NORDIC AMERICAN TANKER SHIPPING LTD
Form 424B2
November 19, 2004
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Filed Pursuant to Rule 424(b)(2)

Registration No. 333-118128

Prospectus Supplement

(to Prospectus dated October 4, 2004)

2,700,000 Shares

Nordic American Tanker Shipping Limited

Common Shares

We are offering for sale 2,700,000 of our common shares.

Our common shares are listed on the New York Stock Exchange and the Oslo Stock Exchange under the symbol NAT. On November 17, 2004, the closing price of our common shares on the New York Stock Exchange was $40.05 per share.

See Risk Factors beginning on page S-5 to read about the risks you should consider before purchasing our common shares.

	Per Share	Total
Public Offering Price	$38.750	$ 104,625,000
Underwriting Discount	$ 2.325	$ 6,277,500
Proceeds	$36.425	$ 98,347,500

We have granted the underwriters a 30-day option to purchase up to 405,000 additional shares to cover any over-allotments.

Delivery of the shares will be made on or about November 23, 2004.

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

Bear, Stearns & Co. Inc. UBS Investment Bank

DnB NOR Markets, Inc.

The date of this prospectus supplement is November 17, 2004

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British Harrier

Wilma Yangtze

IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS SUPPLEMENT

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

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

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

In addition to the factors discussed under the caption Risk Factors and matters discussed elsewhere in this prospectus and in the documents incorporated by reference in this prospectus, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include:

general market conditions and the strength of world economy and currencies,

changes in demand and supply in the tanker market, including as a result of changes in OPEC s petroleum production levels and world wide oil consumption and storage patterns,

fluctuations in tanker charter rates and vessel values,

- changes in our operating expenses, including bunker prices, drydocking and insurance costs,
- availability of financing and refinancing,
- changes in governmental rules and regulations or actions taken by regulatory authorities including those that may limit the commercial useful lives of oil tankers,
- potential liability from pending or future litigation,
- general domestic and international political conditions,
- potential disruption of shipping routes due to accidents, political events or terrorism,

and other important factors described from time to time in the reports we file with the United States Securities and Exchange Commission and the New York Stock Exchange.

Common shares may be offered or sold in Bermuda only in compliance with the provisions of the Investment Business Act 2003 of Bermuda which regulates the sale of securities in Bermuda. In addition, the Bermuda Monetary Authority, or the BMA, must approve all issues and transfers of shares of a Bermuda exempted company. We have applied for consent under the Exchange Control Act of 1972, and regulations thereunder, from the BMA for the sale and transfer of our common shares as described in this prospectus. We have received from the BMA their permission for the issue and free transferability of our common shares being offered pursuant to this prospectus, so long as such shares are listed on the New York Stock Exchange and the Oslo Stock Exchange, to and among persons who are non-residents of Bermuda for exchange control purposes. In addition, we will deliver to and file a copy of this prospectus with the Registrar of Companies in Bermuda. The BMA and the Registrar of Companies of Bermuda do not accept any responsibility for the financial soundness of any proposal or for the correctness of any of the statements made or opinions expressed in this prospectus.

NOTICE TO RESIDENTS OF ITALY

THIS PROSPECTUS HAS NOT BEEN SUBMITTED TO THE CLEARANCE PROCEDURES OF *COMMISSIONE NAZIONALE PER LE SOCIET` A E LA BORSA*, OR CONSOB, AND HAS NOT BEEN AND WILL NOT BE SUBJECT TO THE FORMAL REVIEW OR CLEARANCE PROCEDURES OF CONSOB AND ACCORDINGLY MAY NOT BE USED IN CONNECTION WITH ANY OFFERING OF COMMON SHARES IN THE REPUBLIC OF ITALY, OR ITALY, OTHER THAN TO PROFESSIONAL INVESTORS (AS DEFINED IN ACCORDANCE WITH APPLICABLE ITALIAN SECURITIES LAWS AND REGULATIONS). ANY OFFER OF COMMON SHARES IN ITALY IN RELATION TO THE OFFERING IS BEING MADE ONLY TO PROFESSIONAL INVESTORS, PURSUANT TO ARTICLE 30, PARAGRAPH 2 AND ARTICLE 100 A) OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998, AS AMENDED OR DECREE NO. 58, AND AS DEFINED IN ARTICLES 25 AND 31, PARAGRAPH 2 OF CONSOB REGULATION NO. 11522 OF 1 JULY 1998, AS AMENDED, AND EXCLUDING INDIVIDUALS AS DEFINED PURSUANT TO THE AFOREMENTIONED ARTICLE 31, PARAGRAPH 2, WHO MEET THE REQUIREMENTS IN ORDER TO EXERCISE ADMINISTRATIVE, MANAGERIAL OR SUPERVISORY FUNCTIONS AT A REGISTERED SECURITIES DEALING FIRM (A *SOCIET` A DI INTERMEDIAZIONE MOBILIARE*, OR SIM),

MANAGEMENT COMPANIES AUTHORISED TO MANAGE INDIVIDUAL PORTFOLIOS ON BEHALF OF THIRD PARTIES (*SOCIET` A DI GESTIONE DEL RISPARMIO*, OR SGR) AND FIDUCIARY COMPANIES (*SOCIET` A FIDUCIARIE*) MANAGING PORTFOLIO INVESTMENTS REGULATED BY ARTICLE 60, PARAGRAPH 4 OF LEGISLATIVE DECREE NO. 415 OF 23 JULY 1996 AND OTHERWISE IN ACCORDANCE WITH APPLICABLE ITALIAN LAWS AND REGULATIONS PROVIDED THEREIN. UNDER NO CIRCUMSTANCES SHOULD THIS PROSPECTUS BE CIRCULATED

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AMONG, OR BE DISTRIBUTED IN ITALY TO ANY MEMBER OF THE GENERAL PUBLIC IN ITALY OR TO INDIVIDUALS OR ENTITIES FALLING OUTSIDE THE CATEGORIES OF PROFESSIONAL INVESTORS. ANY SUCH OFFER OR ISSUE OR ANY DISTRIBUTION OF THIS PROSPECTUS WITHIN ITALY AND/OR THE RENDERING OF ADVICE OF ANY NATURE WHATSOEVER IN CONNECTION WITH THE OFFERING MUST BE CONDUCTED EITHER BY BANKS, INVESTMENT FIRMS (AS DEFINED IN DECREE NO. 58) AND FINANCIAL COMPANIES ENROLLED IN THE SPECIAL REGISTER PROVIDED FOR BY ARTICLE 107 OF LEGISLATIVE DECREE NO. 385 OF 1 SEPTEMBER 1993, AS AMENDED, TO THE EXTENT DULY AUTHORISED TO ENGAGE IN THE PLACEMENT AND/OR UNDERWRITING OF FINANCIAL INSTRUMENTS IN ITALY IN ACCORDANCE WITH THE RELEVANT PROVISIONS OF DECREE NO. 58.

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PROSPECTUS SUPPLEMENT SUMMARY

This section summarizes some of the information that is contained or incorporated by reference in other parts of this prospectus. As an investor or prospective investor, you should review carefully the entire prospectus, including the section entitled Risk Factors and the more detailed information incorporated by reference in this prospectus.

In this prospectus supplement, we, us, our and the Company all refer to Nordic American Tanker Shipping Limited. Some of the shipping terms used in this prospectus are defined in Glossary of Shipping Terms on page S-39. Terms used in this prospectus supplement will have the meanings described in the base prospectus, unless otherwise specified.

Our Company

We are an international tanker company that owns three modern double-hull Suezmax tankers of approximately 151,459 dwt each. We have agreed to acquire one additional double-hull Suezmax tanker built in 1997 from an unrelated third party. We were formed in June 1995 for the purpose of acquiring and chartering three Suezmax tankers that were built in 1997. These three vessels were bareboat chartered to BP Shipping Ltd., or BP Shipping, for a period of seven years. BP Shipping redelivered two of the vessels to us in September and October 2004, and is scheduled to redeliver the third vessel in November 2004. We have continued our relationship with BP Shipping by time chartering to it the first two tankers at spot market related rates for three-year terms. We have bareboat chartered the third of our original three vessels to Gulf Navigation Company LLC, or Gulf Navigation, of Dubai, U.A.E. for a term of five years at a fixed rate of charterhire, subject to two one-year extensions at Gulf Navigation s option.

We expect to take delivery of our new vessel in late November 2004. After a short term bareboat charter to the present owner, we plan to deploy that vessel in the spot market over the near term, commencing in the beginning of February 2005. We believe that the acquisition of this vessel, which increases our fleet to four Suezmax tankers, will enable us to pay a higher dividend per share than we otherwise would have been able to pay with a three-vessel fleet.

With our recent acquisition and the changes in our chartering arrangements, we plan to operate three of our four vessels in the spot market or on spot market related time charters. Accordingly, we have become an operating company with greater technical and operational responsibilities than in the past.

Our Business Strategy

Our business strategy is to manage and expand our fleet in order to enable us to continue to pay attractive dividends to our shareholders. Key elements of our business strategy include:

- Growing our operations and expanding our fleet in a manner that is accretive to earnings and dividends per share.

Maintaining a strong balance sheet with low leverage. We have established a $300 million senior secured credit facility, or the Credit Facility, to provide flexibility to pursue our acquisition strategy, and we intend to refinance borrowings under the Credit Facility from time to time through equity issuances.

Minimizing our operating and maintenance costs by operating a modern and well-maintained fleet of double-hull tankers.

Managing our cash flows through the use of fixed-rate bareboat and time charters for part of our fleet, while taking advantage of potentially higher market rates through time charters with spot market related rates and voyage charters.

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Our Dividend Policy

Our policy is to declare quarterly distributions to shareholders each January, April, July and October, substantially equal to our available cash from operations during the previous quarter after cash expenses and reserves as the Board of Directors may from time to time determine are required, taking into account contingent liabilities, the terms of our senior secured credit facility, our other cash needs and the requirements of Bermuda law. In times when we have debt outstanding, we intend to limit our dividends per share to the amount that we would have been able to pay if we were financed entirely with equity. The Board of Directors may review and amend our dividend policy from time to time, in light of the Company s plans for future growth and other factors.

We believe that the purchase of the additional Suezmax tanker in November 2004 combined with this equity offering will enable us to pay a higher dividend per share than we would have been able to pay without revenue from this additional vessel, this offering and the application of the proceeds from this offering. In the four quarters of 2003 we paid aggregate dividends of $3.05 per share, and in the four quarters of 2004, including the dividend declared in the fourth quarter, we will pay aggregate dividends of $4.84 per share. Giving effect to the acquisition of the additional Suezmax tanker, employment of that vessel in the then prevailing spot market (including our bearing operating expenses that are typical for vessels operated in the spot market), the completion of this offering, the application of the net proceeds of this offering and the issuance of an aggregate of 248,132 shares to Scandic American Shipping, Ltd., or the Manager, under our management agreement, or the Management Agreement, in each case as of October 1, 2002, we estimate that under our current dividend policy we would have been able to pay an aggregate $3.34 per share in the four quarters of 2003 and an aggregate $5.32 per share in the four quarters of 2004. We refer you to the discussion contained in the section entitled Our Dividend Policy for more information.

Our Credit Facility

In October 2004 we entered into the Credit Facility, which consists of a $50 million revolving credit facility and a $250 million revolving credit facility. The $50 million facility will mature in October 2007 and the $250 million facility will mature in October 2005, unless we exercise our one-year extension option or our option to convert any drawn amounts to a five-year term loan. Amounts borrowed under the Credit Facility bear interest at a rate equal to LIBOR plus a margin between 0.8% and 1.2% (depending on the loan to vessel value ratio). In October 2004 we refinanced our $30 million term loan with a portion of the $50 million facility. In November 2004 we borrowed $6.6 million under the $50 million facility to finance the down payment for the vessel we have agreed to acquire. Both these outstanding borrowings are being repaid with a portion of the net proceeds of this offering. We intend to draw additional amounts under the Credit Facility in connection with any future vessel acquisitions.

Borrowings under the Credit Facility are secured by mortgages over our vessels and assignments of earnings and insurances. We will be able to pay dividends in accordance with our dividend policy as long as we repay any amounts drawn under the $250 million facility within one year from the closing of the Credit Facility and we are not otherwise in default of the Credit Facility. We refer you to the discussion contained in the section entitled Our Business Our Credit Facility.

Our Corporate Structure

We are incorporated under the laws of the Islands of Bermuda. We maintain our registered offices at Canon s Court, 22 Victoria Street, Hamilton HM 12, Bermuda. Our telephone number is (441) 298-3207. Our website address is www.nat.bm. The information on our website is not a part of this prospectus.

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The Offering

Common shares offered by this prospectus supplement	2,700,000
Common shares to be outstanding immediately after this offering	12,654,738
Use of Proceeds	We estimate that the net proceeds from this offering, after deducting underwriting discounts and commissions and estimated expenses relating to this offering, will be approximately $96.8 million. We plan to use net proceeds from this offering to repay $36.6 million borrowed under our Credit Facility, to finance the balance in the amount of $59.4 million of the purchase price of the new vessel and for general corporate purposes, including repaying future indebtedness and any future vessel acquisitions. We refer you to the section entitled Use of Proceeds.
New York Stock Exchange Symbol	NAT

The number of shares to be outstanding after this offering is based on 9,900,738 shares issued and outstanding as of October 31, 2004 (including 194,132 restricted common shares issued under the Management Agreement to the Manager on October 28, 2004 and an additional 54,000 restricted common shares to be issued under the Management Agreement to the Manager following the closing of this offering) and excludes:

- 400,000 common shares that are reserved for issuance upon exercise of options, as restricted share grants or otherwise, under our 2004 Stock Incentive Plan, and

- the underwriters option to cover over-allotments. See Underwriting.

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SUMMARY FINANCIAL INFORMATION

The table below sets forth summary financial information for the periods indicated. The information as of and for the three years ended December 31, 2003, 2002 and 2001 has been derived from our audited financial statements, which are incorporated by reference into this prospectus supplement. Historical results are not necessarily indicative of results that may be expected for any future period. Information as of and for the nine months ended September 30, 2004 and 2003 has been derived from our unaudited interim financial statements, which are also incorporated by reference into this prospectus supplement. Interim results are not necessarily indicative of full year results. Our interim and full year condensed financial statements are prepared in accordance with accounting principles generally accepted in the United States.

You should read the information in this table together with our audited financial statements and related notes, our unaudited financial statements and related notes and the sections entitled Management s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 20-F for the year ended December 31, 2003, and contained herein for the nine months ended September 30, 2004.

	Year ended December 31,			Nine months ended September 30,	
	2001	**2002**	**2003**	**2003**	**2004**
(All amounts reported in USD)					
Selected Statement of Operations Data:					
Operating revenue	$ 28,359,568	$ 18,057,989	$ 37,370,756	$ 25,502,450	$ 39,963,680
Ship broker commissions	(184,781)	(184,781)	(184,781)	(138,206)	(148,422)
Management fee (1)	(281,406)	(340,381)	(366,421)	(187,500)	(260,500)
Administrative expenses (2)				(111,119)	(969,421)
Directors insurance	(72,333)	(86,667)	(101,666)	(75,000)	(79,998)
Depreciation	(6,831,040)	(6,831,040)	(6,831,040)	(5,123,280)	(5,123,280)
Net operating income	20,990,008	10,615,120	29,886,848	19,867,345	33,382,059
Interest income	189,244	21,409	26,462	19,975	41,849
Interest expense	(1,769,000)	(1,764,424)	(1,797,981)	(1,340,167)	(1,320,020)
Other financial charges	(24,776)	(24,837)	(15,040)	(11,329)	(78,670)
Net financial items	(1,604,532)	(1,767,852)	(1,786,559)	(1,331,521)	(1,356,841)
Net profit	$ 19,385,476	$ 8,847,268	$ 28,100,289	$ 18,535,824	$ 32,025,218
Basic and diluted earnings per share	$ 2.00	$ 0.91	$ 2.89	$ 1.91	$ 3.30
Cash dividends declared per share	3.87	1.35	3.05	2.68	3.73
Weighted average shares outstanding basic and diluted	9,706,606	9,706,606	9,706,606	9,706,606	9,706,606
Other Financial Data:					
Net cash from operating activities	$ 36,272,600	$ 12,750,908	$ 29,893,551	$ 26,496,596	$ 36,207,539
Dividends paid	37,564,658	13,103,993	29,605,410	26,013,874	36,205,927
Selected Balance Sheet Data (at period end):					
Cash and cash deposit	$ 630,868	$ 277,783	$ 565,924	$ 760,505	$ 567,536
Total assets	142,658,488	138,579,559	136,896,298	130,920,939	133,584,090
Total debt	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000

Shareholders equity	111,841,822	106,347,097	105,707,976	99,433,047	102,446,267

(1) The management fees for the years ended December 31, 2001, 2002, and 2003 include administrative expenses of $31,406, $90,381 and $116,421, respectively.

(2) The administrative expenses for the nine months ended September 30, 2004, include expenses associated with our transition to an operating company.

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RISK FACTORS

Investing in our common shares involves risks. You should carefully consider the following risk factors relating to our common shares and our business in addition to the other information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus in deciding whether to invest in our common shares.

Industry Specific Risk Factors

The cyclical nature of the tanker industry may lead to volatile changes in charter rates and vessel values which may adversely affect our earnings.

If the tanker market, which has been cyclical, is depressed in the future, our earnings and available cash flow may decrease. Our ability to recharter our vessels or to sell them on the expiration or termination of their charters and the charter rates payable under our two spot market related time charters, the spot charters we expect to enter into, or any renewal or replacement charters, will depend upon, among other things, economic conditions in the tanker market. Fluctuations in charter rates and tanker values result from changes in the supply and demand for tanker capacity and changes in the supply and demand for oil and oil products.

The factors affecting the supply and demand for tankers are outside of our control, and the nature, timing and degree of changes in industry conditions are unpredictable.

The factors that influence demand for tanker capacity include,

- demand for oil and oil products,
- supply of oil and oil products,
- global and regional economic conditions,
- the distance oil and oil products are to be moved by sea, and
- changes in seaborne and other transportation patterns.

The factors that influence the supply of tanker capacity include:

the number of newbuilding deliveries,

the scrapping rate of older vessels,

conversion of tankers to other uses,

the number of vessels that are out of service, and

environmental concerns and regulations.

Historically, the tanker markets have been volatile as a result of the many conditions and factors that can affect the price, supply and demand for tanker capacity. Changes in demand for transportation of oil over longer distances and supply of tankers to carry that oil may materially affect our revenues, profitability and cash flows. Two of our vessels are currently operated under time charters to BP Shipping on market related rates and we plan to operate our newly acquired vessel in the spot market over the near term. We cannot assure you that we will receive any minimum level of charterhire for the vessels on time charters to BP Shipping or for the vessels operated in the spot market.

Any decrease in spot charter rates in the future may adversely affect our earnings.

Our two vessels chartered to BP Shipping operate on time charters with spot market related rates and we plan to operate our newly acquired vessel in the spot market over the near term. We may enter into spot charters for any additional vessels that the we may acquire in the future. Although spot chartering is common in the

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tanker industry, the spot charter market may fluctuate significantly based upon tanker and oil supply and demand. The successful operation of our vessels in the spot charter market depends upon, among other things, obtaining profitable spot charters and minimizing, to the extent possible, time spent waiting for charters and time spent traveling unladen to pick up cargo. While the tanker spot market is currently high, that market is very volatile, and, in the past, there have been periods when spot rates have declined below the operating cost of vessels. We cannot assure you that future spot charters will be available at rates sufficient to enable our vessels trading in the spot market to operate profitably.

Normally, tanker markets are stronger in the fall and winter months (the fourth and first quarters of the calendar year) in anticipation of increased oil consumption in the northern hemisphere during the winter months. Unpredictable weather patterns and variations in oil reserves disrupt tanker scheduling. Seasonal variations in tanker demand and, as a result, in charter rates will affect any spot market related rates that we may receive.

Compliance with safety, environmental and other governmental and other requirements may adversely affect our business.

The shipping industry is affected by numerous regulations in the form of international conventions, national, state and local laws and national and international regulations in force in the jurisdictions in which such tankers operate, as well as in the country or countries in which such tankers are registered. These regulations include the U.S. Oil Pollution Act of 1990, or OPA, the International Convention on Civil Liability for Oil Pollution Damage of 1969, International Convention for the Prevention of Pollution from Ships, the IMO International Convention for the Safety of Life at Sea of 1974, or SOLAS, the International Convention on Load Lines of 1966 and the U.S. Marine Transportation Security Act of 2002, each of which imposes environmental, technical, safety, operational or financial requirements on us. In addition, vessel classification societies also impose significant safety and other requirements on our vessels. Regulation of vessels, particularly in the areas of safety and environmental impact may change in the future and may limit our ability to operate our business or require significant capital expenditures be incurred on our vessels to keep them in compliance.

The value of our vessels may fluctuate and could result in a lower price of our common shares.

Tanker values have generally experienced high volatility. You should expect the market value of our oil tankers to fluctuate, depending on general economic and market conditions affecting the tanker industry and competition from other shipping companies, types and sizes of vessels, and other modes of transportation. In addition, as vessels grow older, they generally decline in value. These factors will affect the value of our vessels. Declining tanker values could affect our ability to raise cash by limiting our ability to refinance our vessels, thereby adversely impacting our liquidity, or result in a breach of our loan covenants, which could result in defaults under the Credit Facility. If we determine at any time that a vessel s future limited useful life and earnings require us to impair its value on our financial statements, that could result in a charge against our earnings and the reduction of our shareholders equity. Due to the cyclical nature of the tanker market, if for any reason we sell vessels at a time when tanker prices have fallen, the sale may be at less than the vessel s carrying amount on our financial statements, with the result that we would also incur a loss and a reduction in earnings. Any such reduction could result in a lower share price.

Shipping is an inherently risky business involving global operations and our vessels are exposed to international risks which could reduce revenue or increase expenses.

Shipping companies conduct global operations. Our vessels are at risk of damage or loss because of events such as mechanical failure, collision, human error, war, terrorism, piracy, cargo loss and bad weather. In addition, changing economic, regulatory and political conditions in some countries, including political and military conflicts, have from time to time resulted in attacks on vessels, mining of waterways, piracy, terrorism, labor strikes and boycotts. These sorts of events could interfere with shipping lanes and result in market disruptions.

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Terrorist attacks, such as the attacks on the United States on September 11, 2001, and other acts of violence or war may affect the financial markets and our business, results of operations and financial condition.

Terrorist attacks such as the attacks on the United States on September 11, 2001 and the United States continuing response to these attacks, as well as the threat of future terrorist attacks, continues to cause uncertainty in the world financial markets, including the energy markets. The continuing conflict in Iraq may lead to additional acts of terrorism, armed conflict and civil disturbance around the world, which may contribute to further, instability, including in the oil markets. Terrorist attacks, such as the attack on the *M.T. Limburg* in Yemen in October 2002, may also negatively affect our trade patterns or other operations and directly impact our vessels or our 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 our operating results, revenue and costs.

Arrests of our vessels by maritime claimants could cause a significant loss of earnings for the related off hire period.

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lienholder may enforce its lien by arresting or attaching a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could result in a significant loss of earnings for the related off-hire period. In addition, in jurisdictions where the sister ship theory of liability applies, a claimant may arrest 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. In countries with sister ship liability laws, claims might be asserted against us or any of our vessels for liabilities of other vessels that we own.

Governments could requisition our vessels during a period of war or emergency, resulting in a 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 its 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 its charterer at dictated charter rates. Although we, as owner, would be entitled to compensation in the event of a requisition, the amount and timing of payment would be uncertain.

Company Specific Risk Factors

We cannot guarantee that we will continue to make cash distributions.

We have made distributions quarterly since September 1997. It is possible that we could incur other expenses or contingent liabilities that would reduce or eliminate the cash available for distribution as dividends. The Credit Facility prohibits the declaration and payment of dividends if we are in default under it. We refer you to the section entitled Our Business Our Credit Facility for more details. In addition, the declaration and payment of dividends is subject at all times to the discretion of our Board of Directors and compliance with Bermuda law, and may be dependent upon the adoption at the annual meeting of shareholders of a resolution effectuating a reduction in our share premium in an amount equal to the estimated amount of dividends to be paid in the next succeeding year. We refer you to the section entitled Our Dividend Policy for more details. We cannot assure you that we will pay dividends at rates previously paid or at all.

We may not be able to grow or to effectively manage our growth.

One of our principal strategies is to continue to grow by expanding our operations and adding to our fleet. Our future growth will depend upon a number of factors, some of which may not be within our control. These factors include our ability to:

identify suitable tankers and/or shipping companies for acquisitions,

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identify businesses engaged in managing, operating or owning tankers for acquisitions or joint ventures,

integrate any acquired tankers or businesses successfully with our existing operations,

hire, train and retain qualified personnel and crew to manage and operate our growing business and fleet,

identify additional new markets,

improve our operating and financial systems and controls, and

obtain required financing for our existing and new operations.

Our failure to effectively identify, purchase, develop and integrate any tankers or businesses could adversely affect our business, financial condition and results of operations. The number of employees of the Manager that perform services for us and our current operating and financial systems may not be adequate as we implement our plan to expand the size of our fleet, and we may not be able to require the Manager to hire more employees or adequately improve those systems. In addition, acquisitions may require additional equity issuances or debt issuances (with amortization payments), both of which could lower dividends per share. If we are unable to execute the points noted above, our financial condition and dividend rates may be adversely affected.

We are dependent on the Manager and there may be conflicts of interest arising from the relationship between our Chairman and the Manager.

Our success depends to a significant extent upon the abilities and effort