

Star Maritime Acquisition Corp.  
Form 10-Q  
August 08, 2007

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

**FORM 10-Q**

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2007.

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

**Commission File Number: 001-32685**

**Star Maritime Acquisition Corp.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**20-2873585**  
(I.R.S. Employer  
Identification No.)

**103 Foulk Rd.**

**Wilmington, Delaware 19803**  
(Address of Principal Executive Offices including Zip Code)

**302-656-1950**  
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 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. (Check one):

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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There were 29,026,924 shares of the Registrant's common stock issued and outstanding as of June 30, 2007.



**Star Maritime Acquisition Corp. and Subsidiary**

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**PART I - FINANCIAL INFORMATION****ITEM 1 - FINANCIAL STATEMENTS (UNAUDITED)****Star Maritime Acquisition Corp. and Subsidiary**

(a development stage company)

**Condensed Consolidated Balance Sheets**

	<b>June 30, 2007 (unaudited)</b>	<b>December 31, 2006</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 620,400	\$ 2,118,141
Investments in trust account	196,084,213	192,915,257
Prepaid expenses and other current assets	122,234	149,647
<b>Total Current Assets</b>	<b>196,826,847</b>	<b>195,183,045</b>
Property and equipment, net	5,694	3,256
<b>TOTAL ASSETS</b>	<b>\$ 196,832,541</b>	<b>\$ 195,186,301</b>
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Accounts payable & accrued expenses	\$ 474,520	\$ 603,520
Deferred Interest on investments	3,290,971	2,163,057
Deferred underwriting fees	4,000,000	4,000,000
Income taxes payable	-	206,687
<b>Total Liabilities</b>	<b>7,765,491</b>	<b>6,973,264</b>
Common Stock, \$.0001 par value, 6,599,999 shares subject to possible redemption, at redemption value of \$9.80 per share	64,679,990	64,679,990
<b>Commitments</b>		
<b>Stockholders' Equity</b>		
Preferred Stock, \$.0001 par value; authorized, 1,000,000 shares; none issued or outstanding	-	-
Common Stock, \$.0001 par value, authorized, 100,000,000 shares; 29,026,924 shares issued and outstanding. (including 6,599,999 shares subject to possible redemption)	2,903	2,903
Additional paid in capital	120,441,727	120,441,727
Earnings accumulated in the development stage	3,942,430	3,088,417
<b>Total Stockholders' Equity</b>	<b>124,387,060</b>	<b>123,533,047</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 196,832,541</b>	<b>\$ 195,186,301</b>

See accompanying notes to unaudited condensed consolidated financial statements.

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

**Condensed Consolidated Statements of Income**

	<b>Three Months Ended June 30, 2007 (unaudited)</b>	<b>Three Months Ended June 30, 2006 (unaudited)</b>	<b>Six Months Ended June 30, 2007 (unaudited)</b>	<b>Six Months Ended June 30, 2006 (unaudited)</b>	<b>May 13, 2005 (date of inception) to June 30, 2007 (unaudited)</b>
<b>Operating expenses</b>					
Professional fees	\$ 368,896	\$ 107,029	\$ 960,390	\$ 128,046	\$ 1,576,413
Insurance	22,500	37,000	48,780	63,250	165,256
Due diligence costs	33,199	45,997	76,496	57,293	339,373
Other	184,274	117,371	370,885	134,639	636,820
<b>Total operating expenses</b>	<b>608,869</b>	<b>307,397</b>	<b>1,456,551</b>	<b>383,228</b>	<b>2,717,862</b>
<b>Interest income</b>	<b>1,187,784</b>	<b>1,162,544</b>	<b>2,310,564</b>	<b>2,157,198</b>	<b>6,889,979</b>
<b>Income before provision for income taxes</b>	<b>578,915</b>	<b>855,147</b>	<b>854,013</b>	<b>1,773,970</b>	<b>4,172,117</b>
<b>Provision for income taxes</b>	<b>-</b>	<b>122,120</b>	<b>-</b>	<b>243,326</b>	<b>229,687</b>
<b>Net income</b>	<b>\$ 578,915</b>	<b>\$ 733,027</b>	<b>\$ 854,013</b>	<b>\$ 1,530,644</b>	<b>\$ 3,942,430</b>
<b>Earnings per share (basic and diluted)</b>	<b>\$ 0.02</b>	<b>\$ 0.03</b>	<b>\$ 0.03</b>	<b>\$ 0.05</b>	<b>0.17</b>
<b>Weighted average shares outstanding - basic and diluted</b>	<b>29,026,924</b>	<b>29,026,924</b>	<b>29,026,924</b>	<b>29,026,924</b>	<b>23,328,717</b>

See accompanying notes to unaudited condensed consolidated financial statements.

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

**Condensed Consolidated Statements of Stockholders' Equity**

	Common Stock Shares	Common Stock Amount	Additional paid-in capital	Earnings accumulated in the development stage	Total stockholders' equity
May 13, 2005 (Inception) to June 30, 2007					
Stock Issuance on May 17, 2005 at \$.003 per share	9,026,924	\$ 903	\$ 24,097	\$ -	25,000
Private placement issued December 15, 2005 at \$10 per share	1,132,500	113	11,324,887		11,325,000
Common shares issued December 21, 2005 at \$10 per share	18,867,500	1,887	188,673,113		188,675,000
Expenses of offerings			(14,900,380)		(14,900,380)
Proceeds subject to possible redemption of 6,599,999 shares			(64,679,990)		(64,679,990)
Net income for the period May 13, 2005 (inception) to December 31, 2005	-	-	-	110,331	110,331
<b>Balance, December 31, 2005</b>	<b>29,026,924</b>	<b>\$ 2,903</b>	<b>\$ 120,441,727</b>	<b>\$ 110,331</b>	<b>\$ 120,554,961</b>
Net Income for the year ended December 31, 2006	-	-	-	2,978,086	2,978,086
<b>Balance, December 31, 2006</b>	<b>29,026,924</b>	<b>\$ 2,903</b>	<b>\$ 120,441,727</b>	<b>\$ 3,088,417</b>	<b>\$ 123,533,047</b>
Unaudited					
Net income for the six months ended June 30, 2007	-	-	-	854,013	854,013
<b>Balance, June 30, 2007</b>	<b>29,026,924</b>	<b>\$ 2,903</b>	<b>\$ 120,441,727</b>	<b>\$ 3,942,430</b>	<b>\$ 124,387,060</b>

See accompanying notes to unaudited condensed consolidated financial statements.

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

**Condensed Consolidated Statements of Cash Flows**

	Six months ended June 30, 2007 (unaudited)	Six months ended June 30, 2006 (unaudited)	May 13, 2005 (date of inception) to June 30, 2007 (unaudited)
<b>Cash flows from operating activities:</b>			
<b>Net Income</b>	\$ 854,013	\$ 1,530,644	\$ 3,942,430
<b>Adjustments to reconcile net income to net cash (used in) provided by operating activities:</b>			
Depreciation	1,220	-	1,628
Changes in operating assets and liabilities:			
Increase in value of trust account	(3,168,956)	(2,213,374)	(7,409,213)
Decrease ( increase) in prepaid expenses and other current assets	27,413	18,151	(122,234)
Increase (decrease) in accounts payable and accrued expenses	(129,000)	(226,126)	474,520
Increase in deferred interest	1,127,914	1,061,703	3,290,971
Increase (decrease) in taxes payable	(206,687)	267,967	-
<b>Net cash (used in) provided by operating activities</b>	<b>(1,494,083)</b>	<b>438,966</b>	<b>178,102</b>
<b>Cash flows from investing activities:</b>			
Payment to trust account	-	-	(188,675,000)
Capital expenditures	(3,658)	-	(7,322)
<b>Net cash used in investing activities</b>	<b>(3,658)</b>	<b>-</b>	<b>(188,682,322)</b>
<b>Cash flows from financing activities:</b>			
Gross proceeds from public offering	-	-	188,675,000
Gross proceeds from private placement	-	-	11,325,000
Proceeds of note payable to stockholder	-	-	590,000
Repayment of note payable to stockholder	-	-	(590,000)
Proceeds from sale of shares of common stock	-	-	25,000
Payment of offering costs	-	-	(10,900,380)
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>-</b>	<b>189,124,620</b>
<b>Net cash (decrease) increase for period</b>	<b>(1,497,741)</b>	<b>438,966</b>	<b>620,400</b>
<b>Cash at beginning of period</b>	<b>2,118,141</b>	<b>593,281</b>	<b>-</b>
<b>Cash at end of period</b>	<b>\$ 620,400</b>	<b>\$ 1,032,247</b>	<b>\$ 620,400</b>
<b>Supplemental cash disclosure</b>			
Interest paid	\$ -	\$ -	\$ 9,163
<b>Supplemental schedule of non-cash financing activities</b>			
Accrual of deferred underwriting fees	\$ -	\$ -	\$ 4,000,000
Accrual of offering costs	\$ -	\$ -	\$ -

See accompanying notes to unaudited condensed consolidated financial statements.





**Star Maritime Acquisition Corp. and Subsidiary**  
(A corporation in the development stage )

Notes To Condensed Consolidated Financial Statements (unaudited)  
June 30, 2007

**NOTE A-ORGANIZATION AND BUSINESS OPERATIONS**

Star Maritime Acquisition Corp. ("Star") was incorporated in Delaware on May 13, 2005. Star was formed to serve as a vehicle for the acquisition through a merger, capital stock exchange, asset acquisition, or other similar business combination ("Business Combination") with one or more businesses in the shipping industry. The company has not acquired an entity as of June 30, 2007. The Company has selected December 31 as its fiscal year end. Star is considered to be in the development stage and is subject to the risks associated with activities of development stage companies.

On December 13, 2006, Star created a wholly-owned subsidiary, Star Bulk Carriers Corp. ("Star Bulk") registered in the Marshall Islands.

The accompanying condensed consolidated financial statements include the accounts of Star and its wholly owned subsidiary Star Bulk (collectively "The Company"). All intercompany accounts and transactions have been eliminated in consolidation.

On January 12, 2007, the Company, through Star Bulk, agreed to purchase eight drybulk carriers (the "Vessels") from certain wholly-owned subsidiaries of TMT Co., Ltd., a Taiwan corporation (TMT Co., Ltd. and such wholly-owned subsidiaries, collectively, "TMT"), pursuant to separate definitive Memoranda of Agreement by and between the Star Bulk and TMT (collectively, the "MOAs"), as supplemented by a Supplemental Agreement by and among the Company, Star Bulk and TMT (the "Supplemental Agreement") and a Master Agreement by and among the Company, Star Bulk and TMT (the "Master Agreement" and collectively with the MOAs and the Supplemental Agreement, the "Acquisition Agreements") which transaction is also referred to as the "Asset Acquisition". As required under its Certificate of Incorporation, the Company will hold a special meeting of its stockholders to vote on the Asset Acquisition and a proposed merger of the Company into Star Bulk in which Star Bulk will be the surviving entity (the "Redomiciliation Merger" and together with the Asset Acquisition, the "Business Combination"). The Redomiciliation Merger shall occur at the time of approval by the Company's stockholders of the Business Combination. The aggregate purchase price for the Vessels is \$345.2 million (the "Purchase Price"), consisting of \$120.7 million payable in 12,537,645 shares of common stock, par value \$0.01, of Star Bulk (the "Stock Consideration") and \$224.5 million in cash (the "Cash Consideration").

On February 7, 2007, Star Bulk formed the following wholly-owned subsidiaries registered in the Marshall Islands. The share capital of each of the subsidiaries consists of 500 authorized and issued shares without par value. The names of these subsidiaries are Star Alpha Inc, Star Beta Inc, Star Gamma Inc, Star Epsilon Inc, Star Iota Inc, Star Theta Inc and Star Bulk Management Inc.

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

On March 14, 2007, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Star Bulk regarding the Redomiciliation Merger, whereby the Company will merge with and into Star Bulk, with Star Bulk

as the surviving corporation.

Subject to the terms and conditions of the Merger Agreement, which has been unanimously approved by the board of directors of the Company, following the Redomiciliation Merger: (i) the separate corporate existence of Star will cease; (ii) each share of Star Maritime common stock, par value \$0.0001 per share, will be converted into the right to receive one share of Star Bulk common stock, par value \$0.01 per share; and (iii) each outstanding warrant of the Company will be assumed by Star Bulk with the same terms and restrictions, except that each will be exercisable for common stock of Star Bulk. As provided in Star's Certificate of Incorporation, holders of Star Maritime common stock have the right to redeem their shares for cash if such stockholder votes against the Redomiciliation Merger, elects to exercise redemption rights and the Redomiciliation Merger is approved and completed.

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The Company cannot complete the Redomiciliation Merger unless (1) the holders of at least a majority of the issued and outstanding shares of Star Maritime entitled to vote at the special meeting vote in favor of the Redomiciliation Merger; (2) holders of at least a majority of the shares issued in the initial public offering and private placement vote in favor of the Redomiciliation Merger; and (3) holders of less than 6,600,000 shares of common stock, such number representing 33.0% of the 20,000,000 shares of Star Maritime common stock issued in the initial public offering and private placement, vote against the Redomiciliation Merger and exercise their redemption rights to have their shares redeemed for cash.

Messrs. Tsirigakis and Syllantavos, the Company's senior executive officers, and Messrs. Pappas and Erhardt, two of the Company's directors, have agreed to vote an aggregate of 1,132,500 shares, or 3.9% of Star Maritime's outstanding common stock, acquired by them in the private placement and any shares of Star Maritime common stock they may acquire in the future in favor of the Redomiciliation Merger and thereby waive redemption rights with respect to such shares. All of the Company's officers and directors have agreed to vote an aggregate of 9,026,924 shares, or 31.1% of Star Maritime's outstanding common stock, issued to them prior to the initial public offering and private placement in accordance with the vote of the holders of a majority of the shares issued in the initial public offering and private placement.

On March 14, 2007, the Company filed with the Securities and Exchange Commission a preliminary joint proxy statement/prospectus under cover of Schedule 14A relating to the Company's special meeting of stockholders. The Company expects to consummate the Redomiciliation Merger during the third quarter of 2007, assuming the requisite stockholder approval is obtained.

The financial statements at June 30, 2007 and for the period from May 13, 2005 (inception) to June 30, 2007 and for the three and six months ended June 30, 2007 and 2006 are unaudited. In the opinion of management, all adjustments (consisting of normal adjustments) have been made that are necessary to present fairly the financial position of the Company as of June 30, 2007, the results of its operations and cash flows for the three and six months ended June 30, 2007 and June 30, 2006 and for the period May 13, 2005 (inception) through June 30, 2007. Operating results for the interim period presented are not necessarily indicative of the results to be expected for a full year. The condensed balance sheet at December 31, 2006 has been derived from the audited financial statements.

The accompanying unaudited condensed financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2006. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC").

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

Of the proceeds of the Offerings, \$188,675,000 is being held in a trust account ("Trust Account") and invested until the earlier of (i) the consummation of the first business combination or (ii) the distribution of the Trust Account as described below. The amount in the Trust Account includes \$3,773,500 of contingent underwriting compensation and \$226,500 of contingent private placement fees (collectively, the "Discount") which will be paid to the underwriters if a business combination is consummated, but which will be forfeited in part if public stockholders elect to have their shares redeemed for cash if a business combination is consummated. The remaining proceeds may be used to pay for

business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses.

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

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

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

#### **NOTE B-RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes-an Interpretation of SFAS No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in tax positions recognized in a company's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of the tax position taken or expected to be taken in a tax return. The Company adopted FIN 48 effective January 1, 2007. The adoption of FIN 48 did not have any impact on the accompanying financial statements since we have not identified any uncertain tax positions as defined by FIN 48.

We recognize interest and penalties related to uncertain tax positions in income tax expense. The tax years 2005 and 2006 remain open to examination by the major taxing jurisdictions to which it is subject.

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



## NOTE C-COMMITMENTS

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

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

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

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

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

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

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

- the market price of the underlying shares of common stock is lower than the exercise price;



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

#### **NOTE D-RELATED PARTY TRANSACTIONS**

Oceanbulk Maritime, S.A., a related party, has paid for certain expenses of behalf of the Company. The Company's Director Mr. Petros Pappas is Honorary Chairman of Oceanbulk Maritime S.A. The Company's Chairman, President and Chief Executive Officer, Mr Prokopios (Akis) Tsirigakis as well as its officer Mr. Christo Anagnostou are employees of Oceanbulk Maritime S.A.. As of June 30, 2007 the Company owed approximately \$161,000 to Oceanbulk Maritime S.A., for reimbursements of vessel inspection expenses incurred by Oceanbulk Maritime S.A. on behalf of the Company as well as for certain support services including legal and office support provided by Oceanbulk Maritime S.A. to the Company. This amount is included in the Company's accrued expenses and accounts payable section in the accompanying balance sheet.

The Company has used the services of Combine Marine S.A. to conduct certain vessel inspection services of the fleet of eight dry bulk carriers that Star Bulk Carriers has agreed to acquire. On May 4, 2007, Star entered into a Management Agreement with Combine Marine Inc. ("Combine") under which Combine will provide interim technical management and associated services for the vessels in the initial fleet. Such services will be provided at a lump-sum fee of \$10,000 per vessel for services leading to and including taking delivery of each vessel and at a daily fee of \$450 per vessel from the delivery of each vessel onwards during the term of the agreement. The term of the agreement is for one (1) year from the date of delivery of each vessel. Either party may terminate the agreement upon thirty days' notice. This agreement will be effective only upon the approval and completion of the Business Combination. The Company's Chairman, President and Chief Executive Officer, Mr Prokopios (Akis) Tsirigakis is the Managing Director of Combine Marine S.A.

#### **NOTE E - INCOME TAXES**

The provision for income taxes differs from the statutory federal income tax rate of 34% principally, due to interest income that is not taxable for federal tax purposes.

#### **NOTE F - COMMON STOCK RESERVED FOR ISSUANCE**

At June 30, 2007 20,000,000 shares of common stock were reserved for issuance upon exercise of redeemable warrants.

#### **NOTE G - PREFERRED STOCK**

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

#### **NOTE H - SUBSEQUENT EVENT**

On July 10, 2007, Star Bulk Management Inc., a wholly owned subsidiary of the Company, entered into employment agreements with Messrs. P. Tsirigakis and G. Syllantavos for work performed within Greece as Chief Executive Officer and Chief Financial Officer, respectively. On July 10, 2007 the Company also entered into consultancy agreements with companies controlled by Messrs. P. Tsirigakis and G. Syllantavos, respectively, for services rendered outside Greece. These agreements will be effective only upon the approval and completion of the Business Combination.

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **Forward Looking Statements**

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

## **Overview**

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

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

## **Critical Accounting Policies**

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

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes-an Interpretation of SFAS No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in tax positions recognized in a company's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of the tax position taken or expected to be taken in a tax return. The Company adopted FIN 48 effective January 1, 2007. The adoption of FIN 48 did not have any impact on the accompanying financial statements since we have not identified any uncertain tax positions as defined by FIN 48.

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

## **Results of Operations for the three months ended June 30, 2007 and 2006**

For the three months ended June 30, 2007 and 2006, we earned net income after taxes of \$578,915 (\$1,160,433 before the deduction of \$581,518 of net interest attributable to common stock subject to redemption) and we earned net income after taxes of \$733,027 (\$1,305,047 before the deduction of \$572,020 of net interest attributable to common stock subject to redemption, respectively. Since we did not have any operations, all of our income was derived from interest income, most of which was earned on funds held in the Trust Account. Our operating expenses for the three months ended June 30, 2007 and 2006 was \$608,868 and \$307,397 respectively and consisted primarily of expenses related to pursuing a business combination, due diligence, insurance costs and legal and accounting professional fees.

## **Results of Operations for the six months ended June 30, 2007 and 2006**

For the six months ended June 30, 2007 and 2006, we earned net income after taxes of \$854,013 (\$1,981,927 before the deduction of \$1,127,914 of net interest attributable to common stock subject to redemption) and we earned net income after taxes of \$1,530,644 (\$2,592,347 before the deduction of \$1,061,703 of net interest attributable to common stock subject to redemption respectively. Since we did not have any operations, all of our income was derived from interest income, most of which was earned on funds held in the Trust Account. Our operating expenses for the six months ended June 30, 2007 and 2006 was \$1,456,551 and \$383,228 respectively and consisted primarily of expenses related to pursuing a business combination, due diligence, insurance costs and legal and accounting

professional fees.

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### **Liquidity and Capital Resources**

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

The net proceeds from the sale of our units, after deducting certain offering expenses of \$10,217,665 including underwriting discounts and commissions and placement fees, were \$189,807,335. Of this amount, \$188,675,000 was placed in the trust account, \$599,163 was used to repay debt and interest to Mr. Tsirigakis for a loan used to cover expenses related to the Initial Public Offering and the remaining proceeds of \$533,172, which after payment of approximately \$170,000 of additional financing fees, provided us with approximately \$363,172 which was deposited and held outside of the trust account to be used to provide for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses. The net proceeds deposited into the trust account remain on deposit in the trust account earning interest. As of June 30, 2007, there was approximately \$196,084,213 held in the trust account, of which up to \$4,000,000 will be paid to the underwriters if a business combination is consummated, but which will be forfeited in part if public stockholders elect to have their shares redeemed for cash if a business combination is not consummated. We will use substantially all of the net proceeds of the Initial Public Offering to acquire a target business, and will use the proceeds held outside of the trust account and disbursements of interest income to identify and evaluate prospective acquisition candidates, select the target business, and structure, negotiate and consummate the business combination. To the extent that our capital stock is used in whole or in part as consideration to effect a business combination, the proceeds held in the trust account as well as any other net proceeds not expended will be used to finance the operations of the target business.

At the time we seek stockholder approval of our initial business combination, we will offer each public stockholder the right to have such stockholder's shares of common stock redeemed for cash if the stockholder votes against the business combination and the business combination is approved and completed. The actual per-share redemption price will be equal to the amount in the trust account (calculated as of two business days prior to the consummation of the proposed business combination), inclusive of any interest, net of taxes payable, divided by the number of shares sold in the Initial Public Offering. We may effect a business combination so long as public stockholders owning no more than 32.99% of the shares sold in the Initial Public Offering vote against the business combination and exercise their redemption rights. In accordance with the terms of the Initial Public Offering, 6,599,999 shares of common stock are subject to possible redemption. Accordingly, at June 30, 2007, \$64,679,990 of the net proceeds from the Initial Public Offering, has been classified as common stock subject to possible redemption in the Company's balance sheet.

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

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

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



### **Contractual Obligations**

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

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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

### **ITEM 4. CONTROLS AND PROCEDURES**

An evaluation of the effectiveness of our disclosure controls and procedures as of June 30, 2007 was made under the supervision and with the participation of our management, including our chief executive officer and chief financial officer. Based on that evaluation, they concluded that our disclosure controls and procedures are effective as of the end of the period covered by this report to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management (including such officers) as appropriate to allow timely decisions regarding required disclosure and recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

During the period covered by this Quarterly Report on Form 10-Q, there has been no significant change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II - OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

None.

### **ITEM 1A. RISK FACTORS**

In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2006. The risks described in our Annual Report on Form 10-K, are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results. The following risk factors disclose new risks or are material changes from risk factor set forth in our Annual Report on Form 10-K. Please see the Risk Factor Section of our joint proxy statement/prospectus on file with the Securities and Exchange Commission.

### **Company Risk Factors Relating to the Surviving Corporation**

***Star Bulk's senior executive officers and directors may not be able to organize and manage a publicly traded operating company adversely affecting the Company's overall financial position.***

None of Star Bulk's senior executive officers or directors has previously organized and managed a publicly traded operating company, and Star Bulk's senior executive officers and directors may not be successful in doing so. The demands of organizing and managing a publicly traded operating company are much greater as compared to a private or blank check company and some of Star Bulk's senior executive officers and directors may not be able to meet those increased demands.

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

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

***Servicing debt will limit funds available for other purposes, including capital expenditures and payment of dividends.***

Star Bulk expects to incur up to \$40,000,000 of indebtedness in connection with the purchase of the vessels in the initial fleet and may also incur additional secured debt to finance the acquisition of additional vessels. Star Bulk may also incur up to an additional \$70,000,000 of indebtedness to replace funds from our Trust Account that have been utilized to cover the cost of redeeming stockholders of Star Maritime. Star Bulk may be required to dedicate a portion of its cash flow from operations to pay the principal and interest on its debt. These payments limit funds otherwise available for working capital expenditures and other purposes, including payment of dividends. Star Bulk has not yet determined whether to purchase additional vessels or incur debt in the near future for additional vessel acquisitions. Assuming that no shareholders elect to redeem, Star Bulk will have available approximately \$70,000,000 under its credit facility to fund future acquisitions. If Star Bulk is unable to service its debt, it could have a material adverse effect on Star Bulk's financial condition and results of operations.

***Poor performance of Star Bulk's charters may lead to decreased revenues and a reduction in earnings.***

Star Bulk will enter into a time charter with each of Worldlink Shipping Limited for the *Star Alpha*, North China Shipping Limited Bahamas for the *Star Epsilon*, Essar for the *Star Delta*, Neptune for the *Star Zeta*, Hyundai for the *Star Theta* and TMT for the *Star Iota* and *Star Gamma*. Star Bulk's revenues may be dependent on the performance of its charterers and, as a result, defaults by its charterers may materially adversely affect Star Bulk's revenues. Star Bulk has not independently analyzed the creditworthiness of the charterers, consistent with industry practice in the drybulk shipping industry.

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





Star Bulk's success will depend to a significant extent upon the abilities and efforts of its management team. Star Bulk has only two employees, its Chief Executive Officer and Chief Financial Officer. Star Bulk's wholly-owned subsidiary, Star Bulk Management, plans to hire additional employees following the Redomiciliation Merger to perform the day to day management of the vessels in the initial fleet. Star Bulk Management does not currently have any employees. Star Bulk's success will depend upon its ability to retain key members of its management team and the ability of Star Bulk Management to recruit and hire suitable employees. The loss of any of these individuals could adversely affect Star Bulk's business prospects and financial condition. Difficulty in hiring and retaining personnel could adversely affect Star Bulk's results of operations. Star Bulk does not intend to maintain "key man" life insurance on any of its officers. Star Bulk Management has entered into employment agreements with Mr. Akis Tsirigakis and Mr. George Syllantavos, Star Bulk's Chief Executive Officer and Chief Financial Officer, respectively, and has adopted an equity incentive plan in order to provide the board of directors a mechanism for incentivizing key employees in the future.

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

Star Bulk's operating and financial systems may not be adequate as it commences operations, and its attempts to implement those systems may be ineffective. In addition, as Star Bulk expands its fleet, it will have to rely on its wholly-owned subsidiary, Star Bulk Management, to recruit shoreside administrative and management personnel. Star Bulk Management intends to sub-contract crew management, which includes the recruitment of seafarers, to third-party technical management companies. On-shore personnel will be recruited by Star Bulk Management through referrals from other shipping companies and traditional methods of securing personnel, such as placing classified advertisements in shipping industry periodicals. Star Bulk Management may not be able to continue to hire suitable employees as Star Bulk expands its fleet. If Star Bulk Management's unaffiliated crewing agent encounters business or financial difficulties, Star Bulk may not be able to adequately staff its vessels. If Star Bulk is unable to operate its financial and operations systems effectively or to recruit suitable employees, its performance may be materially adversely affected.

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

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

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

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

Star Bulk has inspected the vessels that it will acquire from TMT, has considered the age and condition of the vessels in budgeting for operating, insurance and maintenance costs, and that if Star Bulk acquires additional second hand vessels in the future, it may encounter higher operating and maintenance costs due to the age and condition of those additional vessels.

*Star Bulk is incorporated under the laws of the Marshall Islands and its directors and officers are non-U.S. residents, and although you may bring an original action in the courts of the Marshall Islands or obtain a judgment against Star Bulk, its directors or its management based on U.S. laws in the event you believe your rights as a shareholder have been infringed, it may be difficult to enforce judgments against Star Bulk, its directors or its management.*

Star Bulk is incorporated under the laws of the Republic of the Marshall Islands, and all of its assets are located outside of the United States. Star Bulk's business will be operated primarily from its offices in Athens, Greece. In addition, Star Bulk's directors and officers, following the Redomiciliation Merger, will be non-residents of the United States, and all or a substantial portion of the assets of these non-residents are located outside the United States. As a result, it may be difficult or impossible for you to bring an action against Star Bulk or against these individuals in the United States if you believe that your rights have been infringed under securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Marshall Islands and of other jurisdictions may prevent or restrict you from enforcing a judgment against Star Bulk's assets or the assets of its directors and officers. Although you may bring an original action against Star Bulk, its affiliates or any expert named in this prospectus in the courts of the Marshall Islands based on U.S. laws, and the courts of the Marshall Islands may impose civil liability, including monetary damages, against Star Bulk, its affiliates or any expert named in this prospectus for a cause of action arising under Marshall Islands law, it may be impracticable for you to do so given the geographic location of the Marshall Islands. For more information regarding the relevant laws of the Marshall Islands, please read "Enforceability of Civil Liabilities."

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

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

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

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

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

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

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

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

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

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

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

***Investors should not rely on an investment in Star Bulk if they require dividend income. It is not certain that Star Bulk will pay a dividend and the only return on an investment in Star Bulk may come from appreciation of the common stock.***

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

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



***Registration rights held by Star Maritime's stockholders who purchased shares prior to the initial public offering may have an adverse effect on the market price of Star Bulk's common stock.***

Star Maritime's initial stockholders who purchased common stock prior to the initial public offering are entitled to demand that Star Bulk register the resale of their shares at any time after they are released from escrow which, except in limited circumstances, will not be before December 21, 2008. If such stockholders exercise their registration rights with respect to all of their shares, there will be an additional 9,026,924 shares of common stock eligible for trading in the public market. In addition, certain of Star Maritime's officers and directors who purchased units in Star Maritime's private placement in December 2005 are entitled to demand the registration of the securities underlying the 1,132,500 units at any time after Star Maritime announces that it has entered into a letter of intent, an agreement in principle or a definitive agreement in connection with a business combination. Star Maritime announced Star Bulk's entry into the Acquisition Agreements on January 17, 2007. If all of these stockholders exercise their registration rights with respect to all of their shares of common stock, there will be an additional 1,132,500 shares of common stock eligible for trading in the public market. The presence of these additional shares may have an adverse effect on the market price of Star Bulk's common stock.

***We depend on officers who may engage in other business activities in the international shipping industry which may create conflicts of interest.***

Prokopios Tsirigakis, Star Bulk's Chief Executive Officer and a member of its board of directors, and George Syllantavos, Star Bulk's Chief Financial Officer, Secretary and member of its board of directors intend to participate in business activities not associated with Star Bulk. As a result, Mr. Tsirigakis and Mr. Syllantavos may devote less time to Star Bulk than if they were not engaged in other business activities and may owe fiduciary duties to the shareholders of both Star Bulk as well as shareholders of other companies which they may be affiliated, which may create conflicts of interest in matters involving or affecting Star Bulk and its customers. It is not certain that any of these conflicts of interest will be resolved in Star Bulk's favor.

***Star Maritime's directors and executive officers have interests in the Redomiciliation Merger that are different from yours.***

In considering the recommendation of Star Maritime's directors to vote to approve the Redomiciliation Merger, you should be aware that they have agreements or arrangements that provide them with interests in the Redomiciliation Merger that differ from, or are in addition to, those of Star Maritime stockholders generally. If the Redomiciliation Merger is not approved, Star Maritime will be liquidated and we will distribute to all of the holders of our shares issued in our initial public offering in proportion to their respective equity interests, an aggregate amount equal to funds on deposit in the Trust Account, including any interest (net of any taxes payable) not previously released to us, plus any remaining net assets. If we fail to consummate a business combination transaction, our officers and directors have waived their respective rights to participate in any liquidation distribution with respect to the 9,026,924 shares of common stock issued to them prior to our initial public offering and with respect to the 1,132,500 shares of common stock acquired by certain of our officers and directors in the private placement and we would not distribute funds from the Trust Account with respect to the Star Maritime warrants, which would expire. The personal and financial interests of the members of our board of directors and executive officers may have influenced their motivation in identifying and selecting a target business and completing a business combination timely. Consequently, their discretion in identifying and selecting a suitable target business may result in a conflict of interest when determining whether the terms, conditions and timing of a particular business combination are appropriate and in Star Maritime's stockholders' best interest.



**Company Risk Factors Relating to Star Maritime Acquisition Corp.**

***If third parties bring claims against Star Maritime, the proceeds held in trust could be reduced which would result in a per-share liquidation value receivable by Star Maritime's public stockholders from the Trust Account as part of its plan of dissolution and liquidation that is less than \$10.00.***

Star Maritime's placing of funds in trust may not protect those funds from third party claims against it. Star Maritime has not procured waivers from any creditors or prospective target businesses, and if the Redomiciliation Merger is not effected, the material creditors of Star Maritime would consist of its legal advisors, accountants, and service providers in connection with the Redomiciliation Merger, such as experts and printers. As of July 16, 2007, there are no creditor claims against Star Maritime.

Accordingly, the proceeds held in trust could be subject to claims that could take priority over the claims of Star Maritime's public stockholders, which would result in a per-share liquidation value receivable by Star Maritime's public stockholders from funds held in the Trust Account that is less than \$10.00.

In connection with our initial public offering, our initial stockholders each entered into a letter agreement whereby our initial stockholders agreed to indemnify Star Maritime against any loss, liability, claims, damage and expense whatsoever (including, but not limited to, any and all legal and other expenses reasonably incurred in investigating, preparing or defending against any litigation, whether pending or threatened, or any claim whatsoever) which the Star Maritime may become subject as a result of any claim by any vendor that is owed money by Star Maritime for services rendered or products sold but only to the extent necessary to ensure that such loss, liability, claim, damage or expense does not reduce the amount in the Trust Account. Pursuant to this letter agreement, Star Maritime may seek indemnity from the initial stockholders to the extent amounts in the Trust Account are not sufficient to fund the Star Maritime's liabilities and expenses. Star Maritime, Star Bulk and both of their boards of directors may be obligated to seek enforcement of the letter agreements to ensure against reductions in the Trust Account.

In the event that Star Maritime's board recommends and its stockholders approve a plan of dissolution and liquidation where it is subsequently determined that the reserve for claims and liabilities is insufficient, stockholders who received a return of funds from the Trust Account as part of the liquidation could be liable for claims made by creditors.

Additionally, if Star Maritime is forced to file a bankruptcy case or an involuntary bankruptcy case is filed against it which is not dismissed, the funds held in the Trust Account may be subject to applicable bankruptcy law, and may be included in Star Maritime's bankruptcy estate and subject to the claims of third parties with priority over the claims of Star Maritime's stockholders. Star Maritime's stockholders could also be required to return any distributions received by them in dissolution as a preference or under other avoidance or recovery theories under applicable bankruptcy law. To the extent any bankruptcy claims deplete the Trust Account, Star Maritime may not be able to return the liquidation amounts due to its public stockholders.

***If the Redomiciliation Merger or another business combination is not approved by Star Maritime's stockholders by December 21, 2007, then the funds in the Trust Account may only be distributed upon Star Maritime's dissolution and therefore, payments from the Trust Account to public stockholders may be delayed.***

If the Redomiciliation Merger or another business combination is not approved by Star Maritime's stockholders by December 21, 2007, then the funds held in the Trust Account may not be distributed except upon Star Maritime's dissolution. Unless and until stockholder approval to dissolve Star Maritime is obtained from Star Maritime's stockholders, the funds held in the Trust Account will not be released. Consequently, holders of a majority of Star Maritime's outstanding stock must approve the dissolution in order to receive the funds held in the Trust Account and the funds will not be available for any other corporate purpose. The procedures required for Star Maritime to liquidate

under the Delaware General Corporation Law, or a vote to reject any plan of dissolution and distribution by its stockholders, may result in substantial delays in the liquidation of the Trust Account to Star Maritime's public stockholders as part of its plan of dissolution and distribution.

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

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

Pursuant to the terms of its certificate of incorporation, Star Maritime's powers following the expiration of the permitted time periods for consummating a business combination would automatically thereafter be limited to acts and activities relating to dissolving and winding up affairs, including liquidation. The funds held in the Trust Account may not be distributed except upon dissolution and, unless and until such approval is obtained from stockholders, the funds held in the Trust Account would not be released. Consequently, holders of a majority of Star Maritime's outstanding stock must approve the dissolution in order to receive the funds held in the Trust Account and the funds would not be available for any other corporate purpose.

The procedures required for Star Maritime to liquidate under the Delaware law, or a vote to reject any plan of dissolution and liquidation by Star Maritime's stockholders, may result in substantial delays in the liquidation of the Trust Account to Star Maritime's public stockholders as part of the plan of dissolution and liquidation.

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

***Because Star Bulk will operate its vessels worldwide, terrorism and other events outside Star Bulk's control may negatively affect its operations and financial condition.***

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

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

## **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

On December 21, 2005, we consummated our initial public offering of 18,867,500 units. Each unit consists of one share of common stock and one warrant. Each warrant entitles the holder to purchase from us one share of our common stock at an exercise price of \$8.00. The units were sold at an offering price of \$10.00 per unit, generating total gross proceeds of \$188,675,000. The securities sold in the offering were registered under the Securities Act of 1933 on a registration statement on Form S-1 (No. 333-125662). The Securities and Exchange Commission declared the registration statement effective on December 15, 2005. The net proceeds from the sale of our common stock will be used to acquire, through a merger, capital stock exchange, asset acquisition or similar business combination, one or more "target businesses" in the shipping industry. A "target business" includes one or more entities with agreements to acquire vessels or an operating business in the shipping industry.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

None.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

Exhibit No.	Description
31.1	Certification of the Chief Executive Officer (Principal Executive Officer) pursuant to Rule 13a-14(a) of the Securities Exchange Act, as amended.
31.2	Certification of the Chief Financial Officer and (Principal Financial Officer) pursuant to Rule 13a-14(a) of the Securities Exchange Act, as amended.
32.1	Certification of the Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer) pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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**SIGNATURES**

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**STAR MARITIME ACQUISITION CORP.**

August 8, 2007

By: /s/ Prokopios (Akis) Tsirigakis  
Prokopios (Akis) Tsirigakis  
Chairman, Chief Executive Officer and  
President(Principal Executive Officer)

By: /s/ George Syllantavos  
George Syllantavos  
Chief Financial Officer (Principal  
Financial Officer)