treated as anything other than a partnership for United States federal income tax purposes; (ii) such proposed Transfer would cause the Company to be treated as a "publicly traded partnership" within the meaning of Section 7704 of the Code and the Treasury Regulations promulgated thereunder; or (iii) such proposed Transfer would result in the Company being regulated under the Investment Company Act of 1940, as amended.

8.2 Mandatory Drag Along .

(a) Bona Fide Proposal . If, at any time after the fourth anniversary of the date hereof, any Drag Along Seller elects to solicit proposals for (i) the full or partial sale (directly or indirectly) of the assets of the Company (including the disposition of one or more Vessels of the Company) or (ii) a partial or full sale of the Company's Units (including by way of merger, combination or consolidation) (each, an " Exit Transaction "), including by conducting an auction in respect of such Exit Transaction, then the Drag Along Seller(s) shall deliver a notice to all Members stating that the Drag Along Seller(s) elects to solicit such proposals. Following receipt of such notice, all Members shall cooperate with such Drag Along Seller(s) as may reasonably be required to facilitate such solicitation of proposals. If any Drag Along Seller receives a bona fide and arm's length proposal with respect to an Exit Transaction from a Person that is not an Affiliate of either of Paros or All Seas and the Drag Along Seller(s) elects to effect such Exit Transaction, then the Drag Along Seller(s) shall deliver a notice (a " Exit Transaction Notice ") with respect to such Exit Transaction to all Members stating that the Drag Along Seller(s) proposes to effect the Exit Transaction and providing the terms of the Exit Transaction and the identity of the Persons involved in the Exit Transaction. Notwithstanding anything to the contrary, this Section 8.2 shall not apply to any Permitted Transfer (other than a Permitted Transfer effected pursuant to clause (w) of the definition thereof). Notwithstanding the foregoing, the partial sale of the Company's Units to any third party shall only be deemed an " Exit Transaction " if such sale is approved by each of the other Members, such approval not to be conditioned or delayed, and only withheld for a Valid Business Reason. In the event of a partial sale of the Company's Units pursuant to any Exit Transaction, each Member will sell its Units (other than Option Units) pro rata in proportion to the Capital Percentage Interest of such Member. In the event of a full sale of the Company's Units pursuant to any Exit Transaction, each Member will sell all of its Membership Interests, including, in the case of Euroseas, the Options and the Option Units, as applicable.

(b) Cooperation . Each Member, upon receipt of an Exit Transaction Notice, will be obligated (and such obligation will be enforceable by the Company and the other Members) to (in each case to the extent applicable): (i) sell all or a portion of its Membership Interests and Membership Interest Equivalents, as the case may be, and participate in the Exit Transaction; (ii) subject to its right to withhold approval under Section 8.2(a) , vote their Membership Interests in favor of the Exit Transaction at any meeting of Members called to vote on or approve the Exit Transaction and/or to consent in writing to the Exit Transaction; (iii) subject to its right to withhold approval under Section 8.2(a) , use its reasonable efforts to cause any Manager designated by such Member to vote in favor of the Exit Transaction at any meeting of the Board of Managers called to vote on or approve the Exit Transaction and/or to consent in writing to the

Exit Transaction (to the extent a vote and/or consent of the Board of Managers is required in connection with such Exit Transaction); (iv) waive all dissenters' or appraisal rights in connection with the Exit Transaction; (v) enter into agreements of sale or merger agreements relating to the Exit Transaction; (vi) agree (as to itself) on a several and not joint basis to make to the proposed purchaser the same representations, warranties, covenants (other than non-compete and non-solicitation covenants and any other similar restrictive covenants that would reasonably be expected to be adverse in any material respect to the fiduciary duties of the board of Euroseas, in so far as Euroseas is a public company), indemnities and agreements as the Company or the other Members, as the case may be, agrees to make in connection with the Exit Transaction (provided that each Member's aggregate liability for such representations, warranties, covenants, indemnities and agreements will be on a pro rata basis in proportion to proceeds received in connection with such Exit Transaction and will not exceed the net consideration received by such Member in the Exit Transaction); and (viii) otherwise take all actions necessary or desirable to cause the Company and the Members to consummate the Exit Transaction, including without limitation cooperation by each Member with respect to due diligence, marketing and related actions.

(c) Amended Proposal . Any such Exit Transaction, and the terms of any Exit Transaction, may be amended from time to time subject to such amendments being in compliance with Section 8.2(b) , and any such Exit Transaction Notice may be rescinded, by the Drag Along Sellers; provided , that the Drag Along Sellers will give prompt written notice of any such amendment, modification or rescission to all of the Members. In the event of any such rescission, the Drag Along Sellers shall reimburse the Company and the other Members for all out-of-pocket costs and expenses incurred by them in connection with the proposed Exit Transaction.

(d) Member Rights . The obligations of the Members to sell all of their Membership Interests and Membership Interest Equivalents in connection with an Exit Transaction pursuant to this Section 8.2 are subject to the satisfaction of the condition that each of the Members will receive the same form of and same proportion (on a pre-tax basis) of the aggregate consideration from such Exit Transaction that such Members would have received if (i) such aggregate consideration had been distributed by the Company to the Members in complete liquidation pursuant to Section 10.3 and (ii) all Options that would be automatically exercised as a result of such Distribution were deemed to be exercised in accordance with their terms.

8.3 Public Offering . If, at any time after the fourth anniversary of the date hereof, any Drag Along Seller desires to effect a Public Offering of all or a portion of its Units, then such Drag Along Seller shall deliver a notice to the Company and to all Members stating that such Drag Along Seller proposes to effect a Public Offering and providing the terms thereof. Upon receipt of such notice, the Board of Managers shall take all actions set forth in Section 2.7 and in the Registration Rights Agreement among the Company, Paros and All Seas attached as Exhibit E hereto (as amended, supplemented or modified from time to time, the " Euromar Registration Rights Agreement ") to effect such Public Offering.

8.4 Euroseas Redemption Right .

(a) Euroseas may, by notice delivered to the Board of Managers (a " Euroseas Redemption Notice "), (i) at any time following the third anniversary of the date hereof or (ii) prior to the third anniversary of the date hereof in the event the Management Agreement is terminated by Euroseas under Section 18.1 of such Agreement or by the Board of Managers pursuant to Sections 18.2(iv), 18.2(v) or 18.2(viii) of the Management Agreement, demand a sale of all of Membership Interests, excluding its Options and Option Units (the " Redemption Units "), to the Company or its designee in exchange for the payment by the Company (or its designee) of the Redemption Value (the " Euroseas Redemption Right " and such transaction, the " Redemption "). Upon the delivery of the Euroseas Redemption Notice, the Appraised Net Asset Value of the Company will be determined pursuant to Section 8.8 , which value will be used to determine the Redemption Value.

(b) Euroseas shall have the right to rescind such exercise of the Euroseas Redemption Right up to ten (10) Business Days after the final Appraised Net Asset Value of the Company and its Subsidiaries has been determined. In the event of any such rescission, Euroseas shall reimburse the Company and the other Members for all out-of-pocket costs and expenses incurred by them in connection with the proposed Redemption.

(c) Unless the Euroseas Redemption Notice is rescinded as set forth in Section 8.4(b) above, as soon as reasonably practicable and in any event within ninety (90) Business Days following the final determination of the Appraised Net Asset Value of the Company (if such value is a positive number), the Company will purchase the Redemption Units and Euroseas will cease to be a Member hereunder with respect to its Units (but will remain a Member with respect to its Option Units) in exchange for the payment by the Company to Euroseas of an amount equal to the Redemption Value. Notwithstanding anything to the contrary herein, the payment of the Redemption Value may be satisfied, at the option of the Company, as determined by the Board of Managers, (i) in cash, (ii) in-kind with Vessels based on the final appraised Fair Market Value thereof as determined in accordance with Section 8.8(a) or (iii) in any combination thereof. The Company and Euroseas shall execute such documents and perform such further acts as may be necessary to consummate the Redemption.

(d) In the event that Euroseas exercises the Euroseas Redemption Rights, the Board of Managers (excluding Managers designated by Euroseas or its Affiliates) may terminate the Management Agreement for any reason, with or without cause. If the Management Agreement is terminated in connection with the exercise of the Euroseas Redemption Right, Euroseas will cooperate with the Company and, at the request of the Company enter into good faith negotiations with the Company to provide transition services to the Company to allow for an orderly transition in management in connection with such exit.

8.5 Paros and All Seas Conversion Rights .

(a) In order to facilitate an exit from the Company, at any time following the earlier of (i) the second anniversary of the date hereof and (ii) the execution of definitive documentation with regards to of (A) any transfer, sale or other Disposition of all or substantially all of Euroseas' assets directly or indirectly and to any Person or group of Persons in a transaction or series of transactions where, in the aggregate, all or substantially all of the proceeds of which are distributed from Euroseas to its shareholders, (B) any transaction that results in or is reasonably expected to result in a Change of Control (as defined below) of Euroseas, or (C) any transaction that causes Euroseas to terminate its status as a public reporting company under the Securities Act, any of Paros or any All Seas Member (or any of their Permitted Transferees or any other Person that acquired Units pursuant to a Permitted Transfer) may (such Member(s), the " Converting Member(s) "), from time to time, by notice delivered to Euroseas and the Board of Managers (a " Conversion Notice "), demand an exchange of part or all of its Units, as set forth in the Conversion Notice (the " Conversion Units ") for Euroseas Common Stock (or, to the extent practicable by way of merger or such other transaction with a similar result, regardless of form, agreed upon by Euroseas and the Converting Member) (the " Conversion Right " and any such transaction, a " Conversion "); provided , that in the case of any of the transactions described in clause (ii), the exercise of the Conversion Right shall only be permitted to the extent such exercise does not materially impede or delay the consummation of such transaction. As a result of the Conversion, the Converting Member will be entitled to receive a number of shares of Euroseas Common Stock that, when expressed as a percentage of the sum of (1) the number of all shares of Euroseas Common Stock issued and outstanding as of on the date of such Conversion (pro forma for such issuance) plus (2) the number of all vested In-The-Money Options and Warrants multiplied by the difference of (a) one over (b) the ratio of the average of the exercise or strike price over the Euroseas' VWAP as of the date of delivery of such Conversion plus (3) the number of all unvested In-The-Money Options and Warrants multiplied by the difference of (a) one over (b) the ratio of the average of the exercise or strike price over the Euroseas VWAP and shares of unvested restricted Euroseas Common Stock granted under Euroseas' stock plans, in each case as of the date of such Conversion (provided , that the number of unvested In-The-Money Options and Warrants and shares of unvested restricted Euroseas Common Stock included pursuant to clause (3) shall not exceed, in the aggregate, 2% of the total number of all shares, options and warrants included pursuant to clauses (1) and (2)), is equal to the Converted Percentage Interest and Euroseas shall receive the Conversion Units and succeed to the Capital Account of the Converting Member (to the extent such Capital Account related to such Conversion Units) in exchange therefore.

For purposes of this Section 8.5(a) , " Change of Control " means, with respect to Euroseas, the occurrence of any of the following events: (a) any Person or "group" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended, supplemented or replaced) is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934 (as amended, supplemented or replaced), except that a Person will be deemed to have "beneficial ownership" of all securities that such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than fifty percent (50%) of the

voting power of all classes of voting stock of Euroseas; (b) during any consecutive two (2) year period, individuals who at the beginning of such period constituted the board of directors of Euroseas (together with any new directors whose election to such board of directors, or whose nomination for election by the owners of Euroseas, was approved by a vote of sixty-six and two-thirds percent (66-2/3%) of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the board of directors of Euroseas then in office; or (c) the aggregate number of shares of Euroseas Common Stock which any of Aristides J. Pittas, his wife and his and/or her children own, as disclosed in any public filing with the Securities and Exchange Commission, decreases by fifty percent (50%) or more relative to the number of shares most recently disclosed in any public filing with the Securities and Exchange Commission as being owned by the Pittas Family (as adjusted for stock splits, stock distributions, stock combinations or other similar events).

(b) Upon the delivery of the Conversion Notice, the Appraised Net Asset Value of the Company and the Appraised Net Asset Value of Euroseas, in each case as of the date of the delivery of the Conversion Notice, will be determined pursuant to Section 8.8 , which values (together with the Euroseas VWAP) will be used to determine the Converted Percentage Interest.

(c) Converting Members may exercise their respective Conversion Rights independently. If any two or more Converting Members elect to exercise their respective Conversion Right within ten (10) days of each other, then they will participate pro rata in any distribution of Euroseas Common Stock if for any reason a distribution that would result in the Converting Member owning a percentage interest in Euroseas equal to the Converted Percentage Interest is not feasible.

(d) The exercise of the Conversion Rights shall be automatically rescinded if the Appraised Net Asset Value of either the Company or Euroseas, as determined pursuant to Section 8.8 , is a negative number. The Converting Member(s) exercising the Conversion Right shall have the right to rescind such exercise up to ten (10) Business Days after the final determination of the Converted Percentage Interest, in which event all out-of-pocket costs and expenses of the Members for the appraisals and accounting provided in Section 8.8 shall be paid for by the Converting Member(s) so rescinding. A Member may not exercise the Conversion Right followed by rescission more than twice in any calendar year. In the event that Euroseas is unable to issue sufficient shares of Euroseas Capital Stock to consummate the Conversion, in whole, the Converting Member may elect to convert a portion of the Conversion Units for a pro rata portion of the Converted Percentage Interest by providing notice thereof to the Company no later than two days prior to the consummation of the Conversion.

(e) If a Converting Member does not elect to rescind the exercise of its Conversion Rights pursuant to the terms hereof, the Conversion will be consummated no sooner than two (2) Business Days, but no later than ten (10) Business Days, following the later of (x) the final determination of the Converted Percentage Interest and (y) the satisfaction of all conditions precedent to

the Conversion. Euroseas and the Converting Member(s) shall execute such documents and perform such further acts as may be necessary to consummate the Conversion.

(f) Euroseas is entering into a Registration Rights Agreement with Paros and All Seas on the date hereof, substantially in the form attached as Exhibit F hereto (as it may be amended, supplemented or modified from time to time, the " Euroseas Registration Rights Agreement ") which shall govern Euroseas' obligations to register for resale any stock issued upon exercise of the Conversion Rights hereunder.

(g) Euroseas, Friends Investment Company Inc., Paros and All Seas are entering into a Shareholders' Agreement on the date hereof, substantially in the form attached as Exhibit G hereto (as it may be amended, supplemented or modified from time to time, the " Shareholders' Agreement ") which shall govern such parties' rights and obligations as shareholders' of Euroseas upon exercise of the Conversion Rights hereunder.

(h) Notwithstanding anything to the contrary contained in this Agreement, each Converting Member shall only be entitled to exercise its Conversion Rights hereunder at such times as it does not beneficially own any shares of Euroseas Common Stock other than shares previously issued in connection with any Conversion (as adjusted for stock splits, stock distributions, stock combinations or other similar events).

(i) Notwithstanding anything to the contrary contained in this Agreement, following the initial Public Offering of the Company, no Member shall be entitled to exercise the Conversion Rights.

8.6 Covenants Relating to the Conversion Rights .

(a) In furtherance of the Conversion Rights granted hereunder, Euroseas hereby agrees that it shall (i) use best efforts to obtain all necessary consents and shareholder approvals, including recommending an amendment to Euroseas' Articles of Incorporation at the 2010 annual meeting of shareholders (but, in any event, at a meeting of shareholders prior to August 1, 2010) to increase the total aggregate number of authorized but unissued shares of Euroseas to at least 100 million (as adjusted in connection with any stock splits, combinations or the like) so long as any Converting Member has a Conversion Right, including in instances where Euroseas undertakes to consummate an offering of its stock (the " Charter Amendment "), (ii) refrain from doing or causing to be done any action or entering into any agreement, understanding or obligation that would result in the total aggregate number of authorized but unissued shares of Euroseas being less than 100 million (as adjusted in connection with any stock splits, combinations or the like), (iii) refrain from doing or causing to be done any action or entering into any agreement, understanding or obligation that would in any way prohibit the exercise of any Conversion Right or that the exercise of the Conversion Right would violate, conflict with or result in any breach, default, acceleration or contravention of (or with due notice or lapse of time or both would result in any breach, default, acceleration or contravention of) any

material agreement to which Euroseas is a party and (iv) refrain from amending the Shareholder Rights Plan (or adopting any new shareholder rights plan) in such a way that, upon any Exempted Transaction, the Converting Member would be deemed an "Acquiring Person" under such plan or such Exempted Transaction would be deemed to be a "Triggering Event" or create a "Distribution Date" or "Shares Acquisition Date" under such plan or otherwise trigger the provisions of such plan or in any way permit any "Rights" to be exercised pursuant to such plan, unless any Converting Member fails to comply with the terms set forth in the First Amendment to the Shareholder Rights Plan that is to be executed prior to the funding of the Initial Capital Contributions.

(b) In the event any Converting Member exercises the Conversion Right, Euroseas shall use best efforts to take and cause to be taken all necessary actions within its control and to obtain all necessary consents in order to effect the consummation of the Conversion Rights, including, seeking, as needed, authorizations to increase the number of authorized but unissued shares of Euroseas Common Stock. To the extent any shareholder approval is required under Section 8.6(a), (b) or otherwise but is not obtained, Euroseas will not be required to effect the transaction and shall have no liability to any Converting Member so long as it has fulfilled its obligations hereunder. The parties hereto acknowledge that requirements of Euroseas' home country or listing exchange may change; provided , however that each of Euroseas and its Affiliates covenant and agree not to seek to change such requirements of the home country or listing exchange or seek, or vote in favor of, a change in its organization documents or shareholder agreements to such effect, if the change is reasonably deemed by the Members (other than Euroseas) to be detrimental to the Company or to any Converting Member, in their capacity as holders of Conversion Rights.

(c) Paros and All Seas will comply with applicable Securities and Exchange Commission and NASDAQ rules in connection with any exercise of the Conversion Rights and in no event will any conversion be effected in violation of such rules or applicable law.

(d) Upon the consummation of any Conversion, Euroseas will use reasonable efforts (through voting agreements or otherwise and including by increasing the size of the Board of Directors of Euroseas, electing such directors to fill such vacancies and nominating such directors to serve on the Board of Directors of Euroseas) to ensure that for so long as the Euroseas Percentage Interest of (i) Paros together with its Permitted Transferees (but not any other Persons who acquired Units as a result of a Permitted Transfer) (" Paros Converting Members ") or (ii) All Seas together with its Permitted Transferees (but not any other Persons who acquired Units as a result of a Permitted Transfer) (" All Seas Converting Members ") (each of (i) and (ii) considered separately), is (x) collectively greater than 35%, such Paros Converting Member(s) or All Seas Converting Members, as applicable, shall each be entitled to elect two (2) directors to the Euroseas Board of Directors or (y) collectively between 7.5% and 35%, such Converting Member(s) shall each be entitled to elect one (1) director to the Euroseas Board of Directors, in each case in additional to the current seven seats on the Euroseas Board of Directors and adjusted in proportion to any change in the total number of seats on the Euroseas Board of Directors following the date hereof (the number of directors Paros Converting Members, or the All Seas Converting Members are entitled to elect, such Converting

Member(s)' " Euroseas Board Representation "). For the avoidance of doubt, if the Euroseas Percentage Interest of either Paros Converting Members or the All Seas Converting Members is less than 7.5% in the aggregate, Euroseas will have no obligation pursuant to this Section 8.6(d) with respect to such Converting Member(s), and the directors on the Euroseas Board of Directors elected by such Converting Member(s) shall resign or may be removed and such Converting Member(s) will no longer have any right to elect directors to the Euroseas Board of Directors. For the avoidance of doubt, the right to appoint directors hereunder shall be based upon the aggregate ownership of Paros Converting Members and All Seas Converting Members but shall be a right vested exclusively in each of Paros and All Seas (and not to any other Person except a Permitted Transferee that acquires all of the Units held by such Member).

(e) In the event that either Paros or All Seas (or any Permitted Transferee to the extent permitted in the last sentence of Section 8.5(d)) is entitled to elect directors pursuant to Section 8.6(d) and all such directors that either Paros or All Seas entitled to elect are actually elected, then such Paros Converting Member(s) and All Seas Converting Member(s) entitled to elect directors shall agree to vote or cause to be voted, with respect to any matter, only the Converting Member Independent Shares of such Converting Member (and no other shares of Euroseas Common Stock held by such Member(s)) at its sole discretion and will vote or cause to be voted any shares held by such Member, other than the Converting Member Independent Shares held by such Converting Member(s), in the same proportion as all other shares of Euroseas Common Stock (including the Converting Member Independent Shares held by the other Member(s)) cast on such matter are voted. Any Person who acquires Units originally held by Paros or All Seas pursuant to a Permitted Transfer and subsequently exercises Conversion Rights agrees that, so long as either Paros Converting Members or All Seas Converting Members are entitled to elect directors pursuant to Section 8.6(d) and all such directors that either Paros Converting Members or All Seas Converting Members entitled to elect are actually elected, such Person shall vote or cause to be voted any shares of Euroseas Common Stock held by such Person in the same proportion as all other shares of Euroseas Common Stock (including the Independent Shares) cast on such matter are voted. In the event that either (x) neither Paros nor All Seas is entitled to elect directors pursuant to Section 8.6(d) or (b) either Paros Converting Members or All Seas Converting Members are entitled to elect directors pursuant to Section 8.6(d) but all such directors that either Paros Converting Members or All Seas Converting Members entitled to elect are not actually elected (unless such failure to be elected is caused by the Paros Converting Members or All Seas Converting Members), then each Converting Member shall be entitled to vote all shares of Euroseas Common Stock held by it in its sole discretion.

(f) Block sales by any Converting Member in excess of 2.5% of the total issued and outstanding shares of Euroseas Common Stock to any single ultimate buyer (i.e., excluding underwriters) other than public market institutional investors will be subject to the consent of the Euroseas Board of Directors, such consent not to be unreasonably withheld.

8.7 Representations and Warranties Relating to the Conversion Rights . Euroseas hereby represents and warrants to each of the other Members that:

(a) Except as set forth on Schedule 8.7(a) , the execution, delivery and performance by Euroseas of this Agreement and the other Transactions Documents to which Euroseas is a party and the transactions contemplated hereby (including the exercise of the Conversion Rights) and thereby (i) do not, and upon exercise of the Conversion Rights will not, contravene the terms of the Articles of Incorporation (as amended) or Bylaws of Euroseas, or any other governing or organizational document of Euroseas or any of its subsidiaries; (ii) do not, and upon exercise of the Conversion Rights will not, violate, conflict with or result in any breach, acceleration, default or contravention of (or with due notice or lapse of time or both would result in any breach, acceleration, default or contravention of), or the creation of any Lien under, any note, bond, mortgage, indenture, contract, agreement, lease, license, sublicense, distribution agreement, development agreement, first look agreement, covenant not to sue, permission, permit, franchise or other instrument or obligation to which Euroseas or any of its subsidiaries is party or by which any of its respective assets are bound or any legal requirement applicable to Euroseas or any of its subsidiaries; and (iii) do not, and upon exercise of the Conversion Rights will not, violate any judgment, injunction, writ, award, decree or order of any governmental authority against, or binding upon, Euroseas or any of its Subsidiaries or any of their respective assets.

(b) This Agreement and the other Transaction Documents to which Euroseas is a party are and, when executed and delivered by the other parties hereto and thereto, shall constitute, the legal, valid and binding obligations of Euroseas, enforceable against Euroseas in accordance with their terms, except as enforceability may be limited by applicable bankruptcy, insolvency, fraudulent conveyance or transfer, moratorium or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability (regardless of whether considered in a proceeding at law or in equity).

8.8 Determination of Appraised Net Asset Value of a Subject Company . The following procedures shall be utilized to determine the Appraised Net Asset Value of a Subject Company upon the exercise of the Euroseas Redemption Right or any Conversion Right:

(a) Upon the delivery of any Exit Notice, the Fair Market Value of all Vessels directly or indirectly wholly-owned by the Subject Company will be appraised. Each of the Exiting Member(s), on the one hand, and the Non-Exiting Members, on the other hand, shall, within three (3) Business Days of receipt by the Board of Managers of the Exit Notice, select an appraiser recognized within the shipping industry as having significant experience valuing the relevant types of Vessels (each, an " Initial Appraiser "), each of which shall perform and deliver to the Subject Company and each of the Members within ten (10) Business Days of its selection an appraisal of the Fair Market Value as of the date of the delivery of the Exit Notice of each Vessel directly or indirectly wholly-owned by the Subject Company. If the higher of the two Initial Appraisers' valuation of such Vessel is equal to or less than 105% of the lower valuation of such Vessel, then the average of the two valuations shall determine the Fair Market Value of such Vessel. If the higher of the two Initial

Appraisers' valuation of such Vessel is greater than 105% of the lower valuation of such Vessel, then the two Initial Appraisers shall within three (3) Business Days select one additional third party appraiser, who shall be any of Clarksons, Howe Robinson, Baemar, Barry Rogliano Salles, Simpson Spence & Young, or Fearnleys (the " Final Appraiser ") who shall, within ten (10) days of its selection, perform and deliver to the Subject Company and each of its Members its own independent appraisal of the Fair Market Value of the date of the delivery of the Exit Notice of those Vessels whose Value is in dispute. The Fair Market Value of each Vessel in dispute will be deemed to be equal to the Fair Market Value ascribed to such Vessel by the Initial Appraiser whose valuation is closest to the Final Appraiser's valuation of such Vessel.

(b) Euroseas shall, within five (5) Business Days of the delivery of any Exit Notice, deliver to (i) in the case of the exercise of the Euroseas Redemption Right, Paros and All Seas, and (ii) in the case of the exercise of the Conversion Right, the Member(s) exercising such Conversion Right (in the case of each of clause (i) and (ii), such Members the " Reviewing Member(s) "), a statement setting forth its determination of the Other Net Assets Amount of the Subject Company (the " Euroseas Statement "), together with appropriate documentation supporting such determination. In the event the Reviewing Member(s) disagrees with Euroseas' determination of the Other Net Assets Amount of the Subject Company, the Reviewing Member(s) may deliver a notice (an " Objection Notice ") within five (5) Business Days to Euroseas disagreeing with such determination and setting forth the Reviewing Member(s)' determination of the Other Net Assets Amount of the Subject Company, together with appropriate documentation supporting such determination. Any such Objection Notice shall specify those line items reflected on a consolidated balance sheet as to which the Reviewing Member(s) disagrees, and the Reviewing Member(s) shall be deemed to have agreed with all other line items contained in the Euroseas Statement. If an Objection Notice shall be duly delivered, the Reviewing Member(s) and Euroseas shall, during the five (5) Business Days following such delivery, use their commercially reasonable efforts to reach agreement on the disputed items and amounts. If during such period, the Members are unable to reach such agreement, they shall within five (5) Business Days jointly retain an independent nationally recognized accounting firm that is not the principal independent accountant of any of the Members, the Company or the Subject Company (the " Accounting Referee ") to resolve the disputed items or amounts. In making its determinations of the propriety of items and amounts, the Accounting Referee shall consider only those line items as to which the Reviewing Member(s) and Euroseas disagree and, with respect to each line item, shall select a number within the range of the dispute between the Reviewing Member(s) and Euroseas. The Accounting Referee shall deliver to the Reviewing Member(s) and Euroseas, as promptly as practicable (but, in any event, within fifteen (15) days after submission of the dispute to it), a report setting forth its resolution of the disputed line items, and based thereon (and on the line items not in dispute) the determination of the Other Net Assets Amount of the Subject Company. Such report shall be final and binding upon the Non-Exiting Member(s) and the Exiting Member(s) and their respective Affiliates.

(c) The Company, the Members and Euroseas (including in the event Euroseas is not a Member at the time of the determination of the Appraised Net Asset Value of Euroseas) will, and will cause their Affiliates, officers, directors and independent accountants to, cooperate and assist each other, the Initial Appraisers, the Final Appraiser and the Accounting Referee in conducting their respective reviews of the amounts referred to in this Section 8.8 , including, without limitation, making available to the extent necessary any Vessels, books, records, work papers and personnel.

(d) Except as otherwise provided herein, (x) the out-of-pocket costs and expenses of each Initial Appraiser shall be born by the party or parties who retained such Initial Appraiser and the out-of-pocket costs and expenses of the Final Appraiser shall be born by the party or parties who retained the Initial Appraiser whose appraisal was farthest from the Final Appraiser's determination of Fair Market Value and (y) Euroseas shall bear the out-of-pocket costs and expenses, if any, or preparing the Euroseas Statement, the Reviewing Member(s) shall bear the out-of-pocket costs and expenses, if any, of preparing the Objection Notice and Euroseas and the Reviewing Member(s) will share the out-of-pocket costs and expenses of the Accounting Referee on a 50/50 basis.

8.9 Rights of Assignees . Until such time, if any, as a transferee of any Transfer permitted by this ARTICLE 8 is admitted to the Company as a substitute Member pursuant to Section 8.10 , such transferee will be deemed only an Assignee holding an Economic Interest; provided , however , that a Permitted Transferee will automatically become a substitute Member upon the execution of an instrument satisfactory to the entire Board of Managers accepting and adopting the terms and provisions of this Agreement.

8.10 Substitution of Members . An Assignee of a Membership Interest shall have the right to become a substitute Member only if (i) the requirements of Section 8.1 have been met, (ii) the Assignee executes an instrument satisfactory to the Board of Managers accepting and adopting the terms and provisions of this Agreement and the other Transaction Documents, including but not limited to the Shareholders' Agreement, and (iii) the Assignee pays any reasonable expenses as determined by the Board of Managers in connection with his or her admission as a new Member. Except as otherwise provided herein, such Assignee shall have the rights and obligations set forth herein (or a proportionate share thereof, as applicable) of the Member from whom such Assignee purchases such Membership Interest (including, in connection with the Transfer by Paros or All Seas of a Membership Interest, the Conversion Rights set forth herein).

8.11 Effective Date of Permitted Transfers . Any Transfers permitted by this ARTICLE 8 shall be effective upon the consummation of a transaction in compliance with Section 8.1 . The Board of Managers shall provide the Members with written notice of such Transfer as promptly as possible after the consummation thereof. Any transferee of Membership Interests or Membership Interest Equivalents shall be subject to the restrictions on Transfer imposed by this Agreement.

8.12 Rights of Legal Representatives . If a Member who is an individual dies or is adjudged by a court of competent jurisdiction to be incompetent to manage the Member's person or property, the Member's executor, administrator, guardian, conservator, or other legal

representative may exercise all of the Member's rights for the purpose of settling the Member's estate or administering the Member's property, including any power the Member has under this Agreement to give an assignee the right to become a Member. If a Member is a corporation, trust, or other entity and is dissolved or terminated, the powers of that Member may be exercised by his or her legal representative or successor.

8.13 No Effect of Transfers in Violation of Agreement . No Transfer of any Membership Interests or Membership Interest Equivalents in violation of any provision of this Agreement will be effective to pass any title to, or create any interest in favor of, any Person, but the Member which attempted to so effect such Transfer will be deemed to have committed a material breach of its obligations to the other Members and to the Company hereunder, and the Membership Interests held by such Member shall be treated in accordance with Section 4.3 .

8.14 Amendment to Exhibit A . The Company shall amend Exhibit A , as appropriate, to reflect a transfer of any Economic Interest or Membership Interest pursuant to this ARTICLE 8 .

ARTICLE 9

ACCOUNTING, RECORDS, REPORTING BY MEMBERS

9.1 Books and Records . The books and records of the Company shall be kept, and the financial position and the results of its operations recorded, in accordance with GAAP applied on a consistent basis. The books and records of the Company shall reflect all the Company transactions and shall be appropriate and adequate for the Company's business. The Company shall maintain at its principal office all of the following:

(a) A current list of the full name and last known business or residence address of each Member and Assignee set forth in alphabetical order, together with the Capital Contributions, Capital Account, number of Units, Capital Percentage Interest and Percentage Interest of each Member and Assignee;

(b) A current list of the full name and business or residence address of each Manager;

(c) A copy of the Certificate of Formation and any and all amendments thereto together with executed copies of any powers of attorney pursuant to which the Certificate of Formation or any amendments thereto have been executed;

(d) Copies of the Company's federal, state and local income tax or information returns and reports;

(e) A copy of this Agreement and any and all amendments thereto together with executed copies of any powers of attorney pursuant to which this Agreement or any amendments thereto have been executed;

(f) Copies of the financial statements of the Company, if any; and

(g) The Company's books and records as they relate to the internal affairs of the Company.

9.2 Delivery to Members and Inspection .

(a) Upon the request of any Member for purposes reasonably related to the interest of that Person as a Member, the Company shall promptly deliver to the requesting Member, at the expense of the Company, a copy of the information required to be maintained under Sections 9.1(a)-9.1(g) .

(b) Each Member holding a Capital Percentage Interest of at least 1% has the right upon reasonable request for purposes reasonably related to the interest of the Person as Member, to:

(i) inspect during normal business hours any of the Company records described in Section 9.1 or access, during regular business hours, upon reasonable advance notice, the Company's facilities and personnel; provided , that (i) the right to obtain information referred to in this Section 9.2(b)(i) shall not extend to any employee, consultant or other service provider to the Company or the Subsidiaries, who or that is no longer employed or retained by the Company or the Subsidiaries in any capacity for the provision of such services if the Board of Managers determines that the exercise of such right will result, is likely to result or may potentially result in any consequence that is adverse or disadvantageous to the Company or the Subsidiaries; and (ii) in no event shall any Member have access to any information that, based on advice of the Company's counsel, would (A) reasonably be expected to create liability under applicable laws or waive any material legal privilege (provided , that in such latter event the Company shall use commercially reasonable efforts to cooperate to permit disclosure of such information in a manner consistent with the preservation of such legal privilege); (B) result in the disclosure of any trade secrets of third parties; or (C) violate any obligation of the Company with respect to confidentiality so long as, with respect to confidentiality, to the extent specifically requested by such Member, the Company has made commercially reasonable efforts to obtain a waiver regarding the possible disclosure from the third party to whom it owes an obligation of confidentiality; and

(ii) obtain from the Company, promptly after their becoming available, a copy of the Company's federal, state, and local income tax or information returns for each Fiscal Year; provided that the right to request (under Section 9.1 or Section 9.2) the information referred to in this Section 9.2(b)(ii) shall not extend to any employee, consultant or other service provider to the Company or the Subsidiaries who or that is no longer employed or retained by the Company or the Subsidiaries in any capacity for the provision of such services; provided further , however , that the foregoing proviso shall not apply to information any such Person needs for purposes of preparing and filing his, her or its tax returns.

(c) Any request, inspection or copying by a Member under this Section 9.2 may be made by that Person or that Person's agent or attorney.

(d) The Company shall promptly furnish to a Member a copy of any amendment to the Certificate of Formation or this Agreement.

9.3 Financial and Other Information .

(a) The Board of Managers shall provide to the Members: (i) as soon as possible and in any event no later than seventy-five (75) days following the end of each Fiscal Year, annual unaudited individual and audited consolidated financial statements of the Company and the Owners (as defined in the Management Agreement), together with management discussion and analysis; (ii) as soon as possible, but in no event later than forty-five (45) days following the end of each fiscal quarter, quarterly unaudited individual and consolidated financial statements without accompanying notes; (iii) as soon as possible, but in no event later than sixty (60) days following the end of each fiscal quarter, notes to accompany the quarterly financial statements delivered pursuant to clause (ii) of this Section 9.3(a) ; (iv) a monthly report (x) comparing on a quarterly and full year basis the updated forecast of the Vessel's results for the current calendar year on the basis of updated information on the Vessel's charter contracts, updated drydocking cost estimates or other significant information (but not necessarily including partial revenue and expenses updates of the current calendar quarter) and (y) a similar consolidated report for all vessels of the Company, each, no later than ten (10) days after the last day of each month; and (v) such financial and other information relating to the Company or any other Person in which the Company owns, directly or indirectly, an equity interest, as a Member may reasonably request. The Board of Managers shall distribute to the Members, promptly after the preparation or receipt thereof by the Board of Managers, any financial or other information relating to any Person in which the Company owns, directly or indirectly, an equity interest, including any filings by such Person under the Securities Exchange Act of 1934, as amended, that is received by the Company with respect to any equity interest of the Company in such Person.

(b) The Board of Managers shall, at Company expense, cause to be prepared at least annually and sent to each Member within seventy-five (75) days after the end of each taxable year (1) IRS Form 1065, (2) Schedule K-1s and (3) any other information, including information necessary to prepare Schedule S and Schedule V of IRS Form 1120-F, necessary for preparation of the United States federal, state and local income tax returns of Persons holding an interest, directly or indirectly, in the Company. The Company shall file such IRS Form 1065 only if required to do so by law. Notwithstanding the foregoing, with respect to the interest in the Company title to which is owned by All Seas I, the Company shall treat for all tax purposes All Seas Investors L.P., a partnership formed under the laws of the Cayman Islands, as the owner of such interest in the Company, including for purposes of preparing an IRS Form 1065 and Schedule K-1 and any other information referred to in the first sentence of this Section 9.3(b) .

(c) The Board of Managers shall use its best efforts to determine on a contemporaneous basis whether any Person chartering a Vessel owned by the Company or any Subsidiary will trade to or from a port in a state or territory of the United States and promptly report to the Members the details of such Vessel's contact with a port in such state or territory.

9.4 G&A Budget . At least forty-five (45) days prior to the end of each Fiscal Year of the Company, Euroseas (or, if the Management Agreement has been terminated by the Board of Managers, such other Person as has been designated by the Board of Managers to manage the day-to-day operations of the Company) shall submit to the Board of Managers for approval a preliminary comprehensive general and administrative budget for the Company and its Subsidiaries, on a quarterly basis for the upcoming Fiscal Year (which budget shall be finalized by the February meeting of the Board of Managers). Such budget shall be substantially in the form of the Initial G&A Budget. In the event that an annual general and administrative budget for Fiscal Year 2011 or any subsequent Fiscal Year is not approved by the Board of Managers in accordance with Section 5.4 , the Company and its Subsidiaries shall continue to be operated in accordance with the applicable G&A Budget for the immediately preceding Fiscal Year until such time as a budget is agreed upon and adopted by the Board of Managers in accordance with Section 5.4 ; provided , however , that in such case and subject to the following proviso, each expense line item in the applicable budget of the Company and its Subsidiaries shall be increased by the Cost of Living Adjustment for the most recent calendar year (as that index is formulated and computed by the Bureau of Labor Statistics of the United States Department of Labor) above such expense line item in such applicable budget in the immediately preceding year (the " Permitted G&A Budget Rollover Increase "). The Company hereby covenants and agrees that it and its Subsidiaries shall at all times operate their business in accordance with the operating and capital budget adopted and approved or otherwise in effect pursuant to Section 5.4 and this Section 9.4 (including, as applicable, as modified by the Permitted G&A Budget Rollover Increase in the event agreement on an approved budget is not obtained as specified above) during the applicable Fiscal Year and shall, during the course of each Fiscal Year, comply in all respects and not exceed the expenses contemplated by the operating and capital budget adopted and approved or otherwise in effect. In the event the Initial G&A Budget is utilized for purposes of determining the G&A Budget for any subsequent Fiscal Year, the Initial G&A Budget will be adjusted to take into the account that it reflects the budget for only a portion of the 2010 fiscal year prior to utilizing such budget to determine the Permitted G&A Budget Rollover Increase.

9.5 Filings . The Board of Managers, at Company expense, shall cause the income tax returns for the Company to be prepared and timely filed with the appropriate authorities. The Board of Managers, at Company expense, shall also cause to be prepared and timely filed, with appropriate federal and state regulatory and administrative bodies, amendments to, or restatements of, the Certificate of Formation and all reports required to be filed by the Company with those entities under the Act or other then current applicable laws, rules, and regulations. If a Manager required by the Act to execute or file any document fails, after demand, to do so within a reasonable period of time or refuses to do so, any other Manager or Member may prepare, execute and file that document with the Marshall Islands Registrar of Corporations.

9.6 Bank Accounts . The Company shall maintain the funds of the Company in one or more separate bank accounts in the name of the Company, and shall not permit the funds of the Company to be commingled in any fashion with the funds of any other Person.

9.7 Accounting Decisions and Reliance on Others . All decisions as to accounting matters, except as otherwise specifically set forth herein, shall be made by the Board of Managers. The Board of Managers may rely upon the advice of the Company's independent accountants as to whether such decisions are in accordance with GAAP.

9.8 Tax Matters .

(a) The Board of Managers shall from time to time cause the Company to make such tax elections as they deem to be in the best interests of the Company. The Board of Managers or their designated agent shall represent the Company (at the Company's expense) in connection with all examinations of the Company's affairs by tax authorities outside the United States, including resulting judicial and administrative proceedings, and shall expend the Company funds for professional services and costs associated therewith. The Board of Managers shall oversee the Company's tax affairs in the overall best interests of the Company.

(b) Paros is hereby designated the "tax matters partner", as that term is defined in Section 6231(a)(7) of the Code (the " Tax Matters Member ") and shall be so designated in each United States federal tax or information return filed on behalf of the Company. The Tax Matters Member shall use its reasonable efforts to comply with the responsibilities outlined in Sections 6221 through 6233 of the Code (including the Treasury Regulations promulgated thereunder) and shall have any powers necessary to perform fully in such capacity. The Tax Matters Member is authorized to represent the Company before United States taxing authorities and courts in tax matters affecting the Company and the Members in their capacity as such and shall keep the Members informed of any such administrative and judicial proceedings. The Tax Matters Member shall be entitled to be reimbursed by the Company for all costs and expenses incurred by it in connection with any United States administrative or judicial proceeding affecting tax matters of the Company and the Members in their capacity as such and to be indemnified by the Company (solely out of Company assets) with respect to any action brought against it in connection with any judgment in or settlement of any such proceeding. The Tax Matters Member shall not be liable to the Company or any Member for any act or omission taken or suffered by it in such capacity in good faith and in the belief that such act or omission is in or is not opposed to the best interests of the Company; provided , however , that such act or omission is not in violation of this Agreement and does not constitute gross negligence, fraud or a willful violation of law. Any Member or any Person who holds an interest, directly or indirectly, in the Company who enters into a settlement agreement with respect to any Company item shall notify the Tax Matters Member of such settlement agreement and its terms within thirty (30) days after the date of settlement. This Section 9.8(b) shall survive any termination of this Agreement.

9.9 Confidentiality Obligations . All information provided to Members by the Company pursuant to this ARTICLE 9 shall be kept confidential by the Members and shall not be divulged, in whole or in part, to any third party, except (x) as required by applicable law or (y) to

officers, directors, attorneys, accountants, members, partners, shareholders or other Affiliates of such Members or of such Members' Affiliates who agree to keep such information confidential. All provision of information pursuant to this ARTICLE 9 shall be subject to the reasonable conditions and standards established by the Board of Managers, as permitted by the Act, which may include withholding or restrictions on the use of confidential information.

9.10 Classification as a Partnership . The parties hereto intend that the Company be classified as a partnership for United States federal income tax purposes effective as of the date of this Agreement and its Subsidiaries be classified as (i) partnerships for United States federal income tax purposes if owned by more than one Person or (ii) entities disregarded as separate from the Company for United States federal income tax purposes if owned solely by the Company. The Company shall take all steps as may be required to maintain the Company's and the Subsidiaries' classifications, as described in the immediately preceding sentence, for United States federal income tax purposes, including, if necessary, affirmatively filing IRS Form 8832s. The Tax Matters Member shall, if necessary, for and on behalf of the Company, file an IRS Form 8832 no later than seventy-five (75) days after the effective date of this Agreement to maintain the Company's classification as a partnership for United States federal income tax purposes. By executing this Agreement, each of the parties hereto consents to the authority of the Tax Matters Member to make any such election and shall cooperate in the making of such election (including providing consents and other authorizations that may be required).

9.11 Tax Limitations . The Company shall not engage, directly or indirectly, through any entity owned by the Company that is treated as a pass-through for United States federal income tax purposes, in any activity that would (i) cause the Company to recognize income that is effectively connected with the conduct of a trade or business in the United States within the meaning of Section 871(b) or Section 882(a)(1) of the Code (taking into account Section 887(c)(4) of the Code) or (ii) knowingly cause the Company or any Subsidiary to be resident for tax purposes in any country other than the Marshall Islands or otherwise knowingly engage in activities that would cause any Member of the Company or any Person owning an interest in the Company through any Member to be subject to tax in or required to file a tax return with any jurisdiction (other than the United States, in the case of Persons otherwise subject to tax in the United States).

ARTICLE 10

DISSOLUTION AND WINDING UP

10.1 Dissolution . The Company shall be dissolved, its assets shall be disposed of, and its affairs wound up on the first to occur of the following (each, a " Dissolution Event "):

(a) An Early Termination Event;

(b) The entry of a decree of judicial dissolution under Section 47 of the Act;

(c) A determination by the Board of Managers and a Supermajority-in-Interest of the Members to dissolve the Company;

(d) The seventh anniversary of the date hereof, unless such date is extended by the unanimous consent of the Board of Managers;

(e) A termination of the Management Agreement pursuant to Clause 18.2(x) thereof; or

(f) The sale, transfer or other Disposition of substantially all of the assets of the Company.

Each Member hereby irrevocably waives any and all rights it may have to obtain a dissolution of the Company in any way other than as specified above. The Board of Managers shall, within 30 calendar days, notify the other Members of the occurrence of a Dissolution Event and as soon as practicable deliver to the Members a statement setting forth the assets and liabilities of the Company as of the date of such Dissolution Event.

10.2 Winding Up . Upon the occurrence of any event specified in Section 10.1 , the Company shall continue solely for the purpose of winding up its affairs in an orderly manner, liquidating its assets, and satisfying the claims of its creditors. The Board of Managers shall be responsible for overseeing the winding up and liquidation of the Company, shall take full account of the assets and liabilities of Company, shall either cause its assets to be sold or distributed, and if sold as promptly as is consistent with obtaining the fair market value thereof, shall cause the proceeds therefrom, to the extent sufficient therefor, to be applied and distributed as provided in Section 10.3 . The Persons winding up the affairs of the Company shall give written notice of the commencement of winding up by mail to all known creditors and claimants whose addresses appear on the records of the Company to the extent such Persons are required to do so.

10.3 Order of Payment Upon Dissolution . Upon a Dissolution Event, the person(s) designated by the Board of Managers shall act as liquidator(s). The liquidator(s) shall proceed diligently to wind up the affairs of the Company and make final distributions as provided herein and in the Act. The costs of liquidation shall be borne as a Company expense. Until the final winding up of the Company, the liquidator(s) shall continue to operate the Company's properties with all of the power and authority of the Board of Managers, subject to the power of the Board of Managers to remove and replace such liquidator(s). The steps to be accomplished by the liquidator(s) are as follows:

(a) As promptly as possible after a Dissolution Event and again after final winding up of the Company, the liquidator(s) shall cause a proper accounting to be made, and where practicable by a recognized firm of certified public accountants, of the Company's assets, liabilities and operations through the last day of the calendar month in which the Dissolution Event occurs or the final liquidation is completed, as applicable.

(b) The liquidator(s) shall cause the Company's property to be liquidated as promptly as is consistent with obtaining the fair market value thereof.

(c) The liquidator(s) shall distribute the proceeds of such liquidation and any other assets of the Company (subject to any requirement under the Act) in the following order of priority:

(i) first, to payment of all of the debts, liabilities and obligations of the Company (including all expenses incurred in liquidation);

(ii) second, to the establishment of adequate reserves for the payment and discharge of all debts, liabilities and obligations of the Company to the extent not then due, including contingent, conditional or unmatured liabilities, in such amount and for such term as the liquidator(s) may reasonably determine;

(iii) third, any remaining proceeds of liquidation, and any assets that are to be distributed in kind, shall be distributed to the Members in accordance with Section 6.1(c) , subject to the limitations of ARTICLE 6 , as promptly as practicable.

(d) The liquidator(s) shall use all reasonable efforts to reduce the assets of the Company to cash and to distribute cash upon liquidation to the Members. Subject to the foregoing, if any assets of the Company are not reduced to cash, then no Member shall have any right to any specific assets of the Company except as otherwise herein specifically provided. In making distributions of non-cash assets under this Section 10.3(d) , such assets may be distributed unequally among the Members only to the extent necessary to avoid any Member receiving an asset that it is prohibited from holding or that could result in adverse tax consequences to such Member; provided , that such unequal distribution shall not affect the aggregate amount of distributions to any Member.

(e) Each of the Members shall be furnished with a statement prepared by, or under the supervision of, the liquidator(s), which shall set forth the assets and liabilities of the Company as of the date of complete liquidation.

10.4 Limitations on Payments Made in Dissolution . Except as otherwise specifically provided in this Agreement, each Member shall only be entitled to look at the assets of the Company for the return of such Member's positive Capital Account balance and shall have no recourse for any such or other amounts against any Manager or any other Member.

10.5 Certificate of Cancellation . The Company shall cause to be filed in the office of, and on a form prescribed by, the Marshall Islands Registrar of Corporations, a Certificate of Cancellation of the Certificate of Formation upon the completion of the winding up of the affairs of the Company.

10.6 No Action for Dissolution . Except as expressly permitted in this Agreement, no Member shall take any voluntary action that directly causes a Dissolution Event. The Members acknowledge that irreparable damage would be done to the goodwill and reputation of the Company if any Member should bring an action in court to dissolve the Company under circumstances where dissolution is not required by Section 10.1 .

ARTICLE 11

INDEMNIFICATION AND INSURANCE

11.1 Indemnification . The Company shall defend and indemnify any Member or Manager and may indemnify any other Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by reason of the fact that he or she is or was a Member, Manager, officer, employee or other agent of the Company or that, being or having been such a Member, Manager, officer, employee or agent, he or she is or was serving at the request of the Company as a manager, director, officer, employee or other agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise (all such persons being referred to hereinafter as an " agent "), to the fullest extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may hereafter from time to time permit. The Company, upon authorization by the Board of Managers, shall enter into indemnity agreements from time to time with any Person entitled to be indemnified by the Company hereunder, upon such terms and conditions as the Board of Managers deems appropriate in its business judgment; provided , that the terms and conditions of all such indemnity agreements shall be, in all material respects, the same for all Managers. In the event of any change of control pursuant to which the Company is not the surviving entity or that results in the sale of all or substantially all of the assets of the Company, the Company or Member effecting such transaction shall ensure that the successor to the Company shall assume the Company's indemnification obligations with respect to this Section 11.1 .

11.2 Reimbursements: Advancements . The Company (a) shall reimburse and/or advance, to the maximum extent permitted by the Act, to each Manager or Member specified in Section 11.1 , and (b) may, in the sole discretion and at the election of the Board of Managers, reimburse and/or advance to each other Person specified in Section 11.1 (provided that each such Person is treated equally, in all material respects, with respect to such reimbursement or advancement), the reasonable legal or other expenses (as incurred) by such person in connection with investigating, preparing to defend or defending any claim, lawsuit or other proceeding relating to any liabilities for which such person may be indemnified pursuant to Section 11.1 ; provided , that the Company's obligations pursuant to this Section 11.2 shall be limited to instances where the claim, lawsuit or proceeding arose solely in connection with the Member's or Manager's capacity or status as a Manager or Member, as reasonably and in good faith determined by the Board of Managers; provided , further , that such reimbursement and/or advancement shall only be provided to such person upon receipt by the Company of an undertaking by or on behalf of such person that if it is finally judicially determined that such person is not entitled to the indemnification provided by Section 11.1 , then such person shall promptly reimburse the Company for any reimbursed or advanced expenses.

11.3 Insurance . The Company shall have the power to purchase and maintain insurance on behalf of any Person who is or was an agent of the Company against any liability asserted against such Person and incurred by such Person in any such capacity, or arising out of such

Person's status as an agent, whether or not the Company would have the power to indemnify such Person against such liability under the provisions of Section 11.1 or under applicable law. The Board of Managers shall cause the Company to obtain and maintain in effect an adequate directors' and officers' liability insurance policy and other insurance policies as it may deem necessary or advisable.

ARTICLE 12

MISCELLANEOUS

12.1 Expenses . Upon the funding of the Initial Capital Contributions, the Company shall promptly pay all legal, accounting or other out-of-pocket transaction fees or expenses, including travel, accommodations and entertainment, incurred by the Members or their Affiliates in connection with the negotiation and execution of the Letter of Intent and accompanying Term Sheet, dated as of December 21, 2009, among the Members, this Agreement and the other Transaction Documents (the " Transaction Expenses ") for which invoices have been delivered to the Company on or prior to the date hereof; provided , that Transaction Expenses shall not include any financial advisory or broker fees or expenses incurred by the Members or their Affiliates in connection with this Agreement and the transaction contemplated hereby. The Transaction Expenses for which invoices have been delivered to the Company on or prior to the date hereof are set forth on Exhibit H hereto. Following the date hereof, the Company shall promptly pay all Transaction Expenses for which invoices are delivered to the Company after the Closing Date. Following the date hereof, each Member shall be reimbursed by the Company for their out-of-pocket expenses incurred in connection with the Company's business, so long as such member notifies the Company prior to incurring any expense greater than $50,000 unless the Company had requested that the Member incur such expense or undertake any activity reasonably giving rise to such expense. Except to the extent otherwise provided herein, each of the parties shall bear its own costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby.

12.2 Entire Agreement . This Agreement, the other Transaction Documents and the Certificate of Formation constitute the entire agreement of the parties with respect to the subject matter hereof and supersede any prior understandings, agreements or representations by or between the parties hereto, written or oral, with respect to such subject matter.

12.3 Binding Effect . Subject to the provisions of this Agreement relating to transferability, this Agreement will be binding upon and inure to the benefit of the Members, and their respective successors and assigns.

12.4 Parties in Interest . Except as expressly provided in the Act and except as provided in ARTICLE 11 nothing in this Agreement shall confer any rights or remedies under or by reason of this Agreement on any Persons other than the Members and their respective successors and permitted assigns nor shall anything in this Agreement relieve or discharge the obligation or liability of any third-party to any party to this Agreement, nor shall any provision give any third person any right of subrogation or action over or against any party to this Agreement.

12.5 Headings . The headings used in this Agreement have been inserted for convenience of reference only and do not define or limit the provisions hereof.

12.6 Interpretation . In the event any claim is made by any Member relating to any conflict, omission or ambiguity in this Agreement, no presumption or burden of proof or persuasion shall be implied by virtue of the fact that this Agreement was prepared by or at the request of a particular Member or their counsel.

12.7 Governing Law . This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule that would cause the application of the laws of any jurisdiction other than the State of New York.

12.8 Consent to Jurisdiction; Service of Process . The parties hereto agree that any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby shall be brought exclusively in federal or state courts located in the County of New York, State of New York, and each of the parties hereby irrevocably consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party agrees that service of any process, summons, notice or document by U.S. registered mail to its address set forth in Exhibit A shall be deemed effective service of process for any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby brought against such party in any such court as set forth in this Section 12.8 .

12.9 WAIVER OF JURY TRIAL . EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT AND THE TRANSACTION DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

12.10 Exhibits . All Exhibits attached to this Agreement are incorporated and shall be treated as if set forth herein.

12.11 Invalid Provisions . If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law, and if the rights or obligations of any party hereto under this Agreement shall not be materially and adversely affected thereby, (a) such provision shall be fully severable, (b) this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (c) the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal,

invalid or unenforceable provision or by its severance herefrom and (d) in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

12.12 Further Assurances . Each party hereto shall cooperate and shall take such further action and shall execute and deliver such further documents as may be reasonably requested by the other party in order to carry out the provisions and purposes of this Agreement.

12.13 Notices . All notices, requests and other communications hereunder must be in writing and shall be deemed to have been duly given only if delivered personally against written receipt or by facsimile transmission or mailed by prepaid first class mail, return receipt requested, or mailed by overnight courier prepaid (i) to a Member at the address specified in Exhibit A hereto; and (ii) to a Manager or Observer at the address specified in Exhibit B hereto. All such notices, requests and other communications shall (x) if delivered personally to the address as provided on such Exhibit, be deemed given upon delivery, (y) if delivered by mail in the manner described above to the address as provided on such Exhibit, be deemed given upon the earlier of the third Business Day following mailing or upon receipt and (z) if delivered by overnight courier to the address as provided on such Exhibit, be deemed given on the earlier of the first Business Day following the date sent by such overnight courier or upon receipt. Any party may, at any time by giving five days' prior written notice to the other parties, designate any other address in substitution of the foregoing address to which such notice will be given.

12.14 Amendments . All amendments to this Agreement will be in writing and will not be effective unless approved by the unanimous consent of the Board of Managers, to the extent required pursuant to Section 5.4 , and, in any event, by the Board of Managers and a Super-Majority-in-Interest of the Members; provided , however , that (a) any such amendment that disproportionately disadvantages one Member relative to another Member or one class of Members relative to another class of Members will not be effective without the written concurrence of such disadvantaged Member or class of Members, (b) so long as any Options or Option Units are outstanding, any amendment to any economic provisions contained in this Agreement affecting a holder of any Options or Option Units, including but not limited to Sections 6.1 (a), 6.1(c), 6.2(a) and 6.2(b) (or that otherwise modifies the Distributions pursuant to Sections 6.1(c) or 6.2) shall require the written concurrence of such holder and (c) any amendment to Section 8.6 will not be effective without the written concurrence of Paros, All Seas and Euroseas, whether or not such Persons are Members at the time of such amendment. Notwithstanding the foregoing, amendments (i) to Exhibit A following any Capital Contribution (other than the Initial Capital Contributions) or new issuance, redemption, repurchase, reallocation or Transfer of Units in accordance with this Agreement made by the Board of Managers without the consent of or execution by the Members, (ii) to Exhibit B reflecting a change in the composition of the Board of Managers or Observers may be made by the Board of Managers without the consent of or execution by the Members, or (iii) pursuant to Section 2.7 or Section 3.6 may be made pursuant to the terms set forth therein.

12.15 Reliance on Authority of Person Signing Agreement . If a Member is not a natural person, neither the Company nor any Member will (a) be required to determine the authority of the individual signing this Agreement to make any commitment or undertaking on behalf of

such entity or to determine any fact or circumstance bearing upon the existence of the authority of such individual or (b) be responsible for the application or distribution of proceeds paid or credited to individuals signing this Agreement on behalf of such entity.

12.16 No Interest in Company Property; Waiver of Action for Partition . No Member or Assignee has any interest in specific property of the Company. Without limiting the foregoing, each Member irrevocably waives during the term of the Company any right that such Member may have to maintain any action for partition with respect to the property of the Company.

12.17 Counterparts . This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by facsimile shall be effective as delivery of a manually executed counterpart to this Agreement.

12.18 Attorney Fees . In any action or proceeding brought to enforce any provision of this Agreement or any other document or instrument contemplated hereby, or where any provision thereof is validly asserted as a defense, the successful party shall be entitled to recover reasonable attorneys' fees, charges and disbursements in addition to any other available remedy.

12.19 Time is of the Essence . All dates and times in this Agreement are of the essence.

12.20 Remedies Cumulative . The remedies under this Agreement are cumulative and shall not exclude any other remedies to which any person may be lawfully entitled.

12.21 Waiver . No waiver by any party of any term or condition of this Agreement, in one or more instances, shall be valid unless in writing, and no such waiver shall be deemed to be construed as a waiver of any subsequent breach or default of the same or similar nature.

[Remainder of Page Intentionally Left Blank.]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first above written.

EUROSEAS: **EUROSEAS LTD.**

By: _____
Name: Aristides J. Pittas
Title: Chairman, President & CEO

PAROS: **PAROS LTD.**

By: _____
Name: Terence Aquino
Title:

ALL SEAS: **ALL SEAS INVESTORS I LTD.**

By: _____
Name: Baudoin Lorans
Title: Director

ALL SEAS INVESTORS II LTD.

By: _____
Name: Baudoin Lorans
Title: Director

ALL SEAS INVESTORS III LP

By: _____
Name: Baudoin Lorans
Title: Director

EXHIBIT A

CAPITAL ACCOUNT BALANCES OF MEMBERS

Member	Capital Account Balance	Number of Units	Percentage Interest	Capital Percentage Interest
Euroseas Ltd. 4 Messogiou Street & Evropis St. 151 25 Maroussi Greece	$ [___]	[___] Units	14.286%	14.286%
Paros Ltd. c/o Eton Park Capital Management, L.P., its Investment Manager 399 Park Avenue, 10th Floor New York, NY 10022 Attention: Marcy Engel, Chief Operating Officer and General Counsel Attention: Andreas Beroutsos, Senior Managing Director	$[___]	[___] Units	42.857	42.857
All Seas Investors I Ltd. c/o Rhône Capital Management, L.P. 630 Fifth Avenue, 27th Floor New York, NY 10111	$[___]	[___] Units	*[____]%	*[____]%
All Seas Investors II Ltd. c/o Rhône Capital Management, L.P. 630 Fifth Avenue, 27th Floor New York, NY 10111	$[___]	[___] Units	*[____]%	*[____]%
All Seas Investors III LP c/o Rhône Capital Management, L.P. 630 Fifth Avenue, 27th Floor New York, NY 10111	$[___]	[___] Units	*[____]%	*[____]%
Total	$[___]	[___] Units	**100.0%**	**100.0%**

* The All Seas Member will, in aggregate, have a 42.857 Percentage Interest and Capital Percentage Interest.

EXHIBIT B

ADDRESSES OF MANAGERS AND OBSERVERS FOR SERVING NOTICE

EXHIBIT C

INITIAL G&A BUDGET

[See attached.]

EXHIBIT D

ACQUISITION GUIDELINES

[See attached.]

EXHIBIT E

EUROMAR REGISTRATION RIGHTS AGREEMENT

[See attached.]

EXHIBIT F

EUROSEAS REGISTRATION RIGHTS AGREEMENT

[See attached.]

EXHIBIT G

SHAREHOLDERS' AGREEMENT

[See attached.]

EXHIBIT H

TRANSACTION EXPENSES

EXHIBIT I

MANAGEMENT RIGHTS AGREEMENT

[See attached.]

EXHIBIT J

FIRST AMENDMENT TO THE SHAREHOLDER RIGHTS PLAN

[See attached.]

SCHEDULE 3.4(b)

REQUIRED LENDER CONSENTS

Schedule

SCHEDULE 8.7

NON-CONTRAVENTION

[Euroseas to Provide]

Schedule

Exhibit 4.28

EXECUTION VERSION

MANAGEMENT AGREEMENT

THIS AGREEMENT is dated March 25, 2010

AMONG:

(1) **EUROMAR LLC** , a limited liability company incorporated and existing under the laws of the Republic of the Marshall Islands with its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands (" **Euromar** ");

(2) Solely with respect to Clauses 1, 2, 3 (Basis of Agreement), 3.1, 3.2 – 3.5, 3.10, 4, 5, 7, 10, 11, 16, 17, 18, 20, 27, 31 and 32 hereof (collectively, the " **Accession Clauses** "), the vessel owning subsidiaries of Euromar listed in Schedule 1 hereto, as updated from time to time (individually " **Owner** " and together the " **Owners** ");

(3) **EUROSEAS LTD.** , a company incorporated and existing under the laws of the Republic of the Marshall Islands with its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands (" **Manager** ");

(4) **EUROBULK LTD.** , a company incorporated and existing under the laws of the Republic of Liberia with its principal office at Aethrion Center, (2 nd floor), 40, Ag-Konstantinou Ave, 151-24 Maroussi, Greece (" **Eurobulk** "); and

(5) **EUROCHART S.A.** , a company incorporated and existing under the laws of the Republic of Liberia with its principal office at Aethrion Center (2nd Floor), 40, Ag. Konstantinou Ave, 151-24 Maroussi, Greece (" **Eurochart** "),

(Euromar, the Owners, the Manager, Eurobulk and Eurochart together the " **Parties** ", and each a " **Party** ").

WHEREAS :

(A) Pursuant to the Limited Liability Company Agreement, Euromar has been formed as the parent company of each of the Owners, which, in turn, are to be incorporated to own the Vessels.

(B) In order to provide Euromar and each of the Owners with commercial, technical, administrative, accounting and strategic services with respect to the Vessels, Euromar and the Owners, Euromar and each of the Owners desires to engage the Manager to provide such services, either directly or indirectly through Eurobulk and/or Eurochart. Each of the Manager, Eurobulk and Eurochart have agreed to provide such services to Euromar and the Owners on the terms and conditions set out in this Agreement.

(C) As a condition to its willingness to enter into this Agreement, the Manager has required that Euromar agree, and believing it to be in the best interests of Euromar, Euromar has agreed, among other things, to grant to the Manager the Options (as hereinafter defined) to purchase Option Units (as defined in the Limited Liability Company Agreement) at an aggregate price equal to the Exercise Price (as hereinafter defined).

IT IS HEREBY AGREED:

1. DEFINITIONS AND CONSTRUCTION

1.1 Definitions

In this Agreement, save where the context otherwise requires, the following words and expressions shall have the meanings hereby assigned to them:

"10% Option" means an option, which shall vest and be automatically exercised by the Manager at such time as the Members have no Unrecovered Capital and have attained (together with all prior Distributions pursuant to Section 6.1(c), 6.1(e) (including any Deal Fees (as defined in the Limited Liability Company Agreement) paid to the Members) and Section 6.2 of the Limited Liability Company Agreement and any Deal Fees (as defined in the Limited Liability Company Agreement) paid to the Members pursuant to the Transaction Fee Agreement but excluding any Investment Fees (as defined in the Limited Liability Company Agreement) paid to the Members pursuant to the Transaction Fee Agreement) an Internal Rate of Return of 10% compounded annually, to purchase a number of duly authorized, validly issued, fully paid and non-assessable Option Units such that the Percentage Interest in respect of such Option Units, immediately after giving effect to such exercise, shall (a) prior to an Early Departure Event, equal 10% and (b) from and after an Early Departure Event, equal the product of (i) 10% multiplied by (ii) the Early Departure Multiplier, at an aggregate price equal to the Exercise Price.

"12.5% Option" means an option, which shall vest and be automatically exercised by the Manager at such time as the Members have no Unrecovered Capital and have attained (together with all prior Distributions pursuant to Section 6.1(c), 6.1(e) (including any Deal Fees (as defined in the Limited Liability Company Agreement) paid to the Members) and Section 6.2 of the Limited Liability Company Agreement and any Deal Fees (as defined in the Limited Liability Company Agreement) paid to the Members pursuant to the Transaction Fee Agreement but excluding any Investment Fees (as defined in the Limited Liability Company Agreement) paid to the Members pursuant to the Transaction Fee Agreement) an Internal Rate of Return of 20% compounded annually, to purchase an additional number of duly authorized, validly issued, fully paid and non-assessable Option Units such that the Percentage Interest in respect of such Option Units and all Option Units purchased under the 10% Option, immediately after giving effect to such exercise, shall (a) prior to an Early Departure Event, equal 12.5% and (b) from and after an Early Departure Event, equal the product of (i) 12.5% multiplied by (ii) the Early Departure Multiplier, at an aggregate price equal to the Exercise Price.

"Acquisition Guidelines" has the meaning given to such term in the Limited Liability Company Agreement.

"Affiliates" has the meaning given to such term in the Limited Liability Company Agreement.

"Agreement Regarding Vessel Opportunities" means the agreement entered into by and among the Manager, Eurobulk, Eurochart, Aristides J. Pittas and Euromar dated March 25, 2010 in relation to, inter alia, the presentation of Strategic Opportunities.

"Applicable Laws" means, in respect of any Person, property, transaction or event, all laws, statutes, ordinances, regulations, municipal by-laws, treaties, judgments and decrees applicable to that Person, property, transaction or event, all applicable official directives, rules, consents, approvals, authorizations, guidelines, orders, codes, of practice and policies of any Governmental Entity having authority over that Person, property, transaction or event and having the force of law, and all general principles of common law and equity.

"Board of Managers" has the meaning given to it in Section 5.1(a) of the Limited Liability Company Agreement.

" ***Books and Records*** " means all books of account and records, including such books and records as are required to be kept under Section 9.1 of the Limited Liability Company Agreement or otherwise, tax records, sales and purchase records, Vessel records, all documents and records relating to the Insurances, computer software, formulae, business reports, invoices, all records and third party invoices relating to the Manager's, Eurobulk's, Eurochart's and/or any sub-manager's, sub-contractors or agent's expenses, plans and projections and all other documents, files, correspondence and other information of Euromar and/or the Owners with respect to the Vessels or the business of Euromar and/or the Owners whether or not in written, printed, electronic or computer print out form.

"Business" means the business of owning, operating and/or chartering or re-chartering vessels to any Person and any other lawful act or activity customarily conducted in conjunction therewith.

" ***Business Day*** " means any day other than a Saturday, Sunday or other day on which commercial banks in New York City and/or Greece are required by law or executive order to close.

"Code" means the Internal Revenue Code of 1986, as amended.

"Confidential Information" means all non-public or proprietary information or data (including all oral and visual information or data recorded in writing or in any other medium or by any other method) relating to a Disclosing Party that is obtained from the Disclosing Party or any third party on the Disclosing Party's behalf, at any time before, simultaneously with, or after the execution of this Agreement; and, without prejudice to the general nature of the foregoing definition, the term Confidential Information shall include, but not by way of limitation, (i) information regarding the Disclosing Party's existing or proposed operations, business plans, market opportunities, and business affairs and (ii) any information ascertainable by inspection of Confidential Information disclosed to the Receiving Party or by the analysis of any materials supplied to the Receiving. Notwithstanding the foregoing, Confidential Information shall not include any information which (x) is public knowledge at the time of disclosure or which subsequently becomes public knowledge other than as a result of a breach of this Agreement; (y) the Receiving Party can show was made available to it by some other Person who had a right to do so and who was not subject to any obligation of confidentiality or restricted use regarding such information; or (z) was developed by the Receiving Party independently without use of any confidential information provided hereunder or by a third party in breach of its confidentiality obligations.

" ***Crew*** " means, in relation to each Vessel, its Master, officers and crew members of that Vessel appointed by the Manager and/or Eurobulk pursuant to this Agreement.

" ***Crew Insurances*** " means insurances against crew risks which shall include, but not be limited to, death, sickness, repatriation, injury, shipwreck unemployment indemnity and loss of personal effects.

" ***Crew Support Costs*** " means the equitable proportion (determined by reference to length of service on the Vessels) of all expenses of a general nature which are not particularly referable to any individual Vessel for the time being managed by the Manager and which are incurred by the Manager or Eurobulk for the purpose of providing an efficient and economic management service and, without prejudice to the generality of the foregoing, shall include the cost of crew standby pay, training schemes for officers and ratings, cadet training schemes, sick pay, study pay, recruitment and interviews.

"Disclosing Party" means a Party who has disclosed Confidential Information hereunder to the other Party or on whose behalf Confidential Information has been disclosed to the other Party.

"Distribution" shall have the meaning given to such term in the Limited Liability Company Agreement.

"Early Departure Event" means any of (a) the consummation by the Manager of the Euroseas Redemption Right, in each case prior to the fifth anniversary of the date hereof or (b) the termination of this Agreement by Euromar pursuant to any of Clause 18.2(iii) to (x) (inclusive).

"Early Departure Multiplier" means the ratio (expressed as a percentage) of (a) the number of full calendar months that have elapsed between the date hereof and the date of an Early Departure Event to (b) sixty (60).

" ***Eurobulk Managed Vessels*** " means, at any relevant time, the aggregate number of vessels under the management of Eurobulk, whether pursuant to this Agreement, the Existing Eurobulk Management Agreement or otherwise, save that for the purposes of this calculation, any vessel so managed by Eurobulk but which, at the relevant time, is in Lay-up, shall be counted as half (0.5) a vessel only.

" ***Eurobulk Services*** " means the services to be provided by Eurobulk under Clauses 3 and 4 of this Agreement.

" ***Eurochart Services*** " means the services to be provided by Eurochart under Clauses 3 and 4 of this Agreement.

"Exercise Price" means one penny ($0.01).

"Existing Eurobulk Management Agreement" means the amended and restated management agreement dated July 17, 2007 between the Manager and Eurobulk in relation to the technical management of certain vessels owned by the Manager or its Subsidiaries or Affiliates.

"Existing Eurochart Management Agreement" means the amended and restated agreement dated February 1, 2008 between Eurobulk and Eurochart in relation to the sale, purchase and chartering of certain vessels owned by the Manager or its Subsidiaries or Affiliates.

"Final Consolidation Budget" shall have the meaning given to such term in Clause 9.2.

"Final Management Budget" shall have the meaning given to such term in Clause 9.2.

"Final Vessel Budget" shall have the meaning given to such term in Clause 9.2.

"Fiscal Quarter" means a fiscal quarter of Euromar or an Owner (as the case may be), or, in the case of the fiscal quarter ending March 31, 2010, the portion of such fiscal quarter between the date of this Agreement and the commencement of the next fiscal quarter.

"Fiscal Year" means the Company's fiscal year, which shall be the twelve (12) months ended on December 31 of each year, unless a different year end is required by Applicable Law.

" ***Fixed Daily Fee*** " has the meaning given to such term in Clause 8.2.

" ***Force Majeure Event*** " means acts, events, cause or conditions beyond the reasonable control of the Party relying on the same, including, but not limited to, any of the following:

(i) acts of God, hurricane, flood, earthquake, windstorm or other natural disaster;

(ii) epidemic or pandemic;

(iii) acts of public enemies, terrorist attack, war (including civil war), threat of or preparation for war, armed conflict, imposition of sanctions, embargo, breaking off of diplomatic relations or similar actions;

(iv) national emergency, invasions, pirates or assailing thieves, insurrection, riots, strikes, picketing, boycotts, arrests or restraint of princes, rulers of people, or interference by any governmental agency or official (whether legal or illegal), interference by laws or regulations of any government or subdivisions thereof (whether legal or illegal);

(v) nuclear, chemical or biological contamination or sonic boom;

(vi) fire, explosion (other than in each case one caused by a breach of contract by, or assistance of, the Party seeking to rely on the relevant clause or companies in the same group as such Party) or accidental damage;

(vii) extreme adverse weather conditions; and

(viii) any labour dispute, including but not limited to strikes, industrial action or lockouts.

"Forfeiture Event" means the termination of this Agreement either (a) by Euromar pursuant to any of Clause 18.2(i) to (ii) (inclusive) or (b) by the Manager other than pursuant to Clause 18.1. For the avoidance of doubt, a failure to continue t his Agreement after the initial term set forth in Clause 17 shall not be deemed to be a Forfeiture Event.

"GAAP" means United States generally accepted accounting principles in effect from time to time.

" ***Governmental Entity*** " means:

(i) any national government, political subdivision thereof, or local jurisdiction therein;

(ii) any instrumentality, board, commission, court or agency of any thereof, however constituted; and

(iii) any association, organization or institution of which any of the above is a member or to whose jurisdiction any thereof is subject or in whose activities any of the above is a participant.

"Independent Majority of Managers" shall have the meaning given to such term in the Limited Liability Company Agreement.

"Internal Rate of Return" means an annualized internal rate of return, as determined with respect to any Member as of any date, computed using the XIRR function in Microsoft Excel. The inflows for this calculation will be the aggregate amount of Capital Contributions made (or deemed made pursuant to Section 3.6 of the Limited Liability Company Agreement) to the Company by such Member on or after the date hereof. The date of inflows shall be the date of such Capital Contributions. The outflows for this calculation shall be, without duplication, the Distributions received by such Member pursuant to Section 6.1(c) of the Limited Liability Company Agreement and Section 6.1(e) of the Limited Liability Company Agreement, (including any Deal Fees (as defined in the Limited Liability Company Agreement) paid to the Members) and the Tax Distributions received by such Member pursuant to Section 6.2 of the Limited Liability Company Agreement and any Deal Fees (as defined in the Limited Liability Company Agreement) paid to the Members pursuant to the Transaction Fee Agreement but excluding any Investment Fees (as defined in the Limited Liability Company Agreement) paid to the Members pursuant to the Transaction Fee Agreement), in each case in respect of such Member's Membership Interests. The dates of outflows shall be the dates of receipt of such Distributions, Deal Fees or Tax Distributions from the Company by such Member in respect of such Member's Membership Interests. Notwithstanding anything to the contrary contained herein, any Distributions or Deal Fees received by a Member in respect of its Option Units and any payments to the Manager in connection with the consummation of a Redemption pursuant to Section 8.5 of the Limited Liability Company Agreement shall be disregarded for purposes of the foregoing calculation. If any Membership Interest in the Company is Transferred in accordance with the terms of the Limited Liability Company Agreement, then, for purposes of calculating the Internal Rate of Return, (a) the transferee shall be deemed to have made the Capital Contributions made (or deemed made pursuant to Section 3.6 of the Limited Liability Company Agreement) by the transferor to the Company and received Distributions, Deal Fees and Tax Distributions received by the transferor from the Company or, in the case of a Transfer of less than the transferor's entire Membership Interest, an allocable portion thereof, and (b) the transferor shall be deemed not to have made such Capital Contributions and not to have received such Distributions, Deal Fees and Tax Distributions.

" ***IRS*** " means the Internal Revenue Service.

" ***ISM Code*** " means the International Management Code for the Safe Operation of Ships and for Pollution Prevention as adopted by the International Maritime Organization (IMO) by resolution A.741(18) or any subsequent amendment or alterations thereto and any regulation issued pursuant thereto.

" ***ISPS Code*** " means the International Ship and Port Facility Security Code constituted pursuant to Resolution A 942(22) of the IMO and incorporated into the Safety of Lives at Sea Convention and includes any amendments or extensions thereto and any regulation issued pursuant thereto.

" ***Lay-up*** " means where a vessel or Vessel (as the case may be) ceases trading and is put out of commission for a period of time (either by way of hot lay-up, cold lay-up or otherwise).

" ***Limited Liability Company Agreement*** " means the limited liability company agreement of Euromar dated of even date herewith among the Manager, Paros Ltd., All Seas Investors I Ltd., All Seas Investors II Ltd. and All Seas Investors III L.P. in relation to the ownership, governance and management of Euromar and the Owners.

"Management Account " has the meaning given to such term in Clause 7.4.

" ***Management Services*** " means together, the Eurobulk Services, the Eurochart Services and the Manager Services;

" ***Manager Services*** " means the services to be provided by the Manager under Clauses 3 and 4 of this Agreement.

"Members" shall mean the members of Euromar at any relevant time;

"Month" means, unless a contrary intention appears, a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

(i) if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day;

(ii) if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month.

The above rules will only apply to the last Month of any period.

"Monthly Management Budget" shall have the meaning given to such term in Clause 9.4.

"Monthly Vessel Budget" shall have the meaning given to such term in Clause 9.4.

"Options" means the 10% Option and the 12.5% Option, collectively.

*" **Overhead Account*** " has the meaning given to such term in Clause 7.3.

"Percentage Interest" shall have the meaning given to such term in the Limited Liability Company Agreement.

"Person" means any individual, firm, corporation, partnership, trust, incorporated or unincorporated association, joint venture, joint stock company, limited liability company or other entity of any kind.

"Pittas Family" means Aristides J. Pittas, his wife and his and/or her children.

"Preliminary Consolidation Budget" shall have the meaning given to such term in Clause 9.1.

"Preliminary Management Budget" shall have the meaning given to such term in Clause 9.1.

"Preliminary Vessel Budget" shall have the meaning given to such term in Clause 9.1.

*" **Qualified Majority of Managers** "* shall have the same meaning given to such term in the Limited Liability Company Agreement.

"Receiving Party" means a Party to whom Confidential Information of a Disclosing Party has been disclosed hereunder.

*" **Revenue Accounts*** " has the meaning given to such term in Clause 7.1.

*" **Severance Costs*** " means the costs which the employers of the Crew are legally obliged to pay to or in respect of the Crew as a result of the early termination of any employment contract for service on the relevant Vessel.

" ***STCW 95*** " means the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers, 1978, as amended in 1995 or any subsequent amendment thereto.

"Strategic Opportunity" has the meaning given to such term in Clause 3.8.

" *Subsidiaries* " means, with respect to any Person, any entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or managers or other body performing similar functions are at any time directly or indirectly owned by such Person.

" *Transaction Documents* " means this Agreement, the Limited Liability Company Agreement, the Agreement Regarding Vessel Opportunities and any other document executed in connection with the foregoing.

"Transfer" shall have the meaning given to such term in the Limited Liability Company Agreement.

"Unrecovered Capital" means, with respect to any Member, the total Capital Contributions made (or deemed made pursuant to Sections 3.6 of the Limited Liability Company Agreement) by such Member, reduced by the amount of, without duplication, (a) all prior Distributions to such Member pursuant to Section 6.1(c) and 6.1(e) of the Limited Liability Company Agreement (excluding, for the avoidance of doubt, any payments to the Manager in connection with the consummation of a Redemption pursuant to Section 8.5 of the Limited Liability Company Agreement), (b) all Distributions to such Member pursuant to Section 6.1(e) of the Limited Liability Company Agreement any Deal Fees (as defined in the Limited Liability Company Agreement) paid to the Members pursuant to the Transaction Fee Agreement (but excluding, for the avoidance of doubt, any Investment Fees (as defined in the Limited Liability Company Agreement) paid to the Members pursuant to the Transaction Fee Agreement) (including any Deal Fees (as defined in the Limited Liability Company Agreement) paid to the Members, and (c) all prior Tax Distributions to such Member that are treated as advances against amounts distributable pursuant to Section 6.1(c) of the Limited Liability Company Agreement. If any Membership Interest in the Company is Transferred in accordance with the terms of the Limited Liability Company Agreement, the transferee shall succeed to the Unrecovered Capital of the transferor or, in the case of a Transfer of less than the transferor's entire Membership Interest, an allocable portion thereof.

" *Vessel Expenses* " means, in relation to each Vessel, all expenses incurred in connection with the crewing and operation of such Vessel, including (i) brokers' commissions payable to third parties, (ii) voyage expenses, (iii) insurance expenses and, (iv) other relevant expenses incurred by Euromar, the relevant Owner, the Manager, Eurobulk and/or Eurochart in relation to such Vessel in the course of providing the Management Services.

" ***Vessels*** " means the vessel or vessels purchased by any of Euromar or the Owners, pursuant to the terms of the Limited Liability Company Agreement, as listed in Schedule 1 to this Agreement, each a " **Vessel** " (and as may be amended from time to time pursuant to Clause 20).

" ***Vessel Management Fee*** " has the meaning given to such term in Clause 8.1.

" ***Vessel Revenue*** " means, in relation to each Vessel, the gross revenue earned from the operation of such Vessel, including charter hire, commissions, interest, currency gains and other income of any kind.

"Voting Securities" means securities of all classes of a Person entitling the holders thereof to vote on a regular basis in the election of members of the board of directors or managers or other governing body of such Person.

1.2 Construction

In this Agreement, unless the context otherwise requires:

(i) references to Clauses and Schedules are to be construed as references to clauses of, and Schedules to, this Agreement and references to this Agreement include its Schedules;

(ii) references to (or to any specified provision of) this Agreement or any other document shall be construed as references to this Agreement, that provision or that document as in force for the time being and as amended in accordance with terms thereof, or, as the case may be, with the agreement of the relevant parties;

(iii) references to a "regulation" include any present or future regulation, rule directive, requirement, request or guideline (whether or not having the force of law) of any agency, authority, central bank or government department or any self-regulatory or other national or supra-national authority;

(iv) words importing the plural shall include the singular and vice versa;

(v) references to any enactment shall be deemed to include references to such enactment as re-enacted, amended or extended; and

(vi) capitalized terms used in this Agreement and not otherwise defined herein shall have the meaning ascribed to them in the Limited Liability Company Agreement.

1.3 Headings

Clause headings are inserted for convenience of reference only and shall be ignored in the interpretation of this Agreement.

2. APPOINTMENT OF MANAGER

With effect from the date of this Agreement and continuing unless and until terminated as provided in this Agreement, Euromar and the Owners hereby appoint the Manager to provide the Manager Services, Eurobulk to provide the Eurobulk Services and Eurochart to provide the Eurochart Services on and subject to the terms and conditions set out in this Agreement. Each of the Manager, Eurobulk and Eurochart hereby agree to provide the respective Management Services all in accordance with the terms of this Agreement. Each of the Manager, Eurobulk and Eurochart shall advise any Persons with whom it deals on behalf of Euromar and/or any Owner that it is conducting such business for and on behalf of Euromar and/or such Owner (as the case may be).

3. BASIS OF AGREEMENT

Subject to the terms and conditions of this Agreement, during the period of this Agreement, each of the Manager, Eurobulk and Eurochart shall carry out the respective Management Services as agents for and on behalf of Euromar and the Owners. Each of the Manager, Eurobulk and Eurochart shall have the power to take such actions on its behalf or on behalf of Euromar and/or the Owners as it may from time to time in its absolute discretion consider to be necessary or appropriate to enable it to perform its obligations under this Agreement, subject to customary oversight and supervision by Euromar, its Board of Managers and its executive officers (if any). Each of the Manager, Eurobulk and Eurochart shall use their best efforts to provide the respective Management Services, and otherwise perform their respective obligations under this Agreement, in a commercially reasonable manner and in accordance with customary ship management practise and general principles of good corporate governance with the care, diligence and skill that a prudent manager of vessels such as the Vessels would possess and exercise, except that each of the Manager, Eurobulk and Eurochart, in the performance of their respective obligations and responsibilities, may have regard to their respective overall responsibilities to all vessels as may be from time to time entrusted to their management, but without prejudice to the foregoing, each of the Manager, Eurobulk and Eurochart shall allocate supplies, manpower and services in such manner as in the prevailing circumstances it considers, acting reasonably, to be fair and reasonable.

3.1 Restricted Activities

The Manager, Eurochart and Eurobulk, on behalf of Euromar and each of the Owners, shall not engage in any activity, directly or indirectly, which (i) would cause Euromar or any of the Owners to recognize income that is effectively connected with a United States trade or business within the meaning of § 871(b) or § 882(a)(1) of the Code (taking into account § 887(b)(4) of the Code); (ii) would knowingly cause Euromar or any Owner to be resident for tax purposes in any country other than the Marshall Islands or otherwise knowingly engage in activities that would cause any Member or any Person owning an interest in Euromar through any Member to be subject to tax in or required to file a tax return with any jurisdiction (other than the United States, in the case of a person otherwise subject to tax in the United States); or (iii) is inconsistent with treating or maintaining Euromar as a partnership for United States federal tax purposes pursuant to and as required by Section 9.10 of the Limited Liability Company Agreement.

3.2 Crew Management

Eurobulk shall provide, and the Manager shall cause to be provided by Eurobulk or, in the event of the failure of Eurobulk to provide, shall itself provide (or, subject to Clause 10, cause to be provided by a sub-contractor), all usual and customary crew management services for each Vessel and shall manage all aspects of the employment of the Crew in accordance with STCW 95 requirements, including, but not limited to, the following:

(i) providing suitably qualified Crew for each of the Vessels which, in the opinion of the Eurobulk, is required in accordance with STCW 95 requirements;

(ii) selecting, hiring and engaging each Vessel's Crew, including payroll arrangements, pension administration, and insurances for the Crew other than those mentioned in Clause 6;

(iii) ensuring that the applicable requirements of the law of the flag of the relevant Vessel are satisfied in respect of manning levels, rank, qualification and certification of the Crew and employment regulations including Crew's tax, social insurance, discipline and other requirements;

(iv) ensuring that all members of the Crew have passed a medical examination with a qualified doctor certifying that they are fit for the duties for which they are engaged and are in possession of valid medical certificates issued in accordance with appropriate flag state requirements. In the absence of applicable flag state requirements the medical certificate shall be dated not more than three months prior to the respective Crew members leaving their country of domicile and maintained for the duration of their service on board the relevant Vessel;

(v) ensuring that all Crew shall have a command of the English language of a sufficient standard to enable them to perform their duties safely;

(vi) arranging transportation (including repatriation), board and lodging for the Crew as and when required at rates and types of accommodation as customary in the industry of the Crew;

(vii) training of the Crew and supervising their discipline and efficiency:

(viii) conducting union negotiations;

(ix) developing and operating an appropriate drug and alcohol policy;

(x) ensuring that any concerns of any charterer of a Vessel with respect to the Master or any of the officers or other Crew are appropriately investigated in a timely manner, communicating the results of such investigations to such charterer and to Euromar and, if such concerns are well-founded, ensuring that any appropriate remedial actions are taken without delay;

(xi) keeping and maintaining full and complete records of any labour agreements which may be entered into with the Crew and reporting to Euromar and/or the relevant Owner (as the case may be) reasonably promptly after notice or knowledge thereof is received of any change or proposed change in labour agreements or other regulations relating to the Crew;

(xii) negotiating the settlement of all wages with the Crew during the course of and upon termination of their employment;

(xiii) handling all details and negotiating the settlement of any and all claims of the Crew including, but not limited to, those arising out of accidents, sickness or death, loss of personal effects, disputes under articles or contracts of enlistment, policies of insurance and fines; and

(xiv) keeping and maintaining all Books and Records relating to the Crew as required by any Applicable Law and any labour or collective agreements of Euromar and/ or the Owners, and rendering to Euromar any and all reports when, as and in such form as requested by Euromar.

3.3 Technical Management

Eurobulk shall provide, and the Manager shall cause to be provided by Eurobulk or, in the event of the failure of Eurobulk to provide, shall itself provide (or, subject to Clause 10, cause to be provided by a sub-contractor), all usual and customary technical management services for the operation of each Vessel including, but not limited to, the following:

(i) supervising the day-to-day operation, maintenance, safety and general efficiency of each of the Vessels to ensure the seaworthiness and maintenance condition of the Vessels;

(ii) arrangement, paying for and supervision of dry dockings, repairs, alterations and the upkeep of the Vessels to the standards required by Euromar provided that the Eurobulk shall be entitled to incur the necessary expenditure to ensure that each Vessel will comply with the law of the flag of such Vessel and of the places where she trades, and all requirements and recommendations of the Vessel's classification society;

(iii) arranging for, supervising and paying for general and routine repairs, surveys, alterations and maintenance of the Vessels;

(iv) purchasing the necessary bunkers, stores, spares, lubricating oil, supplies and equipment for the safe and efficient use of the Vessels;

(v) appointing such surveyors, supervisors, technical consultants and other support for the Vessels, and on behalf of Euromar and/or the Owners, as Eurobulk may reasonably consider from time to time to be necessary or is required by the safety of a Vessel or its crew;

(vi) providing technical and support for the Vessels and attending to all other technical matters necessary for the operation of the Vessels;

(vii) handling of each Vessel while in port or transiting canals either directly or by use of ship's agents;

(viii) informing Euromar promptly of any major release or discharge of oil or other hazardous material not in compliance with any applicable environmental law;

(ix) providing Euromar with a copy of any Vessel inspection reports, valuations, surveys, insurance claims and other similar reports prepared by ship brokers, valuers, surveyors, classification societies and insurers;

(x) providing, in such form and on such terms as may be requested by Euromar, the prompt reporting to Euromar of each Vessel's movement, position at sea, arrival and departure dates, major casualties and damage received or caused by each Vessel;

(xi) supply, logistics and supervision of the outfitting, provisioning, storing, bunkering and supply of spare parts of each Vessel;

(xii) (where applicable) liaising with any warranty providers (including in relation to any ship builder or manufacturer warranties in relation to any newbuilding on-sale/resale purchase Vessels) and ensuring that any defects to a Vessel and/or her equipment are adequately repaired or replaced in accordance with such warranties;

(xiii) procure that each Vessel is registered under the laws of a flag state approved by the Board of Managers; and

(xiv) development of on-board procedures for the safe operation of each Vessel, including a planned machinery and equipment maintenance system, manuals for the operation of machinery and ship's equipment, the production of a ship-specific SMS required under the ISM Code, the development of a ship security system under the ISPS Code and preparation of company standing orders for the safe and efficient operation of each Vessel.

3.4 Commercial Management

Eurobulk shall provide, and the Manager shall cause to be provided by Eurobulk or, in the event of the failure of Eurobulk to provide, shall itself provide (or, subject to Clause 10, cause to be provided by a sub-contractor), the usual and customary commercial management services with respect to each Vessel, as required by Euromar, including, but, not limited to, the following functions:

(i) providing chartering services in accordance with Euromar's instructions which include, but are not limited to, seeking and negotiating employment for the Vessels and the conclusion (including the execution thereof) of charter parties or other contracts relating to the employment of the Vessels. In accordance with Section 5.3(b) of the Limited Liability Company Agreement, the Manager (on behalf of Eurobulk) shall be required to seek the prior consent of a Qualified Majority of Managers in relation to (a) any charter of any Vessel capable of exceeding thirteen (13) Months, (b) any demise or bareboat charter of a Vessel and/or (c) any charter of a Vessel for a duration which would extend beyond the duration of this Agreement (as the same may be extended in accordance with Clause 17);

(ii) arranging of the proper payment to Euromar or its nominee (or, where subject to an assignment by Euromar and/or the relevant Owner in relation to the financing of the relevant Vessel, to such party so entitled pursuant to any notice of assignment related thereto) of all hire and/or freight revenues or other moneys of whatsoever nature to which Euromar or the relevant Owner (as the case may be) may be entitled arising out of the employment of or otherwise in connection with the Vessels;

(iii) providing voyage estimates and accounts and calculating of hire, freights, demurrage and/or despatch moneys due from or due to the charterers of each Vessel;

(iv) appointing agents;

(v) appointing stevedores;

(vi) arranging surveys associated with the commercial operation of each Vessel;

(vii) arranging for port services;

(viii) issuing voyage instructions and supervising the monitoring by the Manager or Eurobulk (as the case may be) of voyage performance and using its best endeavours to achieve the most economical, efficient and quick despatch of each Vessel between ports and at ports and terminals;

(ix) appointing cargo surveyors;

(x) handling cargo and demurrage claims;

(xi) procuring and arranging for port entrance and clearance, pilots, ship's agents, consular approvals, and other services necessary or desirable for the management and safe operation of each Vessel;

(xii) preparing, issuing or causing to be issued to shippers the customary freight contract, cargo receipts and bills of lading;

(xiii) performing all usual and customary duties concerned with the loading and discharging of cargoes at all ports and Lay-up of any Vessel if applicable;

(xiv) arranging for the prompt dispatch of each Vessel from loading and discharging ports in accordance with any relevant charterer instructions and for transit through canals;

(xv) arranging for employment of counsel and the investigation, follow-up and negotiating of the settlement of all claims (including making any insurance claims and procuring the defence of any third party insurance claims) arising in connection with the operation of each Vessel;

(xvi) preparing off-hire statements and/or hire statements including obtaining port documents and expense supports necessary for such calculation;

(xvii) representing Euromar and each Owner (as the case may be) generally in relation to dealings and relations with third parties;

(xviii) settling all ordinary charges incurred in connection with the management of each Vessel, including, but not limited to, all canal tolls, port charges, any amounts due to any Governmental Entity with respect to the Crew and all duties and taxes in respect of cargo or freight (whether levied against a Vessel, Euromar or any Owner) unless otherwise paid by any relevant charterer;

(xix) in general, to perform all acts and things necessary for the employment of the Vessels and performance of charterparties and contracts of affreightment provided that such acts are performed on a third party arm's length commercial basis and in accordance with all Applicable Laws.

3.5 Insurance Arrangements

Eurobulk shall arrange, and the Manager shall cause Eurobulk to arrange or, in the event of the failure of Eurobulk to arrange, the Manager shall arrange (or, subject to Clause 10, cause to be arranged by a sub-contractor), each of the insurances for each Vessel in accordance with Clause 6, on such terms and conditions as Euromar (acting by a Qualified Majority of Managers) shall have instructed or agreed, in particular regarding conditions, insured values, deductibles, franchises and the requirements of any financing bank or banks.

3.6 Accounting and Tax Services

The Manager shall, on behalf of Euromar and each of the Owners, establish an accounting system, including the development, implementation, maintenance and monitoring of internal control over financial reporting and disclosure controls and procedures, and maintain Books and Records, with such modifications as may be necessary to comply with all Applicable Laws. The Books and Records shall contain particulars of all receipts and disbursements relating to Euromar's and each of the Owners' assets and liabilities and shall be kept pursuant to normal commercial practices that will enable financial statements to be prepared for Euromar and each of the Owners in accordance with GAAP. The Books and Records shall be the property of Euromar but shall be kept at the Manager's primary office or such other place as may be agreed. Upon expiration or termination of this Agreement, all of the Books and Records shall be provided promptly to Euromar or to such party as directed by Euromar.

At all reasonable times and on reasonable notice, any Person authorised by Euromar or its Members may inspect, examine, copy and audit the Books and Records kept by the Manager pursuant to this Agreement.

The Manager shall prepare and provide, in accordance with GAAP as applicable, to Euromar, each of the following

(i) as soon as possible and in any event no later than seventy-five (75) days following each Fiscal Year the annual unaudited individual and audited consolidated financial statements of Euromar and the Owners, together with management discussion and analysis;

(ii) as soon as possible, but in no event later than forty-five (45) days following the end of each Fiscal Quarter, quarterly unaudited individual and consolidated financial statements, without accompanying notes, in a format approved by Euromar;

(iii) as soon as possible, but in no event later than sixty (60) days following the end of each Fiscal Quarter, notes to accompany the quarterly financial statements delivered pursuant to Section 3.6(ii);

(iv) a monthly report (x) comparing on a quarterly and full year basis the updated forecast of the Vessel's results for the current calendar year on the basis of updated information on the Vessel's charter contracts, updated drydocking cost estimates or other significant information (but not necessarily including partial revenue and expenses updates of the current calendar quarter) and (y) a similar consolidated report for all vessels of Euromar, each, no later than ten (10) days after the last day of each month;

(v) the budgets and accounts specified in Clause 9;

(vi) annual tax returns for Euromar and each Owner as required by any Applicable Law;

(vii) within seventy-five (75) days after the end of each taxable year an IRS Form 1065, including Schedule K-1s, and any other information, including information necessary to prepare Schedule S and Schedule V as applicable of an IRS Form 1120-F, necessary for preparation of the United States federal, state and local income tax returns of any Person holding an interest, directly or indirectly, in Euromar, provided, however, with respect to the interest in Euromar title to which is owned by All Seas Investors I Ltd., a Cayman Islands exempted company, such interest shall be treated as owned by All Seas Investors L.P., a partnership formed under the laws of the Cayman Islands, for all United States tax purposes including for purposes of preparing an IRS Form 1065 and Schedule K-1 and any other information referred to in this Clause 3.6(vii);

(viii) such other account, tax, investor or financial reports and statutory reports as may be reasonably required by Euromar and/or any financiers; and

(ix) such other information as to the financial performance of Euromar, each of the Owners and the Vessels as from time to time may be reasonably requested by Euromar.

The Manager hereby agrees to maintain proper records and evidence in relation to all costs and expenditure incurred in relation to each Vessel, Euromar and each Owner, as well as data necessary or proper for the settlement of accounts between the Parties.

3.7 Administration Services

The Manager shall provide all corporate management and administration functions in relation to Euromar and each of the Owners, always subject to and in accordance with the terms of the Limited Liability Company Agreement including, but not limited to:

(i) maintaining Euromar's and each Owner's corporate existence and good standing in all necessary jurisdictions and assisting all other corporate and regulatory compliance matters;

(ii) appointing suitably qualified individuals (with the prior consent of Euromar) to act as the officers and authorised signatories in accordance with the terms of the Limited Liability Company Agreement;

(iii) undertaking the financial management and treasury functions of Euromar and each of the Owners;

(iv) administering and settling legal and other actions and administration in accordance with Clause 13;

(v) administering bank accounts of Euromar and/or the Owners (including the Retention Account and the Management Account), subject to the terms of this Agreement and the Limited Liability Company Agreement;

(vi) assisting with arranging Managers' meetings and preparing Managers and committee meeting materials, involving, as applicable, agendas, discussion papers, analyses and reports;

(vii) obtaining, on behalf of Euromar and each of the Owners, general insurance, director and officer liability insurance and other insurance, not related to any Vessels, which would normally be obtained for a company in a similar business to that of Euromar and the Owners (as the case may be);

(viii) providing all administration services in connection with any financing arrangements or facilities entered into by any of Euromar or the Owners;

(ix) at the request of Euromar, handling all administrative and clerical matters in respect of (a) the call and arrangements of annual and special meetings of shareholders, (b) the preparation of all materials (including notices of meetings and proxy or similar materials and registration statements) in respect thereof and (c) the submission of all materials to Euromar in sufficient time prior to the dates upon which they must be marked, filed, served or otherwise relied upon so that Euromar has full opportunity to review, approve, execute and return them to the Manager for filing, mailing, serving or other disposition as Euromar may require or direct;

(x) determining on a substantially contemporaneous basis whether any Person chartering a vessel owned by Euromar or any Owner will trade to or from a port in a state or territory of the United States and promptly report to Euromar the details of such contact with such state or territory **;**

(xi) ensuring Euromar and each Owner owns or possesses all intellectual property licences, patents, copyrights and trademarks which are necessary and used in the operation of its business;

(xii) take all steps as may be reasonably required to treat and maintain each Owner as a disregarded entity for United States federal income tax purposes, including, if necessary, affirmatively filing an IRS Form 8832 for or on behalf of such Owner no later than seventy-five (75) days after the date of such Owner's formation; and

(xiii) performing all other such functions as are necessary or desirable to enable Euromar and each of the Owners to operate as independent companies in accordance with their respective business purposes.

3.8 Strategic Services

The Manager shall provide (or, subject to Clause 10, shall procure are provided by a sub-contractor) the following, corporate planning, business development and advisory strategic services:

(i) providing general strategic planning services and implementing corporate strategy, including developing acquisition and divestiture strategies;

(ii) identifying, negotiating and securing opportunities for Euromar and/or any of the Owners to acquire secondhand vessels or newbuilding on-purchases that satisfy the Acquisition Guidelines in accordance with the requirements of the Limited Liability Company Agreement, and negotiating and carrying out the purchase on behalf of Euromar and/or any of the Owners;

(iii) maintaining and managing relationships between Euromar and/or the Owners and potential charterers, shipbuilders, insurers, lenders and potential financiers of Euromar and/or the Owners and other shipping industry participants;

(iv) arranging, negotiating and procuring pre-delivery and post-delivery financing or refinancing for the construction or purchase of prospective vessels;

(v) identifying, negotiating and implementing potential divestitures or dispositions of any of the Vessels;

(vi) identifying, investigating and implementing tax planning, leasing or other tax savings initiatives;

(vii) undertaking the day-to-day management of Euromar and the Owners; and

(viii) providing such other strategic, corporate planning, business development and advisory services as Euromar and/or the Owners may reasonably request from time to time.

If, pursuant to the above provisions, the Manager identifies a potential opportunity for Euromar and/or the Owners (" **Strategic Opportunity** ") (i) the Manager shall, subject to the terms of the Agreement Regarding Vessel Opportunities present the Strategic Opportunity with any appropriate accompanying information or reports for further consideration and presentation to the Board of Managers, and (ii) the Board of Managers and/or the Members, as determined by reference to the Limited Liability Company Agreement, shall approve or reject the Strategic Opportunity.

3.9 Pre-Delivery Services

Following a determination by Euromar in relation to the acquisition of any Vessel (whether a newbuilding on-sale/resale purchase, a secondhand purchase or otherwise), Eurochart shall, and the Manager shall cause that Eurochart shall or, in the event of the failure of Eurochart to do so, shall itself (or, subject to Clause 10, cause a sub-contractor to), oversee and supervise, in all material respects, and provide the necessary administrative, technical and management services in relation to, the continued construction of such newbuilding on-sale/resale purchase or the acquisition of any secondhand Vessel to be purchased and made subject to this Agreement, as the case may be, prior to its delivery, including, but not limited to the following:

(i) negotiating the on-sale/resale purchase contract or memorandum of agreement (as the case may be) and related documentation;

(ii) reviewing and advising the Board of Managers of Euromar in relation to the specifications of any newbuilding on-sale/resale purchase (including any plans, drawings and technical reports) and suggesting modifications (if applicable);

(iii) arranging for and supervising any alterations or changes to any on-sale/resale newbuilding Vessel;

(iv) liaising with the ship builder, original purchaser or otherwise in relation to any on-sale/resale newbuilding Vessel, supervising the continued construction of such Vessel to ensure that such Vessel is constructed, designed and delivered in accordance with the terms of the original shipbuilding contact/on-sale/resale agreement;

(v) liaising with classification societies, suppliers and other service providers;

(vi) procuring, supervising and managing suitably qualified Crew to test the Vessel in the water prior to delivery and attending all sea trials and other pre-delivery tests; and

(vii) arranging of the registration of any Vessel under the relevant flag upon delivery under the relevant on-sale/resale contract or memorandum of agreement (as the case may be) and with the relevant classification society and other authorities as may be required for trading, navigation or otherwise and any other required marine certificates.

3.10 Sale of existing Vessels

Following a determination by Euromar in relation to the disposal of an existing Vessel Eurochart shall, and the Manager shall cause that Eurochart shall or, in the event of the failure of Eurochart to do so, shall itself (or, subject to Clause 10, cause a sub-contractor to), act on behalf of Euromar or the relevant Owner (as the case may be) to oversee and supervise, in all material respects, and provide the necessary administrative, technical and management services in relation to, the disposal of such existing Vessel including, but not limited to the following:

(i) marketing such existing Vessel for sale in accordance with the instructions of the Board of Managers of Euromar;

(ii) negotiating the memorandum of agreement for the sale of such existing Vessel and related sale documentation;

(iii) attending any inspections by prospective purchasers and ensuring that all relevant class records and other technical documentation and certificates are available for inspection (if applicable) by such prospective purchasers;

(iv) preparing the Vessel for delivery to the relevant purchasers;

(v) liaising with purchasers and/or their representatives, classification societies, suppliers and other service providers to manage and facilitate the sale of such Vessel;

(vi) attending the closing meeting as representative Euromar or the relevant Owner;

(vii) arranging of the deletion of the registration of such existing Vessel under the its flag upon delivery under the memorandum of agreement and the completion of any further post-delivery formalities.

4. MANAGER'S OBLIGATIONS

4.1 The Manager and Eurobulk shall procure that the requirements of the law of the flag state of each Vessel are satisfied and Eurobulk shall be deemed to be the "Company" as defined by the ISM Code, assuming the responsibility for the operation of each Vessel and taking over the duties and responsibilities imposed by the ISM Code when applicable.

4.2 Eurobulk shall, and the Manager shall cause that Eurobulk shall or, in the event of the failure of Eurobulk to do so, shall itself (or, subject to Clause 10, cause a sub-contractor to), for each Vessel:

(i) develop on-board procedures for the safe operation of such Vessel in accordance with the requirement of such Vessel's flag state, including a planned machinery and equipment maintenance system, manuals for the operation of machinery and equipment, the production of a ship-specific SMS required under the ISM Code, the development of a ship security system under the ISPS Code and preparation of company standing orders for the safe and efficient operation of such Vessel ; and

(ii) operate and maintain such Vessel, in all material respects, in compliance with, all Applicable Laws (including all classification rules and environmental laws) of such Vessel's flag state including the ISM Code and the ISPS Code and all other maritime conventions applicable to such Vessel and all Applicable Laws of the countries to which such Vessel trades.

4.3 The Manager undertakes to procure that all covenants and undertakings granted by Euromar and/or any of the Owners and/or Eurobulk (in its capacity as technical and commercial manager of the Vessels) to any financing bank or financial institution under or in connection with the financing of any Vessel are duly complied with in accordance with their terms, including but not limited to, covenants and undertakings related to:

(i) the registration, operation, management, chartering and maintenance of a Vessel;

(ii) the corporate governance and administration of Euromar and/or each Owner;

(iii) obtaining and maintaining insurances in relation to a Vessel;

(iv) negative undertaking or covenants and/or restrictions,

and the Manager hereby agree that it shall be the responsibility of the Manager to ensure compliance by Euromar and/or the Owners and/or Eurobulk each of (i), (ii), (iii) and (iv) above and generally in relation to any other terms and conditions of any financing arrangements or facilities entered into by any of Euromar, the Owners or Eurobulk relating to the provision of the relevant Management Services.

4.4 The Manager hereby undertakes to ensure that any of the following events are promptly reported to Euromar:

(i) any damage to a Vessel requiring repairs the cost of which will or might exceed US$250,000 or the equivalent in any other currency;

(ii) any occurrence in consequence of which a Vessel has or is likely to become a total loss;

(iii) any requirement or recommendation made by any insurer or a classification society of a Vessel which is not, or cannot be, complied with in accordance with its terms;

(iv) any arrest, requisition or detention of a Vessel or any exercise or purported exercise of a lien or other claim on a Vessel not released within three (3) Business Days;

(v) any termination or threatened or purported termination of a charterparty with respect to a Vessel or any event which will or may result in a Vessel being put off-hire by a charterer for a period in excess of five (5) Business Days;

(vi) the occurrence of any default of any contract (including any Vessel financing) reasonably expected to have a material effect on Euromar's and/or any Owner's financial position, prospects or reputation in the shipping market to which Euromar or any Owner is a party; or

(vii) any event or circumstance which is required to be notified to lenders or their agent under the financing documents for any Vessel.

4.5 Each of the Manager, Eurobulk and Eurochart agrees that their respective obligations under Clauses 3, 4 and 5 are their unconditional and primary obligations and shall not be discharged or otherwise impaired by any amendment or variation to this Agreement or any other matter or circumstance which, but for this paragraph, might have operated to discharge or reduce their respective obligations and liabilities thereunder.

5. RESTRICTED TRANSACTIONS

Save in respect of the services under the contracts listed in Schedule 3 (which contents have been disclosed to and approved by Euromar), each of the Manager, Eurobulk and Eurochart hereby undertake and agree to disclose and account to Euromar in respect of any benefit (whether direct or indirect, financial or otherwise) in relation to any transaction entered into, arranged or facilitated by the Manager, Eurobulk and/or Eurochart (as the case may be) on behalf of Euromar or any Owner or otherwise in relation to the provision of the respective Management Services or otherwise under or in connection with this Agreement. Neither the Manager, Eurobulk or Eurochart or any of their respective Affiliates or Subsidiaries thereof shall, without the prior written consent of Euromar (acting by an Independent Majority of Managers), arrange, facilitate or enter into any transaction on behalf of Euromar and/or any Owner (or otherwise in relation to the provision of the Management Services) with any company or entity in which any of the Manager, Eurobulk, Eurochart or any of their respective Subsidiaries or Affiliates and/or any of their respective directors, managers or employees or any of the shareholders of Eurobulk and/or Eurochart have a direct or indirect legal or beneficial interest (excluding any ownership interests in any company or entity for passive investment or trading purposes and acquired without control, or without a view to acquiring control, thereof).

6. INSURANCE POLICIES

6.1 Eurobulk shall, and the Manager shall cause that Eurobulk shall or, in the event of the failure of Eurobulk to do so, shall itself (or, subject to Clause 10, cause a sub-contractor to), arrange for insurance for each Vessel for and on behalf of the relevant Owner against physical damage, total loss, third party liability and other risks normally insured against in accordance with first class standard industry practice, including the following (collectively with any additional insurances required under any finance arrangements or facility, the " **Insurances** "):

(i) usual hull and machinery marine risks (including crew negligence) and excess liabilities;

(ii) protection and indemnity risks (including pollution risks and crew insurances); and

(iii) war risks (including protection and indemnity and Crew risks);

each in accordance with the customary practice of prudent owners of vessels of a similar type to each Vessel, with insurance companies, underwriters or associations in amounts and on terms that are in accordance with first class standard industry practice, and in any event, are no less than the market value of the relevant Vessel (and in the case of protection and indemnity coverage, entered for the relevant Vessel's full gross tonnage).

6.2 Eurobulk shall, and the Manager shall cause that Eurobulk shall or, in the event of the failure of Eurobulk to do so, shall itself (or, subject to Clause 10, cause a sub-contractor to), for the account of each respective Owner, pay all premiums and calls in relation to the Insurances on or before their due date and shall ensure that the Insurances name the Manager and Eurobulk and, subject to underwriters' agreement, any third party designated by the Manager, as a joint assured, with full cover, with Euromar and the relevant Owner obtaining cover in respect of the Insurances on terms whereby Eurobulk and the Manager and any such third party are liable in respect of premiums or calls arising in connection with the Insurances.

6.3 Upon the request of Euromar, the Manager shall provide written evidence, to the reasonable satisfaction of Euromar, of compliance by Eurobulk and the Manager with their respective obligations under this Clause 6 within ten (10) Business Days of the acquisition of each Vessel, and of each renewal date and, if specifically requested, on each payment date of the Insurances.

6.4 Eurobulk shall, and the Manager shall cause that Eurobulk shall or, in the event of the failure of Eurobulk to do so, shall itself (or, subject to Clause 10, cause a sub-contractor to), arrange for and on behalf of the Euromar and/or the Owner any such additional insurance required under any finance arrangements or facility, to be entered into by Euromar and/or any Owner, including, as applicable, arranging for any of the lenders or financiers thereto being named as "loss payee" and/or "additional insured" in accordance with the terms of any such finance arrangements or facility.

7. INCOME COLLECTED AND EXPENSES PAID ON BEHALF OF OWNERS

7.1 All Vessel Revenue and other monies to be paid in relation to the Vessels, or otherwise in relation to Euromar and/or the Owners, shall be paid to various accounts (" **Revenue Accounts** ") in the name of Euromar or the relevant Owner (at Euromar's sole discretion) with such bank as may be nominated by Euromar, such account to be established and operated in accordance with Section 9.6 of the Limited Liability Company Agreement.

7.2 All amounts required to be paid into a charged account with any financing bank as security for the financing of any Vessel or Vessels shall be transferred from the Revenue Account to such earnings or retention account in accordance with the terms of the loan documentation in relation to such financing.

7.3 Following the transfer to such earnings or retention accounts, if required by Euromar, the balance standing to the credit of each of the Revenue Accounts on the first (1 st) Business Day of each Month, shall be remitted to an account (" **Overhead Account** ") in the name of Euromar with such bank as may be nominated by Euromar, such account to be established and operated in accordance with Section 9.6 of the Limited Liability Company Agreement.

7.4 An amount equal to 110% of the aggregate of the Monthly Vessel Budget for each Vessel shall be remitted from the relevant Overhead Account on the first (1 st) Business Day of each month to a separate account in the name of Eurobulk (" **Management Account** ") with such bank as may be nominated by Eurobulk.

7.5 Each of the Manager, Eurobulk and Eurochart shall provide the respective Management Services in consideration of the payment of the Vessel Management Fee, the Fixed Daily Fee and other fees payable under Clause 8. All fees payable by Euromar to the Manager under Clause 8 (including the Vessel Management Fee and the Fixed Daily Fee) shall be paid by Euromar to the Manager from the Overhead Account. All costs and disbursements incurred by the Manager, Eurobulk and/or Eurochart under the terms of this Agreement on behalf of Euromar and/or the Owners in the performance of the respective Management Services may be debited by the Manager (on behalf of itself, Eurobulk and/or Eurochart, as the case may be) from the Management Account in accordance with Clause 9 but shall in any event remain payable by Euromar to the Manager, Eurobulk or Eurochart (as the case may be) on demand.

8. MANAGEMENT FEES

8.1 Euromar shall pay to the Manager a monthly management fee (" **Vessel Management Fee** ") in respect of each Vessel under management pursuant to this Agreement of US$3,333.33, subject always to a maximum aggregate amount of US$20,000 per month or US$240,000 in any twelve Month period in respect of all of the Vessels under management pursuant to this Agreement regardless of the number of Vessels so managed. The Vessel Management Fee shall be paid in arrears on the first (1 st) Business Day of each Month, from the date of delivery of such Vessel to Euromar or the relevant Owner (as the case may be) under the relevant purchase agreement relating to such Vessel until the earlier of (i) the loss or sale of such Vessel or (ii) the expiry or termination of this Agreement. The Vessel Management Fee shall be paid pro rata in the event of any period of less than a full Month.

8.2 In addition to the Vessel Management Fee payable under Clause 8.1, Euromar shall pay to the Manager (for and on behalf of itself and Eurobulk) a fixed daily fee (" **Fixed Daily Fee** ") of €665 in respect of each Vessel, or, in the case of any Vessel in Lay-up, a fixed daily fee of €332.50 per Vessel in Lay-up and shall be payable monthly in arrears on the first (1 st) Business Day of each Month from the date of delivery of such Vessel to Euromar or the relevant Owner (as the case may be) under the relevant purchase agreement relating to such Vessel until the earlier of (i) the loss or sale of such Vessel or (ii) the expiry or termination of this Agreement, subject always to the following discount arrangements:

(i) where the total number of Eurobulk Managed Vessels is greater than twenty (20), a discount of 5% on the relevant Fixed Daily Fee; and

(ii) where the total number of Eurobulk Managed Vessels is greater than thirty (30), a discount of 10% on the relevant Fixed Daily Fee.

It is hereby agreed that the amount of the Fixed Daily Fee shall be adjusted effective the first day of every calendar year by the percentage change, if any, in inflation with respect to the immediately preceding calendar year calculated by reference to the annual average rate of change in the Harmonised Indices of consumer prices in Greece (HICP) as reported by Eurostat.

8.3 The Manager shall be entitled to receive (for and on behalf of itself and Eurochart) a maximum aggregate commission (including address commission or any other benefit or value of any kind) equal to the lesser of (a) the commission that Eurochart is entitled to receive in respect of its services under the Eurochart Agreement and (b) one point two five percent (1.25%) of the total charter hire or freight payable under any relevant charter.

8.4 The Manager shall receive (for and on behalf of itself and Eurochart) industry standard commission in relation to any individual Vessel purchased by Euromar or the relevant Owner, and/or any individual Vessel disposed of by Euromar or the relevant Owner, but provided always that such commission shall not exceed 1% of the purchase or sale price of such Vessel.

8.5 Unless otherwise agreed in writing by Euromar, all discounts, commissions or equivalent financial inducements, obtained by any of the Manager, Eurobulk, Eurochart or any respective Subsidiaries or Affiliates with respect to a Vessel shall be credited to the sole account of Euromar. Any discounts, commissions or other equivalent financial inducements obtained by any of the Manager, Eurobulk, Eurochart or their respective Subsidiaries or Affiliates as a result or consequence of joint purchases and/or bulk discounts by any of the Manager, Eurobulk, Eurochart or their respective Subsidiaries or Affiliates shall be allocated pro rata between the respective parties (whether or not such discount, commission or financial inducement is obtained at the time any purchase is effected on behalf of Euromar and/or any Owner or at any later time).

9. BUDGETS AND MANAGEMENT OF FUNDS

9.1 On or before the date of the purchase of a prospective Vessel, the Manager shall provide to Euromar a budget for such vessel for the period from the date of purchase to the end of the then Fiscal Year in form satisfactory to Euromar. Thereafter, the Manager shall present to Euromar no later than five (5) Business Days prior to its November board meeting in the preceding Fiscal Year

(a) an annual budget for each Vessel (" **Preliminary Vessel Budget** ") for the forthcoming Fiscal Year in such form as Euromar may require but including, but not limited to:

(i) a statement of estimated Vessel Revenue and Vessel Expenses relating to such Vessel; and

(ii) a proposed estimated budget for capital expenditures, repairs and alterations, involving proposed expenditures in respect of dry-docking, together with an analysis as to when and why such expenditures, repairs and alterations may be required; and

(b) a consolidated budget in respect of each of the Preliminary Vessel Budgets (" **Preliminary Consolidation Budget** "); and

(c) a budget in respect of the general administrative, accounting and managements costs in relation to the provision of the Manager Services (including all Euromar and Vessel Owner relates costs, expenses and disbursements not covered by the Preliminary Vessel Budgets) (" **Preliminary Management Budget** ").

9.2 The Manager shall use its commercially reasonably efforts to present to Euromar no later than the date being five (5) Business Days before its February board meeting updated and revised versions of each of the Preliminary Vessel Budgets, the Preliminary Consolidation Budget and the Preliminary Management Budget, which as each is updated, revised, and adopted by the Board of Managers of Euromar in accordance with the Limited Liability Company Agreement shall be referred to, respectively, hereinafter as a " **Final Vessel Budget** ", a " **Final Consolidation Budget"** and a " **Final Management Budget** ".

9.3 It is acknowledged and agreed that each of the Final Vessel Budget, the Final Consolidated Budget and the Final Management Budget is only an estimate of the likely performance and operational costs of the relevant Vessel and of Euromar and the Owners and that any projections contained therein are subject to and may be affected by changes in financial, economic and other conditions or circumstances beyond the control of the Parties.

9.4 Following the agreement of the Final Vessel Budget, the Manager shall prepare and present to Euromar its estimate of the monthly working capital requirement of each Vessel (" **Monthly Vessel Budget** ") and of the corporate and administrative costs of Euromar and the Owners (" **Monthly Management Budget** ") and the Manager shall up-date these estimates on a quarterly basis (during the scheduled quarterly meetings), such updates and estimates shall be in accordance with the Final Vessel Budget or the Final Management Budget (as the case may be), it being understood that drydocking costs may deviate substantially from the Final Vessel Budget provided as a detailed drydock specification is only prepared approximately one (1) month prior to any repair). Based thereon, monthly remittances shall be made from the Overhead Account to the Management Account in accordance with Clause 7.

9.5 No later than the date being five (5) Business Days prior to each scheduled quarterly meeting but in any event not later than the 45th day following the end of each Fiscal Quarter, or otherwise at such intervals as Euromar may request, the Manager shall procure and provide to Euromar a comparison and explanation of the difference between budgeted and actual income and expenditure in respect of each Vessel and the corporate and administrative costs of Euromar and the Owners (on an individual and consolidated basis) with respect to the immediately preceding Fiscal Quarter in such form as may be required by Euromar.

9.6 The Manager, Eurobulk and Eurochart shall in no circumstances be required to use or commit its own funds to finance expenses, costs and disbursements to be incurred in connection with the provision of the Management Services.

10. RIGHT TO SUB-CONTRACT

Save in respect of the sub-contracts listed in Schedule 5 of this Agreement, neither the Manager, Eurobulk nor Eurochart shall be entitled to sub-contract any of their respective obligations under this Agreement without the prior written consent of Euromar (acting by a Qualified Majority of Managers and which consent shall not be unreasonably withheld) and provided always that (i) the Manager, Eurobulk and/or Eurochart (as the case may be) shall exercise all care, diligence and skill that a prudent ship manager would so exercise in selecting and engaging any such sub-contractor(s) and (ii) any incremental additional costs and fees of such sub-contractor shall, unless otherwise agreed, be for the account of Manager, Eurobulk and/or Eurochart (as the case may be). In the event of such a sub-contract the Manager, Eurobulk and/or Eurochart (as the case may be) shall remain fully liable for the due performance of their respective obligations under this Agreement.

11. RESPONSIBILITIES

11.1 No Party shall be under any liability for any failure to perform any of its obligations under this Agreement to the extent that performance thereof is delayed, hindered or prevented by the occurrence of a Force Majeure Event, provided always that the Party subject to such Force Majeure Event:

(i) fails to perform such obligations directly as a result of such Force Majeure Event;

(ii) promptly notifies the other Parties in writing of the nature and extent of the Force Majeure Event causing its failure or delay in performance;

(iii) could not have avoided the effect of the Force Majeure Event by taking precautions which, having regard to all the matters known to it before the Force Majeure Event, it ought reasonably to have taken, but did not; and

(iv) has used all reasonable endeavours to mitigate the effect of the Force Majeure Event, to carry out its obligations under this Agreement in any way that is reasonably practicable and to resume the performance of its obligations as soon as reasonably possible.

11.2 Subject to the limitations set forth in Clause 11.3, each of the Manager, Eurochart and Eurobulk (each, an " **Indemnifying Party** ") hereby undertakes to indemnify Euromar and each of the Owners and their respective officers, directors, agents or employees (each, an " **Indemnified Party** ") and to hold each Indemnified Party harmless from and against any and all actions, proceedings, claims, demands, damages or liabilities whatsoever or howsoever arising (excluding consequential damages and/or loss of profits, but including all reasonable attorneys', consultants and experts' fees and disbursements and court costs) (collectively, " **Losses** ") which may be brought against them or incurred or suffered by them arising out of or in connection with any Indemnifying Party's breach of this Agreement.

11.3 The Indemnifying Parties' obligations under Clause 11.2 shall be subject to the following limitations:

(i) Eurobulk shall not have any liability whatsoever to the Indemnified Parties under Clause 11.2 for any Losses howsoever arising in the course of performance of the respective Management Services unless the same is proved to have resulted solely from the negligence of Eurobulk or its employees employed in relation to any Vessel (the " **Eurobulk Parties** "). If such Losses are proved to have resulted solely from the negligence of the Eurobulk Parties (a " **Eurobulk Loss** "), Eurobulk's liability for each incident or series of incidents per year giving rise to a claim or claims shall never exceed a total of ten (10) times the Fixed Daily Fee relating to such Vessel times three hundred and sixty five days (the " **Eurobulk Cap** "); provided , however , that if such Losses are proven to have resulted from the gross negligence or wilful misconduct of the Eurobulk Parties, the Eurobulk Cap shall not apply to such Losses;

(ii) Eurochart shall not have any liability whatsoever to the Indemnified Parties under Clause 11.2 for any Losses howsoever arising in the course of performance of the respective Management Services unless the same is proved to have resulted solely from the negligence of Eurochart or its employees employed in relation to any Vessel (the " **Eurochart Parties** "). If such Losses are proved to have resulted solely from the negligence of the Eurochart Parties (a " **Eurochart Loss** "), Eurochart's liability for each incident or series of incidents per year giving rise to a claim or claims shall never exceed a total of ten (10) times the commission (s) it has received with respect to the relevant Vessel for the previous twelve (12) months (multiplied by a fraction, the numerator of which is twelve (12) and the denominator of which is the number of months fewer than twelve (12) for which this Agreement has been in place) (the " **Eurochart Cap** "); provided , however , that if such Losses are proven to have resulted from the gross negligence or wilful misconduct of the Eurochart Parties, the Eurochart Cap shall not apply to such Losses; and

(iii) The Manager shall be jointly liable for all of Eurobulk and Eurochart's indemnification obligations under Clause 11 (subject to the Eurobulk Cap and Eurochart Cap, as applicable). For all Losses that are neither Eurobulk nor Eurochart Losses, the Manager's liability for each incident or series of incidents per year giving rise to a claim or claims shall never exceed a total of $2,400,000 (the " **Manager Cap** "); provided , however , that if such Losses are proven to have resulted from the gross negligence or wilful misconduct of the Manager, the Manager Cap shall not apply to such Losses.

11.4 Upon receipt by an Indemnified Party of notice of any actions, proceedings, claims or demands made or brought by any unaffiliated third party (a " **Third Party Claim** ") with respect to a matter for which such Indemnified Party is indemnified under this Clause 11 which has or is reasonably expected to give rise to a claim for Losses, the Indemnified Party shall as soon as practicable notify the Indemnifying Party, in writing, indicating the nature of such Third Party Claim and the basis therefor; provided, however, that any delay or failure by the Indemnified Party to give notice to the Indemnifying Party shall relieve the Indemnifying Party of its obligations hereunder to the extent that it is prejudiced by reason of such delay or failure. The Indemnifying Party shall be entitled to assume and control the defense of such Third Party Claim at its expense and through counsel of its choice if it gives notice of its intention to do so to the Indemnified Party within ten (10) days of the receipt of notice from the Indemnified Party. In any such action or proceeding, the Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the Indemnified Party's own expense, unless (i) otherwise agreed by the Indemnifying Party and the Indemnified Party or (ii) there is a conflict of interest or the named parties to any such suit, action or proceeding include both the Indemnifying Party and the Indemnified Party and, in the reasonable judgment of counsel to the Indemnified Party, representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. In such event, the Indemnified Party shall be entitled to retain its own counsel at the expense of the Indemnifying Party. In the event that the Indemnifying Party exercises the right to undertake any such defense against any such Third Party Claim as provided above, the Indemnified Party shall cooperate with the Indemnifying Party in such defense and make available to the Indemnifying Party, at the Indemnifying Party's expense, all witnesses, pertinent records, materials and information in the Indemnified Party's possession or under the Indemnified Party's control relating thereto as is reasonably required by the Indemnifying Party. Similarly, in the event the Indemnified Party is, directly or indirectly, conducting the defense against any such Third Party Claim, the Indemnifying Party shall cooperate with the Indemnified Party in such defense and make available to the Indemnified Party, at the Indemnifying Party's expense, all such witnesses, records, materials and information in the Indemnifying Party's possession or under the Indemnifying Party's control relating thereto as is reasonably required by the Indemnified Party. Neither the Indemnifying Party nor the Indemnified Party shall settle any Third Party Claim without the prior written consent of the other party, which consent shall not be unreasonably withheld, provided that no Indemnified Party consent shall be required in the event the Indemnified Party is not financially liable, no wrongdoing on behalf of the Indemnified Party is admitted, and the Indemnified Party receives a release from the claimant.

11.5 Notwithstanding anything that may appear to the contrary in this Agreement, neither the Manager, Eurobulk and/or Eurochart shall be liable for any of the actions of the Crew, even if such actions are negligent, grossly negligent or wilful, except only to the extent that they are shown to have resulted from a failure by the Manager, Eurobulk, Eurochart (as the case may be) or their respective Affiliates, Subsidiaries, employees, agents or sub-contractors employed by them to discharge their respective obligations in relation to the provision of the Management Services.

11.6 Except to the extent that any of the Manager, Eurobulk or Eurochart or their respective Affiliates, Subsidiaries, employees, or agents or sub-contractors employed by them would be liable under Clauses 11.2 and/or 11.3, Euromar hereby undertakes to keep each of the Manager, Eurobulk and Eurochart, and their respective Affiliates, Subsidiaries, officers, directors, employees, or agents or sub-contractors employed by them, indemnified and to hold them harmless against all actions, proceedings, claims, demands or liabilities whatsoever or howsoever arising which may be brought against them or incurred or suffered by them arising out of or in connection with the performance of this Agreement, and against and in respect of all costs, losses, damages and expenses (including legal costs and expenses on a full indemnity basis) which the Manager, Eurobulk and/or Eurochart may suffer or incur (either directly or indirectly) in the course of the performance of this Agreement.

11.7 It is hereby expressly agreed that no employee or agent of the Manager, Eurobulk or Eurochart or their respective Affiliates or Subsidiaries (including any sub-contractor from time to time employed by the Manager, Eurobulk or Eurochart or their respective Affiliates or Subsidiaries) shall in any circumstances whatsoever be under any liability whatsoever to Euromar for any loss, damage or delay of whatsoever kind arising or resulting directly or indirectly from such employee or agent's act, neglect or default on while acting in the course of or in connection with such employment or agency and, without prejudice to the generality of the foregoing provisions, every exemption, limitation, condition and liberty herein contained and every right, exemption from liability, defense and immunity of whatsoever nature applicable to the Manager, Eurobulk or Eurochart or their respective Affiliates or Subsidiaries or to which any of them are entitled hereunder shall also be available and shall extend to protect every such employee or agent of the Manager, Eurobulk or Eurochart or their respective Affiliates or Subsidiaries acting as aforesaid and for the purpose of all the foregoing provisions, each of the Manager, Eurobulk or Eurochart or their respective Affiliates or Subsidiaries are or shall be deemed to be acting as agent or trustee on behalf of and for the benefit of all persons who are or might be their servants or agents from time to time (including sub-contractors as aforesaid) and all such persons shall to this extent be or be deemed to be parties to this Agreement.

12. VESSEL RELATED DOCUMENTATION

Each of the Manager and Eurobulk shall make available, upon Euromar's reasonable request, so as not to interfere with the operations of any relevant Vessel, all technical documentation and records related to the Vessels, any charters, each Vessel's Safety Management System (SMS) and/or the Crew (including, but not limited to, national or international certificates, Vessel class certificates and documentation required to demonstrate compliance with the ISM Code, the ISPS Code and/or STCW 95 or to defend a claim against a third party) or otherwise as Euromar may from time to time reasonably request.

13. GENERAL ADMINISTRATION

13.1 Subject to Clause 13.2, the Manager, with assistance from Eurobulk and/or Eurochart as required, shall:

(i) handle and settle all third party claims under arising out of any of the Management Services, subject to any directions of the Board of Managers, under this Agreement and keep Euromar fully informed regarding any incident of which the Manager, Eurobulk and/or Eurochart become aware which gives or may give rise to claims or disputes involving third parties.

(ii) as instructed by Euromar, bring or defend actions, suits or proceedings in connection with matters entrusted to the Manager, Eurobulk and/or Eurochart according to this Agreement.

(iii) have power to obtain legal or technical or other outside expert advice in relation to the handling and settlement of claims and disputes or all other matters, affecting the interests of Euromar or the Owners in respect of each Vessel.

(iv) arrange for the provision of any necessary guarantee bond or other security on behalf off Euromar and/or the Owner (as the case may be).

13.2 If the value of any litigation claim or dispute exceeds US $250,000 the Manager shall obtain the approval of the Board of Managers of Euromar before proceeding to take any actions.

13.3 Any costs properly incurred by the Manager in carrying out its obligations according to this Clause 13 shall be reimbursed by Euromar.

14. COVENANTS AND UNDERTAKINGS

14.1 The Manager hereby agrees and covenants and undertakes with Euromar and each Owner that, during the term of this Agreement, the Manager shall, and shall procure that Eurobulk and Eurochart and the Manager shall cause to be provided by Eurobulk or Eurochart or, in the event of the failure of Eurobulk or Eurochart to provide, shall itself (or, subject to Clause 10, cause that a sub-contractor shall):

(ii) obtain and maintain for its benefit professional indemnity insurance and other insurance as is reasonable having regard to the nature and extent of the Manager's obligation under this Agreement;

(iii) comply with all Applicable Laws;

(iv) provide the Board of Managers of Euromar with all information in relation to the performance of the Manager's obligations under this Agreement as the Board of Managers of Euromar may reasonably request,;

(v) use its reasonable best efforts to have all material property of Euromar and/or the Owners clearly identified as such, held separately from property of the Manager and, where applicable, in safe custody;

(vi) use its reasonable best efforts to have all property of Euromar and/or the Owners (other than money to be deposited to any bank account of Euromar and/or the Owners) transferred to or otherwise held in the name of Euromar or the relevant Owners or any nominee or custodian appointed by Euromar or the relevant Owner;

(vii) use its best efforts to cause (i) Euromar and/or the Owners to own or possess all licenses that are necessary and used in the operation of their respective businesses as of the date hereof, (ii) all such licenses to be in full force and effect at all times, and (iii) all required filings with respect to such licenses to be timely made and all required applications for renewal thereof to be timely filed;

(viii) use its best efforts to retain at all times a qualified staff so as to maintain a level of expertise sufficient to provide the Management Services; and

(ix) use its best efforts to keep full and proper books, records and accounts showing clearly all transactions relating to its provision of Management Services in accordance with established general commercial practices and in accordance with GAAP, and allow Euromar and/or the Owners and their representatives to audit and examine such books, records and accounts at any time during customary business hours.

15. INSPECTION OF VESSELS

Euromar and the respective Owners shall each have the right at any time after giving reasonable notice to the Manager and/or Eurobulk to inspect any Vessel for any reason any of them considers necessary or desirable.

16. COMPLIANCE WITH LAWS AND REGULATIONS

Neither the Manager nor Eurobulk will do or permit to be done anything which might cause any breach or infringement of the laws and regulations of each Vessel's flag, or of the places where a Vessel trades or the laws relating to the jurisdiction of incorporation of Euromar and each of the Owners.

17. DURATION OF THIS AGREEMENT

This Agreement shall come into effect on the date hereof and shall continue until the later of (a) the date being three (3) years from the date of this Agreement and (b) where the Existing Eurobulk Management Agreement has been extended, the earlier of (i) such later termination date of the Existing Eurobulk Management Agreement and (ii) the date being five (5) years from the date of this Agreement. Thereafter it shall continue until terminated by either Euromar and the Owners (acting jointly) or the Manager, Eurobulk and Eurochart (acting jointly) giving to the other notice in writing, in which event this Agreement shall terminate upon the expiration of a period of sixty (60) days from the date upon which such notice was given, provided, however, that if (i) this Agreement is terminated other than by reason of a payment default by Euromar and (ii) Euromar elects to continue operation of the Vessels, then the Manager, Eurobulk and Eurochart shall continue to perform the respective Management Services for an additional ninety (90) days for the purposes of ensuring an orderly management transition.

18. TERMINATION

18.1 Owner's default

Each of the Manager, Eurobulk and Eurochart (acting jointly) shall be entitled to terminate this Agreement with immediate effect by notice in writing if (i) any moneys payable by Euromar under this Agreement shall not have been received by the Manager or received in the Management Account within ten (10) days of receipt by Euromar of the Manager's written request unless such failure to pay results from any breach by the Manager, Eurochart or Eurobulk of this Agreement or (ii) any of the Manager, Eurobulk or Eurochart, notwithstanding their advising Euromar otherwise, is required by Euromar to proceed with the employment of or continue to employ any Vessels in the carriage of contraband, blockade running, or in an unlawful trade, or on a voyage which in the reasonable opinion of the Manager, Eurobulk or Eurochart is unduly hazardous or improper or, in its reasonable discretion, determines that due to the action or inaction of Euromar, the Crew of any Vessel is in imminent danger of bodily harm.

18.2 Manager's Default

Euromar shall have all rights, remedies, claims and causes of action set forth in Clause 18.4 hereof upon the occurrence of any of the following events or circumstances:

(i) a material breach by the Manager, Eurobulk or Eurochart occurs in the performance of their respective obligations under this Agreement and/or any other Transaction Document; provided that , if, in the reasonable opinion of Euromar, such breach is capable of remedy, Euromar shall provide written notice to the Manager, Eurobulk or Eurochart, (as applicable) of such breach and the Manager, Eurobulk or Eurochart (as applicable) shall have a reasonable period with reference to the nature and consequence of such breach, and, in any event, no more than twenty (20) days after receipt by the Manager, Eurobulk or Eurochart (as applicable) of such written notice to cure such breach;

(ii) a resolution is passed by the Board of Managers of Euromar in electing to terminate this Agreement by reason of the continued significant underperformance of the Manager, Eurobulk and/or Eurochart in relation to their respective provision of the Management Services;

(iii) Aristides J. Pittas ceases for any reason to be actively involved in the Manager's affairs or ceases to hold at least one of the offices of Chairman, President or Chief Executive Officer of the Manager and a suitable replacement has not been appointed by the board of directors of the Manager and approved in writing by Euromar, in Euromar's sole and absolute discretion, to fill such vacancy(ies);

(iv) an order being made or resolution passed for the winding up, dissolution, liquidation or bankruptcy of any of the Manager, Eurobulk and/or Eurochart (otherwise than for the purpose of reconstruction or amalgamation which has been approved in advance by Euromar) or if a receiver is appointed, or if any of the Manager, Eurobulk and/or Eurochart suspends payment, ceases to carry on business or makes any special arrangement or composition with its creditors;

(v) any of the following occurs:

(a) any of the Manager, Eurobulk and/or Eurochart becomes unable to pay its respective debts as they fall due;

(b) one or more judgments or decrees shall be entered against any of the Manager, Eurobulk and/or Eurochart involving in the aggregate a liability in excess of $1,000,000, and all such judgments or decrees have not been vacated, discharged, stayed or bonded pending appeal within 60 days after the entry thereof;

(c) any administrative or other receiver is appointed over any asset of any of the Manager, Eurobulk and/or Eurochart;

(d) any of the Manager, Eurobulk and/or Eurochart makes any formal declaration of bankruptcy or any formal statement to the effect that it is insolvent or likely to become insolvent, or a winding up or administration order is made in relation to any of the Manager, Eurobulk and/or Eurochart, or the members or directors of any of the Manager, Eurobulk and/or Eurochart pass a resolution to the effect that it should be wound up, placed in administration or cease to carry on business;

(e) a petition is presented for the winding up or administration, or the appointment of a provisional liquidator, of any of the Manager, Eurobulk and/or Eurochart unless the petition is being contested in good faith and on substantial grounds and is dismissed or withdrawn within 90 days of the presentation of the petition;

(f) any of the Manager, Eurobulk and/or Eurochart petitions a court, or presents any proposal for, any form of judicial or non-judicial suspension or deferral of payments, reorganization of its debt (or certain of its debt) or arrangement with all or a substantial proportion (by number or value) of its creditors or of any class of them or any such suspension or deferral of payments, reorganization or arrangement is effected by court order, contract or otherwise; or

(vi) the Limited Liability Company Agreement is terminated or cancelled;

(vii) a Change of Control shall occur,

" ***Change of Control*** " means with respect to any of the Manager, Eurochart or Eurobulk (each, a " ***Euroseas Entity*** "), the occurrence of any of the following events:

(a) any Person or "group" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended, supplemented or replaced) is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934 (as amended, supplemented or replaced), except that a Person will be deemed to have "beneficial ownership" of all securities that such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than fifty percent (50%) of the voting power of all classes of voting stock of such Euroseas Entity;

(b) during any consecutive two (2) year period, individuals who at the beginning of such period constituted the board of directors of such Euroseas Entity (together with any new directors whose election to such board of directors, or whose nomination for election by the owners of such Euroseas Entity, was approved by a vote of sixty-six and two-thirds percent (66-2/3%) of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the board of directors of such Euroseas Entity then in office; or

(c) the aggregate number of shares of Common Stock of the Manager owned by the Pittas Family, as disclosed in any public filing with the Securities and Exchange Commission, decreases by fifty percent (50%) or more relative to the number of shares most recently disclosed in any public filing with the Securities Exchange Commission as being owned by the Pittas Family (as adjusted for stock splits, stock distributions, stock combinations or other similar events);

(viii) any event occurs or any circumstances arise or develop, including without limitation, a change in the financial position, state of affairs or prospects of any of the Manager, Eurobulk and/or Eurochart, in the light of which Euromar considers (acting reasonably) that there is a significant risk that the Manager, Eurobulk and/or Eurochart are, or will later become, unable to discharge their respective liabilities under this Agreement as they fall due or to provide the Management Services;

(ix) upon the exercise by the Manager of the special redemption rights under Section 8.4 of the Limited Liability Company Agreement; or

(x) upon the vote, written consent or approval of a Qualified Majority (as defined in the Limited Liability Company Agreement) of the Board of Managers to cause a dissolution of Euromar and the termination of this Agreement pursuant to Section 1(z)(ii) of the Agreement Regarding Vessel Opportunities.

18.3 Except as expressly provided herein to the contrary (including, without limitation, in Clause 21.3), the termination of this Agreement shall be without prejudice to all rights accrued due between the Parties prior to the date of termination.

18.4 Upon the occurrence of any of the events or circumstances set out in Clause 18.2, Euromar and each of the Owners may terminate the Agreement with immediate effect by notice in writing and shall have any and all rights, claims, and causes of actions under Applicable Law.

18.5 Notwithstanding anything to the contrary contained herein, the provisions of Clause 21 shall survive the termination or expiration of this Agreement.

19. MOST FAVOURED NATIONS

19.1 Each of the Manager and Eurobulk hereby agree, and undertake to Euromar and each of the Owners, that the terms of this Agreement in relation to the provision of the Management Services or otherwise shall be better than or at least equal to, on a most favoured nations basis, the terms of the Existing Eurobulk Management Agreement and the Existing Eurochart Management Agreement.

20. ACCESSION OF NEW OWNERS/VESSELS

In the event that Euromar, following the identification of an investment opportunity by the Manager pursuant to Clause 3.8 or otherwise under the Limited Liability Company Agreement, determines to proceed with the purchase of a new vessel, the Manager shall procure the incorporation of a new owning subsidiary of Euromar in accordance with Section 2.6 of the Limited Liability Company Agreement. The Parties shall execute an accession agreement in the form set out in Schedule 2 to this Agreement whereupon such newly incorporated owning company shall become an "Owner" and such newly acquired vessel shall become a "Vessel" for the purpose of this Agreement. Notwithstanding anything to the contrary contained herein, each Owner shall only be deemed to be a party to the Accession Clauses.

21. GRANT OF OPTIONS

21.1 Euromar hereby grants to the Manager the Options, on the terms and subject to the conditions set forth herein and in the Limited Liability Company Agreement. The Manager acknowledges and agrees that the Option Units (as such term is defined under the Limited Liability Company Agreement) will be governed by the Limited Liability Company Agreement and have the rights, powers, preferences and privileges set forth therein.

21.2 The Options (i) may not be Transferred (as such term is defined under the Limited Liability Company Agreement) other than to any Affiliate of the Manager that has been appointed by the Board of Managers to manage the day-to-day operations of Euromar and (ii) shall not be subject to execution, attachment or similar process. Any attempted Transfer of any Option, and the levy of any execution, attachment or similar process upon any Option that is not permitted by this Agreement, shall be null and void and without effect and upon any attempted Transfer of any Option or any levy of any execution, attachment or similar process upon any Option, all rights associated with the Options shall be terminated.

21.3 Upon the occurrence of a Forfeiture Event, (i) all of the Options shall automatically be forfeited and cancelled, effective immediately, regardless of whether such Options have vested or been exercised and (ii) all outstanding Option Units shall automatically be forfeited and cancelled, effective immediately, and shall not be considered outstanding for any purposes under the Limited Liability Company Agreement; provided, however, that notwithstanding anything to the contrary contained herein, any amounts received by the Manager prior to a Forfeiture Event with respect to any Option Units shall not be forfeited or disgorged and shall remain the sole property of the Manager.

21.4 Upon the occurrence of an Early Departure Event, a number of outstanding Option Units shall automatically be forfeited and cancelled, effective immediately, such that the Percentage Interest in respect of such Option Units following such Early Departure Event is equal to the product of (i) the Percentage Interest (as such term is defined under the Limited Liability Company Agreement) in respect of the Option Units prior to such Early Departure Event multiplied by (ii) the Early Departure Multiplier **.** Such forfeited and cancelled Option Units shall not be considered outstanding for any purposes under the Limited Liability Company Agreement.

21.5 Upon the automatic exercise of either of the Options, (i) an amount equal to the Exercise Price shall be deducted from the next subsequent Distribution (as such term is defined under the Limited Liability Company Agreement) made to the Manager pursuant to Section 6.1(c) of the Limited Liability Company Agreement and (ii) the number of Option Units purchased shall be issued to the Manager. All of such Option Units shall be duly authorized, validly issued, fully paid and nonassessable, shall be delivered free and clear of all liens of any nature whatsoever and shall not be subject to preemptive or similar rights of any Person.

22. THIRD PARTY RIGHTS

The provisions of this Agreement are enforceable solely by the Parties to this Agreement, and no shareholder, employee, agent of any Party or any other Person shall have the right to enforce any provision of this Agreement or to compel any Party to this Agreement to comply with the terms of this Agreement.

23. NO PARTNERSHIP

Nothing in this Agreement is intended to create or shall be construed as creating a partnership or joint venture between the Parties, and this Agreement shall not be deemed for any purpose to constitute any Party a partner of any other Party to this Agreement in the conduct of any business or otherwise or as a member of a joint venture or joint enterprise with any other Party to this Agreement.

24. SEVERABILITY

Each provision of this Agreement is several. If any provision of this Agreement is or becomes illegal, invalid or unenforceable in any jurisdiction, the illegality, invalidity or unenforceability of that provision will not affect:

(i) the legality, validity or enforceability of the remaining provisions of this Agreement; or

(ii) the legality, validity or enforceability of that provision in any other jurisdiction;

except that if:

(x) on the reasonable construction of this Agreement as a whole, the applicability of the other provision presumes the validity and enforceability of the particular provision, the other provision will be deemed also to be invalid or unenforceable; and

(y) as a result of the determination by a court of competent jurisdiction that any part of this Agreement is unenforceable or invalid and, as a result of this Clause 24, the basic intentions of the Parties in this Agreement are entirely frustrated, the Parties shall use commercially reasonable efforts to amend, supplement or otherwise vary this Agreement to confirm their mutual intention in entering into this Agreement.

25. AMENDMENTS

No amendment, supplement, modification or restatement of any provision of this Agreement shall be binding unless it is in writing and signed by each Person that is a Party to this Agreement at the time of the amendment, supplement, modification or restatement.

26. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement among the Parties pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto.

27. NOTICES

Each notice, consent or request required to be given to a Party pursuant to this Agreement must be given in writing. A notice may be given by delivery or by fax, and shall be validly given if delivered on a Business Day to an individual at the following address, or, if transmitted on a Business Day by fax addressed to the following Party:

To Euromar:

4 Messogiou Street & Evropis St.
151 25 Maroussi Greece

Att: President

Fax No.: 011-30 211 1804097

To the Manager:

4 Messogiou Street & Evropis St.
151 25 Maroussi Greece

Att: Aristides J. Pittas, Chairman,
President & CEO

Fax No.: 011-30 211 1804097

To Eurobulk:

c/o Euroseas Ltd.
4 Messogiou Street & Evropis St.151
25 Maroussi Greece

Att: Markos Vassilikos,
Managing Director

Fax No.: 011-30 211 1804097

To Eurochart:

c/o Euroseas Ltd.
4 Messogiou Street & Evropis St.
151 25 Maroussi Greece

Att: Aristides J. Pittas,
Director & President

Fax No.: 011-30 211 1804097

To the Owners:

The address and notice details set out
in Schedule 1 to this Agreement.

or to any other address or fax number that the Party so designates by notice given in accordance with this Clause. Any notice:

(i) if validly delivered on a Business Day, shall be deemed to have been given when delivered; and

(ii) if validly transmitted by fax on a Business Day, shall be deemed to have been given on that Business day.

28. WAIVER

No failure by any Party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute a waiver of any such breach or of any other covenant, duty, agreement or condition. Any waiver must be specifically stated as such in writing.

29. COUNTERPARTS

This Agreement may be executed in any number of counterparts, all of which together shall constitute one agreement binding on the Parties.

30. ATTORNEYS FEES

In any action or proceeding brought to enforce any provision of this Agreement or any other document or instrument contemplated hereby, or where any provision thereof is validly asserted as a defense, the successful party shall be entitled to recover reasonable attorneys' fees, charges and disbursements in addition to any other available remedy.

31. CONFIDENTIALITY

31.1 Each Receiving Party agrees that all information provided thereto by a Disclosing Party shall be kept confidential by the Receiving Party and shall not be divulged, in whole or in part, to any third party, except (i) as required by Applicable Law or (ii) to officers, directors, attorneys, accountants, members, partners, shareholders or other Affiliates of Receiving Party or of Receiving Party's Affiliates who agree to keep such information confidential.

31.2 Each Receiving Party further acknowledges that any breach of the provisions of this Agreement would result in serious damage being sustained by the Disclosing Party, and as a result hereby unconditionally agrees:

(i) to be responsible for losses, damages, or expenses (including without limitation attorneys' fees and expenses) that have been determined to have been caused by any such breach; and

(ii) that the Disclosing Party shall be entitled to equitable relief (including without limitation injunctive relief) in relation to any threatened or actual breach of the provisions of this Agreement without any requirement of posting a bond and without limiting any other remedy that may be available to the Disclosing Party.

32. LAW AND JURISDICTION

32.1 This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule that would cause the application of the laws of any jurisdiction other than the State of New York.

32.2 The parties hereto agree that any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby shall be brought exclusively in federal or state courts located in the County of New York, State of New York, and each of the parties hereby irrevocably consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party agrees that service of any process, summons, notice or document by U.S. registered mail to its address set forth in Exhibit B to the Limited Liability Company Agreement shall be deemed effective service of process for any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby brought against such party in any such court as set forth in this Clause 32.

THIS AGREEMENT has been entered into on the date first above written.

SIGNATURE PAGE

For and on behalf of
EUROMAR LLC

…… .
Name: Eytan Tigay
Title: Manager

For and on behalf of
EUROSEAS LTD.

…… .
Name: Aristides J. Pittas
Title: Chairman, President & CEO

For and on behalf of
EUROBULK LTD.

…… .
Name: Markos Vassilikos
Title: Managing Director

For and on behalf of
EUROCHART S.A.

…… .
Name: Aristides J. Pittas
Title: Director & Vice-President

SCHEDULE 1

DETAILS OF THE OWNERS AND VESSELS

Name of The Owners	**Vessel/IMO No.**	**Notice Details**
None at present		

SCHEDULE 2

FORM OF ACCESSION AGREEMENT

THIS AGREEMENT is dated [ ] 20[ ]

AMONG:

(1) **EUROMAR LLC** , a company incorporated and existing under the laws of the Republic of the Marshall Islands with its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands (" **Euromar** ");

(2) **[[ ], [ ] and [ ]** , [each incorporated in [ ] and each with its registered office at [ ] (" **Existing Owners** ");]

(3) **EUROSEAS LTD.** , a company incorporated and existing under the laws of the Republic of the Marshall Islands with its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands (" **Manager** ");

(4) **EUROBULK LTD.** , a company incorporated and existing under the laws of the Republic of Liberia with its principal office at Aethrion Center, 40 Ag Konstantinou Ave, 151-24 Maroussi, Greece (" **Eurobulk** ");

(5) **EUROCHART S.A.** , a company incorporated and existing under the laws of the Republic of Liberia with its principal office at Aethrion Center (2nd Floor), 40, Ag. Konstantinou Ave., Maroussi - 151 24, Athens - HELLAS (" **Eurochart** "); and

(6) **[NEW OWNER],** a company incorporated and existing under the laws of [ ] with its registered address at [ ] **("New Owner")** ;

(Euromar, the Existing Owners, the Manager, Eurobulk and Eurochart together, " **Parties** " and each a " **Party** ").

WHEREAS

(A) By a management agreement dated [ ] 2010 between Euromar[, the Existing Owners,] the Manager, Eurobulk and Eurochart, each of the Manager, Eurobulk and Eurochart has agreed to provide the Management Services attributable thereto in relation to the Vessels ([as amended and supplemented by [each of] the Accession Agreement[s] dated [ ][, [ ] and [ ]], " **Management Agreement** ").

(B) Under Clause 20 of the Management Agreement, the Parties have agreed that following a determination by Euromar to purchase a new vessel, the Manager shall procure the incorporation of a new owning company, to be wholly owned by Euromar, for the purpose of owning such new vessel.

(C) By a memorandum of agreement dated [ ] 20[ ] between [ ] (as sellers) and Euromar (or its nominee) (as buyers) (as amended and supplemented, " **MOA** "), Euromar or its nominee has agreed to purchase m.v. [*insert vessel details*] (" **New Vessel** ").

(D) The Managers have procured the incorporation of the New Owner and the New Owner has been nominated by Euromar as the "Buyers" of the New Vessel under the MOA.

(E) This Agreement sets out the terms upon which the New Owner shall accede to, and become a party to, Clauses 1, 2, 3 (Basis of Agreement), 3.1, 3.2 – 3.5, 3.10, 4, 5, 7, 10, 11, 16, 17, 18, 20, 27, 31 and 32 of the Management Agreement (collectively, the **"Accession Clauses"**).

IT IS HEREBY AGREED:

1. DEFINITIONS

1.1 Terms defined in the Management Agreement, shall unless the context otherwise requires, have the same meanings when used herein (including in the Recitals).

1.2 In this Agreement:

" **Effective Date** " means the date upon which the New Vessel is delivered to and accepted by the New Owner under the MOA, as evidenced by the protocol of delivery and acceptance under the MOA.

2. ACCESSION

2.1 The Parties and the New Owner hereby agree that, as and with effect from the Effective Date:

(i) Schedule 1 of the Management Agreement shall be deleted and replaced with Schedule 1 to this Agreement;

(ii) The New Owner shall accede to, and become a party to the Accession Clauses as an "Owner" and shall assume all the rights and obligations of an "Owner" under the Accession Clauses; the "New Vessel" shall be included within the definition of "Vessels" thereunder; provided however , that notwithstanding anything to the contrary contained herein, the New Owner shall only be deemed to be a party to the Accession Clauses; and

(iii) the Manager, Eurobulk and Eurochart each agree to be bound by the terms of the Management Agreement and perform their respective obligations thereunder in every way as if the term "Owners" thereunder included the New Owner and the term "Vessels" included the New Vessel.

2.2 Save as amended and supplemented by this Agreement, the Management Agreement shall remain in full force and effect and shall be read and construed as if all references to "Vessels" included the New Vessel and references to the "Owners" included the New Owner.

3. COUNTERPARTS

This Agreement may be executed in any number of counterparts and the several parties hereto on separate counterparties, each of which when so executed and delivered shall be an original, but all the counterparts shall together constitute one and the same instrument. A signed copy received by facsimile shall be deemed to be an original.

4. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule that would cause the application of the laws of any jurisdiction other than the State of New York.

IN WITNESS WHEREOF this Agreement has been executed on the day and year above first written.

SIGNATURE PAGE

For and on behalf of
EUROMAR LLC

…….
Name:
Title:

For and on behalf of
EUROSEAS LTD.

…….
Name:
Title:

For and on behalf of
EUROBULK LTD.

…….
Name:
Title:

For and on behalf of
EUROCHART S.A.

…….
Name:
Title:

For and on behalf of
[*insert existing owner*]

…….
Name:
Title:

For and on behalf of
[*insert existing owner*]

…….
Name:
Title:

For and on behalf of
[*insert existing owner*]

…….
Name:
Title:

For and on behalf of
[*insert new owner*]

…….
Name:
Title:

SCHEDULE 1

REPLACEMENT SCHEDULE 1 TO MANAGEMENT AGREEMENT

Name of The Owners	**Vessel/IMO No.**	**Notice Details**
[ ]	**M.V "[ ]"/[ ]**	**Address: [ ]** **Fax: [ ]** **Att: [ ]**
[ ]	**M.V "[ ]"/[ ]**	**Address: [ ]** **Fax: [ ]** **Att: [ ]**
[ ]	**M.V "[ ]"/[ ]**	**Address: [ ]** **Fax: [ ]** **Att: [ ]**

SCHEDULE 3

DISCLOSED AND APPROVED 'RESTRICTED TRANSACTIONS'

Contract (and date thereof)	Type of Service	Parties	Date Disclosed/Approved

Exhibit 4.29

EXECUTION VERSION

AGREEMENT REGARDING VESSEL OPPORTUNITIES

This Agreement Regarding Vessel Opportunities (this " Agreement ") is made effective as of March 25, 2010 among: (a) Euroseas Ltd., a Marshall Islands company (" Euroseas "); Eurobulk Ltd., a Liberian company (" Eurobulk "); Eurochart S.A., a Liberian corporation (" Eurochart "); Aristides J. Pittas, an individual residing in Greece (" Pittas " and together with Euroseas, Eurobulk and Eurochart, the " Grantors "); and (b) Euromar LLC, a Marshall Islands company (the " Company ").

BACKGROUND

The Grantors wish to facilitate a joint venture (the " Joint Venture ") to be entered into by and among Euroseas; All Seas Investors I Ltd., a Cayman exempted company (" All Seas I "), All Seas Investors II Ltd., a Cayman exempted company (" All Seas II "), All Seas Investors III LP, a Cayman Islands exempted limited partnership (" All Seas III ", and collectively with All Seas I and All Seas II, " All Seas " and each individually a " All Seas Member "); and Paros Ltd., a Cayman Islands exempted limited duration company (" Paros "). Pursuant to the Company's limited liability company agreement, as amended from time to time (the " Operating Agreement "), each of Paros, the All Seas Members and Euroseas shall be the initial members of the Company. In connection with the Joint Venture and subject to the terms and conditions set forth herein, each of the Grantors and the Company desire to set forth their agreement relating to how they will handle certain vessel acquisitions, vessel dispositions and vessel chartering opportunities (other than with respect to transactions Eurochart performs for parties not affiliated with any of the Grantors). All capitalized terms used herein and not otherwise defined herein shall have the respective meanings provided therefor in the Operating Agreement.

AGREEMENT

In order to induce Paros and the All Seas Members to enter into the Joint Venture, the Grantors and the Company agree to the following:

1. Non-Compete . From the date hereof and until the earlier to occur of (a) the date that neither Euroseas nor any of its Affiliates is a member of the Company or the holder of any Options (as defined in the Operating Agreement) and (b) the expiration of the Commitment Period (in either case, the " Non-Compete Period "), except as set forth in this Agreement, the Grantors and each of their respective Affiliates shall not establish a Similar Joint Venture (as hereinafter defined). For purposes of this Agreement, a " Similar Joint Venture " means a venture with committed funds of the Grantors and one or more other persons or entities intended to be invested in the same business as the Company and that might be in direct competition with the Company (a " Competing Activity "). Nothing contained herein shall restrict Euroseas from engaging in any securities offerings, mergers, acquisitions or similar transactions that are not Similar Ventures or otherwise pursuing identified opportunities that have been rejected by the Company; provided , that, (y) in no event shall the Grantors enter into any arrangement with any private investment funds, including private equity funds or "hedge" funds, during the Commitment Period without the prior written consent of the All Seas Members and Paros, and (z) if the Grantors acquire, directly or indirectly, six (6) or more Vessels that have been offered to and rejected by the Company during the Commitment Period (each, a " Rejected Vessel "), then either of All Seas and Paros may, for a period of sixty (60) days following the Grantors' execution of a memorandum of understanding with respect to such sixth (6 th) Rejected Vessel, and then again for a period of thirty (30) days following each of the Grantors' subsequent Rejected Vessel acquisitions, either (i) accelerate all, but not less than all, of its respective Conversion Right in accordance with Section 8.5 of the Operating Agreement, or (ii) upon the vote, written consent or approval of a Qualified Majority of the Board of Managers, cause a dissolution of the Company in accordance with Section 10.1 of the Operating Agreement, and in connection with such dissolution, terminate the Management Agreement. After the expiration of the Non-Compete Period, the Grantors may engage in any Competing Activity and shall give the other Members written notice of such Competing Activity within fifteen (15) business days after the consummation of such transaction.

2. ARVO Committee .

(a) Promptly after the effective date of this Agreement, the Board of Managers of the Company shall form a committee (the " ARVO Committee ") of the Board of Managers consisting of one Manager nominated by each of Euroseas, Paros and All Seas. The unanimous affirmative vote or written consent of the ARVO Committee members then serving as members of the ARVO Committee shall be necessary for any, and shall constitute an ARVO Committee resolution. All resolutions of the ARVO Committee in its capacity as representatives of Euroseas, Paros and All Seas shall be final and binding on all parties hereto. The ARVO Committee shall meet during each quarterly meeting of the Company, and at such other times as are necessary to fulfill its duties hereunder. Meetings of the ARVO Committee may be conducted in person, telephonically or through the use of other communications equipment that allows all individuals participating in the meeting to communicate with each other.

(b) At each quarterly meeting of the Company, the ARVO Committee shall meet to discuss any potential conflicts between the Company and the Grantors arising from Opportunities (as defined in Section 6 below). Each member of the ARVO Committee shall act in good faith to resolve all conflicts among the parties hereto regarding Opportunities.

3. Vessel Acquisitions .

(a) Each of the Grantors hereby agrees that, from the date hereof and until the expiration of the Commitment Period, it will notify the Company prior to any acquisition or proposed acquisition (including a conditional sales agreement or similar transaction, a " Proposed Acquisition ") by it, or any of its Affiliates, of any drybulk carrier or container ship (including an entity owning such drybulk carrier or container ship, a " Vessel ") by delivering a written notice (an " Acquisition Notice ") to the Company, advising the Company of the details of the Proposed Acquisition of a Vessel, including its terms, and offering to permit the Company to acquire the Vessel. For purposes of this Agreement, an " Affiliate " means, with respect to (i) each of the Grantors, any entity for which the Grantor has the power to direct or cause the direction of the management and policies of such entity, whether by ownership of equity securities, contract or otherwise, or (ii) a Grantor that is a natural person, a member of such Grantor's immediate family, which shall include such Grantor's spouse, children or a trust, corporation, partnership or limited liability company, all of the beneficial interests of which are held by such Grantor or one or more members of such Grantor's immediate family.

(b) Within seven (7) business days after receipt of an Acquisition Notice, the Company will have the right, but not the obligation, to deliver to the applicable Grantor a written notice (an " Acquisition Response Notice ") that states whether the Company wishes to pursue the opportunity to purchase the Vessel described in the Acquisition Notice upon the terms stated therein subject to the negotiation and execution of a memorandum of agreement. If the Company wishes to pursue the opportunity to purchase the Vessel, the Company will have thirty (30) days after delivery of its Acquisition Response Notice to execute a memorandum of agreement to complete the Proposed Acquisition. If the seller of the Vessel does not provide reasonable cooperation to the Company, such that the Proposed Acquisition cannot be consummated by the Company, the Grantor that delivered such Acquisition Notice shall, upon the request of the Company and provided the seller is willing to sell such Vessel to the Grantor, purchase the Vessel and re-sell the Vessel to the Company on substantially the same terms applicable to the purchase by the Grantor, plus any actual out-of-pocket costs to the Grantor of the Vessel's acquisition from the seller and delivery to the Company plus any actual out-of-pocket costs of the Grantor or its Affiliates carrying the Vessel since its acquisition until its delivery to the Company. If the Company delivers a response declining to exercise its right to pursue such opportunity to purchase or fails to deliver an Acquisition Response Notice, either within the aforementioned seven (7) business days, then the Company will be deemed to have declined to purchase the Vessel and the applicable Grantor or any of its Affiliates will have the right to purchase, own and operate the same; provided , that such purchase must be on terms not more favorable, in any material respect, to the applicable Grantor or any of its Affiliates, than the terms set forth in the Acquisition Notice and such memorandum of agreement must be completed within thirty (30) days of the delivery of the Acquisition Notice; provided further , that if, following the Company's rejection of such Proposed Acquisition or the Company's failure to deliver an Acquisition Response Notice within the aforementioned seven (7) business days, the terms of such Proposed Acquisition are made more favorable, in any material respect, to the applicable Grantor or any of its Affiliates, than the terms set forth in the Acquisition Notice, such Grantor or its applicable Affiliate shall deliver a new Acquisition Notice to the Company pursuant to Section 3(a) . In addition, if the Company timely delivers an Acquisition Response Notice stating its intent to pursue such opportunity to purchase the Vessel but does not thereafter enter into a memorandum of agreement to acquire the Vessel within such thirty (30)-day period, then the applicable Grantor or any of its Affiliates will have the right to purchase, own and operate the same; provided , that such purchase must be on terms not more favorable, in any material respect, to the applicable Grantor or any of its Affiliates, than the terms set forth in the Acquisition Notice and such purchase must be completed within sixty (60) days of the delivery of the Acquisition Notice. The Company will have the right to designate any other entity to acquire the Vessel so long as such entity is a wholly-owned subsidiary of the Company. The Company will have no right to assign its rights hereunder except as provided in this Section 3 .

4. Vessel Dispositions .

(a) In the event any Grantor or its Affiliates wishes to dispose of a Similar Vessel (as hereinafter defined) to that of the Company, such Grantor or its Affiliate that wishes to sell will provide prior written notice to the Company, advising the Company of the details of the proposed vessel disposition (including the disposition of any entity owning such vessel or by way of a conditional sales agreement or similar agreement). As used in this Agreement, " Similar Vessel " shall mean (i) any drybulk vessel which can be reasonably determined in good faith to be substantially similar to a drybulk vessel owned by the other party or any of such party's subsidiaries, provided that no drybulk vessel shall be deemed to be substantially similar to another drybulk vessel if such vessels differ (A) in age by more than five (5) years, or (B) in dwt by more than 20%, or (C) in whether the vessel is geared or not geared, and (ii) any container ship which can be reasonably determined in good faith to be substantially similar to a container ship owned by the other party or any of such party's subsidiaries, provided that no container ship shall be deemed to be substantially similar to another container ship if such vessels differ (A) in age by more than five (5) years, or (B) in nominal TEU (twenty foot equivalent unit) by more than 20%, or (C) in whether the vessel is geared or not geared.

(b) In the event any of (i) Grantor or its Affiliates or (ii) the Company receives an inquiry from a third-party regarding such third-party's potential purchase of a Similar Vessel, the party that receives such inquiry (the " Disposing Party ") will provide written notice (a " Disposition Notice ") to the other parties, advising such other parties of the details of the proposed vessel disposition (including the disposition of any entity owning such vessel or by way of a conditional sales agreement or similar agreement, a " Vessel Disposition Opportunity "). Upon receipt of a Disposition Notice, the receiving party shall have the right, but not the obligation, to deliver to the Disposing Party within seven (7) business days after receipt of such Disposition Notice a written notice that states that such party wishes to pursue the Vessel Disposition Opportunity described in the Disposition Notice, with a copy of such notice to the other party. In such circumstances, the parties shall alternate who shall have the right to pursue Vessel Disposition Opportunities, it being agreed that the Company shall have the right to pursue the first such Vessel Disposition Opportunity, with the Grantors having the right to pursue the second Vessel Disposition Opportunity, etc.

5. Chartering Opportunities .

(a) In the event there is a chartering opportunity for Similar Vessels of the Grantors or their Affiliates and the Company (including Similar Vessels leased, chartered in or controlled by the Grantors or the Company), such chartering opportunity (hereinafter a " Chartering Opportunity ") shall be subject to the terms of this Section 5 . In the event that the ARVO Committee is unable to adopt a resolution regarding either (i) which Similar Vessels are in conflict with respect to Chartering Opportunities or (ii) the method by which such determination shall be made, the parties hereto agree that such dispute shall be submitted to an arbitrator for resolution. The Board of Managers of the Company shall unanimously approve the appointment of the arbitrator. The determination of the arbitrator shall be final and binding on all parties hereto.

(b) In the event that a Chartering Opportunity arises, the party to whom the Chartering Opportunity has been made available shall provide written notice of the details of such Chartering Opportunity (each, a " Chartering Opportunity Notice ") to each of the members of the ARVO Committee and all other parties hereto.

(c) Except where the ARVO Committee has resolved otherwise, the right to pursue a Chartering Opportunity shall be granted to the parties hereto in accordance with the following:

(i) From the date hereof and until the expiration of the Commitment Period, in the event that the Chartering Opportunity is being considered in connection with a prospective Vessel acquisition by the Company or a Grantor, such party shall have the right to pursue the Chartering Opportunity; and

(ii) In all other circumstances, the parties shall alternate who shall have the right to pursue such Chartering Opportunity, it being agreed that the Company shall have the right to pursue the first such Chartering Opportunity, with the Grantors having the right to pursue the second Chartering Opportunity, etc.

(d) Each of the Grantors shall, upon the written request of either Paros or the All Seas Members, provide each member of the ARVO Committee with written notice of the details of all charter agreements entered into by such Grantor with a vessel under the ownership or management of any of the Grantors (whether a Chartering Opportunity or otherwise) during the prior fiscal quarter (each such written notice, a " Grantor Charter Notice ").

(e) Notwithstanding anything to the contrary contained herein, the provisions of this Section 5 shall only be applicable if the potential charterer with respect to a Chartering Opportunity believes there are Similar Vessels and is indifferent about which Similar Vessel to charter. If, however, such potential charterer prefers a specific vessel (despite there being other Similar Vessels available), then the owner of the preferred vessel shall have the right to charter such vessel and the provisions of this Section 5 shall be inapplicable with respect to such Chartering Opportunity.

(f) If (i) any of the Grantors or their Affiliates enters into a chartering agreement in violation of Section 5(c) (each such chartering agreement, a " Breaching Agreement ") and (ii) any Similar Vessel of the other party is either (A) unemployed or (B) employed on terms less favorable than those provided for in the Breaching Agreement, at any time during the term of such Breaching Agreement, then such party shall indemnify the other party for the lost profits resulting from each day such Similar Vessel remains unemployed during the term of such Breaching Agreement and/or, in the case of a Similar Vessel that is employed on terms less favorable than those provided for in the Breaching Agreement, the difference between the charter rates set forth in the Breaching Agreement and those set forth in such Similar Vessel's then current charter agreement. Notwithstanding anything to the contrary contained in this Agreement, the provisions of this Section 5(f) shall be the sole monetary remedy available against a party that violates this Section 5 and enters into a Breaching Agreement.

6. Manager Voting Requirement . Notwithstanding anything to the contrary contained herein, (i) none of the Grantors shall (nor shall they permit their Affiliates to) consummate or enter into any definitive agreement to consummate any Proposed Acquisition, Vessel Disposition Opportunity or Chartering Opportunity (each, an " Opportunity " and collectively, the " Opportunities ") if (A) the Company elected not to pursue such Opportunity and (B) the Managers designated by Euroseas present at the relevant meeting of the Board of Managers either abstained from voting or voted not to pursue such Opportunity, (ii) Paros shall not (and shall not permit its Affiliates to) consummate or enter into any definitive agreement to consummate any Opportunity if (A) the Company elected not to pursue such Opportunity and (B) the Managers designated by Paros present at the relevant meeting of the Board of Managers either abstained from voting or voted not to pursue such Opportunity, and (iii) none of the All Seas Members shall (nor shall they permit their Affiliates to) consummate or enter into any definitive agreement to consummate any Opportunity if (A) the Company elected not to pursue such Opportunity and (B) the Managers designated by the All Seas Members present at the relevant meeting of the Board of Managers either abstained from voting or voted not to pursue such Opportunity.

7. Pittas Investments . Pittas has disclosed to the Company all of his investments in any Person that is engaged in the business of owning shipping vessels (a " Shipping Person ") in which he owns greater than five percent (5%) of the securities of such Shipping Person. Pittas hereby agrees that so long as Euroseas or any of its Affiliates is a member of the Company or any Grantor or its Affiliates has a contract with the Company, Pittas shall orally disclose to the Board of Managers any new investments in any Shipping Person prior to committing to or consummating such investment if, in the event that after making any such investment Pittas would own greater than five percent (5%) of the securities of such Shipping Person. All information provided to Company pursuant to this Section 7 shall be kept confidential by the Company and shall not be divulged, in whole or in part, to any third party, except as required by applicable law.

8. Remedies . If any party fails to perform its obligations under this Agreement, the non-breaching parties shall have any and all rights and remedies in contract law or equity under applicable law. The parties acknowledge that irreparable damage may occur to the other parties in the event that any provisions of this Agreement were not performed by such other parties or their Affiliates in accordance with the specific terms hereof and that such parties shall be entitled to seek an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically performance of the terms hereof in addition to any other remedies at law or in equity. Each party hereto agrees not to question or otherwise challenge the assertion or enforceability of this remedy, in and of itself, as described in this Section 8 by the another party. In any action or proceeding brought to enforce any provision of this Agreement or any other document or instrument contemplated hereby, or where any provision thereof is validly asserted as a defense, the successful party shall be entitled to recover from the unsuccessful party or parties reasonable attorneys' fees, charges and disbursements in addition to any other available remedy.

9. No Conflicts .

(a) Each of the Grantors severally represents and warrants to the Company, Paros and the All Seas Members that except as set forth in Section 9(c) below, none of the execution and delivery of this Agreement by the Grantors, the consummation by the Grantors of the transactions contemplated by this Agreement to be performed by it or compliance by the Grantors with any of the provisions, terms and conditions of this Agreement shall (i) conflict with or result in any violation or breach of any organizational documents applicable to any Grantor or (ii) result in a violation or breach of, or constitute (with or without notice or lapse of time or both) a default (or give rise to any third party right of termination, cancellation, material modification or acceleration) under any of the terms, conditions or provisions of any material note, loan agreement, bond, mortgage, indenture, license, contract, commitment, arrangement, understanding, agreement or other instrument or obligation of any kind to which any Grantor is a party or by which any Grantor or any of its properties or assets may be bound.

(b) Each of the Grantors hereby agrees that it shall not enter into any agreement or arrangement of any kind with any Person inconsistent with the provisions of this Agreement or for the purpose or with the effect of denying or reducing the rights of the Company, Paros or the All Seas Members under this Agreement.

(c) Euroseas agrees that to the extent it receives any Opportunity under that certain Right of First Refusal Agreement, dated as of January 26, 2007, it shall provide such Opportunity to the Company in accordance with the terms set forth in this Agreement.

10. Notices . All notices, requests, demands or other communications required or permitted to be given or made hereunder shall be in writing and delivered personally, or sent by facsimile or email, or by reputable overnight courier, or prepaid first class, certified or registered mail return receipt requested. Any such notice, demand or communications shall be deemed to have been duly served immediately (if hand delivered or sent by overnight courier) or upon a confirmation or an acknowledgement response (if sent by facsimile or email) or three days after mailing (if given or made by mailing in the United States to an address in the United States) or seven days after mailing (if made or given to or from an address outside the United States).

Notices to Euroseas will be made as follows:

Euroseas Ltd.
4 Messogiou Street & Evropis St.
151 25 Maroussi Greece
Telephone: 011-30 211 1804005
Facsimile: 011-30 211 1804097
Attention: Aristides J. Pittas, Chairman, President & CEO

Notices to Eurobulk will be made as follows:

Eurobulk Ltd.
4 Messogiou Street & Evropis St.
151 25 Maroussi Greece
Telephone: 011-30 211 1804000
Facsimile: 011-30 210 1804097
Attention: Markos Vassilikos, Managing Director

Notices to Eurochart will be made as follows:

Eurochart S.A.
4 Messogiou Street & Evropis St.
151 25 Maroussi Greece
Telephone: 011-30 211 1804000
Facsimile: 011-30 2111804097
Attention: Aristides J. Pittas, Director & President

Notices to Mr. Aristides J. Pittas will be made as follows:

Mr. Aristides J. Pittas
4 Messogiou Street & Evropis St.
151 25 Maroussi Greece
Telephone: 011-30 211 1804005
Facsimile: 011-30 211 1804097

Notices to the Company will be made as follows:

Euromar LLC
4 Messogiou Street & Evropis St.
151 25 Maroussi Greece
Telephone: 011-30 211 1804005
Facsimile: 011-30 211 1804097
Attention: President

With copies to:

Eton Park Capital Management, L.P.
399 Park Avenue, 10th Floor
New York, NY 10022
Telephone: 212 756 5392
Facsimile: 646 521 6393

Attention: Marcy Engel, Chief Operating Officer and General Counsel

and

All Seas Capital LLC
c/o Rhône Capital III L.P.
630 Fifth Avenue, 27th Floor
New York, NY 10111
Telephone: 212 218-6765
Facsimile: 212 218-6789
Attention: Allison Steiner

11. Governing Law . This Agreement and the rights and obligations of the parties hereto will be governed by and construed in accordance with the laws of New York without giving effect to choice of law principles.

12. Consent to Jurisdiction; Service of Process . The parties hereto agree that any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby shall be brought exclusively in federal or state courts located in the County of New York, State of New York, and each of the parties hereby irrevocably consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party agrees that service of any process, summons, notice or document by U.S. registered mail to its address set forth in Section 10 shall be deemed effective service of process for any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby brought against such party in any such court as set forth in this Section 12 .

13. WAIVER OF JURY TRIAL . EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT AND THE TRANSACTION DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

14. Binding Effect; Assignment . This Agreement will be binding upon and inure to the benefit of the parties hereto and to their respective heirs, executors, administrators, successors and permitted assigns. This Agreement is not assignable by any party without the prior written consent of the other parties except as provided in Section 3 hereof.

15. Severability . If any term, covenant or condition of this Agreement is held to be invalid, illegal or unenforceable in any respect, then this Agreement will be construed as if such invalid, illegal, or unenforceable provision or part of a provision had never been contained in this Agreement.

16. Amendments . The Agreement may only be amended by written agreement executed by each of the parties hereto.

17. Entire Agreement . This Agreement and the other Transaction Documents constitute the entire agreement of the parties with respect to the subject matter hereof and supersede any prior understandings, agreements or representations by or between the parties hereto, written or oral, with respect to such subject matter.

18. Invalid Provisions . If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law, and if the rights or obligations of any party hereto under this Agreement shall not be materially and adversely affected thereby, (a) such provision shall be fully severable, (b) this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (c) the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom and (d) in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

19. Further Assurances . Each party hereto shall cooperate and shall take such further action and shall execute and deliver such further documents as may be reasonably requested by the other party in order to carry out the provisions and purposes of this Agreement.

20. Waiver . No waiver by any party of any term or condition of this Agreement, in one or more instances, shall be valid unless in writing, and no such waiver shall be deemed to be construed as a waiver of any subsequent breach or default of the same or similar nature.

21. Termination of Agreement . This Agreement shall automatically terminate upon the earlier of (i) termination of the Management Agreement (as defined in the Operating Agreement) and (ii) Euroseas ceasing to be a member of the Company.

22. Certain Excluded Opportunities . Notwithstanding anything to the contrary contained herein, Eurochart shall not have any obligation to present any Opportunity to the Company with respect to any Opportunity it transacts on behalf of a party not affiliated with any of the Grantors.

23. Counterparts . This Agreement may be executed in multiple counterparts, each of which will be deemed an original and all of such counterparts together will constitute one agreement. To facilitate execution of this Agreement, the parties may execute and exchange counterparts of signature pages by facsimile or electronic delivery.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed or caused this Agreement to be executed as of the date set forth above.

EUROSEAS LTD.

By: _____
Name: Aristides J. Pittas
Title: Chairman, President & CEO

EUROBULK LTD.

By: _____
Name: Markos Vassilikos
Title: Managing Director

EUROCHART S.A.

By: _____
Name: Aristides J. Pittas
Title: Director & President

ARISTIDES J. PITTAS

_____

EUROMAR LLC

By: _____
Name: Eytan Tigay
Title: Manager

[Signature page to the Agreement Regarding Vessel Opportunities]

Exhibit 4.30

EUROSEAS LTD.
2010 EQUITY INCENTIVE PLAN

ARTICLE I.
General

1.1. Purpose

The Euroseas Ltd. 2010 Equity Incentive Plan (the "Plan") is designed to provide certain key persons, whose initiative and efforts are deemed to be important to the successful conduct of the business of Euroseas Ltd. (the "Company"), with incentives to (a) enter into and remain in the service of the Company, its Subsidiaries (as defined below) and/or its Affiliates (as defined below), (b) acquire a proprietary interest in the success of the Company, (c) maximize their performance and (d) enhance the long-term performance of the Company.

1.2. Administration

(a) Administration . The Plan shall be administered by the Company's Board of Directors (referred to herein as the "Board") or such other committee of the Board as may be designated by the Board to administer the Plan (the Board or such committee, as applicable, being referred to herein as the "Administrator"); provided that (i) in the event the Company is subject to Section 16 of the U.S. Securities Exchange Act of 1934, as amended (the "1934 Act"), the Administrator shall be composed of two or more directors, each of whom is a "Non-Employee Director" (a "Non-Employee Director") under Rule 16b-3 (as promulgated and interpreted by the Securities and Exchange Commission (the "SEC") under the 1934 Act, or any successor rule or regulation thereto as in effect from time to time), and (ii) the Administrator shall be composed solely of two or more directors who are "independent directors" under the rules of any stock exchange on which the Company's Common Stock (as defined below) is traded; provided further , however , that, (A) the requirement in the preceding clause (i) shall apply only when required to exempt an Award intended to qualify for an exemption under the applicable provisions referenced therein, (B) the requirement in the preceding clause (ii) shall apply only when required pursuant to the applicable rules of the applicable stock exchange and (C) if at any time the Administrator is not so composed as required by the preceding provisions of this sentence, that fact will not invalidate any grant made, or action taken, by the Administrator hereunder that otherwise satisfies the terms of the Plan. Subject to the terms of the Plan and applicable law, and in addition to other express powers and authorizations conferred on the Administrator by the Plan, the Administrator shall have the full power and authority to: (1) designate the persons to receive Awards (as defined below) under the Plan; (2) determine the types of Awards granted to a participant under the Plan; (3) determine the number of shares to be covered by, or with respect to which payments, rights or other matters are to be calculated with respect to, Awards; (4) determine the terms and conditions of any Awards; (5) determine whether, and to what extent, and under what circumstances, Awards may be settled or exercised in cash, shares, other securities, other Awards or other property, or cancelled, forfeited or suspended, and the methods by which Awards may be settled, exercised, cancelled, forfeited or suspended; (6) determine whether, to what extent, and under what circumstances cash, shares, other securities, other Awards, other property and other amounts payable with respect to an Award shall be deferred, either automatically or at the election of the holder thereof or the Administrator; (7) construe, interpret and implement the Plan and any Award Agreement (as defined below); (8) prescribe, amend, rescind or waive rules and regulations relating to the Plan, including rules governing its operation, and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (9) make all determinations necessary or advisable in administering the Plan; (10) correct any defect, supply any omission and reconcile any inconsistency in the Plan or any Award Agreement; and (11) make any other determination and take any other action that the Administrator deems necessary or desirable for the administration of the Plan. Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations and other decisions under or with respect to the Plan or any Award shall be within the sole discretion of the Administrator, may be made at any time and shall be final, conclusive and binding upon all persons.

(b) General Right of Delegation . Except to the extent prohibited by applicable law, the applicable rules of a stock exchange or any charter, by-laws or other agreement governing the Administrator, the Administrator may delegate all or any part of its responsibilities to any person or persons selected by it and may revoke any such allocation or delegation at any time.

(c) Indemnification . No member of the Board, the Administrator or any employee of the Company, its Subsidiaries or its Affiliates (each such person, a "Covered Person") shall be liable for any action taken or omitted to be taken or any determination made in good faith with respect to the Plan or any Award hereunder. Each Covered Person shall be indemnified and held harmless by the Company against and from (i) any loss, cost, liability or expense (including attorneys' fees) that may be imposed upon or incurred by such Covered Person in connection with or resulting from any action, suit or proceeding to which such Covered Person may be a party or in which such Covered Person may be involved by reason of any action taken or omitted to be taken under the Plan or any Award Agreement and (ii) any and all amounts paid by such Covered Person, with the Company's approval, in settlement thereof, or paid by such Covered Person in satisfaction of any judgment in any such action, suit or proceeding against such Covered Person; provided that the Company shall have the right, at its own expense, to assume and defend any such action, suit or proceeding and, once the Company gives notice of its intent to assume the defense, the Company shall have sole control over such defense with counsel of the Company's choice. The foregoing right of indemnification shall not be available to a Covered Person to the extent that a court of competent jurisdiction in a final judgment or other final adjudication, in either case not subject to further appeal, determines that the acts or omissions of such Covered Person giving rise to the indemnification claim resulted from such Covered Person's bad faith, fraud or willful criminal act or omission or that such right of indemnification is otherwise prohibited by law or by the Company's Articles of Incorporation or Bylaws, each as amended from time to time. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which Covered Persons may be entitled under the Company's Articles of Incorporation or Bylaws, each as amended from time to time, as a matter of law, or otherwise, or any other power that the Company may have to indemnify such persons or hold them harmless.

(d) Delegation of Authority to Senior Officers . The Administrator may, in accordance with the terms of Section 1.2(b), delegate, on such terms and conditions as it determines, to one or more senior officers of the Company the authority to make grants of Awards to employees (other than officers) of the Company, its Subsidiaries (as defined below) and its Affiliates (including any such prospective employee) and consultants and service providers to the Company and its Subsidiaries; provided , however , that in no event shall any such officer be delegated the authority to grant Awards to, or amend Awards held by, the following individuals: (i) individuals who are subject to Section 16 of the 1934 Act, or (ii) officers of the Company (or directors of the Company) to whom authority to grant or amend Awards has been delegated hereunder.

(e) Awards to Non-Employee Directors . Notwithstanding anything to the contrary contained herein, the Board may, in its sole discretion, at any time and from time to time, grant Awards to Non-Employee Directors or administer the Plan with respect to such Awards. In any such case, the Board shall have all the authority and responsibility granted to the Administrator herein.

1.3. Persons Eligible for Awards

The persons eligible to receive Awards under the Plan are those officers, directors, and executive, managerial, administrative and professional employees (including any such prospective officer or employee) of the Company and its Subsidiaries and Affiliates and consultants and service providers (including individuals who are employed by or provide services to any entity that is itself such a consultant or service provider) to the Company and its Subsidiaries and Affiliates (collectively, "Key Persons") as the Administrator shall select.

1.4. Types of Awards

Awards may be made under the Plan in the form of (a) stock options, (b) stock appreciation rights, (c) restricted stock, (d) restricted stock units, (e) phantom stock units and (f) unrestricted stock, all as more fully set forth in the Plan. The term "Award" means any of the foregoing that are granted under the Plan.

1.5. Shares Available for Awards; Adjustments for Changes in Capitalization

(a) Maximum Number . Subject to adjustment as provided in Section 1.5(c), the aggregate number of shares of common stock of the Company, par value $0.03 ("Common Stock"), with respect to which Awards may at any time be granted under the Plan shall be 1,500,000. The following shares of Common Stock shall again become available for Awards under the Plan: (i) any shares that are subject to an Award under the Plan and that remain unissued upon the cancellation or termination of such Award for any reason whatsoever; (ii) any shares of restricted stock forfeited pursuant to the Plan or the applicable Award Agreement; and (iii) any shares in respect of which an Award is settled for cash without the delivery of shares to the grantee. Any shares tendered or withheld to satisfy the grant or exercise price or tax withholding obligation pursuant to any Award shall again become available to be delivered pursuant to Awards under the Plan.

(b) Source of Shares; Certificate Legends . Shares issued pursuant to the Plan may be authorized but unissued Common Stock or treasury shares. The Administrator may direct that any stock certificate evidencing shares issued pursuant to the Plan shall bear a legend setting forth such restrictions on transferability as may apply to such shares.

(c) Adjustments .

(i) In the event that any dividend or other distribution (whether in the form of cash, Company shares, other securities or other property), stock split, reverse stock split, reorganization, merger, consolidation, split-up, combination, repurchase or exchange of Company shares or other securities of the Company, issuance of warrants or other rights to purchase Company shares or other securities of the Company, or other similar corporate transaction or event, other than an Equity Restructuring (as defined below), affects the Company shares such that an adjustment is determined by the Administrator to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to an Award, then the Administrator shall, in such manner as it may deem equitable, adjust any or all of the number of shares or other securities of the Company (or number and kind of other securities or property) with respect to which Awards may be granted under the Plan.

(ii) The Administrator is authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including the events described in Section 1.5(c)(i) or the occurrence of a Change in Control (as defined below), other than an Equity Restructuring) affecting the Company, any Subsidiary or Affiliate, or the financial statements of the Company, any Subsidiary or any Affiliate, or of changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange, accounting principles or law, whenever the Administrator determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to an Award, including providing for (A) adjustment to (1) the number of shares or other securities of the Company (or number and kind of other securities or property) subject to outstanding Awards or to which outstanding Awards relate and (2) the Exercise Price (as defined below) with respect to any Award and (B) a substitution or assumption of Awards, accelerating the exercisability or vesting of, or lapse of restrictions on, Awards, or accelerating the termination of Awards by providing for a period of time for exercise prior to the occurrence of such event, or, if deemed appropriate or desirable, providing for a cash payment to the holder of an outstanding Award in consideration for the cancellation of such Award (it being understood that, in such event, any option or stock appreciation right having a per share Exercise Price equal to, or in excess of, the Fair Market Value (as defined below) of a share subject to such option or stock appreciation right may be cancelled and terminated without any payment or consideration therefor); provided , however , that with respect to options and stock appreciation rights, unless otherwise determined by the Administrator, such adjustment shall be made in accordance with the provisions of Section 424(h) of the Code (as defined below).

(iii) In the event of (A) a dissolution or liquidation of the Company, (B) a sale of all or substantially all the Company's assets or (C) a merger, reorganization or consolidation involving the Company or one of its Subsidiaries (as defined below), the Administrator shall have the power to:

(1) provide that outstanding options, stock appreciation rights, phantom stock units and/or restricted stock units (including any related dividend equivalent right) shall either continue in effect, be assumed or an equivalent award shall be substituted therefor by the successor corporation or a "parent corporation" (as defined in Section 424(e) of the Internal Revenue Code of 1986, as amended (the "Code")) or "subsidiary corporation" (as defined in Section 424(f) of the Code);

(2) cancel, effective immediately prior to the occurrence of such event, options, stock appreciation rights, phantom stock units and/or restricted stock units (including each dividend equivalent right related thereto) outstanding immediately prior to such event (whether or not then exercisable) and, in full consideration of such cancellation, pay to the holder of such Award a cash payment in an amount equal to the excess, if any, of the Fair Market Value (as of a date specified by the Administrator) of the shares subject to such Award over the aggregate Exercise Price of such Award (it being understood that, in such event, (x) any option or stock appreciation right having a per share Exercise Price equal to, or in excess of, the Fair Market Value of a share subject to such option or stock appreciation right may be cancelled and terminated without any payment or consideration therefor and (y) any phantom stock unit that by its terms may be cancelled without payment therefor may be cancelled and terminated without any payment or consideration therefor to the extent so provided in the applicable Award Agreement); or

(3) notify the holder of an option or stock appreciation right in writing or electronically that each option and stock appreciation right shall be fully vested and exercisable for a period of 30 days from the date of such notice, or such shorter period as the Administrator may determine to be reasonable, and the option or stock appreciation right shall terminate upon the expiration of such period (which period shall expire no later than immediately prior to the consummation of the corporate transaction).

(iv) In connection with the occurrence of any Equity Restructuring, and notwithstanding anything to the contrary in this Section 1.5(c):

(1) The number and type of securities or other property subject to each outstanding Award and the Exercise Price or grant price thereof, if applicable, shall be equitably adjusted; and

(2) The Administrator shall make such equitable adjustments, if any, as the Administrator may deem appropriate to reflect such Equity Restructuring with respect to the aggregate number and kind of shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations set forth in Sections 1.5(a)). The adjustments provided under this Section 1.5(c)(iv) shall be nondiscretionary and shall be final and binding on the affected participant and the Company.

1.6. Definitions of Certain Terms

(a) The "Fair Market Value" of a share of Common Stock on any day shall be the closing price on the Nasdaq Global Select Market (or the Over-the-Counter Bulletin Board or such other market on which the Common Stock is trading, if not trading on the Nasdaq Global Select Market), as reported for such day in The Wall Street Journal, or, if no such price is reported for such day, the average of the high bid and low asked price of Common Stock as reported for such day. If no quotation is made for the applicable day, the Fair Market Value of a share of Common Stock on such day shall be determined in the manner set forth in the preceding sentence for the next preceding trading day. Notwithstanding the foregoing, if there is no reported closing price or high bid/low asked price that satisfies the preceding sentences, or if otherwise deemed necessary or appropriate by the Administrator, the Fair Market Value of a share of Common Stock on any day shall be determined by such methods and procedures as shall be established from time to time by the Administrator. The "Fair Market Value" of any property other than Common Stock shall be the fair market value of such property determined by such methods and procedures as shall be established from time to time by the Administrator.

(b) Unless otherwise set forth in an Award Agreement, in connection with a termination of employment or consultancy/service relationship or a dismissal from Board membership, for purposes of the Plan, the term "for Cause" shall be defined as follows:

(i) if there is an employment, severance, consulting, service, change in control or other agreement governing the relationship between the grantee, on the one hand, and the Company or a Subsidiary or Affiliate, on the other hand, that contains a definition of "cause" (or similar phrase), for purposes of the Plan, the term "for Cause" shall mean those acts or omissions that would constitute "cause" under such agreement; or

(ii) if the preceding clause (i) is not applicable to the grantee, for purposes of the Plan, the term "for Cause" shall mean any of the following:

(A) any failure by the grantee substantially to perform the grantee's employment or consultancy/service or Board membership duties;

(B) any excessive unauthorized absenteeism by the grantee;

(C) any refusal by the grantee to obey the lawful orders of the Board or any other person to whom the grantee reports;

(D) any act or omission by the grantee that is or may be injurious to the Company, any Subsidiary or any Affiliate, whether monetarily, reputationally or otherwise;

(E) any act by the grantee that is inconsistent with the best interests of the Company, any Subsidiary or any Affiliate;

(F) the grantee's gross negligence that is injurious to the Company, any Subsidiary or any Affiliate, whether monetarily, reputationally or otherwise;

(G) the grantee's material violation of any of the policies of the Company, a Subsidiary or Affiliate, as applicable, including, without limitation, those policies relating to discrimination or sexual harassment;

(H) the grantee's material breach of his or her employment or service contract with the Company, any Subsidiary or any Affiliate;

(I) the grantee's unauthorized (1) removal from the premises of the Company, any Subsidiary or an Affiliate of any document (in any medium or form) relating to the Company, any Subsidiary or an Affiliate or the customers or clients of the Company, any Subsidiary or an Affiliate or (2) disclosure to any person or entity of any of the Company's, any Subsidiary's or any Affiliate's, confidential or proprietary information;

(J) the grantee's being convicted of, or entering a plea of guilty or nolo contendere to, any crime that constitutes a felony or involves moral turpitude; and

(K) the grantee's commission of any act involving dishonesty or fraud.

Any rights the Company, any Subsidiary or any Affiliates may have under the Plan in respect of the events giving rise to a termination or dismissal "for Cause" shall be in addition to any other rights the Company, any Subsidiary or its Affiliates may have under any other agreement with a grantee or at law or in equity. Any determination of whether a grantee's employment, consultancy/service relationship or Board membership is (or is deemed to have been) terminated "for Cause" shall be made by the Administrator. If, subsequent to a grantee's voluntary termination of employment or consultancy/service relationship or voluntarily resignation from the Board or involuntary termination of employment or consultancy/service relationship without Cause or removal from the Board other than "for Cause", it is discovered that the grantee's employment or consultancy/service relationship or Board membership could have been terminated "for Cause", the Administrator may deem such grantee's employment or consultancy/service relationship or Board membership to have been terminated "for Cause" upon such discovery and determination by the Administrator.

(c) "Affiliate" shall mean (i) any entity that, directly or indirectly, is controlled by, controls or is under common control with, the Company, (ii) any entity in which the Company has a significant equity interest and (iii) Eurobulk Ltd., Eurochart S.A. and any other entity controlled by the Pittas family, in each case as determined by the Administrator.

(d) "Subsidiary" shall mean any entity in which the Company, directly or indirectly, has a 50% or more equity interest.

(e) "Exercise Price" shall mean (i) in the case of options, the price specified in the applicable Award Agreement as the price-per-share at which such share can be purchased pursuant to the option or (ii) in the case of stock appreciation rights, the price specified in the applicable Award Agreement as the reference price-per-share used to calculate the amount payable to the grantee.

(f) "Equity Restructuring" shall mean a non-reciprocal transaction between the Company and its stockholders, such as a stock dividend, stock split, spin-off, rights offering or recapitalization through a large, nonrecurring cash dividend, that affects the shares of Common Stock (or other securities of the Company) or the share price thereof and causes a change in the per share value of the shares underlying outstanding Awards.

(g) "Repricing" shall mean (i) lowering the Exercise Price of an option or a stock appreciation right after it has been granted, (ii) the cancellation of an option or a stock appreciation right in exchange for cash or another Award when the Exercise Price exceeds the Fair Market Value of the underlying shares subject to the Award and (iii) any other action with respect to an option or a stock appreciation right that is treated as a repricing under (A) generally accepted accounting principles or (B) any applicable stock exchange rules.

ARTICLE II.
Awards Under The Plan

2.1. Agreements Evidencing Awards

Each Award granted under the Plan shall be evidenced by a written certificate ("Award Agreement"), which shall contain such provisions as the Administrator may deem necessary or desirable and which may, but need not, require execution or acknowledgment by a grantee. The Award shall be subject to all of the terms and provisions of the Plan and the applicable Award Agreement.

2.2. Grant of Stock Options and Stock Appreciation Rights

(a) Stock Option Grants . The Administrator may grant stock options ("options") to purchase shares of Common Stock from the Company to such Key Persons, and in such amounts and subject to such vesting and forfeiture provisions and other terms and conditions, as the Administrator shall determine, subject to the provisions of the Plan. No option will be treated as an "incentive stock option" for purposes of the Code. It shall be the intent of the Administrator to not grant an Award in the form of stock options to any Key Person who is then subject to the requirements of Section 409A of the Code with respect to such Award if the Common Stock (as defined below) underlying such Award does not then qualify as "service recipient stock" for purposes of Section 409A. Furthermore, it shall be the intent of the Administrator, in granting options to Key Persons who are subject to Section 409A and/or 457 of the Code, to structure such options so as to comply with the requirements of Section 409A and/or 457 of the Code, as applicable.

(b) Option Exercise Price . Each Award Agreement with respect to an option shall set forth the Exercise Price of such Award and, unless otherwise specifically provided in the Award Agreement, the Exercise Price of an option shall equal the Fair Market Value of a share of Common Stock on the date of grant; provided that in no event may such Exercise Price be less than the greater of (i) the Fair Market Value of a share of Common Stock on the date of grant and (ii) the par value of a share of Common Stock. Repricing of options granted under the Plan shall not be permitted (1) to the extent such action could cause adverse tax consequences to the grantee under Sections 409A or 457A of the Code or (2) without prior shareholder approval, to the extent such approval would be required to be obtained by the Company pursuant to the rules of any applicable stock exchange on which the Common Stock is then listed, and any action that would be deemed to result in a Repricing of an option shall be deemed null and void if it would cause such adverse tax consequences or if any requisite shareholder approval related thereto is not obtained prior to the effective time of such action.

(c) Stock Appreciation Right Grants; Types of Stock Appreciation Rights . The Administrator may grant stock appreciation rights to such Key Persons, and in such amounts and subject to such vesting and forfeiture provisions and other terms and conditions, as the Administrator shall determine, subject to the provisions of the Plan. The terms of a stock appreciation right may provide that it shall be automatically exercised for a payment upon the happening of a specified event that is outside the control of the grantee and that it shall not be otherwise exercisable. Stock appreciation rights may be granted in connection with all or any part of, or independently of, any option granted under the Plan. It shall be the intent of the Administrator to not grant an Award in the form of stock appreciation rights to any Key Person (i) who is then subject to the requirements of Section 409A of the Code with respect to such Award if the Common Stock underlying such Award does not then qualify as "service recipient stock" for purposes of Section 409A or (ii) if such Award would create adverse tax consequences for such Key Person under Section 457A of the Code.

(d) Nature of Stock Appreciation Rights . The grantee of a stock appreciation right shall have the right, subject to the terms of the Plan and the applicable Award Agreement, to receive from the Company an amount equal to (i) the excess of the Fair Market Value of a share of Common Stock on the date of exercise of the stock appreciation right over the Exercise Price of the stock appreciation right, multiplied by (ii) the number of shares with respect to which the stock appreciation right is exercised. Each Award Agreement with respect to a stock appreciation right shall set forth the Exercise Price of such Award and, unless otherwise specifically provided in the Award Agreement, the Exercise Price of a stock appreciation right shall equal the Fair Market Value of a share of Common Stock on the date of grant; provided that in no event may such Exercise Price be less than the greater of (A) the Fair Market Value of a share of Common Stock on the date of grant and (B) the par value of a share of Common Stock. Payment upon exercise of a stock appreciation right shall be in cash or in shares of Common Stock (valued at their Fair Market Value on the date of exercise of the stock appreciation right) or any combination of both, all as the Administrator shall determine. Repricing of stock appreciation rights granted under the Plan shall not be permitted (1) to the extent such action could cause adverse tax consequences to the grantee under Sections 409A or 457A of the Code or (2) without prior shareholder approval, to the extent such approval would be required to be obtained by the Company pursuant to the rules of any applicable stock exchange on which the Common Stock is then listed, and any action that would be deemed to result in a Repricing of a stock appreciation right shall be deemed null and void if it would cause such adverse tax consequences or if any requisite shareholder approval related thereto is not obtained prior to the effective time of such action. Upon the exercise of a stock appreciation right granted in connection with an option, the number of shares subject to the option shall be reduced by the number of shares with respect to which the stock appreciation right is exercised. Upon the exercise of an option in connection with which a stock appreciation right has been granted, the number of shares subject to the stock appreciation right shall be reduced by the number of shares with respect to which the option is exercised.

2.3. Exercise of Options and Stock Appreciation Rights

Subject to the other provisions of this Article II and the Plan, each option and stock appreciation right granted under the Plan shall be exercisable as follows:

(a) Timing and Extent of Exercise . Options and stock appreciation rights shall be exercisable at such times and under such conditions as determined by the Administrator and set forth in the corresponding Award Agreement, but in no event shall any portion of such Award be exercisable subsequent to the tenth anniversary of the date on which such Award was granted. Unless the applicable Award Agreement otherwise provides, an option or stock appreciation right may be exercised from time to time as to all or part of the shares as to which such Award is then exercisable.

(b) Notice of Exercise . An option or stock appreciation right shall be exercised by the filing of a written notice with the Company or the Company's designated exchange agent (the "Exchange Agent"), on such form and in such manner as the Administrator shall prescribe.

(c) Payment of Exercise Price . Any written notice of exercise of an option shall be accompanied by payment for the shares being purchased. Such payment shall be made: (i) by certified or official bank check (or the equivalent thereof acceptable to the Company or its Exchange Agent) for the full option Exercise Price; (ii) with the consent of the Administrator, which consent shall be given or withheld in the sole discretion of the Administrator, by delivery of shares of Common Stock having a Fair Market Value (determined as of the exercise date) equal to all or part of the option Exercise Price and a certified or official bank check (or the equivalent thereof acceptable to the Company or its Exchange Agent) for any remaining portion of the full option Exercise Price; or (iii) at the sole discretion of the Administrator and to the extent permitted by law, by such other provision, consistent with the terms of the Plan, as the Administrator may from time to time prescribe (whether directly or indirectly through the Exchange Agent), or by any combination of the foregoing payment methods.

(d) Delivery of Certificates Upon Exercise . Subject to Sections 3.2, 3.4 and 3.13, promptly after receiving payment of the full option Exercise Price, or after receiving notice of the exercise of a stock appreciation right for which the Administrator determines payment will be made partly or entirely in shares, the Company or its Exchange Agent shall (i) deliver to the grantee, or to such other person as may then have the right to exercise the Award, a certificate or certificates for the shares of Common Stock for which the Award has been exercised or, in the case of stock appreciation rights, for which the Administrator determines will be made in shares or (ii) establish an account evidencing ownership of the stock in uncertificated form. If the method of payment employed upon an option exercise so requires, and if applicable law permits, an optionee may direct the Company or its Exchange Agent, as the case may be, to deliver the stock certificate(s) to the optionee's stockbroker.

(e) No Stockholder Rights . No grantee of an option or stock appreciation right (or other person having the right to exercise such Award) shall have any of the rights of a stockholder of the Company with respect to shares subject to such Award until the issuance of a stock certificate to such person for such shares. Except as otherwise provided in Section 1.5(c), no adjustment shall be made for dividends, distributions or other rights (whether ordinary or extraordinary, and whether in cash, securities or other property) for which the record date is prior to the date such stock certificate is issued.

2.4. Termination of Employment; Death Subsequent to a Termination of Employment

(a) General Rule . Except to the extent otherwise provided in paragraphs (b), (c), (d), (e) or (f) of this Section 2.4 or Section 3.5(b)(iii), a grantee who incurs a termination of employment or consultancy/service relationship or dismissal from the Board may exercise any outstanding option or stock appreciation right on the following terms and conditions: (i) exercise may be made only to the extent that the grantee was entitled to exercise the Award on the date of termination of employment or consultancy/service relationship or dismissal from the Board, as applicable; and (ii) exercise must occur within three months after termination of employment or consultancy/service relationship or dismissal from the Board but in no event after the original expiration date of the Award.

(b) Dismissal "for Cause" . If a grantee incurs a termination of employment or consultancy/service relationship or dismissal from the Board "for Cause", all options and stock appreciation rights not theretofore exercised shall immediately terminate upon the grantee's termination of employment or consultancy/service relationship or dismissal from the Board.

(c) Retirement . If a grantee incurs a termination of employment or consultancy/service relationship or dismissal from the Board as the result of his or her retirement (as defined below), then any outstanding option or stock appreciation right shall, to the extent exercisable at the time of such retirement, remain exercisable for a period of three years after such retirement; provided that in no event may such option or stock appreciation right be exercised following the original expiration date of the Award. For this purpose, "retirement" shall mean a grantee's resignation of employment or consultancy/service relationship or dismissal from the Board, with the Company's, it Subsidiary's or Affiliate's prior consent, on or after (i) his or her 65th birthday, (ii) the date on which he or she has attained age 60 and completed at least five years of service with the Company, a Subsidiary or Affiliate (using any method of calculation the Administrator deems appropriate) or (iii) if approved by the Administrator, on or after his or her having completed at least 20 years of service with the Company, a Subsidiary or Affiliate (using any method of calculation the Administrator deems appropriate).

(d) Disability . If a grantee incurs a termination of employment or consultancy/service relationship or a dismissal from the Board by reason of a disability (as defined below), then any outstanding option or stock appreciation right shall, to the extent exercisable at the time of such termination or dismissal, remain exercisable for a period of one year after such termination or dismissal; provided that in no event may such option or stock appreciation right be exercised following the original expiration date of the Award. For this purpose, "disability" shall mean any physical or mental condition that would qualify the grantee for a disability benefit under the long-term disability plan maintained by the Company or a Subsidiary or Affiliate, as applicable, or, if there is no such plan, a physical or mental condition that prevents the grantee from performing the essential functions of the grantee's position (with or without reasonable accommodation) for a period of six consecutive months. The existence of a disability shall be determined by the Administrator.

(e) Death .

(i) *Termination of Employment as a Result of Grantee's Death* . If a grantee incurs a termination of employment or consultancy/service relationship or leaves the Board as the result of his or her death, then any outstanding option or stock appreciation right shall, to the extent exercisable at the time of such death, remain exercisable for a period of one year after such death; provided that in no event may such option or stock appreciation right be exercised following the original expiration date of the Award.

(ii) *Restrictions on Exercise Following Death* . Any such exercise of an Award following a grantee's death shall be made only by the grantee's executor or administrator or other duly appointed representative reasonably acceptable to the Administrator, unless the grantee's will specifically disposes of such Award, in which case such exercise shall be made only by the recipient of such specific disposition. If a grantee's personal representative or the recipient of a specific disposition under the grantee's will shall be entitled to exercise any Award pursuant to the preceding sentence, such representative or recipient shall be bound by all the terms and conditions of the Plan and the applicable Award Agreement which would have applied to the grantee.

(f) Administrator Discretion . The Administrator may, in writing, waive or modify the application of the foregoing provisions of this Section 2.4.

2.5. Transferability of Options and Stock Appreciation Rights

Except as otherwise provided in an applicable Award Agreement evidencing an option or stock appreciation right, during the lifetime of a grantee, each such Award granted to a grantee shall be exercisable only by the grantee, and no such Award shall be assignable or transferable other than by will or by the laws of descent and distribution. The Administrator may, in any applicable Award Agreement evidencing an option or stock appreciation right, permit a grantee to transfer all or some of the options or stock appreciation rights to (a) the grantee's spouse, children or grandchildren ("Immediate Family Members"), (b) a trust or trusts for the exclusive benefit of such Immediate Family Members or (c) other parties approved by the Administrator. Following any such transfer, any transferred options and stock appreciation rights shall continue to be subject to the same terms and conditions as were applicable immediately prior to the transfer.

2.6. Grant of Restricted Stock

(a) Restricted Stock Grants . The Administrator may grant restricted shares of Common Stock to such Key Persons, in such amounts and subject to such vesting and forfeiture provisions and other terms and conditions as the Administrator shall determine, subject to the provisions of the Plan. A grantee of a restricted stock Award shall have no rights with respect to such Award unless such grantee accepts the Award within such period as the Administrator shall specify by accepting delivery of a restricted stock Award Agreement in such form as the Administrator shall determine and, in the event the restricted shares are newly issued by the Company, makes payment to the Company or its Exchange Agent by certified or official bank check (or the equivalent thereof acceptable to the Administrator) in an amount at least equal to the par value of the shares covered by the Award (which payment may be waived at the time of grant of the restricted stock Award to the extent the restricted shares granted hereunder are otherwise deemed to be fully paid and non-assessable).

(b) Issuance of Stock Certificate . On or promptly following the date on which a restricted stock Award is granted hereunder, subject to Sections 3.2, 3.4 and 3.13, the Company or its Exchange Agent shall issue to the grantee a stock certificate or stock certificates for the shares of Common Stock covered by the Award or shall establish an account evidencing ownership of the stock in uncertificated form, subject to the grantee's accepting the restricted stock Award in accordance with Section 2.6(a). Upon the issuance of such stock certificates, or establishment of such account, the grantee shall have the rights of a stockholder with respect to the restricted stock, subject to: (i) the nontransferability restrictions and forfeiture provisions described in the Plan (including paragraphs (d) and (e) of this Section 2.6); (ii) in the Administrator's sole discretion, a requirement, as set forth in the Award Agreement, that any dividends paid on such shares shall be held in escrow and , unless otherwise determined by the Administrator, shall remain forfeitable until all restrictions on such shares have lapsed; and (iii) any other restrictions and conditions contained in the applicable Award Agreement.

(c) Custody of Stock Certificate . Unless the Administrator shall otherwise determine, any stock certificates issued evidencing shares of restricted stock shall remain in the possession of the Company until such shares are free of any restrictions specified in the applicable Award Agreement. The Administrator may direct that such stock certificates bear a legend setting forth the applicable restrictions on transferability.

(d) Nontransferability . Shares of restricted stock may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of prior to the lapsing of all restrictions thereon, except as otherwise specifically provided in this Plan or the applicable Award Agreement. The Administrator at the time of grant shall specify the date or dates (which may depend upon or be related to the attainment of performance goals and other conditions) on which the nontransferability of the restricted stock shall lapse.

(e) Consequence of Termination of Employment . Unless otherwise set forth in the applicable Award Agreement, a grantee's termination of employment or consultancy/service relationship or dismissal from the Board for any reason (including death) shall cause the immediate forfeiture of all shares of restricted stock that have not yet vested as of the date of such termination of employment or consultancy/service relationship or dismissal from the Board. Unless otherwise determined by the Administrator, all dividends paid on shares forfeited under this Section 2.6(e) that have not theretofore been directly remitted to the grantee shall also be forfeited, whether by termination of any escrow arrangement under which such dividends are held or otherwise. The Administrator may, in writing, waive or modify the application of the foregoing provisions of this Section 2.6(e).

2.7. Grant of Restricted Stock Units

(a) Restricted Stock Unit Grants . The Administrator may grant restricted stock units to such Key Persons, and in such amounts and subject to such vesting and forfeiture provisions and other terms and conditions, as the Administrator shall determine, subject to the provisions of the Plan. A restricted stock unit granted under the Plan shall confer upon the grantee a right to receive from the Company, upon the occurrence of such vesting event as shall be determined by the Administrator and specified in the Award Agreement, the number of such grantee's restricted stock units that vest upon the occurrence of such vesting event multiplied by the Fair Market Value of a share of Common Stock on the date of vesting. Payment upon vesting of a restricted stock unit shall be in cash or in shares of Common Stock (valued at their Fair Market Value on the date of vesting) or both, all as the Administrator shall determine.

(b) Dividend Equivalents . The Administrator may include in any Award Agreement with respect to a restricted stock unit a dividend equivalent right entitling the grantee to receive amounts equal to the ordinary dividends that would be paid, during the time such Award is outstanding and unvested, on the shares of Common Stock underlying such Award if such shares were then outstanding. In the event such a provision is included in a Award Agreement, the Administrator shall determine whether such payments shall be (i) paid to the holder of the Award, as specified in the Award Agreement, either (A) at the same time as the underlying dividends are paid, regardless of the fact that the restricted stock unit has not theretofore vested, or (B) at the time at which the Award's vesting event occurs, conditioned upon the occurrence of the vesting event, (ii) made in cash, shares of Common Stock or other property and (iii) subject to such other vesting and forfeiture provisions and other terms and conditions as the Administrator shall deem appropriate and as shall be set forth in the Award Agreement.

(c) Consequence of Termination of Employment . Unless otherwise set forth in the applicable Award Agreement, a grantee's termination of employment or consultancy/service relationship or dismissal from the Board for any reason (including death) shall cause the immediate forfeiture of all restricted stock units that have not yet vested as of the date of such termination of employment or consultancy/service relationship or dismissal from the Board. Unless otherwise determined by the Administrator, any dividend equivalent rights on any restricted stock units forfeited under this Section 2.7(c) that have not theretofore been directly remitted to the grantee shall also be forfeited, whether by termination of any escrow arrangement under which such dividends are held or otherwise. The Administrator may, in writing, waive or modify the application of the foregoing provisions of this Section 2.7(c).

(d) No Stockholder Rights . No grantee of a restricted stock unit shall have any of the rights of a stockholder of the Company with respect to such Award unless and until a stock certificate is issued with respect to such Award upon the vesting of such Award (it being understood that the Administrator shall determine whether to pay any vested restricted stock unit in the form of cash or Company shares or both), which issuance shall be subject to Sections 3.2, 3.4 and 3.13. Except as otherwise provided in Section 1.5(c), no adjustment to any restricted stock unit shall be made for dividends, distributions or other rights (whether ordinary or extraordinary, and whether in cash, securities or other property) for which the record date is prior to the date such stock certificate, if any, is issued.

(e) Transferability of Restricted Stock Units . Except as otherwise provided in an applicable Award Agreement evidencing a restricted stock unit, no restricted stock unit granted under the Plan shall be assignable or transferable. The Administrator may, in any applicable Award Agreement evidencing a restricted stock unit, permit a grantee to transfer all or some of the restricted stock units to (i) the grantee's Immediate Family Members, (ii) a trust or trusts for the exclusive benefit of such Immediate Family Members or (iii) other parties approved by the Administrator. Following any such transfer, any transferred restricted stock units shall continue to be subject to the same terms and conditions as were applicable immediately prior to the transfer.

2.8. Grant of Unrestricted Stock

The Administrator may grant (or sell at a purchase price at least equal to par value) shares of Common Stock free of restrictions under the Plan to such Key Persons and in such amounts and subject to such forfeiture provisions as the Administrator shall determine. Shares may be thus granted or sold in respect of past services or other valid consideration.

2.9. Grant of Phantom Stock Units

(a) Phantom Stock Unit Grants . The Administrator may grant phantom stock units to such Key Persons, in such amounts, and subject to such vesting and forfeiture provisions and other terms and conditions, as the Administrator shall determine, subject to the provisions of the Plan. Each phantom stock unit shall represent a notional share of Common Stock. No grantee of a phantom stock unit shall have any rights of stockholder of the Company with respect to such Award unless and until the Award is cancelled in exchange for shares of Common Stock, which issuance of shares shall be subject to Sections 3.2, 3.4 and 3.13. Holders of phantom stock units shall not (i) be entitled to any voting rights with respect to any phantom stock units and (ii) be entitled, by reason of holding any phantom stock unit, to any distributions payable to shareholders of Common Stock; provided, however, that the Administrator may provide that the phantom stock unit shall be entitled to receive dividend equivalent rights, on such terms and conditions as the Administrator shall determine. The Administrator may determine that the phantom stock unit may be cancelled on such terms and conditions as set forth in the applicable Award Agreement, including (1) for no payment, (2) in exchange for a cash payment or (3) in exchange for shares of Common Stock.

(b) Other Provisions . Phantom stock units may be made independently of or in connection with any other Award under the Plan. A grantee of a phantom stock unit Award shall have no rights with respect to such Award unless such grantee accepts the Award within such period as the Administrator shall specify by accepting delivery of a phantom stock unit Award Agreement in such form as the Administrator shall determine.

(c) Nontransferability . Phantom stock units may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of except as otherwise specifically provided in this Plan or the applicable phantom stock unit Award Agreement.

(d) Grants to U.S. Taxpayers . No grant of a phantom stock unit Award to an individual who is then subject to the requirements of Sections 409A and/or 457A of the Code shall be made under the Plan unless the Award, by its terms, is exempt from Sections 409A and/or 457A of the Code or otherwise complies with such sections of the Code.

ARTICLE III.
Miscellaneous

3.1. Amendment of the Plan; Modification of Awards

(a) Amendment of the Plan . The Board may from time to time suspend, discontinue, revise or amend the Plan in any respect whatsoever, except that no such amendment shall materially impair any rights or materially increase any obligations under any Award theretofore made under the Plan without the consent of the grantee (or, upon the grantee's death, the person having the right to exercise the Award). For purposes of this Section 3.1, any action of the Board or the Administrator that in any way alters or affects the tax treatment of any Award shall not be considered to materially impair any rights of any grantee.

(b) Stockholder Approval Requirement . The Company is a "foreign private issuer" as defined in the rules of the SEC. If required by applicable rules or regulations of a national securities exchange or the SEC, the Company shall obtain stockholder approval with respect to any amendment to the Plan that (i) expands the types of Awards available under the Plan, (ii) materially increases the number of shares which may be issued under the Plan, except as permitted pursuant to Section 1.5(c), (iii) materially increases the benefits to participants under the Plan, including any material change to (A) permit, or that has the effect of, a "re-pricing" of any outstanding Award, (B) reduce the price at which shares or options to purchase shares may be offered or (C) extends the duration of the Plan or (iv) materially expands the class of persons eligible to receive Awards under the Plan.

(c) Modification of Awards . The Administrator may cancel any Award under the Plan. The Administrator also may amend any outstanding Award Agreement, including, without limitation, by amendment which would: (i) accelerate the time or times at which the Award becomes unrestricted, vested or may be exercised; (ii) waive or amend any goals, restrictions or conditions set forth in the Award Agreement; or (iii) waive or amend the operation of Section 2.4, 2.6(e) or 2.7(c) with respect to the termination of the Award upon termination of employment or consultancy/service relationship or dismissal from the Board. However, any such cancellation or amendment (other than an amendment pursuant to Section 1.5, 3.5 or 3.16) that materially impairs the rights or materially increases the obligations of a grantee under an outstanding Award shall be made only with the consent of the grantee (or, upon the grantee's death, the person having the right to exercise the Award). In making any modification to an Award (e.g. , an amendment resulting in a direct or indirect reduction in the Exercise Price or a waiver or modification under Section 2.4(f), 2.6(e) or 2.7(c)), the Administrator may consider the implications, if any, under Sections 409A and/or 457A of the Code from such modification.

3.2. Consent Requirement

(a) No Plan Action Without Required Consent . If the Administrator shall at any time determine that any Consent (as defined below) is necessary or desirable as a condition of, or in connection with, the granting of any Award under the Plan, the issuance or purchase of shares or other rights thereunder, or the taking of any other action thereunder (each such action being hereinafter referred to as a "Plan Action"), then such Plan Action shall not be taken, in whole or in part, unless and until such Consent shall have been effected or obtained to the full satisfaction of the Administrator.

(b) Consent Defined . The term "Consent" as used herein with respect to any Plan Action means (i) any and all listings, registrations or qualifications in respect thereof upon any securities exchange or under any federal, state or local law, rule or regulation, (ii) any and all written agreements and representations by the grantee with respect to the disposition of shares, or with respect to any other matter, which the Administrator shall deem necessary or desirable to comply with the terms of any such listing, registration or qualification or to obtain an exemption from the requirement that any such listing, qualification or registration be made and (iii) any and all consents, clearances and approvals in respect of a Plan Action by any governmental or other regulatory bodies.

3.3. Nonassignability

Except as provided in Section 2.4(e), 2.5, 2.6(d), 2.7(e) or 2.9(c), (a) no Award or right granted to any person under the Plan or under any Award Agreement shall be assignable or transferable other than by will or by the laws of descent and distribution and (b) all rights granted under the Plan or any Award Agreement shall be exercisable during the life of the grantee only by the grantee or the grantee's legal representative or the grantee's permissible successors or assigns (as authorized and determined by the Administrator). All terms and conditions of the Plan and the applicable Award Agreements will be binding upon any permitted successors or assigns.

3.4. Taxes

(a) Withholding . A grantee or other Award holder under the Plan shall be required to pay, in cash, to the Company, and the Company, its Subsidiaries and Affiliates shall have the right and are hereby authorized to withhold from any Award, from any payment due or transfer made under any Award or under the Plan or from any compensation or other amount owing to such grantee or other Award holder, the amount of any applicable withholding taxes in respect of an Award, its grant, its exercise, its vesting, or any payment or transfer under an Award or under the Plan, and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for payment of such taxes. Whenever shares of Common Stock are to be delivered pursuant to an Award under the Plan, with the approval of the Administrator, which the Administrator shall have sole discretion whether or not to give, the grantee may satisfy the foregoing condition by electing to have the Company withhold from delivery shares having a value equal to the amount of minimum tax required to be withheld. Such shares shall be valued at their Fair Market Value as of the date on which the amount of tax to be withheld is determined. Fractional share amounts shall be settled in cash. Such a withholding election may be made with respect to all or any portion of the shares to be delivered pursuant to an Award as may be approved by the Administrator in its sole discretion.

(b) Liability for Taxes . Grantees and holders of Awards are solely responsible and liable for the satisfaction of all taxes and penalties that may arise in connection with Awards (including, without limitation, any taxes arising under Sections 409A and 457A of the Code) and the Company shall not have any obligation to indemnify or otherwise hold any such person harmless from any or all of such taxes. The Administrator shall have the discretion to organize any deferral program, to require deferral election forms, and to grant or, notwithstanding anything to the contrary in the Plan or any Award Agreement, to unilaterally modify any Award in a manner that (i) conforms with the requirements of Sections 409A and 457A of the Code (to the extent applicable), (ii) voids any participant election to the extent it would violate Sections 409A and 457A of the Code (to the extent applicable) and (iii) for any distribution event or election that could be expected to violate Section 409A of the Code, make the distribution only upon the earliest of the first to occur of a "permissible distribution event" within the meaning of Section 409A of the Code or a distribution event that the participant elects in accordance with Section 409A of the Code. The Administrator shall have the sole discretion to interpret the requirements of the Code, including, without limitation, Sections 409A and 457A, for purposes of the Plan and all Awards.

3.5. Change in Control

(a) Change in Control Defined . Unless otherwise set forth in the applicable Award Agreement, for purposes of the Plan, "Change in Control" shall mean the occurrence of any of the following:

(i) any "person" (as defined in Section 13(d)(3) of the 1934 Act), corporation or other entity (other than (A) the Company, (B) any trustee or other fiduciary holding securities under an employee benefit plan of the Company or an Affiliate, (C) any company or other entity owned, directly or indirectly, by the holders of the voting stock of the Company in substantially the same proportions as their ownership of the aggregate voting power of the capital stock ordinarily entitled to elect directors of the Company or (D) any entity which Aristides J. Pittas or the Pittas family directly or indirectly "controls" (as defined in Rule 12b-2 under the 1934 Act)) acquires "beneficial ownership" (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of more than 50% of the aggregate voting power of the capital stock ordinarily entitled to elect directors of the Company;

(ii) the sale of all or substantially all the Company's assets in one or more related transactions to any "person" (as defined in Section 13(d)(3) of the 1934 Act), other than such a sale (A) to a Subsidiary which does not involve a material change in the equity holdings of the Company, (B) to an entity which Aristides J. Pittas or the Pittas family directly or indirectly controls or (C) to an entity which has acquired all or substantially all the Company's assets (any such entity described in clause (A), (B) or (C), the "Acquiring Entity") if, immediately following such sale, 50% or more of the aggregate voting power of the capital stock ordinarily entitled to elect directors of the Acquiring Entity (or, if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership of more than 50% of the aggregate voting power of the capital stock ordinarily entitled to elect directors of the Acquiring Entity) is beneficially owned by the holders of the voting stock of the Company, and such voting power among the persons who were holders of the voting stock of the Company immediately prior to such sale is, immediately following such sale, held in substantially the same proportions as the aggregate voting power of the capital stock ordinarily entitled to elect directors of the Company immediately prior to such sale;

(iii) any merger, consolidation, reorganization or similar event of the Company or any Subsidiary as a result of which the holders of the voting stock of the Company immediately prior to such merger, consolidation, reorganization or similar event do not directly or indirectly hold 50% or more of the aggregate voting power of the capital stock of the surviving entity (or, if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership of more than 50% of the aggregate voting power of the capital stock ordinarily entitled to elect directors of the surviving entity) and such voting power among the persons who were holders of the voting stock of the Company immediately prior to such sale is, immediately following such sale, held in substantially the same proportions as the aggregate voting power of the capital stock ordinarily entitled to elect directors of the Company immediately prior to such sale;

(iv) the approval by the Company's stockholders of a plan of complete liquidation or dissolution of the Company; or

(v) during any period of 12 consecutive calendar months, individuals:

(A) who were directors of the Company on the first day of such period, or

(B) whose election or nomination for election to the Board was recommended or approved by at least a majority of the directors then still in office who were directors of the Company on the first day of such period, or whose election or nomination for election were so approved, shall cease to constitute a majority of the Board.

A Change of Control shall not be deemed to have occurred for purpose of the Plan as a result of an Exempted Transaction (as such term is defined in that certain First Amendment to Shareholders Rights Agreement, dated as of March 25, 2010, to the Shareholders Rights Agreement, dated as of May 18, 2009, between Euroseas Ltd., a Marshall Islands corporation and American Stock Transfer and Trust Company, LLC, as rights agent.

Notwithstanding the foregoing, unless otherwise set forth in the applicable Award Agreement, for each Award subject to Section 409A of the Code, a Change in Control shall be deemed to occur under this Plan with respect to such Award only if a change in the ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company shall also be deemed to have occurred under Section 409A of the Code, provided that such limitation shall apply to such Award only to the extent necessary to avoid adverse tax effects under Section 409A of the Code.

(b) Effect of a Change in Control . Unless the Administrator provides otherwise in an Award Agreement, upon the occurrence of a Change in Control:

(i) notwithstanding any other provision of this Plan, any Award then outstanding shall become fully vested and any restriction and forfeiture provisions thereon imposed pursuant to the Plan and the Award Agreement shall lapse and any Award in the form of an option or stock appreciation right shall be immediately exercisable;

(ii) to the extent permitted by law and not otherwise limited by the terms of the Plan, the Administrator may amend any Award Agreement in such manner as it deems appropriate;

(iii) a grantee who incurs a termination of employment or consultancy/service relationship or dismissal from the Board for any reason, other than a termination or dismissal "for Cause", concurrent with or within one year following the Change in Control may exercise any outstanding option or stock appreciation right, but only to the extent that the grantee was entitled to exercise the Award on the date of his or her termination of employment or consultancy/service relationship or dismissal from the Board, until the earlier of (A) the original expiration date of the Award and (B) the later of (x) the date provided for under the terms of Section 2.4 without reference to this Section 3.5(b)(iii) and (y) the first anniversary of the grantee's termination of employment or consultancy/service relationship or dismissal from the Board.

(c) Miscellaneous . Whenever deemed appropriate by the Administrator, any action referred to in paragraph (b)(ii) of this Section 3.5 may be made conditional upon the consummation of the applicable Change in Control transaction. For purposes of the Plan and any Award Agreement granted hereunder, the term "Company" shall include any successor to Euroseas Ltd.

3.6. Operation and Conduct of Business

Nothing in the Plan or any Award Agreement shall be construed as limiting or preventing the Company, any Subsidiary or any Affiliate from taking any action with respect to the operation and conduct of their business that they deem appropriate or in their best interests, including any or all adjustments, recapitalizations, reorganizations, exchanges or other changes in the capital structure of the Company, any Subsidiary or any Affiliate, any merger or consolidation of the Company, any Subsidiary or any Affiliate, any issuance of Company shares or other securities or subscription rights, any issuance of bonds, debentures, preferred or prior preference stock ahead of or affecting the Common Stock or other securities or rights thereof, any dissolution or liquidation of the Company, any Subsidiary or any Affiliate, any sale or transfer of all or any part of the assets or business of the Company, any Subsidiary or any Affiliate, or any other corporate act or proceeding, whether of a similar character or otherwise.

3.7. No Rights to Awards

No Key Person or other person shall have any claim to be granted any Award under the Plan.

3.8. Right of Discharge Reserved

Nothing in the Plan or in any Award Agreement shall confer upon any grantee the right to continue his or her employment with the Company, any Subsidiary or any Affiliates, his or her consultancy/service relationship with the Company, any Subsidiary or any Affiliates, or his or her position as a director of the Company, any Subsidiary or any Affiliates, or affect any right that the Company, any Subsidiary or any Affiliates may have to terminate such employment or consultancy/service relationship or service as a director.

3.9. Non-Uniform Determinations

The Administrator's determinations and the treatment of Key Persons and grantees and their beneficiaries under the Plan need not be uniform and may be made and determined by the Administrator selectively among persons who receive, or who are eligible to receive, Awards under the Plan (whether or not such persons are similarly situated). Without limiting the generality of the foregoing, the Administrator shall be entitled, among other things, to make non-uniform and selective determinations, and to enter into non-uniform and selective Award Agreements, as to (a) the persons to receive Awards under the Plan, (b) the types of Awards granted under the Plan, (c) the number of shares to be covered by, or with respect to which payments, rights or other matters are to be calculated with respect to, Awards and (d) the terms and conditions of Awards.

3.10. Other Payments or Awards

Nothing contained in the Plan shall be deemed in any way to limit or restrict the Company from making any award or payment to any person under any other plan, arrangement or understanding, whether now existing or hereafter in effect.

3.11. Headings

Any section, subsection, paragraph or other subdivision headings contained herein are for the purpose of convenience only and are not intended to expand, limit or otherwise define the contents of such subdivisions.

3.12. Effective Date and Term of Plan

(a) Adoption; Stockholder Approval . The Plan was approved by the Board on May 5, 2010 and shall become effective on June 15, 2010. The Board may, but need not, make the granting of any Awards under the Plan subject to the approval of the Company's stockholders.

(b) Termination of Plan . The Board may terminate the Plan at any time. All Awards made under the Plan prior to its termination shall remain in effect until such Awards have been satisfied or terminated in accordance with the terms and provisions of the Plan and the applicable Award Agreements. No Awards may be granted under the Plan following the tenth anniversary of the date on which the Plan was adopted by the Board.

3.13. Restriction on Issuance of Stock Pursuant to Awards

The Company shall not permit any shares of Common Stock to be issued pursuant to Awards granted under the Plan unless such shares of Common Stock are fully paid and non-assessable under applicable law. Notwithstanding anything to the contrary in the Plan or any Award Agreement, at the time of the exercise of any Award, at the time of vesting of any Award, at the time of payment of shares of Common Stock in exchange for, or in cancellation of, any Award, or at the time of grant of any unrestricted shares under the Plan, the Company and the Administrator may, if either shall deem it necessary or advisable for any reason, require the holder of an Award (a) to represent in writing to the Company that it is the Award holder's then-intention to acquire the shares with respect to which the Award is granted for investment and not with a view to the distribution thereof or (b) to postpone the date of exercise until such time as the Company has available for delivery to the Award holder a prospectus meeting the requirements of all applicable securities laws; and no shares shall be issued or transferred in connection with any Award unless and until all legal requirements applicable to the issuance or transfer of such shares have been complied with to the satisfaction of the Company and the Administrator. The Company and the Administrator shall have the right to condition any issuance of shares to any Award holder hereunder on such person's undertaking in writing to comply with such restrictions on the subsequent transfer of such shares as the Company or the Administrator shall deem necessary or advisable as a result of any applicable law, regulation or official interpretation thereof, and all share certificates delivered under the Plan shall be subject to such stop transfer orders and other restrictions as the Company or the Administrator may deem advisable under the Plan, the applicable Award Agreement or the rules, regulations and other requirements of the SEC, any stock exchange upon which such shares are listed, and any applicable securities or other laws, and certificates representing such shares may contain a legend to reflect any such restrictions. The Administrator may refuse to issue or transfer any shares or other consideration under an Award if it determines that the issuance or transfer of such shares or other consideration might violate any applicable law or regulation or entitle the Company to recover the same under Section 16(b) of the 1934 Act, and any payment tendered to the Company by a grantee or other Award holder in connection with the exercise of such Award shall be promptly refunded to the relevant grantee or other Award holder. Without limiting the generality of the foregoing, no Award granted under the Plan shall be construed as an offer to sell securities of the Company, and no such offer shall be outstanding, unless and until the Administrator has determined that any such offer, if made, would be in compliance with all applicable requirements of any applicable securities laws.

3.14. Requirement of Notification of Election Under Section 83(b) of the Code

If an Award recipient, in connection with the acquisition of Company shares under the Plan, makes an election under Section 83(b) of the Code (to include in gross income in the year of transfer the amounts specified in Section 83(b) of the Code), the grantee shall notify the Administrator of such election within ten days of filing notice of the election with the U.S. Internal Revenue Service, in addition to any filing and notification required pursuant to regulations issued under Section 83(b) of the Code.

3.15. Severability

If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Administrator, such provision shall be construed or deemed amended to conform to the applicable laws or, if it cannot be construed or deemed amended without, in the determination of the Administrator, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, person or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

3.16. Sections 409A and 457A

To the extent applicable, the Plan and Award Agreements shall be interpreted in accordance with Sections 409A and 457A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder. Notwithstanding any provision of the Plan or any applicable Award Agreement to the contrary, in the event that the Administrator determines that any Award may be subject to Section 409A or 457A of the Code, the Administrator may adopt such amendments to the Plan and the applicable Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Administrator determines are necessary or appropriate to (i) exempt the Plan and Award from Sections 409A and 457A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (ii) comply with the requirements of Sections 409A and 457A of the Code and related Department of Treasury guidance and thereby avoid the application of penalty taxes under Sections 409A and 457A of the Code.

3.17. Forfeiture; Clawback

The Administrator may, in its sole discretion, specify in the applicable Award Agreement that any realized gain with respect to options or stock appreciation rights and any realized value with respect to other Awards shall be subject to forfeiture or clawback, in the event of (a) a grantee's breach of any non-competition, non-solicitation, confidentiality or other restrictive covenants with respect to the Company or any of its Affiliates or (ii) a financial restatement that reduces the amount of bonus or incentive compensation previously awarded to a grantee that would have been earned had results been properly reported.

3.18. No Trust or Fund Created

Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company, any Subsidiary or any Affiliates and an Award recipient or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any of its Affiliates pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company, any Subsidiary or any Affiliates.

3.19. No Fractional Shares

No fractional shares shall be issued or delivered pursuant to the Plan or any Award, and the Administrator shall determine whether cash, other securities, or other property shall be paid or transferred in lieu of any fractional shares or whether such fractional shares or any rights thereto shall be canceled, terminated, or otherwise eliminated.

3.20. Governing Law

The Plan will be construed and administered in accordance with the laws of the State of New York, without giving effect to principles of conflict of laws.

Exhibit 8.1

Registrant's Subsidiaries	Jurisdiction of Organization
Alcinoe Shipping Limited	Republic of Cyprus
Allendale Investments S.A.	Republic of Panama
Alterwall Business Inc.	Republic of Panama
Diana Trading Ltd.	Republic of the Marshall Islands
Eleni Shipping Limited	Republic of Liberia
Emmentaly Business Inc.	Republic of Panama
Eternity Shipping Company	Republic of the Marshall Islands
Gregos Shipping Limited	Republic of the Marshall Islands
Manolis Shipping Limited	Republic of the Marshall Islands
Noumea Shipping Ltd.	Republic of the Marshall Islands
Oceanopera Shipping Limited	Republic of Cyprus
Pantelis Shipping Limited	Republic of Malta
Pilory Associates Corp.	Republic of Panama
Prospero Maritime Inc.	Republic of the Marshall Islands
Saf-Concord Shipping Ltd.	Republic of Liberia
Salina Shipholding Corp.	Republic of the Marshall Islands
Tiger Navigation Corp.	Republic of the Marshall Islands
Trust Navigation Corp.	Republic of Liberia
Xenia International Corp.	Republic of the Marshall Islands
Xingang Shipping Ltd.	Republic of Liberia

Exhibit 12.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

I, Aristides J. Pittas, certify that:

1. I have reviewed this annual report on Form 20-F of Euroseas Ltd. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the Company and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent function):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: May 28, 2010

/s/Aristides J. Pittas
Aristides J. Pittas
Chief Executive Officer

Exhibit 12.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER

I, Anastasios Aslidis, certify that:

1. I have reviewed this annual report on Form 20-F of Euroseas Ltd. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the Company and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent function):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: May 28, 2010

/s/Aristides J. Pittas
Aristides J. Pittas
Chief Executive Officer

Exhibit 13.1

CHIEF EXECUTIVE OFFICER CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with this Annual Report of Euroseas Ltd. (the "Company") on Form 20-F for the year ended December 31, 2009 as filed with the Securities and Exchange Commission (the "SEC") on or about the date hereof (the "Report"), I, Aristides J. Pittas, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: May 28, 2010

/s/Aristides J. Pittas
Chief Executive Officer

Exhibit 13.2

CHIEF FINANCIAL OFFICER CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Annual Report of Euroseas Ltd. (the "Company") on Form 20-F for the year ended December 31, 2009 as filed with the Securities and Exchange Commission (the "SEC") on or about the date hereof (the "Report"), I, Anastasios Aslidis, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: May 28, 2010

/s/Aristides J. Pittas
Chief Executive Officer

Exhibit 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333 -152089 on Form F-3 and Post Effective Amendment No. 1 to Registration Statement No.333-148124 on Form S-8 of our reports dated May 28, 2010, relating to the consolidated financial statements of Euroseas Ltd. and Subsidiaries (the "Company") and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 20-F of the Company for the year ended December 31, 2009.

/s/ Deloitte. Hadjipavlou, Sofianos & Cambanis S.A.
Athens, Greece
May 28, 2010