Navios Maritime Acquisition CORP
Form 20-F
March 16, 2012
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

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

OR

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

For the fiscal year ended December 31, 2011

OR

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

OR

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report

For the transition period from to

Commission file number

001-34104

Navios Maritime Acquisition Corporation

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant s Name into English)

Republic of Marshall Islands

(Jurisdiction of incorporation or organization)

85

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Table of Contents

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $.0001 per share	New York Stock Exchange LLC
Units	New York Stock Exchange LLC
Warrants	New York Stock Exchange LLC
Securities registered or to be registered pursuant to Section 12(g) of the Act.	None
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.	None

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

40,498,598 Shares of Common Stock

18,815 Units

6,019,179 Warrants

Indicate by check mark if the registrant is a well known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or (15)(d) of the Securities Exchange Act of 1934. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such reporting requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

Large Accelerated Filer ¨ Accelerated Filer x Non-Accelerated Filer ¨

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

U.S. GAAP x International Financial Reporting Standards as issued by the International Accounting Standards Board ¨ Other ¨

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

TABLE OF CONTENTS

Table of Contents

FORWARD-LOOKING STATEMENTS

This Annual Report should be read in conjunction with the financial statements and accompanying notes included herein.

Statements included in this annual report on Form 20-F which are not historical facts (including our statements concerning plans and objectives of management for future operations or economic performance, or assumptions related thereto) are forward-looking statements. In addition, we and our representatives may from time to time make other oral or written statements which are also forward-looking statements. Such statements include, in particular, statements about our plans, strategies, business prospects, changes and trends in our business, and the markets in which we operate as described in this annual report. In some cases, you can identify the forward-looking statements by the use of words such as may, could, should, would, expect, plan, anticipate, intend, forecast, believe, estimate, predict, propose, potential, contin terms or other comparable terminology.

Forward-looking statements appear in a number of places and include statements with respect to, among other things:

our ability to maintain or develop new and existing customer relationships, including our ability to enter into charters for our vessels;

our ability to successfully grow our business and our capacity to manage our expanding business;

our future operating and financial results, including the amount of fixed hire and profit share that we may receive;

our ability to identify and consummate desirable acquisitions, joint ventures or strategic alliances, business strategy, areas of possible expansion, and expected capital expenditure or operating expenses;

tanker industry trends, including charter rates and vessel values and factors affecting vessel supply and demand;

our ability to take delivery of, integrate into our fleet, and employ the newbuildings we have on firm order or any newbuildings we may order in the future and the ability of shipyards to deliver vessels on a timely basis;

the aging of our vessels and resultant increases in operation and drydocking costs;

the ability of our vessels to pass classification inspection and vetting inspections by oil majors;

significant changes in vessel performance, including increased vessel breakdowns;

the creditworthiness of our charterers and the ability of our contract counterparties to fulfill their obligations to us;

our ability to repay outstanding indebtedness, to obtain additional financing and to obtain replacement charters for our vessels, in each case, at commercially acceptable rates or at all;

- changes to governmental rules and regulations or action taken by regulatory authorities and the expected costs thereof;
- potential liability from litigation and our vessel operations, including discharge of pollutants;
- changes in general economic and business conditions;
- general domestic and international political conditions, including wars, acts of piracy and terrorism;
- changes in production of or demand for oil and petroleum products, either globally or in particular regions; and
- changes in the standard of service or the ability of our technical manager to be approved as required.

These and other forward-looking statements are made based upon management s current plans, expectations, estimates, assumptions and beliefs concerning future events impacting us and therefore involve a number of risks and uncertainties, including those set forth below, as well as those risks discussed in Item 3. Key Information .

The forward-looking statements, contained in this Annual Report on Form 20-F, are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated.

The risks, uncertainties and assumptions involve known and unknown risks and are inherently subject to significant uncertainties and contingencies, many of which are beyond our control. We caution that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements.

We undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict all of these factors. Further, we cannot assess the impact of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement.

Table of Contents

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information

A. Selected Financial Data

Navios Maritime Acquisition Corporation (sometimes referred to herein as Navios Acquisition , the Company , we or us) was incorporated in the Republic of Marshall Islands on March 14, 2008 (refer to Item 4. Information on the company).

On March 30, 2011, Navios Maritime Holdings Inc (Navios Holdings) exchanged 7,676,000 shares of Navios Acquisition s common stock it held for 1,000 shares of Series C Convertible Preferred Stock of Navios Acquisition pursuant to an Exchange Agreement entered into on March 30, 2011, between Navios Acquisition and Navios Holdings. Following this exchange, Navios Holdings has 45% of the voting power and 53.7% of the economic interest in Navios Acquisition.

On November 4, 2011, with respect to the shares held in escrow for the acquisition of a fleet of seven very large crude carriers (VLCC) (VLCC Acquisition), a total of 1,160,963 shares of common stock were released to the sellers and the remaining 217,159 were returned to Navios Acquisition in settlement of representations and warranties attributable to the sellers. The returned shares were cancelled on December 30, 2011. Following the release, Navios Holdings ownership of the outstanding voting stock of Navios Acquisition increased to 45.24%, and its economic interest increased to 53.96%

The selected historical financial and operating data as of and for the year ended December 31, 2011, 2010, 2009 and for the period from March 14, 2008 (Inception) to December 31, 2008, are derived from the historical financial and operating data from the audited consolidated financial statements of Navios Acquisition.

The information is only a summary and should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this annual report and section Item 5. Operating and Financial Review and Prospects. The selected consolidated financial data is a summary of, is derived from, and is qualified by reference to, our audited consolidated financial statements and notes thereto, which have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). The historical data included below and elsewhere in this annual report is not necessarily indicative of our future performance.

We cannot provide a meaningful comparison of our results of operations of the years ended December 31, 2009 and for the period March 14, 2008 (date of inception) to December 31, 2008, due to the fact that our vessel operations commenced in May 2010 upon the consummation of our initial acquisition of vessels. During the period from our inception to the date of our initial vessel acquisition, we were a development stage enterprise.

(In thousands of U.S. dollars)	**Year ended December 31, 2011**	**Year ended December 31, 2010**	**Year ended December 31, 2009**	**For the period March 14, 2008 (date of inception) to December 31, 2008**
Revenue	$ 121,925	$ 33,568	$	$
Time charter expenses	(3,499)	(355)		
Direct vessel expenses	(633)			
Management fees	(35,679)	(9,752)		

General and administrative expenses	(4,241)	(1,902)	(994)	(393)
Share based compensation		(2,140)		

Table of Contents

Transaction costs		(8,019)		
Depreciation and amortization	(38,638)	(10,120)		
Prepayment penalties & write- off of deferred finance fees	(935)	(5,441)		
Interest income	1,414	862	346	1,440
Interest expenses and finance cost, net	(43,165)	(10,651)		
Other income/(expense), net	(406)	404		
Net (loss)/income	**$ (3,857)**	**$ (13,546)**	**$ (648)**	**$ 1,047**
Net (loss)/ income per share, basic	$ (0.08)	(0.43)	(0.03)	0.08
Net (loss)/ income per share, diluted	$ (0.08)	(0.43)	(0.02)	0.06

Balance Sheet Data (at period end)	**Year ended December 31, 2011**	**Year ended December 31, 2010**	**Year ended December 31, 2009**	**For the period March 14, 2008 (date of inception) to December 31, 2008**
Current assets, including cash	78,907	81,202	142	57
Vessels, net	774,624	529,659		
Total assets	1,195,469	1,005,087	251,635	252,258
Current portion of long-term debt	11,928	5,086		
Total long-term debt, excluding current portion	833,483	704,332		
Total Stockholders equity	238,849	253,728	141,990	100,289
Cash Flow Data				
Net cash provided by /(used in) operating activities	67,972	11,479	(623)	1,467
Net cash (used in)/provided by investing activities	(229,516)	(104,781)	708	(252,201)
Net cash provided by financing activities	141,484	154,575		250,736
Fleet Data:				
Vessels at end of period	14	9		

B. ***Capitalization and indebtedness.***

Not applicable.

Table of Contents

C. ***Reasons for the offer and use of proceeds.***

Not applicable.

D. ***Risk factors***

Risks Relating to Our Business

We have a limited operating history, and you will have a limited basis on which to evaluate our ability to achieve our business objectives. We may not operate profitably in the future.

We are a company with limited combined operating results to date. Accordingly, you will have a limited basis upon which to evaluate our ability to achieve our business objectives. We completed our initial public offering (IPO) on July 1, 2008. Pursuant to the Acquisition Agreement dated April 8, 2010 and approved by our stockholders on May 25, 2010, we completed the Product and Chemical Tanker Acquisition which constituted the initial business combination. Three of the 13 vessels were delivered in the second, third and fourth quarter of 2010, and two were delivered in the first and fourth quarter of 2011, with the remaining vessels under the Acquisition Agreement scheduled to be delivered in the future. Most of the vessels acquired with the Product and Chemical Tanker Acquisition have no operating history, and the five vessels delivered up to date have only been chartered since their respective delivery. On September 10, 2010, we completed the acquisition of seven very large crude carriers (VLCC), referred to here in as the VLCC Acquisition, with six operating vessels and one vessel delivered in our fleet in June 2011. On October 26, 2010, we entered into an agreement to acquire two newbuild vessels that were delivered in the fourth quarter of 2011 and first quarter of 2012, respectively. Both of the vessels were immediately chartered. In July 2011, we took delivery of two MR2 product tankers, which continue to trade under charters in place at the time of acquisition. In January 2012, Navios Acquisition concluded the asset acquisition of three newbuild MR2 product tankers scheduled to be delivered from a South Korean shipyard in the second, third and fourth quarters of 2014, respectively.

Delays in deliveries of our newbuild vessels, or our decision to cancel, or our inability to otherwise complete the acquisitions of any newbuildings we may decide to acquire in the future, could harm our operating results and lead to the termination of any related charters.

Our newbuilding vessels, as well as any newbuildings we may contract to acquire or order in the future, could be delayed, not completed or cancelled, which would delay or eliminate our expected receipt of revenues under any charters for such vessels. The shipbuilder or third party seller could fail to deliver the newbuilding vessel or any other vessels we acquire or order, or we could cancel a purchase or a newbuilding contract because the shipbuilder has not met its obligations, including its obligation to maintain agreed refund guarantees in place for our benefit. For prolonged delays, the customer may terminate the time charter.

Our receipt of newbuildings could be delayed, cancelled, or otherwise not completed because of:

- quality or engineering problems or failure to deliver the vessel in accordance with the vessel specifications;
- changes in governmental regulations or maritime self-regulatory organization standards;
- work stoppages or other labor disturbances at the shipyard;
- bankruptcy or other financial or liquidity problems of the shipbuilder;
- a backlog of orders at the shipyard;
- political or economic disturbances in the country or region where the vessel is being built;

- weather interference or catastrophic event, such as a major earthquake or fire;

- shortages of or delays in the receipt of necessary equipment or construction materials, such as steel; and

- our inability to finance the purchase of the vessel.

If delivery of any newbuild vessel acquired, or any vessel we contract to acquire in the future is materially delayed, it could materially adversely affect our results of operations and financial condition.

If we fail to manage our planned growth properly, we may not be able to expand our fleet successfully, which may adversely affect our overall financial position.

While we have no specific plans, we do intend to continue to expand our fleet in the future. Our growth will depend on:

- locating and acquiring suitable vessels;

- identifying reputable shipyards with available capacity and contracting with them for the construction of new vessels;

- integrating any acquired vessels successfully with our existing operations;

- enhancing our customer base;
- managing our expansion; and
- obtaining required financing, which could include debt, equity or combinations thereof.

Additionally, the marine transportation and logistics industries are capital intensive, traditionally using substantial amounts of indebtedness to finance vessel acquisitions, capital expenditures and working capital needs. If we finance the purchase of our vessels through the issuance of debt securities, it could result in:

- default and foreclosure on our assets if our operating cash flow after a business combination or asset acquisition were insufficient to pay our debt obligations;
- acceleration of our obligations to repay the indebtedness even if we have made all principal and interest payments when due if the debt security contained covenants that required the maintenance of certain financial ratios or reserves and any such covenant were breached without a waiver or renegotiation of that covenant;
- our immediate payment of all principal and accrued interest, if any, if the debt security was payable on demand; and
- our inability to obtain additional financing, if necessary, if the debt security contained covenants restricting our ability to obtain additional financing while such security was outstanding.

In addition, our business plan and strategy is predicated on buying vessels in a distressed market at what we believe is near the low end of the cycle in what has typically been a cyclical industry. However, there is no assurance that charter rates and vessels asset values will not sink lower, or that there will be an upswing in shipping costs or vessel asset values in the near-term or at all, in which case our business plan and strategy may not succeed in the near-term or at all. Growing any business by acquisition presents numerous risks such as undisclosed liabilities and obligations, difficulty experienced in obtaining additional qualified personnel and managing relationships with customers and suppliers and integrating newly acquired operations into existing infrastructures. We may not be successful in growing and may incur significant expenses and losses.

We may not have adequate insurance to compensate us for damage to or loss of our vessels, which may have a material adverse effect on our financial condition and results of operation.

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

We may face unexpected maintenance costs, which could materially adversely affect our business, financial condition and results of operations.

If our vessels suffer damage or require upgrade work, they may need to be repaired at a drydocking facility. Our vessels may occasionally require upgrade work in order to maintain their classification society rating or as a result of changes in regulatory requirements. In addition, our vessels will be off-hire periodically for intermediate surveys and special surveys in connection with each vessel s certification by its classification society. The costs of drydock repairs are unpredictable and can be substantial and the loss of earnings while these vessels are being repaired and reconditioned, as well as the actual cost of these repairs, would decrease our earnings. Our insurance generally only covers a portion of drydocking expenses resulting from damage to a vessel and expenses related to maintenance of a vessel will not be reimbursed. In addition, space at drydocking facilities is sometimes limited and not all drydocking facilities are conveniently located. We may be unable to find space at a suitable drydocking facility on a timely basis or may be forced to move a damaged vessel to a drydocking facility that is not conveniently located to the vessel s position. The loss of earnings while any of our vessels are forced to wait for space or to relocate to drydocking facilities that are far away from the routes on which our vessels trade would further decrease our earnings.

Table of Contents

We rely on our technical managers to provide essential services to our vessels and run the day-to-day operations of our vessels.

Pursuant to technical management agreements our current technical manager provides services essential to the business of our vessels, including vessel maintenance, crewing, purchasing, shipyard supervision, insurance and assistance with vessel regulatory compliance. The current technical manager of the VLCC vessels, an affiliate of the seller of such vessels, is a technical ship management company that has provided technical management to the acquired VLCC vessels prior to the consummation of the business combination. This technical manager will continue to provide such services for an interim period subsequent to the closing of the VLCC Acquisition, after which the technical management of our fleet is expected to be provided directly by a subsidiary of Navios Holdings. However, in the event Navios Holdings does not obtain the required vetting approvals, it will not be able to take over technical management. Our operational success and ability to execute our strategy will depend significantly upon the satisfactory performance of these services by the current technical manager, and, subsequently, by the Navios Holdings subsidiary. The failure of either of these technical managers to perform these services satisfactorily and/or the failure of the Navios Holdings subsidiary to garner the approvals necessary to become our technical manager for the VLCC vessels could have a material adverse effect on our business, financial condition and results of operations.

Our vessels may be subject to unbudgeted periods of off-hire, which could materially adversely affect our business, financial condition and results of operations.

Under the terms of the charter agreements under which our vessels operate, or are expected to operate in the case of the newbuildings, when a vessel is off-hire, or not available for service or otherwise deficient in its condition or performance, the charterer generally is not required to pay the hire rate, and we will be responsible for all costs (including the cost of bunker fuel) unless the charterer is responsible for the circumstances giving rise to the lack of availability. A vessel generally will be deemed to be off-hire if there is an occurrence preventing the full working of the vessel due to, among other things:

- operational deficiencies;
- the removal of a vessel from the water for repairs, maintenance or inspection, which is referred to as drydocking;
- equipment breakdowns;
- delays due to accidents or deviations from course;
- occurrence of hostilities in the vessel s flag state or in the event of piracy;
- crewing strikes, labor boycotts, certain vessel detentions or similar problems; or
- our failure to maintain the vessel in compliance with its specifications, contractual standards and applicable country of registry and international regulations or to provide the required crew.

Risks Relating to Our Industry

The cyclical nature of the tanker industry may lead to volatility in charter rates and vessel values, which could materially adversely affect our future earnings.

Oil has been one of the world s primary energy sources for a number of decades. The global economic growth of previous years had a significant impact on the demand for oil and subsequently on the oil trade and shipping demand. However, from the second half of 2008, through today, the world s economies experienced a major economic slowdown and uncertainty with effects that are ongoing, the duration of which is very difficult to forecast is expected to continue to have, a significant impact on world trade, including the oil trade. If the tanker market, which has historically been cyclical, is depressed in the future, our earnings and available cash flow may be materially adversely affected. Our ability to employ our vessels profitably 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 liquid cargoes, including petroleum and petroleum products.

Historically, the crude oil markets have been volatile as a result of the many conditions and events that can affect the price, demand, production and transport of oil, including competition from alternative energy sources. Decreased demand for oil transportation may have a material adverse effect on our revenues, cash flows and profitability. 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

Table of Contents

unpredictable. The current global financial crisis has intensified this unpredictability.

The factors that influence demand for tanker capacity include:

- demand for and supply of liquid cargoes, including petroleum and petroleum products;
- developments in international trade;
- waiting days in ports;
- changes in oil production and refining capacity and regional availability of petroleum refining capacity;
- environmental and other regulatory developments;
- global and regional economic conditions;
- the distance chemicals, petroleum and petroleum products are to be moved by sea;
- changes in seaborne and other transportation patterns, including changes in distances over which cargo is transported due to geographic changes in where oil is produced, refined and used;
- competition from alternative sources of energy;
- armed conflicts and terrorist activities;
- political developments; and
- embargoes and strikes.

The factors that influence the supply of tanker capacity include:

- the number of newbuilding deliveries;
- the scrapping rate of older vessels;

- port or canal congestion;
- the number of vessels that are used for storage or as floating storage offloading service vessels;
- the conversion of tankers to other uses, including conversion of vessels from transporting oil and oil products to carrying drybulk cargo and the reverse conversion;
- availability of financing for new tankers;
- the phasing out of single-hull tankers due to legislation and environmental concerns;
- the price of steel;
- the number of vessels that are out of service;
- national or international regulations that may effectively cause reductions in the carrying capacity of vessels or early obsolescence of tonnage; and
- environmental concerns and regulations.

Furthermore, the extension of refinery capacity in India and particularly the Middle East through 2016 is expected to exceed the immediate consumption in these areas, and an increase in exports of refined oil products is expected as a result. This coupled with announced refinery closures in North America, the Caribbean and Europe should increase trade in refined oil products.

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. The recent global economic crisis may further reduce demand for transportation of oil over long distances and supply of tankers that carry oil, which may materially affect our future revenues, profitability and cash flows.

We believe that the current order book for tanker vessels represents a significant percentage of the existing fleet; however the percentage of the fleet on order as a percent of the total fleet declined from 2011 to 2012. An over-supply of tanker capacity may result in a reduction of charter hire rates. If a reduction in charter rates occurs, we may only be able to charter our vessels at unprofitable rates or we may not be able to charter these vessels at all, which could lead to a material adverse effect on our results of operations.

Charter rates in the crude oil, product and chemical tanker sectors of the seaborne transportation industry in which we operate have significantly declined from historically high levels in 2008 and may remain depressed or decline further in the future, which may adversely affect our earnings.

Charter rates in the crude oil, product and chemical tanker sectors have significantly declined from historically high levels in 2008 and may remain depressed or decline further. For example, the Baltic Dirty Tanker Index declined from a high of 2,347 in July 2008 to 453 in mid-April 2009, which represents a decline of approximately 81%. Since January 2010 it has traded between a low of 657 and a high of 1,216; as of February 20, 2012, it stood at 817. The Baltic Clean Tanker Index fell from 1,509 in the early summer of 2008 to 345 in April 2009, or approximately 77%. It has traded between a low of 595 and a high of 908 since January 2010 and stood at 700 as of February 20, 2012. Of note is that Chinese imports of crude oil have steadily increased from 3 million barrels per day in 2008 to about 5.9 million barrels per day in February 2012. If the tanker sector of the seaborne transportation industry, which has been highly cyclical, is depressed in the future at a time when we may want to sell a vessel, our earnings and available cash flow may be adversely affected. We cannot assure you that we will be able to successfully charter our vessels in the future at rates sufficient to allow us to operate our business profitably or to meet our obligations, including payment of debt service to our lenders. Our ability to renew the charters on vessels that we may acquire in the future, the charter rates payable under any replacement charters and vessel values will depend upon, among other things, economic conditions in the sector in which our vessels operate at that time, changes in the supply and demand for vessel capacity and changes in the supply and demand for the seaborne transportation of energy resources and commodities.

Spot market rates for tanker vessels are highly volatile and are currently at relatively low levels historically and may further decrease in the future, which may adversely affect our earnings in the event that our vessels are chartered in the spot market.

We intend to deploy at least some of our product and chemical tankers in the spot market. Although spot chartering is common in the product and chemical tanker sectors, product and chemical tanker charter hire rates are highly volatile and may fluctuate significantly based upon demand for seaborne transportation of crude oil and oil products and chemicals, as well as tanker supply. The world oil demand is influenced by many factors, including international economic activity; geographic changes in oil production, processing, and consumption; oil price levels; inventory policies of the major oil and oil trading companies; and strategic inventory policies of countries such as the United States and China. 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. Furthermore, as charter rates for spot charters are fixed for a single voyage that may last up to several weeks, during periods in which spot charter rates are rising, we will generally experience delays in realizing the benefits from such increases.

The spot market is highly volatile, and, in the past, there have been periods when spot rates have declined below the operating cost of vessels. Currently, charter hire rates are at relatively low rates historically and there is no assurance that the crude oil, product and chemical tanker charter market will recover over the next several months or will not continue to decline further.

Additionally, if the spot market rates or short-term time charter rates become significantly lower than the time charter equivalent rates that some of our charterers are obligated to pay us under our existing charters, the charterers may have incentive to default under that charter or attempt to renegotiate the charter. If our charterers fail to pay their obligations, we would have to attempt to re-charter our vessels at lower charter rates, which would affect our ability to comply with our loan covenants and operate our vessels profitably. If we are not able to comply with our loan covenants and our lenders choose to accelerate our indebtedness and foreclose their liens, we could be required to sell vessels in our fleet and our ability to continue to conduct our business would be impaired.

Our VLCC vessels are contractually committed to time charters, with the remaining terms of these charters expiring during the period from and including 2014 through 2026. We are not permitted to unilaterally terminate the charter agreements of the VLCC vessels due to upswings in the tanker industry cycle, when spot market voyages might be more profitable. We may also decide to sell a vessel in the future. In such a case, should we sell a vessel that is committed to a long-term charter, we may not be able to realize the full charter free fair market value of the vessel during a period when spot market charters are more profitable than the

10

Table of Contents

charter agreement under which the vessel operates. We may re-charter the VLCC vessels on long-term charters or charter them in the spot market upon expiration or termination of the vessels current charters. If we are not able to employ the VLCC vessels profitably under time charters or in the spot market, our results of operations and operating cash flow may suffer.

Any decrease in shipments of crude oil from the Arabian Gulf or West Africa may materially adversely affect our financial performance.

The demand for VLCC oil tankers derives primarily from demand for Arabian Gulf and West African crude oil, which, in turn, primarily depends on the economies of the world s industrial countries and competition from alternative energy sources. A wide range of economic, social and other factors can significantly affect the strength of the world s industrial economies and their demand for Arabian Gulf and West African crude oil.

Among the factors that could lead to a decrease in demand for exported Arabian Gulf and West African crude oil are:

- increased use of existing and future crude oil pipelines in the Arabian Gulf or West African regions;
- a decision by the Organization of the Petroleum Exporting Countries (OPEC) to increase its crude oil prices or to further decrease or limit their crude oil production;
- armed conflict or acts of piracy in the Arabian Gulf or West Africa and political or other factors;
- increased oil production in other regions, such as Russia and Latin America; and
- the development and the relative costs of nuclear power, natural gas, coal and other alternative sources of energy.

Any significant decrease in shipments of crude oil from the Arabian Gulf or West Africa may materially adversely affect our financial performance.

Ten of the vessels we have acquired are second-hand vessels, and we may acquire more second-hand vessels in the future. The acquisition and operation of such vessels may result in increased operating costs and vessel off-hire, which could materially adversely affect our earnings.

Two of LR1 product tanker vessels, two of MR2 product tanker vessels and six of VLCC vessels that we have acquired are second-hand vessels, and we may acquire more second-hand vessels in the future. Our inspection of second-hand vessels prior to purchase does not provide us with the same knowledge about their condition and cost of any required or anticipated repairs that we would have had if these vessels had been built for and operated exclusively by us. Generally, we will not receive the benefit of warranties on second-hand vessels.

In general, the costs to maintain a vessel in good operating condition increase with the age of the vessel. Due to improvements in engine technology, 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 our vessels and may restrict the type of activities in which the vessels may engage or the geographic regions in which we may operate. We cannot predict what alterations or modifications our vessels may be required to undergo in the future. As our vessels age, market conditions may not justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives.

Although we have considered the age and condition of the vessels in budgeting for operating, insurance and maintenance costs, we may encounter higher operating and maintenance costs due to the age and condition of these vessels, or any additional vessels we acquire in the future. The age of some of the VLCC vessels may result in higher operating costs and increased vessel off-hire periods relative to our competitors that operate newer fleets, which could have a material adverse effect on our results of operations.

Our growth depends on continued growth in demand for crude oil, refined petroleum products (clean and dirty) and bulk liquid chemicals and the continued demand for seaborne transportation of such cargoes.

Our growth strategy focuses on expansion in the crude oil, product and chemical tanker sectors. Accordingly, our growth depends on continued growth in world and regional demand for crude oil, refined petroleum (clean and dirty) products and bulk liquid chemicals and the transportation of such cargoes by sea, which could be negatively affected by a number of factors, including:

Table of Contents

- the economic and financial developments globally, including actual and projected global economic growth;

- fluctuations in the actual or projected price of crude oil, refined petroleum (clean and dirty) products or bulk liquid chemicals;

- refining capacity and its geographical location;

- increases in the production of oil in areas linked by pipelines to consuming areas, the extension of existing, or the development of new, pipeline systems in markets we may serve, or the conversion of existing non-oil pipelines to oil pipelines in those markets;

- decreases in the consumption of oil due to increases in its price relative to other energy sources, other factors making consumption of oil less attractive or energy conservation measures;

- availability of new, alternative energy sources; and

- negative or deteriorating global or regional economic or political conditions, particularly in oil-consuming regions, which could reduce energy consumption or its growth.

The refining and chemical industries may respond to the economic downturn and demand weakness by reducing operating rates partially or completely closing refineries and by reducing or cancelling certain investment expansion plans, including plans for additional refining capacity, in the case of the refining industry. Continued reduced demand for refined petroleum (clean and dirty) products and bulk liquid chemicals and the shipping of such cargoes or the increased availability of pipelines used to transport refined petroleum (clean and dirty) products, would have a material adverse effect on our future growth and could harm our business, results of operations and financial condition.

Our growth depends on our ability to obtain customers, for which we face substantial competition. In the highly competitive tanker industry, we may not be able to compete for charters with new entrants or established companies with greater resources, which may adversely affect our results of operations.

We will employ our tanker vessels in the highly competitive crude oil tanker sectors of the shipping industry that is capital intensive and fragmented. Competition arises primarily from other vessel owners, including major oil companies as well as independent tanker companies, some of whom have substantially greater resources and experience than us. Competition for the chartering of tankers can be intense and depends on price, location, size, age, condition and the acceptability of the vessel and its managers to the charterers. Such competition has been enhanced as a result of the downturn in the shipping industry, which has resulted in an excess supply of vessels and reduced charter rates.

Medium- to long-term time charters and bareboat charters have the potential to provide income at pre-determined rates over more extended periods of time. However, the process for obtaining longer term time charters and bareboat charters is highly competitive and generally involves a lengthy, intensive and continuous screening and vetting process and the submission of competitive bids that often extends for several months. In addition to the quality, age and suitability of the vessel, longer term shipping contracts tend to be awarded based upon a variety of other factors relating to the vessel operator. Competition for the transportation of crude oil, refined petroleum products (clean and dirty) and bulk liquid chemicals can be intense and depends on price, location, size, age, condition and acceptability of the vessel and our managers to the charterers.

In addition to having to meet the stringent requirements set out by charterers, it is likely that we will also face substantial competition from a number of competitors who may have greater financial resources, stronger reputations or experience than we do when we try to re-charter our vessels. It is also likely that we will face increased numbers of competitors entering into the crude oil, product and chemical tanker sectors, including in the ice class sector. Increased competition may cause greater price competition, especially for medium- to long-term charters. Due in part to the highly fragmented markets, competitors with greater resources could operate larger fleets through consolidations or acquisitions that may be able to offer better prices and fleets than ours.

As a result of these factors, we may be unable to obtain customers for medium- to long-term time charters or bareboat charters on a profitable basis, if at all. Even if we are successful in employing our vessels under longer term time charters or bareboat charters, our vessels will not be available for trading in the spot market during an upturn in the crude oil, product and chemical tanker market cycles, when spot trading may be more profitable. If we cannot successfully employ our vessels in profitable time charters our results of operations and operating cash flow could be adversely affected.

The market values of our vessels, which have declined from historically high levels, may fluctuate significantly, which could cause us to breach covenants in our credit facilities and result in the foreclosure of certain of our vessels. Depressed vessel values could also cause us to incur impairment charges.

Due to the sharp decline in world trade and tanker charter rates, the market values of our contracted new buildings and of tankers generally, are currently significantly lower than prior to the downturn in the second half of 2008. Within the past year smaller product tanker yard resale prices have remained flat or declined slightly. Vessel values may remain at current low, or lower, levels for a prolonged period of time and can fluctuate substantially over time due to a number of different factors, including:

- prevailing level of charter rates;
- general economic and market conditions affecting the shipping industry;
- competition from other shipping companies;
- types and sizes of vessels;
- supply and demand for vessels;
- other modes of transportation;
- cost of newbuildings;
- governmental or other regulations; and
- technological advances.

If the market value of our vessels decreases, we may breach some of the covenants contained in the financing agreements relating to our indebtedness at the time. The credit facilities contain covenants including maximum total net liabilities over total net assets (effective in general after delivery of the vessels), minimum net worth and loan to value ratio covenants initially of 130% or lower, applicable after delivery of the vessels. If we breach any such covenants in the future and we are unable to remedy the relevant breach, our lenders could accelerate our debt and foreclose on our vessels. In addition, if the book value of a vessel is impaired due to unfavorable market conditions, we would incur a loss that could have a material adverse effect on our business, financial condition and results of operations.

In addition, as vessels grow older, they generally decline in value. We will review our vessels for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. We review certain indicators of potential impairment, such as undiscounted projected operating cash flows expected from the future operation of the vessels, which can be volatile for vessels employed on short-term charters or in the spot market. Any impairment charges incurred as a result of declines in charter rates would negatively affect our financial condition and results of operations. In addition, if we sell any vessel at a time when vessel prices have fallen and before we have recorded an impairment adjustment to our financial statements, the sale may be at less than the vessel s carrying amount on our financial statements, resulting in a loss and a reduction in earnings.

Future increases in vessel operating expenses, including rising fuel prices, could materially adversely affect our business, financial condition and results of operations.

Under our time charter agreements, the charterer is responsible for substantially all of the voyage expenses, including port and canal charges and fuel costs and we are generally responsible for vessel operating expenses. Vessel operating expenses are the costs of operating a vessel, primarily consisting of crew wages and associated costs, insurance premiums, management fees, lubricants and spare parts and repair and maintenance costs. In particular, the cost of fuel is a significant factor in negotiating charter rates. As a result, an increase in the price of fuel beyond our expectations may adversely affect our profitability. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil, actions by members of OPEC and other oil and gas producers, war, terrorism and unrest in oil producing countries and regions, regional production patterns and environmental concerns and regulations.

We receive a daily rate for the use of our vessels, which is fixed through the term of the applicable charter agreement. Our charter agreements do not provide for any increase in the daily hire rate in the event that vessel-operating expenses increase during the term of the charter agreement. The charter agreements for the seven VLCC vessels expire during the period from and including 2014 through 2026. Because of the long-term nature of these charter agreements, incremental increases in our vessel operating expenses over the term of a charter agreement will effectively reduce our operating income and, if such increases in operating expenses are significant, adversely affect our business, financial condition and results of operations.

Table of Contents

The crude oil, product and chemical tanker sectors are subject to seasonal fluctuations in demand and, therefore, may cause volatility in our operating results.

The crude oil, product and chemical tanker sectors of the shipping industry have historically exhibited seasonal variations in demand and, as a result, in charter hire rates. This seasonality may result in quarter-to-quarter volatility in our operating results. The product and chemical tanker markets are typically stronger in the fall and winter months in anticipation of increased consumption of oil and natural gas in the northern hemisphere. In addition, unpredictable weather patterns in these months tend to disrupt vessel scheduling and supplies of certain commodities. As a result, revenues are typically weaker during the fiscal quarters ended June 30 and September 30, and, conversely, typically stronger in fiscal quarters ended December 31 and March 31. Our operating results, therefore, may be subject to seasonal fluctuations.

The current global economic downturn may negatively impact our business.

In recent years, there has been a significant adverse shift in the global economy, with operating businesses facing tightening credit, weakening demand for goods and services, deteriorating international liquidity conditions, and declining markets. Lower demand for tanker cargoes as well as diminished trade credit available for the delivery of such cargoes may create downward pressure on charter rates. If the current global economic environment persists or worsens, we may be negatively affected in the following ways:

- We may not be able to employ our vessels at charter rates as favorable to us as historical rates or operate such vessels profitably.

- The market value of our vessels could decrease significantly, which may cause us to recognize losses if any of our vessels are sold or if their values are impaired. In addition, such a decline in the market value of our vessels could prevent us from borrowing under our credit facilities or trigger a default under one of their covenants.

- Charterers could have difficulty meeting their payment obligations to us.

If the contraction of the global credit markets and the resulting volatility in the financial markets continues or worsens that could have a material adverse impact on our results of operations, financial condition and cash flows, and could cause the market price of our common stock to decline.

The employment of our vessels could be adversely affected by an inability to clear the oil majors risk assessment process, and we could be in breach of our charter agreements with respect to the VLCC vessels.

The shipping industry, and especially the shipment of crude oil, refined petroleum products (clean and dirty) and bulk liquid chemicals, has been, and will remain, heavily regulated. The so-called oil majors companies, such as Exxon Mobil, BP p.l.c., Royal Dutch Shell plc., Chevron, ConocoPhillips and Total S.A. together with a number of commodities traders, represent a significant percentage of the production, trading and shipping logistics (terminals) of crude oil and refined products worldwide. Concerns for the environment have led the oil majors to develop and implement a strict ongoing due diligence process when selecting their commercial partners. This vetting process has evolved into a sophisticated and comprehensive risk assessment of both the vessel operator and the vessel, including physical ship inspections, completion of vessel inspection questionnaires performed by accredited inspectors and the production of comprehensive risk assessment reports. In the case of term charter relationships, additional factors are considered when awarding such contracts, including:

- office assessments and audits of the vessel operator;

- the operator s environmental, health and safety record;

compliance with the standards of the International Maritime Organization (the IMO), a United Nations agency that issues international trade standards for shipping;

compliance with heightened industry standards that have been set by several oil companies;

shipping industry relationships, reputation for customer service, technical and operating expertise;

- shipping experience and quality of ship operations, including cost-effectiveness;
- quality, experience and technical capability of crews;
- the ability to finance vessels at competitive rates and overall financial stability;
- relationships with shipyards and the ability to obtain suitable berths;
- construction management experience, including the ability to procure on-time delivery of new vessels according to customer specifications;
- willingness to accept operational risks pursuant to the charter, such as allowing termination of the charter for force majeure events; and
- competitiveness of the bid in terms of overall price.

Under the terms of our charter agreements, our charterers require that these vessels and the technical manager are vetted and approved to transport oil products by multiple oil majors. Our failure to maintain any of our vessels to the standards required by the oil majors could put us in breach of the applicable charter agreement and lead to termination of such agreement, and could give rise to impairment in the value of our vessels.

Should we not be able to successfully clear the oil majors risk assessment processes on an ongoing basis, the future employment of our vessels, as well as our ability to obtain charters, whether medium- or long-term, could be adversely affected. Such a situation may lead to the oil majors terminating existing charters and refusing to use our vessels in the future, which would adversely affect our results of operations and cash flows.

We depend on significant customers for part of our revenue. Charterers may terminate or default on their obligations to us, which could materially adversely affect our results of operations and cash flow, and breaches of the charters may be difficult to enforce.

We have derived a significant part of our revenue from a number of charterers. For the fiscal year ended December 31, 2011, DOSCO, Blue Light Chartering Inc. and Jacob Tank Chartering GMBH & Co. KG accounted for approximately 43.9%, 11.5% and 11.3%, respectively, of our total revenue. The loss of these or any of our customers, a customer s failure to make payments or perform under any of the applicable charters, a customer s termination of any of the applicable charters, the loss or damage beyond repair to any of our vessels, our failure to deliver the vessel within a fixed period of time or a decline in payments under the charters could have a material adverse effect on our business, results of operations and financial condition. In addition, the charterers of the VLCC vessels are based in, and have their primary assets and operations in, the Asia-Pacific region, including the People s Republic of China. The charter agreements for the VLCC vessels are governed by English law and provide for dispute resolution in English courts or London-based arbitral proceedings. There can be no assurance that we would be able to enforce any judgments against these charterers in jurisdictions where they are based or have their primary assets and operations. Even after a charter contract is entered, charterers may terminate charters early under certain circumstances. The events or occurrences that will cause a charter to terminate or give the charterer the option to terminate the charter generally include a total or constructive total loss of the related vessel, the requisition for hire of the related vessel, the vessel becoming subject to seizure for more than a specified number of days or the failure of the related vessel to meet specified performance criteria. In addition, the ability of a charterer to perform its obligations under a charter will depend on a number of factors that are beyond our control.

These factors may include general economic conditions, the condition of the crude oil, product and chemical tanker sectors of the shipping industry, the charter rates received for specific types of vessels and various operating expenses. In addition, we are exploring the possibility of acquiring the credit risk insurance currently available to Navios Holdings. Navios Holdings has insured its charter-out contracts through a AA rated governmental agency of a European Union member state, which provides that if the charterer goes into payment default, the insurer will reimburse it for the charter payments under the terms of the policy for the remaining term of the charter-out contract (subject to applicable deductibles and other customary limitations for insurance). While we may seek to benefit from such insurance, no assurance can be provided that we will qualify for or choose to obtain this insurance or that the costs will not outweigh the benefits. The costs and delays associated with the default by a charterer of a vessel may be considerable and may adversely affect our business, results of operations, cash flows and financial condition.

Table of Contents

We cannot predict whether our charterers will, upon the expiration of their charters, re-charter our vessels on favorable terms or at all. If our charterers decide not to re-charter our vessels, we may not be able to re-charter them on terms similar to our current charters or at all. In the future, we may also employ our vessels on the spot charter market, which is subject to greater rate fluctuation than the time charter market. If we receive lower charter rates under replacement charters or are unable to re-charter all of our vessels, our results of operations and financial condition could be materially adversely affected.

If we experienced a catastrophic loss and our insurance is not adequate to cover such loss, it could lower our profitability and be detrimental to operations.

The ownership and operation of vessels in international trade is affected by a number of inherent risks, including mechanical failure, personal injury, vessel and cargo loss or damage, business interruption due to political conditions in foreign countries, hostilities, piracy, terrorism, labor strikes and/or boycotts, adverse weather conditions and catastrophic marine disaster, including environmental accidents and collisions. All of these risks could result in liability, loss of revenues, increased costs and loss of reputation. We maintain hull and machinery insurance, protection and indemnity insurance, which include environmental damage and pollution and war risk insurance, consistent with industry standards, against these risks on our vessels and other business assets. However, we cannot assure you that we will be able to insure against all risks adequately, that any particular claim will be paid out of our insurance, or that we will be able to procure adequate insurance coverage at commercially reasonable rates in the future. Our insurers also require us to pay certain deductible amounts, before they will pay claims, and insurance policies may contain limitations and exclusions, which, although we believe will be standard for the shipping industry, may nevertheless increase our costs and lower our profitability. Additionally, any increase in environmental and other regulations may also result in increased costs for, or the lack of availability of, insurance against the risks of environmental damage, pollution and other claims. Our inability to obtain insurance sufficient to cover potential claims or the failure of insurers to pay any significant claims could lower our profitability and be detrimental to our operations.

Furthermore, even if insurance coverage is adequate to cover our losses, we may not be able to timely obtain a replacement ship in the event of a loss. We may also be subject to calls, or premiums, in amounts based not only on our own claim records but also the claim records of all other members of the protection and indemnity associations through which we receive indemnity insurance coverage for tort liability. In addition, our protection and indemnity associations may not have enough resources to cover claims made against them. Our payment of these calls could result in significant expenses to us, which could reduce our cash flows and place strains on our liquidity and capital resources.

We are subject to various laws, regulations and conventions, including environmental and safety laws that could require significant expenditures both to maintain compliance with such laws and to pay for any uninsured environmental liabilities including any resulting from a spill or other environmental incident.

The shipping business and vessel operation are materially affected by government regulation in the form of international conventions, national, state and local laws, and regulations in force in the jurisdictions in which vessels operate, as well as in the country or countries of their registration. Governmental regulations, safety or other equipment standards, as well as compliance with standards imposed by maritime self-regulatory organizations and customer requirements or competition, may require us to make capital and other expenditures. Because such conventions, laws and regulations are often revised, we cannot predict the ultimate cost of complying with such conventions, laws and regulations, or the impact thereof on the fair market price or useful life of our vessels. In order to satisfy any such requirements, we may be required to take any of our vessels out of service for extended periods of time, with corresponding losses of revenues. In the future, market conditions may not justify these expenditures or enable us to operate our vessels, particularly older vessels, profitably during the remainder of their economic lives. This could lead to significant asset write downs. In addition, violations of environmental and safety regulations can result in substantial penalties and, in certain instances, seizure or detention of our vessels.

Additional conventions, laws and regulations may be adopted that could limit our ability to do business, require capital expenditures or otherwise increase our cost of doing business, which may materially adversely affect our operations, as well as the shipping industry generally. For example, in various jurisdictions legislation has been enacted, or is under consideration, that would impose more stringent requirements on air pollution and water discharges from our vessels. For example, the International Maritime Organization (IMO) periodically proposes and adopts amendments to revise the International Convention for the

Prevention of Pollution from Ships (MARPOL), such as the revision to Annex VI which came into force on July 1, 2010. The revised Annex VI implements a phased reduction of the sulfur content of fuel and allows for stricter sulfur limits in designated emission control areas (ECAs). Thus far, ECAs have been formally adopted for the Baltic Sea and the North Sea including the English Channel. It is expected that waters off the North American coast will be established as an ECA from August 1, 2012, and the United States Caribbean Sea ECA will come into force on January 1, 2013, having effect from January 1, 2014. These ECAs will limit SOx, NOx and particulate matter emissions. In addition, the IMO, the U.S. and states within the U.S. have proposed or implemented requirements relating to the management of ballast water to prevent the harmful effects of foreign invasive species.

The operation of vessels is also affected by the requirements set forth in the International Safety Management (ISM) Code. The ISM Code requires shipowners and bareboat charterers to develop and maintain an extensive Safety Management System that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe vessel operation and describing procedures for dealing with emergencies. Further to this, the IMO is introducing the first ever mandatory measures for an international greenhouse gas reduction regime for a global industry sector. The measures will come into effect on January 1, 2013 and apply to all ships of 400 gross tonnage and above. They set a ship energy efficiency management plan (SEEMP) which is akin to a safety management plan, which the industry will have to comply with. The failure of a ship owner or bareboat charterer to comply with the ISM Code and IMO measures may subject such party to increased liability, may decrease available insurance coverage for the affected vessels, and may result in a denial of access to, or detention in, certain ports.

We operate a fleet of crude, product and chemical tankers that are subject to national and international laws governing pollution from such vessels. Several international conventions impose and limit pollution liability from vessels. An owner of a tanker vessel carrying a cargo of persistent oil as defined by the International Convention for Civil Liability for Oil Pollution Damage (the CLC) is subject under the convention to strict liability for any pollution damage caused in a contracting state by an escape or discharge from cargo or bunker tanks. This liability is subject to a financial limit calculated by reference to the tonnage of the ship, and the right to limit liability may be lost if the spill is caused by the shipowner s intentional or reckless conduct. Liability may also be incurred under the CLC for a bunker spill from the vessel even when she is not carrying such cargo, but is in ballast.

When a tanker is carrying clean oil products that do not constitute persistent oil that would be covered under the CLC, liability for any pollution damage will generally fall outside the CLC and will depend on other international conventions or domestic laws in the jurisdiction where the spillage occurs. The same principle applies to any pollution from the vessel in a jurisdiction which is not a party to the CLC. The CLC applies in over 100 jurisdictions around the world, but it does not apply in the United States, where the corresponding liability laws such as the Oil Pollution Act of 1990 (The OPA) discussed below, are particularly stringent.

For vessel operations not covered by the CLC, including those operated under our fleet, at present, international liability for oil pollution is governed by the International Convention on Civil Liability for Bunker Oil Pollution Damage (the Bunker Convention). In 2001, the IMO adopted the Bunker Convention, which imposes strict liability on shipowners for pollution damage and response costs incurred in contracting states caused by discharges, or threatened discharges, of bunker oil from all classes of ships not covered by the CLC. The Bunker Convention also requires registered owners of ships over a certain size to maintain insurance to cover their liability for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime, including liability limits calculated in accordance with the Convention on Limitation of Liability for Maritime Claims 1976, as amended (the 1976 Convention), discussed in more detail in the following paragraph. The Bunker Convention became effective in contracting states on November 21, 2008 and as of January 3, 2012 was in effect in 64 states. In non-contracting states, liability for such bunker oil pollution typically is determined by the national or other domestic laws in the jurisdiction where the spillage occurs.

The CLC and Bunker Convention also provide vessel owners a right to limit their liability. The CLC includes its own liability limits and the Bunker Convention incorporates the 1976 Convention referenced above. The 1976 Convention is the most widely applicable international regime limiting maritime pollution liability. Rights to limit liability under the 1976 Convention are forfeited where a spill is caused by a shipowner s intentional or reckless conduct. Certain jurisdictions have ratified the IMO s Protocol of 1996 to the 1976 Convention, referred to herein as the Protocol of 1996. The Protocol of 1996 provides for substantially higher liability limits in those jurisdictions than the limits set forth in the 1976 Convention. Finally, some jurisdictions, such as the United States, are not a party to either the 1976 Convention or the Protocol of 1996, and, therefore, a shipowner s rights to limit liability for maritime pollution in such jurisdictions may be uncertain.

Environmental legislation in the United States merits particular mention as it is in many respects more onerous than international laws, representing a high-water mark of regulation with which ship owners and operators must comply, and of liability likely to be incurred in the event of non-compliance or an incident causing pollution. Such regulation may become even stricter if laws are changed as a result of the April 2010 Deepwater Horizon oil spill in the Gulf of Mexico. In the United States, the OPA establishes an extensive regulatory and liability regime for the protection and cleanup of the environment from cargo and bunker oil spills from vessels, including tankers. The OPA covers all owners and operators whose vessels trade in the United States, its territories and possessions or whose vessels operate in United States waters, which includes the United States territorial sea and its 200 nautical mile exclusive economic zone. Under the OPA, vessel owners, operators and bareboat charterers are responsible parties and are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or substantial threats of discharges, of oil from their vessels. In response to the 2010 Deepwater Horizon oil incident in the Gulf of Mexico, the U.S. House of Representatives passed and the U.S. Senate considered but did not pass a bill to strengthen certain requirements of the OPA; similar legislation may be introduced in the future 112th Congress.

In addition to potential liability under the federal OPA, vessel owners may in some instances incur liability on an even more stringent basis under state law in the particular state where the spillage occurred. For example, California regulations prohibit the discharge of oil, require an oil contingency plan be filed with the state, require that the ship owner contract with an oil response organization and require a valid certificate of financial responsibility, all prior to the vessel entering state waters.

In the last decade, the EU has become increasingly active in the field of regulation of maritime safety and protection of the environment. In some areas of regulation the EU has introduced new laws without attempting to procure a corresponding amendment to international law. Notably, the EU adopted in 2005 a directive, as amended in 2009, on ship-source pollution, imposing criminal sanctions for pollution not only where pollution is caused by intent or recklessness (which would be an offence under MARPOL), but also where it is caused by serious negligence. The concept of serious negligence may be interpreted in practice to be little more than ordinary negligence. The directive could therefore result in criminal liability being incurred in circumstances where it would not be incurred under international law. Criminal liability for a pollution incident could not only result in us incurring substantial penalties or fines, but may also, in some jurisdictions, facilitate civil liability claims for greater compensation than would otherwise have been payable.

We maintain insurance coverage for each owned vessel in our fleet against pollution liability risks in the amount of $1.0 billion in the aggregate for any one event. The insured risks include penalties and fines as well as civil liabilities and expenses resulting from accidental pollution. However, this insurance coverage is subject to exclusions, deductibles and other terms and conditions. If any liabilities or expenses fall within an exclusion from coverage, or if damages from a catastrophic incident exceed the aggregate liability of $1.0 billion for any one event, our cash flow, profitability and financial position would be adversely impacted.

Climate change and government laws and regulations related to climate change could negatively impact our financial condition.

We are and will be, directly and indirectly, subject to the effects of climate change and may, directly or indirectly, be affected by government laws and regulations related to climate change. A number of countries have adopted or are considering the adoption of regulatory frameworks to reduce greenhouse gas emissions, such as carbon dioxide and methane. In the United States, the United States Environmental Protection Agency (U.S. EPA) has declared greenhouse gases to be dangerous pollutants and has issued greenhouse gas reporting requirements for emissions sources in certain industries (which do not include the shipping industry). The U.S. EPA is also considering petitions to regulate greenhouse gas emissions from marine vessels.

The IMO has announced its intention to develop limits on greenhouse gases from international shipping and is working on technical and operational measures to reduce emissions. In addition, while the emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which requires adopting countries to implement national programs to reduce greenhouse gas emissions, a new treaty may be adopted in the future that includes restrictions on shipping emissions. The EU has also indicated that it intends to propose an expansion of the existing EU emissions trading scheme to include greenhouse gas emissions from marine vessels.

We cannot predict with any degree of certainty what effect, if any, possible climate change and government laws and regulations related to climate change will have on our operations, whether directly or indirectly. However, we believe that

Table of Contents

climate change, including the possible increase in severe weather events resulting from climate change, and government laws and regulations related to climate change may affect, directly or indirectly, (i) the cost of the vessels we may acquire in the future, (ii) our ability to continue to operate as we have in the past, (iii) the cost of operating our vessels, and (iv) insurance premiums, deductibles and the availability of coverage. As a result, our financial condition could be negatively impacted by significant climate change and related governmental regulation, and that impact could be material.

We are subject to vessel security regulations and we incur costs to comply with adopted regulations. We may be subject to costs to comply with similar regulations that may be adopted in the future in response to terrorism.

Since the terrorist attacks of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. On November 25, 2002, the Maritime Transportation Security Act of 2002, or MTSA, came into effect. To implement certain portions of the MTSA, in July 2003, the U.S. Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. Similarly, in December 2002, amendments to the International Convention for the Safety of Life at Sea, or SOLAS, created a new chapter of the convention dealing specifically with maritime security. The new chapter went into effect in July 2004, and imposes various detailed security obligations on vessels and port authorities, most of which are contained in the International Ship and Port Facilities Security (ISPS) Code. Among the various requirements are:

- on-board installation of automatic information systems, or AIS, to enhance vessel-to-vessel and vessel-to-shore communications;
- on-board installation of ship security alert systems;
- the development of vessel security plans; and
- compliance with flag state security certification requirements.

The U.S. Coast Guard regulations, intended to be aligned with international maritime security standards, exempt non-U.S. vessels from MTSA vessel security measures, provided such vessels have on board a valid International Ship Security Certificate (ISSC) that attests to the vessel s compliance with SOLAS security requirements and the ISPS Code. We will implement the various security measures addressed by the MTSA, SOLAS and the ISPS Code and take measures for our vessels or vessels that we charter to attain compliance with all applicable security requirements within the prescribed time periods. Although management does not believe these additional requirements will have a material financial impact on our operations, there can be no assurance that there will not be an interruption in operations to bring vessels into compliance with the applicable requirements and any such interruption could cause a decrease in charter revenues. Furthermore, additional security measures could be required in the future that could have significant financial impact on us.

Our international activities increase the compliance risks associated with economic and trade sanctions imposed by the United States, the European Union and other jurisdictions.

Our international operations could expose us to trade and economic sanctions or other restrictions imposed by the United States or other governments or organizations, including the United Nations, the European Union and its member countries. Under economic and trading sanctions laws, governments may seek to impose modifications to business practices, and modifications to compliance programs, which may increase compliance costs, and may subject us to fines, penalties and other sanctions.

During 2011 and continuing into 2012, the scope of sanctions imposed against the government of Iran and persons engaging in certain activities or doing certain business with and relating to Iran has been expanded by a number of jurisdictions, including the United States, the European Union and Canada. In 2010, the U.S. enacted the Comprehensive Iran Sanctions Accountability and Divestment Act (CISADA), which expanded the scope of the former Iran Sanctions Act. Among other things, CISADA expands the application of the prohibitions to non-U.S. companies, such as our company, and introduces limits on the ability of companies and persons to do business or trade with Iran when such activities relate to the investment, supply or export of refined petroleum or petroleum products (our tankers have called on ports in Iran but do not engage in the activities specifically identified by these sanctions). Although we believe that we are in compliance with all applicable sanctions and embargo laws and regulations, and intend to maintain such compliance, there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. Moreover, our charterers may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve us or our vessels, and those violations could in turn negatively affect our reputation.

We are monitoring developments in the United States, the European Union and other jurisdictions that maintain

Table of Contents

sanctions programs, including developments in implementation and enforcement of such sanctions programs. Expansion of sanctions programs, embargoes and other restrictions in the future (including additional designations of countries subject to sanctions), or modifications in how existing sanctions are interpreted or enforced, could prevent our tankers from calling on ports in sanctioned countries or could limit their cargoes. If any of the risks described above materialize, it could have a material adverse impact on our business and results of operations.

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

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

It is possible that changes to inspection procedures could impose additional financial and legal obligations on us. Furthermore, changes to inspection procedures could also impose additional costs and obligations on our future customers and may, in certain cases, render the shipment of certain types of cargo impractical. Any such changes or developments may have a material adverse effect on our business, financial condition, and results of operations.

A failure to pass inspection by classification societies could result in our vessels becoming unemployable unless and until they pass inspection, resulting in a loss of revenues from such vessels for that period and a corresponding decrease in operating cash flows.

The hull and machinery of every commercial vessel must be classed by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and with SOLAS. A vessel must undergo an annual survey, an intermediate survey and a special survey. In lieu of a special survey, a vessel s machinery may be on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. Every vessel is also required to be drydocked every two to three years for inspection of the underwater parts of such vessel. If any of our vessels fail any annual survey, intermediate survey, or special survey, the vessel may be unable to trade between ports and, therefore, would be unemployable, potentially causing a negative impact on our revenues due to the loss of revenues from such vessel until it was able to trade again.

The operation of ocean-going vessels entails the possibility of marine disasters including damage or destruction of a vessel due to accident, the loss of a vessel due to piracy, terrorism or political conflict, damage or destruction of cargo and similar events that are inherent operational risks of the tanker industry and may cause a loss of revenue from affected vessels and damage to our business reputation and condition, which may in turn lead to loss of business.

The operation of ocean-going vessels entails certain inherent risks that may adversely affect our business and reputation. Our vessels and their cargoes are at risk of being damaged or lost due to events such as:

- damage or destruction of vessel due to marine disaster such as a collision;
- the loss of a vessel due to piracy and terrorism;
- cargo and property losses or damage as a result of the foregoing or less drastic causes such as human error, mechanical failure and bad weather;
- environmental accidents as a result of the foregoing;
- business interruptions and delivery delays caused by mechanical failure, human error, acts of piracy, war, terrorism, political action in various countries, stowaways, labor strikes, potential government expropriation of our vessels or adverse weather conditions; and

other events and circumstances.

In addition, increased operational risks arise as a consequence of the complex nature of the crude oil, product and chemical tanker industry, the nature of services required to support the industry, including maintenance and repair services, and the mechanical complexity of the tankers themselves. Compared to other types of vessels, tankers are exposed to a higher risk of damage and loss by fire, whether ignited by a terrorist attack, collision or other cause, due to the high flammability and high volume of the oil transported in tankers. Damage and loss could also arise as a consequence of a failure in the services required to support the industry, for example, due to inadequate dredging. Inherent risks also arise due to the nature of the product transported by our vessels. Any damage to, or accident involving, our vessels while carrying crude oil could give rise to environmental damage or lead to other adverse consequences. Each of these inherent risks may also result in death or injury to persons, loss of revenues or property, higher insurance rates, damage to our customer relationships, delay or rerouting.

Table of Contents

Any of these circumstances or events could substantially increase our costs. For example, the costs of replacing a vessel or cleaning up environmental damage could substantially lower our revenues by taking vessels out of operation permanently or for periods of time. Furthermore, the involvement of our vessels in a disaster or delays in delivery, damage or the loss of cargo may harm our reputation as a safe and reliable vessel operator and cause us to lose business. Our vessels could be arrested by maritime claimants, which could result in the interruption of business and decrease revenue and lower profitability.

Some of these inherent risks could result in significant damage, such as marine disaster or environmental incidents, and any resulting legal proceedings may be complex, lengthy, costly and, if decided against us, any of these proceedings or other proceedings involving similar claims or claims for substantial damages may harm our reputation and have a material adverse effect on our business, results of operations, cash flow and financial position. In addition, the legal systems and law enforcement mechanisms in certain countries in which we operate may expose us to risk and uncertainty. Further, we may be required to devote substantial time and cost defending these proceedings, which could divert attention from management of our business. Crew members, tort claimants, claimants for breach of certain maritime contracts, vessel mortgagees, suppliers of goods and services to a vessel, shippers of cargo and other persons may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages, and in many circumstances a maritime lien holder may enforce its lien by arresting a vessel through court processes. Additionally, in certain jurisdictions, such as South Africa, under the sister ship theory of liability, a claimant may arrest not only the vessel with respect to which the claimant s lien has arisen, but also any associated vessel owned or controlled by the legal or beneficial owner of that vessel. If any vessel ultimately owned and operated by us is arrested, this could result in a material loss of revenues, or require us to pay substantial amounts to have the arrest lifted.

Any of these factors may have a material adverse effect on our business, financial conditions and results of operations.

The smuggling of drugs or other contraband onto our vessels may lead to governmental claims against us.

We expect that our vessels will call in ports in South America and other areas where smugglers attempt to hide drugs and other contraband on vessels, with or without the knowledge of crew members. To the extent our vessels are found with contraband, whether inside or attached to the hull of our vessel and whether with or without the knowledge of any of our crew, we may face governmental or other regulatory claims which could have an adverse effect on our business, results of operations, cash flows and financial condition.

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

The shipping industry has historically been affected by acts of piracy in regions such as the South China Sea and the Gulf of Aden. In 2009 acts of piracy saw a steep rise, particularly off the coast of Somalia in the Gulf of Aden. A recent and significant example of the heightened level of piracy came in February 2011 when the M/V Irene SL, a crude oil tanker and the Arabian Sea which was not affiliated with us, was captured by pirates in the Arabian Sea while carrying crude oil estimated to be worth approximately $200 million. In December 2009, the Navios Apollon, a vessel owned by our affiliate, Navios Maritime Partners L.P. (Navios Partners), was seized by pirates 800 miles off the coast of Somalia while transporting fertilizer from Tampa, Florida to Rozi, India and was released on February 27, 2010. These piracy attacks resulted in regions (in which our vessels are deployed) being characterized by insurers as war risk zones or Joint War Committee (JWC) war and strikes listed areas, premiums payable for such insurance coverage could increase significantly and such insurance coverage may be more difficult to obtain. Crew costs, including those due to employing onboard security guards, could increase in such circumstances. In addition, while we believe the charterer remains liable for charter payments when a vessel is seized by pirates, the charterer may dispute this and withhold charter hire until the vessel is released. A charterer may also claim that a vessel seized by pirates was not on-hire for a certain number of days and it is therefore entitled to cancel the charter party, a claim that we would dispute. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, detention hijacking as a result of an act of piracy against our vessels, or an increase in cost, or unavailability of insurance for our vessels, could have a material adverse impact on our business, financial condition, results of operations and cash flows. Acts of piracy on ocean-going vessels have increased in frequency, which could adversely affect our business and operations.

Terrorist attacks, increased hostilities or war could lead to further economic instability, increased costs and disruption of our business.

Terrorist attacks, such as the attacks in the United States on September 11, 2001 and the United States continuing response to these attacks, the attacks in London on July 7, 2005, as well as the threat of future terrorist attacks, continue to cause uncertainty in the world financial markets, including the energy markets. The continuing conflicts in Iraq and Afghanistan and other current and future conflicts, may adversely affect our business, operating results, financial condition, ability to raise capital

and future growth. Continuing hostilities in the Middle East may lead to additional armed conflicts or to further acts of terrorism and civil disturbance in the United States or elsewhere, which may contribute further to economic instability.

In addition, oil facilities, shipyards, vessels, pipelines and oil and gas fields could be targets of future terrorist attacks. Any such attacks could lead to, among other things, bodily injury or loss of life, vessel or other property damage, increased vessel operational costs, including insurance costs, and the inability to transport oil and other refined products to or from certain locations. Terrorist attacks, war or other events beyond our control that adversely affect the distribution, production or transportation of oil and other refined products to be shipped by us could entitle our customers to terminate our charter contracts, which would harm our cash flow and our business.

Terrorist attacks on vessels, such as the October 2002 attack on the M/V Limburg, a very large crude carrier not related to us, may in the future also negatively affect our operations and financial condition and directly impact our vessels or our customers. Future terrorist attacks could result in increased volatility and turmoil in the financial markets in the United States and globally. Any of these occurrences could have a material adverse impact on our revenues and costs.

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

A government could requisition a business vessels for title or hire. Requisition for title occurs when a government takes control of a vessel and becomes her owner, while requisition for hire occurs when a government takes control of a vessel and effectively becomes her charterer at dictated charter rates. Generally, requisitions occur during periods of war or emergency, although governments may elect to requisition vessels in other circumstances. Although a target business would be entitled to compensation in the event of a requisition of any of its vessels, the amount and timing of payment would be uncertain.

Disruptions in world financial markets and the resulting governmental action in Europe, the United States and in other parts of the world could have a material adverse impact on our ability to obtain financing required to acquire vessels or new businesses. Furthermore, such a disruption would adversely affect our results of operations, financial condition and cash flows.

Concerns relating to the European sovereign debt crisis have recently intensified. While Greece, Portugal and Ireland have been the most affected countries thus far, with each agreeing to a rescue package with the European Union and the International Monetary Fund, there are fears that other European countries may be further affected by increasing public debt burdens and weakening economic growth prospects. On January 13, 2012, Standard and Poor s Rating Services downgraded the long-term ratings for nine Eurozone nations, including France, Italy and Spain. On February 13, 2012, Moody s Investors Service (Moody s) downgraded the sovereign debt ratings of Italy, Malta, Portugal, Slovakia, Slovenia and Spain, while initiating negative outlooks on the United Kingdom, France and Austria. Additionally, on March 2, 2012, Moody s downgraded Greece s sovereign debt rating to C from Ca. Such downgrades could negatively affect those countries ability to access the public debt markets at reasonable rates or at all, materially affecting the financial conditions of banks in those countries, including those with which we maintain cash deposits and equivalents, or on which we rely on to finance our vessel and new business acquisitions. Cash deposits and cash equivalents in excess of amounts covered by government-provided insurance are exposed to loss in the event of non-performance by financial institutions. We maintain cash deposits and equivalents in excess of government-provided insurance limits at banks in Greek and other European banks, which may expose us to a loss of cash deposits or cash equivalents.

Furthermore, the United States and other parts of the world are exhibiting volatile economic trends and were recently in a recession. Despite signs of recovery, the outlook for the world economy remains uncertain. For example, the credit markets worldwide and in the U.S. have experienced significant contraction, de-leveraging and reduced liquidity, and the U.S. federal government, state governments and foreign governments have implemented and are considering a broad variety of governmental action and/or new regulation of the financial markets. Securities and futures markets and the credit markets are subject to comprehensive statutes, regulations and other requirements. The Securities and Exchange Commission (the SEC), other regulators, self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies, and may effect changes in law or interpretations of existing laws. Recently, a number of financial institutions have experienced serious financial difficulties and, in some cases, have entered bankruptcy proceedings or are in regulatory enforcement actions. These issues, along with the reprising of credit risk and the difficulties currently experienced by financial institutions have made, and will likely continue to make, it difficult to obtain financing. As a result of the disruptions in the credit markets, many lenders have increased margins on lending rates, enacted tighter lending standards, required more restrictive terms (including higher collateral ratios for advances, shorter maturities and smaller loan amounts), or have refused to refinance existing debt at all. Additionally, certain banks that have historically been significant lenders to the shipping industry have reduced or ceased lending activities in the shipping industry. New banking regulations, including larger capital requirements and the resulting policies adopted by lenders, could reduce lending activities. We may experience difficulties obtaining financing commitments, including commitments to refinance our existing debt as balloon payments come due under our credit facilities, in the future if lenders are unwilling to extend financing to us or unable to meet their funding obligations due to their own liquidity, capital or solvency issues. Due to the fact that we would possibly cover all or a portion of the cost of any new vessel acquisition with debt financing, such uncertainty, combined with restrictions imposed by our current debt, could hamper our ability to finance vessels or new business acquisitions.

In addition, economic uncertainty worldwide has markedly reduced demand for shipping services and has decreased charter rates, which may adversely affect our results of operations and financial condition. Currently, the economies of China, Japan, other Pacific Asian countries and India are the main driving force behind the development in seaborne transportation. Reduced demand from such economies has driven decreased rates and vessel values.

We could face risks attendant to changes in economic environments, changes in interest rates, and instability in certain securities markets, among other factors. Major market disruptions and the uncertainty in market conditions and the regulatory climate in the U.S., Europe and worldwide could adversely our business or impair our ability to borrow amounts under any future financial arrangements. The current market conditions may last longer than we anticipate. These recent and developing economic and governmental factors could have a material adverse effect on our results of operations, financial condition or cash flows.

Because international tanker companies often generate most or all of their revenues in U.S. dollars but incur a portion of their expenses in other currencies, exchange rate fluctuations could cause us to suffer exchange rate losses, thereby increasing expenses and reducing income.

We engage in worldwide commerce with a variety of entities. Although our operations may expose us to certain levels of foreign currency risk, our transactions are predominantly U.S. dollar-denominated. Transactions in currencies other than the functional currency are translated at the exchange rate in effect at the date of each transaction. Expenses incurred in foreign currencies against which the U.S. dollar falls in value can increase, decreasing our income A greater percentage of our transactions and expenses in the future may be denominated in currencies other than U.S. dollar. As part of our overall risk management policy, we will attempt to hedge these risks in exchange rate fluctuations from time to time. We may not always be successful in such hedging activities and, as a result, our operating results could suffer as a result of un-hedged losses incurred as a result of exchange rate fluctuations. For example, as of December 31, 2011, the value of the U.S. dollar as compared to the Euro increased by approximately 2.3% compared with the respective value as of December 31, 2010. A greater percentage of our transactions and expenses in the future may be denominated in currencies other than the U.S. dollar.

Labor interruptions and problems could disrupt our business.

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

The market value of our vessels that we have constructed, acquired or may acquire in the future may fluctuate, which could limit the amount of funds that we can borrow, cause us to fail to meet certain financial covenants in our credit facilities and adversely affect our ability to purchase new vessels and our operating results.

The market value of tankers has been volatile. Vessel values may fluctuate due to a number of different factors, including: general economic and market conditions affecting the shipping industry; competition from other shipping companies; the types and sizes of available vessels; the availability of other modes of transportation; increases in the supply of vessel capacity; the cost of new buildings; governmental or other regulations; prevailing charter rates; the age of the vessel; and the need to upgrade secondhand vessels as a result of charterer requirements, technological advances in vessel design or equipment or otherwise. In addition, as vessels grow older, they generally decline in value. To the extent that we incur debt that is secured by any of our vessels, if the market value of such vessels declines, we may be required to prepay a portion of these secured borrowings.

If the market value of our vessels decreases, we may breach some of the covenants contained in the financing agreements relating to our indebtedness at the time. The credit facilities contain covenants including maximum total net liabilities over total net assets (effective in general after delivery of the vessels), minimum net worth (effective after delivery of the vessels, but in no case later than 2013) and loan to value ratio covenants applicable after delivery of the vessels initially of 130% or lower. If we breach any such covenants in the future and we are unable to remedy the relevant breach, our lenders could accelerate our debt and

Table of Contents

foreclose on our vessels. In addition, if the book value of a vessel is impaired due to unfavorable market conditions, we would incur a loss that could have a material adverse effect on our business, financial condition and results of operations.

If for any reason we sell any of our vessels at a time when prices are depressed, we could incur a loss and our business, financial condition and results of operations could be adversely affected. Conversely, if vessel values are elevated at a time when we wish to acquire additional vessels, the cost of acquisition may increase and this could materially adversely affect our business, financial condition and results of operations.

In the highly competitive product and chemical tanker sectors of the shipping industry, we may not be able to compete for charters with new entrants or established companies with greater resources, which may adversely affect our results of operations.

We employ our vessels in the product and chemical tanker sectors, highly competitive markets that are capital intensive and highly fragmented. Competition arises primarily from other vessel owners, some of whom have substantially greater resources than us. Competition for the transportation of refined petroleum products (clean and dirty) and bulk liquid chemicals can be intense and depends on price, location, size, age, condition and the acceptability of the vessel and our managers to the charterers. Due in part to the highly fragmented markets, competitors with greater resources could operate larger fleets through consolidations or acquisitions that may be able to offer better prices and fleets than ours.

Risks Relating to Our VLCC Vessels

The indemnity may be inadequate to cover any damages.

The Securities Purchase Agreement for the VLCC vessels has a cap on indemnity obligations, subject to certain exceptions, of $58.7 million. Although we performed substantial due diligence with respect to the VLCC Acquisition, there can be no assurance that there will not be undisclosed liabilities or other matters not discovered in the course of such due diligence and the $58.7 million indemnity may be inadequate to cover these or other damages related to breaches of such agreement. In addition, after the return to Navios Acquisition of 217,159 shares on November 4, 2011 in settlement of claims relating to representation and warranties attributable to the sellers and the return of the balance of the escrow shares to the sellers, it may be difficult to enforce an arbitration award for any amount of damages.

A large proportion of the revenue from the VLCC vessels is derived from a Chinese state-owned company, and changes in the economic and political environment in China or in Chinese relations with other countries could adversely affect our ability to continue this customer relationship.

DOSCO, a wholly owned subsidiary of the Chinese state-owned COSCO, charters four of the seven VLCC vessels (including the newbuilding delivered in June 2011). Changes in political, economic and social conditions or other relevant policies of the Chinese government, such as changes in laws, regulations or export and import restrictions, could restrict DOSCO s ability to continue its relationship with us. If DOSCO becomes unable to perform under its charter agreements with us, we could suffer a loss of revenue that could materially adversely affect our business, financial condition, and results of operations. In addition, we may have limited ability in Chinese courts to enforce any awards for damages that we may suffer if DOSCO were to fail to perform its obligations under our charter agreements.

One of the vessels is subject to a mutual sale provision between the subsidiary that owns the vessel and the charterer of the vessel, which, if exercised, could reduce the size of our fleet and reduce our future revenue.

The Shinyo Ocean is subject to a mutual sale provision whereby we or the charterer can request the sale of the vessel provided that a price can be obtained that is at least $3,000,000 greater than the agreed depreciated value of the vessel as set forth in the charter agreement. If this provision is exercised, we may not be able to obtain a replacement vessel for the price at which the vessel is sold. In such a case, the size of our fleet would be reduced and we may experience a reduction in our future revenue.

Risks Related to Our Relationship with Navios Holdings and Its Affiliates

Navios Holdings has limited recent experience in the crude oil, product and chemical tanker sectors.

Navios Tankers Management Inc. (the Manager), a wholly owned subsidiary of Navios Holdings, oversees the commercial and administrative management of our entire fleet and the technical management of a portion of our fleet. Navios Holdings is a vertically-integrated seaborne shipping and logistics company with over 55 years of operating history in the shipping industry that held approximately 45.2% of our shares of common stock as of December 31, 2011. Other than with

Table of Contents

respect to South American operations, Navios Holdings has limited recent experience in the crude oil, chemical and product tanker sectors.

Such limited experience could cause Navios Holdings or the Manager to make decisions that a more experienced operator in the sector might not make. If Navios Holdings or the Manager is not able to properly assess or ascertain a particular aspect of the crude oil, product or chemical tanker sectors, it could have a material adverse affect on our operations.

Navios Holdings may compete directly with us, causing certain officers to have a conflict of interest.

Angeliki Frangou and Ted C. Petrone are each officers and/or directors of both Navios Holdings and Navios Acquisition. We operate in the crude oil, product and chemical tanker sectors of the shipping industry, and although Navios Holdings does not currently operate in those sectors, there is no assurance it will not enter them. If it does, we may compete directly with Navios Holdings for business opportunities.

Navios Holdings, Navios Maritime Partners L.P. (Navios Partners) and Navios Acquisition share certain officers and directors who may not be able to devote sufficient time to our affairs, which may affect our ability to conduct operations and generate revenues.

Angeliki Frangou and Ted C. Petrone are each officers and/or directors of both Navios Holdings and Navios Acquisition, and Ms. Frangou is an officer and director of Navios Partners. As a result, demands for our officers time and attention as required from Navios Acquisition, Navios Partners and Navios Holdings may conflict from time to time and their limited devotion of time and attention to our business may hurt the operation of our business.

The loss of key members of our senior management team could disrupt the management of our business.

We believe that our success depends on the continued contributions of the members of our senior management team, including Ms. Angeliki Frangou, our Chairman and Chief Executive Officer. The loss of the services of Ms. Frangou or one of our other executive officers or senior management members could impair our ability to identify and secure new charter contracts, to maintain good customer relations and to otherwise manage our business, which could have a material adverse effect on our financial performance and our ability to compete.

We are dependent on a subsidiary of Navios Holdings for the commercial and administrative management of our fleet and the technical management of a portion of our fleet, which may create conflicts of interest.

As we subcontract the technical and commercial management of our fleet, including crewing, maintenance and repair, to our Manager, a subsidiary of Navios Holdings, and on an interim basis to other third party managers, the loss of these services or the failure of the Manager to perform these services could materially and adversely affect the results of our operations. Although we may have rights against the Manager if it defaults on its obligations to us, you will have no recourse directly against it. Further, we expect that we will need to seek approval from our respective lenders to change our commercial and technical managers.

Navios Holdings has responsibilities and relationships to owners other than Navios Acquisition that could create conflicts of interest between us and Navios Holdings or our Manager. These conflicts may arise in connection with the provision of chartering services to us for our fleet versus carriers managed by Navios Holdings subsidiaries or other companies affiliated with Navios Holdings.

Navios Holdings, our affiliate and a greater than 5% holder of our common stock, Angeliki Frangou, our Chairman and Chief Executive Officer, and certain of our officers and directors collectively control a substantial interest in us, and, as a result, may influence certain actions requiring stockholder vote.

Navios Holdings, Angeliki Frangou, our Chairman and Chief Executive Officer, and certain of our officers and directors beneficially own, in the aggregate, 50.2% of our issued and outstanding shares of common stock, which permits them to influence the outcome of effectively all matters requiring approval by our stockholders at such time, including the election of directors and approval of significant corporate transactions. Furthermore, if Navios Holdings and Ms. Frangou or an affiliate ceases to hold a minimum of 30% of our common stock then we will be in default under our credit facilities.

Risks Related to Our Common Stock and Capital Structure

We are incorporated in the Republic of the Marshall Islands, a country that does not have a well-developed body of corporate law, which may negatively affect the ability of public stockholders to protect their interests.

Our corporate affairs are governed by our amended and restated articles of incorporation and bylaws, and by the Marshall Islands Business Corporations Act, or the BCA. The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. However, there have been few judicial cases in the Republic of the Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors under the law of the Republic of the Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in certain United States jurisdictions. Stockholder rights may differ as well. While the BCA does specifically incorporate the non-statutory law, or judicial case law, of the State of Delaware and other states with substantially similar legislative provisions, public stockholders may have more difficulty in protecting their interests in the face of actions by the management, directors or controlling stockholders than would stockholders of a corporation incorporated in a United States jurisdiction.

We are incorporated under the laws of the Marshall Islands and our 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 us, our directors or our management based on U.S. laws in the event you believe your rights as a stockholder have been infringed, it may be difficult to enforce judgments against us, our directors or our management.

We are incorporated under the laws of the Republic of the Marshall Islands, and all of our assets are located outside of the United States. Our business will be operated primarily from our offices in Athens, Greece. In addition, our directors and officers are 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 us 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 our assets or the assets of our directors and officers. Although you may bring an original action against us or our affiliates 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 us or our affiliates for a cause of action arising under Marshall Islands law, it may impracticable for you to do so given the geographic location of the Marshall Islands.

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

Under the U.S. Internal Revenue Code (the Code), 50% of the gross shipping income of a vessel-owning or chartering corporation, such as us and our 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 there under (Treasury Regulations). In general, the exemption from U.S. federal income taxation under Section 883 of the Code provides that if a non-U.S. corporation satisfies the requirements of Section 883 of the Code and the Treasury Regulations, it will not be subject to the net basis and branch profit taxes or the 4% gross basis tax described below on its U.S.-Source International Transportation Income.

We expect that we and each of our vessel-owning subsidiaries will qualify for this statutory tax exemption and we will take this position for U.S. federal income tax return reporting purposes. However, there are factual circumstances beyond our control that could cause us to lose the benefit of this tax exemption and thereby become subject to U.S. federal income tax on our U.S.-source income.

If we or our vessel-owning subsidiaries are not entitled to this exemption under Section 883 for any taxable year, we or our 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 our business and would result in decreased earnings.

Since we are a foreign private issuer, we are not subject to certain SEC regulations that companies incorporated in the United States would be subject to.

We are a foreign private issuer within the meaning of the rules promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). As such, we are exempt from certain provisions applicable to United States public companies including:

- the rules under the Exchange Act requiring the filing with the Securities and Exchange Commission, or the SEC, of quarterly reports on Form 10-Q or current reports on Form 8-K;

- the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act;

the provisions of Regulation FD aimed at preventing issuers from making selective disclosures of material information; and

26

- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and establishing insider liability for profits realized from any short-swing trading transaction (i.e., a purchase and sale, or sale and purchase, of the issuer s equity securities within less than six months).

Accordingly, investors in our common stock may not be able to obtain all of the information of the type described above, and our stockholders may not be afforded the same protections or information generally available to investors holding shares in public companies in the United States.

Anti-takeover provisions in our amended and restated articles of incorporation could make it difficult for our stockholders to replace or remove our current board of directors or could have the effect of discouraging, delaying or preventing a merger or acquisition, which could adversely affect the market price of our common stock.

Several provisions of our amended and restated articles of incorporation and bylaws could make it difficult for our stockholders to change the composition of our board of directors in any one year, preventing them from changing the composition of our management. In addition, the same provisions may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable. These provisions include those that:

- authorize our board of directors to issue blank check preferred stock without stockholder approval;
- provide for a classified board of directors with staggered, three-year terms;
- require a super-majority vote in order to amend the provisions regarding our classified board of directors with staggered, three-year terms; and
- prohibit cumulative voting in the election of directors.

These anti-takeover provisions could substantially impede the ability of stockholders to benefit from a change in control and, as a result, may adversely affect the market price of our common stock and your ability to realize any potential change of control premium.

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

We 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 our gross income for any taxable year consists of certain types of passive income or (2) at least 50% of the average value of our 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 that are received from unrelated parties in connection with the active conduct or a trade or business. For purposes of these tests, income derived from the performance of services does not constitute passive income. U.S. stockholders 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 upon our income, assets and activities, we expect that we will not be treated for United States federal income tax purposes as a PFIC for the 2011 and 2010 taxable years (we were treated as a PFIC for the 2008 and 2009 taxable years), and we do not expect to be treated as a PFIC for 2012 and subsequent taxable years. Commencing as of 2010, we intend to treat the gross income we will derive or will be deemed to derive from our time chartering activities as services income, rather than rental income. Accordingly, we intend to take the position that our income from time chartering activities does not constitute passive income, and the assets that we will own and operate in connection with the production of that income do not constitute passive assets. There is, however, no direct legal authority under the PFIC rules addressing our proposed method of operation. Accordingly, no assurance can be given that the U.S. Internal Revenue Service, (the IRS), or a court of law will accept our position, and there is a risk that the IRS or a court of law could determine that we are a PFIC in future years. Moreover, no assurance can be given that we would not constitute a PFIC for any future taxable year if there were to be changes in the nature and extent of our operations. For example, if we were treated as earning rental income from our chartering activities rather than services income, we would be treated as a PFIC.

Under the PFIC rules, unless U.S. Holders of our common stock make timely elections available under the Code (which elections could in each case have adverse consequences for such stockholders), such stockholders 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 our common stock, as if the excess distribution or gain had been recognized ratably over the stockholder s holding period of our common stock. If we are treated as a PFIC for any taxable year during the holding period of a U.S. Holder (we will be treated as a PFIC for the 2008,2009, but not for 2010 and future years), unless the U.S. Holder makes an election to be treated as a Qualified Electing Fund (QEF) for the first taxable year in which they hold the stock and in which we are a PFIC, or makes the mark-to-market election, we will continue to be treated as a PFIC for all succeeding years during which the U.S. Holder is treated as a direct or indirect U.S. Holder even if we are not a PFIC for such years. A U.S. Holder is encouraged to consult their tax adviser with respect to any available elections that may be applicable in such a situation. In addition, U.S. Holders should consult their tax advisers regarding the IRS information reporting and filing obligations that may arise as a result of the ownership of shares in a PFIC. These consequences are discussed in more detail under the heading Tax Considerations Material U.S. Federal Income Tax Consequences United States Federal Income Taxation of U.S. Holders Passive Foreign Investment Company Status and Significant Tax Consequences.

We may choose to redeem our outstanding warrants included in the units sold in our IPO at a time that is disadvantageous to our warrant holders.

We may redeem the warrants issued as part of our units sold in our IPO in whole and not in part, at a price of $0.01 per warrant, upon a minimum of 30 days prior written notice of redemption, if and only if, the last sales price of our common stock equals or exceeds $13.75 per share for any 20 trading days within a 30 trading day period ending three business days before we send the notice of redemption; provided, however, a current registration statement under the Securities Act of 1933, as amended (the Securities Act) relating to the shares of our common stock underlying the warrants is then effective. Redemption of the warrants could force the warrant holders: (i) to exercise the warrants and pay the exercise price therefore at a time when it may be disadvantageous for the holders to do so; (ii) to sell the warrants at the then-current market price when they might otherwise wish to hold the warrants; or (iii) to accept the nominal redemption price that, at the time the warrants are called for redemption, is likely to be substantially less than the market value of the warrants. We may not redeem any warrant if it is not exercisable.

Registration rights held by our initial stockholders and others may have an adverse effect on the market price of our common stock.

Certain stockholders, which include Navios Holdings, are entitled to demand that we register the resale of their common stock totaling 20,192,647 shares. In addition, one third-party holder has an effective resale registration statement with respect to 1,677,759 shares of common stock. If all of these stockholders exercise their registration rights with respect to all of their shares of common stock, including the effective resale registration statement, there will be an additional 21,870,406 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 our common stock.

The New York Stock Exchange may delist our securities from quotation on its exchange, which could limit your ability to trade our securities and subject us to additional trading restrictions.

Our securities are listed on the New York Stock Exchange (NYSE), a national securities exchange. Although we currently satisfy the NYSE minimum listing standards, which only requires that we meet certain requirements relating to stockholders equity, number of round-lot holders, market capitalization, aggregate market value of publicly held shares and distribution requirements, we cannot assure you that our securities will continue to be listed on NYSE in the future.

If NYSE delists our securities from trading on its exchange, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our securities;
- a limited amount of news and analyst coverage for us;
- a decreased ability for us to issue additional securities or obtain additional financing in the future; and
- limited liquidity for our stockholders due to thin trading.

Risks Related to Our Indebtedness

We may not be able to access our debt financing, which may affect our ability to make payments with respect to our vessels.

Our ability to borrow amounts under our current and future credit facilities will be subject to the satisfaction of customary conditions precedent and compliance with terms and conditions included in the loan documents, including a minimum liquidity financial covenant, and to circumstances that may be beyond our control such as world events, economic conditions, the financial standing of the bank or its willingness to lend to shipping companies such as us. Prior to each drawdown, we will be required, among other things, to provide our lenders with satisfactory evidence that certain conditions precedent have been met. To the extent that we are not able to satisfy these requirements, including as a result of a decline in the

Table of Contents

value of our vessels, we may not be able to draw down the full amount under certain of our credit facilities without obtaining a waiver or consent from the respective lenders.

We have substantial indebtedness and may incur substantial additional indebtedness, which could adversely affect our financial health and our ability to obtain financing in the future, react to changes in our business and make debt service payments.

We have substantial indebtedness, and we may also increase the amount of our indebtedness in the future. The terms of our credit facilities and other instruments and agreement governing our indebtedness do not prohibit us from doing so. Our substantial indebtedness could have important consequences for our stockholders.

Because of our substantial indebtedness:

- our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, vessel or other acquisitions or general corporate purposes may be impaired in the future;
- if new debt is added to our existing debt levels, the related risks that we now face would increase and we may not be able to meet all of our debt obligations;
- a substantial portion of our cash flow from operations must be dedicated to the payment of principal and interest on our indebtedness, thereby reducing the funds available to us for other purposes, and there can be no assurance that our operations will generate sufficient cash flow to service this indebtedness;
- we will be exposed to the risk of increased interest rates because our borrowings under the credit facilities will be at variable rates of interest;
- it may be more difficult for us to satisfy our obligations to our lenders, resulting in possible defaults on and acceleration of such indebtedness;
- we may be more vulnerable to general adverse economic and industry conditions;
- we may be at a competitive disadvantage compared to our competitors with less debt or comparable debt at more favorable interest rates and, as a result, we may not be better positioned to withstand economic downturns;
- our ability to refinance indebtedness may be limited or the associated costs may increase; and
- our flexibility to adjust to changing market conditions and ability to withstand competitive pressures could be limited, or we may be prevented from carrying out capital spending that is necessary or important to our growth strategy and efforts to improve operating margins or our business.

Highly leveraged companies are significantly more vulnerable to unanticipated downturns and set backs, whether directly related to their business or flowing from a general economic or industry condition, and therefore are more vulnerable to a business failure or bankruptcy.

The agreements and instruments governing our indebtedness do or will contain restrictions and limitations that could significantly impact our ability to operate our business and adversely affect our stockholders.

The agreements and instruments governing our indebtedness impose certain operating and financial restrictions on us. Among other restrictions, these restrictions may limit our ability to:

- incur or guarantee additional indebtedness or issue certain preferred stock;
- create liens on our assets;
- make investments;
- engage in mergers and acquisitions in sell all or substantially all of our properties or assets;
- redeem or repurchase capital stock, pay dividends or make other restricted payments and investments;

29

make capital expenditures;

change the management of our vessels or terminate the management agreements we have relating to our vessels;

enter into long-term charter arrangements without the consent of the lender;

transfer or sell any of our vessels; and

enter into certain transactions with our affiliates.

Therefore, we will need to seek permission from our lenders in order to engage in some corporate and commercial actions that we believe would be in the best interest of our business, and a denial of permission may make it difficult for us to successfully execute our business strategy or effectively compete with companies that are not similarly restricted. Our lenders interests may be different from our interests, and we cannot guarantee that we will be able to obtain our lenders permission when needed. This may prevent us from taking actions that are in our best interest. Any future credit agreement may include similar or more restrictive restrictions.

Our credit facilities contain requirements that the value of the collateral provided pursuant to the credit facilities must equal or exceed by a certain percentage the amount of outstanding borrowings under the credit facilities and that we maintain a minimum liquidity level. In addition, our credit facilities contain additional restrictive covenants, including a minimum net worth requirement and maximum total net liabilities over net assets. It is an event of default under our credit facilities if such covenants are not complied with or if Navios Holdings, Ms. Angeliki Frangou, our Chairman and Chief Executive Officer, and their respective affiliates cease to hold a minimum percentage of our issued stock. In addition, the indenture governing the notes also contains certain provisions obligating us in certain instances to make offers to purchase outstanding notes with the net proceeds of certain sales or other dispositions of assets or upon the occurrence of an event of loss with respect to a mortgaged vessel, as defined in the indenture. Our ability to comply with the covenants and restrictions contained in our agreements and instruments governing our indebtedness may be affected by economic, financial and industry conditions and other factors beyond our control. If we are unable to comply with these covenants and restrictions, our indebtedness could be accelerated. If we are unable to repay indebtedness, our lenders could proceed against the collateral securing that indebtedness. In any such case, we may be unable to borrow under our credit facilities and may not be able to repay the amounts due under our agreements and instruments governing our indebtedness. This could have serious consequences to our financial condition and results of operations and could cause us to become bankrupt or insolvent. Our ability to comply with these covenants in future periods will also depend substantially on the value of our assets, our charter rates, our success at keeping our costs low and our ability to successfully implement our overall business strategy. Any future credit agreement or amendment or debt instrument may contain similar or more restrictive covenants.

We and our subsidiaries may be able to incur substantially more indebtedness, including secured indebtedness. This could further exacerbate the risks associated with our substantial indebtedness.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. The agreements governing our credit facilities and the indenture governing our notes do not prohibit us or our subsidiaries from doing so. If new indebtedness is added to our current indebtedness levels, the related risks that we now face would increase and we may not be able to meet all our indebtedness obligations.

Our ability to generate the significant amount of cash needed to service our other indebtedness and our ability to refinance all or a portion of our indebtedness or obtain additional financing depends on many factors beyond our control.

Our ability to make scheduled payments on or to refinance our obligations under, our indebtedness will depend on our financial and operating performance, which, in turn, will be subject to prevailing economic and competitive conditions and to the financial and business factors, many of which may be beyond our control.

We will use cash to pay the principal and interest on our indebtedness. These payments limit funds otherwise available for working capital, capital expenditures, vessel acquisitions and other purposes. As a result of these obligations, our current liabilities may exceed our current assets. We may need to take on additional indebtedness as we expand our fleet, which could increase our ratio of indebtedness to equity. The need to service our indebtedness may limit funds available for other purposes and our inability to service indebtedness in the future could lead to acceleration of our indebtedness and foreclosure on our owned vessels.

Our credit facilities mature on various dates through 2022 and our ship mortgage notes mature on November 1, 2017. In addition, borrowings under certain of the credit facilities have amortization requirements prior to final maturity. We cannot assure you that we will be able to refinance any of our indebtedness or obtain additional financing, particularly because of our anticipated high levels of indebtedness and the indebtedness incurrence restrictions imposed by the agreements governing our indebtedness, as well as prevailing market conditions.

We could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our indebtedness service and other obligations. Our credit facilities, the indenture governing our notes and any future indebtedness may, restrict our ability to dispose of assets and use the proceeds from any such dispositions. If we do not reinvest the proceeds of asset sales in our business (in the case of asset sales of no collateral with respect to such indebtedness) or in new vessels or other related assets that are mortgaged in favor of the lenders under our credit facilities (in the case of assets sales of collateral securing), we may be required to use the proceeds to repurchase senior indebtedness. We cannot assure you we will be able to consummate any asset sales, or if we do, what the timing of the sales will be or whether the proceeds that we realize will be adequate to meet indebtedness service obligations when due.

Most of our credit facilities require that we maintain loan to collateral value ratios in order to remain in compliance with the covenants set forth therein. If the value of such collateral falls below such required level, we would be required to either prepay the loans or post additional collateral to the extent necessary to bring the value of the collateral as compared to the aggregate principal amount of the loan back to the required level. We cannot assure you that we will have the cash on hand or the financing available to prepay the loans or have any unencumbered assets available to post as additional collateral. In such case, we would be in default under such credit facility and the collateral securing such facility would be subject to foreclosure by the applicable lenders.

Moreover, certain of our credit facilities are secured by vessels currently under construction pursuant to shipbuilding contracts. Because we rely on these facilities to finance the scheduled payments as they come due under the shipbuilding contracts, it is possible that any default under such a facility would result, in the absence of other available funds, in default by us under the associated shipbuilding contract. In such a case, our rights in the related newbuild would be subject to foreclosure by the applicable creditor. In addition, a payment default under a shipbuilding contract would give the shipyard the right to terminate the contract without any further obligation to finish construction and may give it rights against us for having failed to make the required payments.

An increase or continuing volatility in interest rates would increase the cost of servicing our indebtedness and could reduce our profitability, earnings and cash flow.

Amounts borrowed under our term loan facilities fluctuate with changes in LIBOR. LIBOR has been volatile, with the spread between LIBOR and the prime lending rate widening significantly at times. We may also incur indebtedness in the future with variable interest rates. As a result, an increase in market interest rates would increase the cost of servicing our indebtedness and could materially reduce our profitability, earnings and cash flows. The impact of such an increase would be more significant for us than it would be for some other companies because of our substantial indebtedness. Because the interest rates borne by our outstanding indebtedness may fluctuate with changes in LIBOR, if this volatility were to continue, it could affect the amount of interest payable on our debt, which in turn, could have an adverse effect on our profitability, earnings and cash flow.

The international nature of our operations may make the outcome of any bankruptcy proceedings difficult to predict.

We are incorporated under the laws of the Republic of the Marshall Islands and our subsidiaries are also incorporated under the laws of the Republic of the Marshall Islands, the Cayman Islands, Hong Kong, the British Virgin Islands and certain other countries other than the United States, and we conduct operations in countries around the world. Consequently, in the event of any bankruptcy, insolvency or similar proceedings involving us or one of our subsidiaries, bankruptcy laws other than those of the United States could apply. We have limited operations in the United States. If we become a debtor under the United States bankruptcy laws, bankruptcy courts in the United States may seek to assert jurisdiction over all of our assets, wherever located, including property situated in other countries. There can be no assurance, however, that we would become a debtor in the United States or that a United States bankruptcy court would be entitled to, or accept, jurisdiction over such bankruptcy case or that courts in other countries that have jurisdiction over us and our operations would recognize a United States bankruptcy court s jurisdiction if any other bankruptcy court would determine it had jurisdiction.

We may be unable to raise funds necessary to finance the change of control repurchase offer required by the indenture governing our notes.

If we experience specified changes of control, we would be required to make an offer to repurchase all of our outstanding notes (unless otherwise redeemed) at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the repurchase date. The occurrence of specified events that could constitute a change of control will constitute a default

31

under our credit facilities. There are also change of control events that would constitute a default under the credit facilities that would not be a change of control under the indenture. In addition, our credit facilities prohibit the purchase of notes by us in the event of a change of control, unless and until such time as the indebtedness under our credit facilities is repaid in full. As a result, following a change of control event, we would not be able to repurchase notes unless we first repay all indebtedness outstanding under our credit facilities and any of our other indebtedness that contains similar provisions; or obtain a waiver from the holders of such indebtedness to permit us to repurchase the notes. We may be unable to repay all of that indebtedness or obtain a waiver of that type. Any requirement to offer to repurchase outstanding notes may therefore require us to refinance our other outstanding debt, which we may not be able to do on commercially reasonable terms, if at all. In addition, our failure to purchase the notes after a change of control in accordance with the terms of the indenture would constitute an event of default under the indenture, which in turn would result in a default under our credit facilities.

Our inability to repay the indebtedness under our credit facilities will constitute an event of default under the indenture governing our notes, which could have materially adverse consequences to us. In the event of a change of control, we cannot assure you that we would have sufficient assets to satisfy all of our obligations under our credit facilities and the notes. Our future indebtedness may also require such indebtedness to be repurchased upon a change.

We may require additional financing to acquire vessels or businesses or to exercise vessel purchase options, and such financing may not be available.

In the future, we may be required to make substantial cash outlays to exercise options or to acquire vessels or business and will need additional financing to cover all or a portion of the purchase prices. We may seek to cover the cost of such items with new debt collateralized by the vessels to be acquired, if applicable, but there can be no assurance that we will generate sufficient cash or that debt financing will be available. Moreover, the covenants in our credit facilities, the indenture or other debt, may make it more difficult to obtain such financing by imposing restrictions on what we can offer as collateral.

Item 4. Information on the Company

A. History and development of Navios Acquisition

Navios Acquisition was formed as a blank check company on March 14, 2008 under the laws of the Republic of the Marshall Islands and has its principal offices located at 85 Akti Miaouli Street, Piraeus, Greece 185 38, and its telephone number is (011) +30-210-4595000. Our agent for service is Trust Company of the Marshall Islands, Inc., located at Trust Company Complex, Ajeltake Island, P.O. Box 1405, Majuro, Marshall Islands MH96960.

On March 18, 2008, we issued 8,625,000 Sponsor Units to Navios Holdings for $25,000 in cash, at a purchase price of approximately $0.003 per unit. Each Sponsor Unit consisted of one share of common stock and one warrant. On June 11, 2008, Navios Holdings transferred an aggregate of 290,000 Sponsor Units to our officers and directors.

On June 16, 2008, Navios Holdings returned to us an aggregate of 2,300,000 Sponsor Units, which, upon receipt, we cancelled. Accordingly, the initial stockholders owned 6,325,000 Sponsor Units. On July 1, 2008, we consummated our IPO in which we sold 25,300,000 units, consisting of one common stock and one warrant, and raised gross proceeds of $253.0 million. Simultaneously with the closing of the IPO, Navios Holdings purchased 7,600,000 warrants from us in a private placement (the Private Placement Warrants). The proceeds from this private placement of warrants were added to the proceeds of the IPO and placed in a trust account. The net proceeds of our IPO, including amounts in the trust account, were invested in U.S. government securities (U.S. Treasury Bills) with a maturity of 180 days or less or in money market funds meeting certain conditions under Rule 2a-7 promulgated under the Investment Company Act of 1940.

On May 25, 2010, after its special meeting of stockholders, Navios Acquisition announced the approval of: (a) the acquisition from Navios Holdings of 13 vessels (11 product tankers and two chemical tankers) for an aggregate purchase price of $457.7 million, of which $128.7 million was to be paid from existing cash and the $329.0 million balance with existing and new debt financing pursuant to the terms and conditions of the Acquisition Agreement by and between Navios Acquisition and Navios Holdings and (b) certain amendments to Navios Acquisition s amended and restated articles of incorporation.

On May 28, 2010, Navios Acquisition consummated the vessel acquisition, which constituted its initial business combination. In connection with the stockholder vote to approve the vessel acquisition, holders of 10,021,399 shares of common stock voted against the vessel acquisition and elected to redeem their shares in exchange for an aggregate of approximately $99.3 million, which amount was disbursed from the trust account on May 28, 2010. In addition, on May 28, 2010, Navios Acquisition disbursed an aggregate of $8.9 million from the trust account to the underwriters of our IPO for deferred fees. After disbursement of approximately $76.5 million to Navios Holdings to reimburse it for the first equity instalment payment on the vessels of $38.8 million and other associated payments, the balance of the trust account of $66.1 million was released to us for general operating expenses.

Table of Contents

Following the consummation of the transactions described in the Acquisition Agreement, Navios Holdings was released from all debt and equity commitments for the above vessels and Navios Acquisition reimbursed Navios Holdings for vessel instalments made prior to the stockholders meeting under the purchase contracts for the vessels, plus all associated payments previously made by Navios Holdings amounting to $76.5 million.

The initial business combination was treated as an asset acquisition and the consideration paid and fair values of assets and liabilities assumed on May 28, 2010 (See note 3 of the audited financial statements included herein).

On August 27, 2010, Navios Acquisition completed the Warrant Exercise Program under which holders of its publicly traded and private warrants had the opportunity to exercise their warrants on enhanced terms (see note 19 of the audited financial statements included herein).

On September 10, 2010, Navios Acquisition consummated the VLCC Acquisition of seven VLCCs for an aggregate purchase price of $587.0 million, adjusted for net working capital acquired of $20.6 million. The purchase price was financed as follows: (a) $410.5 million of bank debt, assumed at closing, consisting of six credit facilities with a consortium of banks; (b) $134.3 million of cash paid at closing; (c) $11.0 million through the issuance of 1,894,918 Navios Acquisition shares of common stock (based on the closing trading price averaged over the 15 trading days immediately prior to closing on September 10, 2010) of which 1,378,122 shares of common stock were deposited into a one-year escrow to provide for indemnity or other claims (see note 19 of the audited financial statements included herein); and (d) $51.4 million due to a shipyard in 2011 for the newbuilding that was delivered in June 2011. The VLCC Acquisition was accounted for as a business combination.

On October 21, 2010, Navios Acquisition and Navios Acquisition Finance (US) Inc., its wholly owned finance subsidiary (Navios Acquisition Finance), completed the sale of $400.0 million of 8 5/8% First Priority Ship Mortgage notes due 2017 (the Existing Notes).

On May 26, 2011, Navios Acquisition and Navios Acquisition Finance completed the sale of $105.0 million of 8 5/8% first priority ship mortgage notes due 2017 (the Additional Notes) at 102.25% plus accrued interest from May 1, 2011. The net proceeds of the offering of $104.6 million were used to partially finance the acquisition of the VLCC delivered on June 8, 2011 and to repay the $80.0 million revolving credit facility with Marfin Egnatia Bank.

Equity Transactions

On September 17, 2010, Navios Acquisition issued 3,000 shares of preferred stock to an independent third party holder in connection with the payment of certain consultant and advisory fees. The preferred stock issued to the consultant was recorded at fair value as an expense in our statement of income totaling $5.6 million.

On October 29, 2010 Navios Acquisition issued 540 shares of Series B Convertible preferred stock (fair value $1.6 million) to the seller of two newbuild LR1 product tankers. The preferred stock contains a 2% per annum dividend payable quarterly starting on January 1, 2011, and mandatorily converts into shares of common stock at various dates in the future subject to the terms and conditions of such preferred stock. The holders of the preferred stock also have the right to convert their shares to common stock subject to certain terms and conditions. The preferred stock does not have any voting rights.

On November 19, 2010, the Company completed the public offering of 6,500,000 shares of common stock at $5.50 per share and raised gross proceeds of $35.8 million. The net proceeds of this offering, including the underwriting discount of $1.8 million and excluding offering costs of $0.6 million were approximately $34.0 million.

Pursuant to an Exchange Agreement entered into March 30, 2011, Navios Holdings exchanged 7,676,000 shares of Navios Acquisition s common stock it held for 1,000 shares of non-voting Series C Convertible Preferred Stock of Navios Acquisition. After giving effect to this exchange, Navios Holdings owns 45.0% of our outstanding common stock. Each holder of shares of Series C Convertible Preferred Stock is entitled at their option at any time, after March 31, 2013, to convert all or any of their outstanding shares into shares of our common stock determined by multiplying each share of Series C Convertible Preferred Stock to be converted by 7,676 subject to certain limitations. Upon the declaration of a common stock dividend, the holders of Series C Convertible Preferred Stock are entitled to receive dividends in an amount equal to the amount that would have been received on the number of shares of our common stock into which the shares of Series C Convertible Preferred Stock held by each holder could be converted.

On November 4, 2011, from the 1,378,122 contingently returnable shares of common stock issued on September 10, 2010 and deposited into escrow for the VLCC Acquisition, 1,160,963 were released to the sellers and the remaining 217,159 were returned to Navios Acquisition. The returned shares were cancelled on December 30, 2011. Following the release, Navios Holdings ownership of the outstanding voting stock of Navios Acquisition increased to 45.24%, and its economic interest in Navios Acquisition increased to 53.96%

Vessel Deliveries and Acquisitions

On January 20, 2012, Navios Acquisition took delivery of the Nave Estella, a 75,000 dwt LR1 product tanker, from a South Korean shipyard. The vessel is chartered-out at net daily charter rate of $11,850 for a period of three years plus two one year options. The charter contract also provides clauses for profit sharing.

On November 14, 2011, Navios Acquisition took delivery of the Nave Andromeda, a 75,000 dwt LR1 South Korean built product tanker, for a total cost of $44.6 million. Cash paid was $27.2 million and $17.4 million was transferred from vessel deposits.

On July 18, 2011, Navios Acquisition took delivery of the Buddy, a 2009-built MR2 product tanker vessel of 50,470 dwt for a total cost of $42.5 million that was paid with cash. Favorable lease terms recognized through this transaction amounted to $5.2 million and the balance of $37.3 million was classified under vessels, net.

On July 12, 2011, Navios Acquisition took delivery of the Bull, a 2009 - built MR2 product tanker vessel of 50,542 dwt, for a total cost of $42.4 million that was paid with cash. Favorable lease terms recognized through this transaction amounted to $5.1 million and the balance of $37.3 million was classified under vessels, net.

On June 8, 2011, Navios Acquisition took delivery of a 297,066 dwt VLCC, the Shinyo Kieran, from a Chinese shipyard, for a total cost of $119.2 million. Cash paid was $29.1 million and $90.1 million was transferred from vessel deposits.

On January 27, 2011, Navios Acquisition took delivery of the Nave Polaris, a 25,145 dwt South Korean-built chemical tanker, for a total cost of $31.7 million. Cash paid was $4.5 million and $27.2 million was transferred from vessel deposits.

On October 27, 2010, Navios Acquisition took delivery of the Nave Cosmos, a 25,130 dwt South Korean-built chemical tanker for a total cost of $31.8 million. Cash paid was $11.3 million and $20.5 million was transferred from vessel deposits.

On July 2, 2010, Navios Acquisition took delivery of the Ariadne Jacob, an LR1 product tanker, as part of the Product and Chemical Tanker Acquisition, for total cost of $43.7 million. Cash paid was $39.3 million and $4.4 million was transferred from vessel deposits.

On June 29, 2010, Navios Acquisition took delivery of the Colin Jacob, an LR1 product tanker, as part of the Product and Chemical Tanker Acquisition, for a total cost of $43.7 million. Cash paid was $39.3 million and $4.4 million was transferred from vessel deposits.

B. Business Overview

Introduction

Navios Acquisition owns a large fleet of modern crude oil, refined petroleum product and chemical tankers providing

Table of Contents

world-wide marine transportation services. Our strategy is to charter our vessels to international oil companies, refiners and large vessel operators under long, medium and short-term charters. We are committed to providing quality transportation services and developing and maintaining long-term relationships with our customers. We believe that the Navios brand will allow us to take advantage of increasing global environmental concerns that have created a demand in the petroleum products/crude oil seaborne transportation industry for vessels and operators that are able to conform to the stringent environmental standards currently being imposed throughout the world.

Navios Acquisition s Fleet

Our current fleet consists of a total of 29 double-hulled tanker vessels, aggregating approximately 3.3 million deadweight tons, or dwt. The fleet includes seven VLCC tankers (over 200,000 dwt per ship), which transport crude oil, eight Long Range 1 (LR1) product tankers (50,000-79,999 dwt per ship), 12 Medium Range 2 (MR2) product tankers (30,000-49,999 dwt per ship) and two chemical tankers (25,000 dwt per ship), which transport refined petroleum products and bulk liquid chemicals. Of the 29 vessels in our current fleet, we have taken delivery of seven VLCC tankers, three LR1 tankers, two MR2 product tankers and two chemical tankers, and we expect to take delivery of ten vessels in 2012, two vessels in 2013, and three vessels in 2014 based on current construction schedule. All the vessels that we have taken delivery of, as well as four of the MR2 product tankers that we will take delivery of in the second, third and fourth quarters of 2012, are currently chartered-out to high-quality counterparties, including affiliates of Shell, Formosa Petrochemical Corporation, Sinochem Group, SK Shipping and DOSCO (a wholly owned subsidiary of COSCO) with an average remaining charter period of approximately 4.1 years. As of March 14, 2012, we have charters covering 89.4% of available days in 2012, 58.4% of available days in 2013 and 50.4% of available days in 2014, based on the estimated scheduled delivery dates for vessels under construction.

Vessels	Type	Built/Delivery Date	DWT	Net Charter Rate (1)	Profit Share	Expiration Date (2)
Owned Vessels						
Nave Cielo	LR1 Product Tanker	2007	74,671	11,751 (3,4)	None	November 2012
Nave Ariadne	LR1 Product Tanker	2007	74,671	11,751 (3,4)	None	November 2012
Nave Cosmos	Chemical Tanker	2010	25,130	11,700	60%/40%	August 2012
Nave Polaris	Chemical Tanker	2011	25,145	11,700	60%/40%	July 2012
Shinyo Splendor	VLCC	1993	306,474	38,019	None	May 2014
Shinyo Navigator	VLCC	1996	300,549	42,705	None	December 2016
C. Dream	VLCC	2000	298,570	29,625 (5)	50% above $30,000	March 2019
					40% above $40,000	
Shinyo Ocean	VLCC	2001	281,395	38,400	50% above $43,500	January 2017
Shinyo Kannika	VLCC	2001	287,175	38,025	50% above $44,000	February 2017
Shinyo Saowalak	VLCC	2010	298,000	48,153	35% above $54,388	June 2025
					40% above 59,388	
					50% above 69,388	
Shinyo Kieran	VLCC	2011	297,066	48,153	35% above $54,388	June 2026
					40% above $59,388	
					50% above $69,388	
Buddy	MR2 Product Tanker	2009	50,470	22,490	None	October 2012
				21,503	None	October 2014
Bull	MR2 Product Tanker	2009	50,542	22,490	None	September 2012
				21,503	None	September 2014
Nave Andromeda	LR1 Product Tanker	2011	75,000	11,850 (6)	100% up to $15,000	November 2014
					50% above $15,000	
					90% up to 15,000	
Nave Estella	LR1 Product Tanker	2012	75,000	11,850 (7)	50% above $15,000	January 2015
Owned Vessels to be Delivered						
TBN	LR1	Q3 2012	75,000			
TBN	LR1	Q4 2012	75,000			
TBN	LR1	Q4 2012	75,000			
TBN	LR1	Q4 2012	75,000			

TBN	MR2	Q2 2012	50,000	13,331(8)	50% /50%
TBN	MR2	Q3 2012	50,000	13,331(8)	50% /50%
TBN	MR2	Q4 2012	50,000	13,331(9)	50% /50%
TBN	MR2	Q4 2012	50,000	13,331(9)	50% /50%
TBN	MR2	Q4 2012	50,000	13,825(10)	50% /50%
TBN	MR2	Q1 2013	50,000		
TBN	MR2	Q1 2013	50,000		
TBN	MR2	Q2 2014	50,000		
TBN	MR2	Q3 2014	50,000		
TBN	MR2	Q4 2014	50,000		

(1) Net time charter-out rate per day (net of commissions).
(2) Estimated dates assuming midpoint of redelivery of charterers.
(3) On October 28, 2011, the charter contracts for the Nave Cielo and the Nave Ariadne were terminated prior to their original expiration in June 2013. Navios Acquisition entered into certain settlement agreements with the charterers that provide for an amount of approximately $5.0 million to compensate for the early termination of the charters and to cover any outstanding receivables, out of which $2.0 million will be settled in installments until June 2015.
(4) Charterer s option to extend the charter for 1+1+1 years at $12,739 (net) 1st optional year; $13,825 (net) plus 50/50% profit sharing 2nd optional year; $14,813 (net) plus 50/50% profit sharing 3rd optional year.
(5) Vessel sub chartered at $34,843/day until third quarter 2012.
(6) Charterer s option to extend the charter for 1+1 years at $12,838 (net) 1st optional year plus 100% profit up to $16,000 plus 50/50% profit sharing above $16,000; $13,825 (net) 2nd optional year plus 100% profit up to $17,000 plus 50/50% profit sharing above $17,000. Profit sharing formula is calculated monthly and incorporates $2,000 premium above the relevant index.
(7) Charterer s option to extend the charter for 1+1 years at $11,850 (net) 1st optional year plus 90% profit up to $16,000 plus 50/50% profit sharing above $16,000; $11,850 (net) 2nd optional year plus 90% profit up to $17,000 plus 50/50% profit sharing above $17,000. Profit sharing formula is calculated monthly and incorporates $2,000 premium above the relevant index.
(8) Charter duration three years. Charterer s option to extend the charter for 1+ 1 years at $14,566 (net) 1st optional year plus profit sharing; $15,553 (net) 2nd optional year plus profit sharing. The profit sharing will be calculated monthly and profits will be split equally between each party. Profit sharing formula incorporates $1,000 premium above the relevant index.
(9) Charter duration three years. Charterer s option to extend the charter for 1 year at $14,813 (net) plus profit sharing. The charterers will receive 100% of the first $1,000 in profits above the base rate and the owners will receive 100% of the next $1,000. Thereafter, all profits will be split equally to each party.
(10) Contract remains on Charterer s option until March 30, 2012.

Competitive Strengths

We believe that the following strengths will allow us to maintain a competitive advantage within the international shipping market:

Modern, High Quality Fleet. We own a large fleet of modern, high quality double hull tankers that are designed for enhanced safety and low operating costs. We believe that the increased enforcement of stringent environmental standards currently being imposed throughout the world has resulted in a shift in major charterers preference towards greater use of modern double hull vessels. We also have a large proportion of young product and chemical tankers in our fleet. Since our inception, we have committed to and have fully financed investments of over $1.0 billion, including investments of approximately $0.6 billion in newbuilding constructions. As of March 14, 2012 our fleet has an average age of approximately 5.9 years. Once we have taken delivery of all of our vessels, scheduled to occur by the end of the fourth quarter of 2014, the average age of our fleet will be 5.2 years. We believe that owning and maintaining a modern, high quality fleet reduces off hire time and operating costs, improves safety and environmental performance and provides us with a competitive advantage in securing employment for our vessels.

Operating Visibility Through Contracted Revenues. All of the vessels that we have taken delivery of, as well as the MR2 product tanker vessels that we will take delivery of in the second, third and fourth quarter of 2012, are chartered out with an average remaining charter period of approximately 4.1 years, and we believe our existing charter coverage provides us with predictable, contracted revenues and operating visibility. As of March 14, 2012, we have charters covering 89.4% of available days in 2012, 58.4% of available days in 2013 and 50.4% of available days in 2014, based on the estimated scheduled delivery dates for vessels under construction. The charter arrangements for our seven VLCC tankers, four contracted LR1 tankers, six MR2 product

36

tankers and two chemical tankers represent $ 146.4 million in 2012, $147.1 million in 2013 and $133.9 million in 2014 of aggregate contracted net charter revenue, exclusive of any profit sharing.

Diversified Fleet. Our diversified fleet, which includes VLCC, product and chemical tankers, allows us to serve our customers international crude oil, petroleum product and liquid bulk chemical transportation needs. VLCC tankers transport crude oil and operate on primarily long haul trades from the Arabian Gulf to the Far East, North America and Europe. Product tankers transport a large number of different refined oil products, such as naphtha, gasoline, kerosene, jetfuel and gasoil, and principally operate on short to medium haul routes. Chemical tankers transport primarily organic and inorganic chemicals, vegetable oils and animal fats. We believe that our fleet of vessels servicing the crude oil, product and chemical tanker transportation sectors provides us with more balanced exposure to oil and commodities and more diverse opportunities to generate revenues than would a focus on any single shipping sector.

High Quality Counterparties. Our strategy is to charter our vessels to international oil companies, refiners and large vessel operators under long, medium and short term charters. We are committed to providing safe and quality transportation services and developing and maintaining long term relationships with our customers, and we believe that our modern fleet will allow us to charter out our vessels to what management views as high quality counterparties and for long periods of time. Our current charterers include Shell, one of the largest global groups of energy and petrochemical companies, operating in over 90 countries, Dalian Ocean Shipping Company (DOSCO), a wholly owned subsidiary of COSCO, one of China s largest state owned enterprises specializing in global shipping, logistics and ship building and repairing, Sinochem, a Fortune Global 500 company; Formosa Petrochemical Corporation, a leading Taiwanese energy company; and SK Shipping Company Limited, a leading Korean shipowner and transportation company and part of the Korean multinational business conglomerate, the SK Group; or their affiliates.

An Experienced Management Team and a Strong Brand. We have an experienced management team that we believe is well regarded in the shipping industry. The members of our management team have considerable experience in the shipping and financial industries. We also believe that we will be able to leverage the management structure at Navios Holdings, which benefits from a reputation for reliability and performance and operational experience in both the tanker and drybulk markets. Our management team is led by Angeliki Frangou, our Chairman and Chief Executive Officer, who has over 20 years of experience in the shipping industry. Ms. Frangou is also the Chairman and CEO of Navios Holdings and Navios Partners and has been a Chief Executive Officer of various shipping and finance companies in the past. Ms. Frangou is a member of a number of recognized shipping committees. We believe that our well respected management team and strong brand may present us with market opportunities not afforded to other industry participants.

Business Strategy

We seek to generate predictable and growing cash flow through the following:

Strategically Manage Sector Exposure. We operate a fleet of crude carriers and product and chemical tankers, which we believe provides us with diverse opportunities with a range of producers and consumers. As we grow our fleet, we expect to adjust our relative emphasis among the crude oil, product and chemical tanker sectors according to our view of the relative opportunities in these sectors. We believe that having a mixed fleet of tankers provides the flexibility to adapt to changing market conditions and will allow us to capitalize on sector specific opportunities through varying economic cycles.

Enhance Operating Visibility With Charter Out Strategy. We believe that we are a safe, cost efficient operator of modern and well maintained tankers. We also believe that these attributes, together with our strategy of proactively working towards meeting our customers chartering needs, will contribute to our ability to attract leading charterers as customers and to our success in obtaining attractive long term charters. We will also seek profit sharing arrangements in our long term time charters, to provide us with potential incremental revenue above the contracted minimum charter rates. Depending on then applicable market conditions, we intend to deploy our vessels to leading charterers on a mix of long, medium and short term time charters, with a greater emphasis on long term charters and profit sharing. We believe that this chartering strategy will afford us opportunities to capture increased profits during strong charter markets, while benefiting from the relatively stable cash flows and high utilization rates associated with longer term time charters. As of March 14, 2012, we have charters covering 89.4% of available days in 2012, 58.4% of available days in 2013 and 50.4% of available days in 2014, based on the estimated scheduled delivery dates for vessels under construction. We will look to secure employment for the newbuilding product tankers scheduled for delivery over the next three years, as we draw nearer to taking delivery of the vessels.

Table of Contents

Capitalize on Low Vessel Prices. We intend to grow our fleet using Navios Holdings global network of relationships and extensive experience in the marine transportation industry to make selective acquisitions of young, high quality, modern, double hulled vessels in the crude oil, product and chemical tanker transportation sectors. We are focused on purchasing tanker assets at favorable prices. We believe that the recent financial crisis and developments in the marine transportation industry created significant opportunities to acquire vessels in the tanker market near historically low prices on an inflation adjusted basis. Developments in the banking industry continue to limit the availability of credit to shipping industry participants, creating opportunities for well capitalized companies with access to additional available financing. Although there has been a trend towards consolidation over the past 15 years, the tanker market remains fragmented. In the ordinary course of our business, we engage in the evaluation of potential candidates for acquisitions and strategic transactions.

Leverage the Experience, Brand, Network and Relationships of Navios Holdings. We intend to capitalize on the global network of relationships that Navios Holdings has developed during its long history of investing and operating in the marine transportation industry. This includes decades long relationships with leading charterers, financing sources and key shipping industry players. When charter markets and vessel prices are depressed and vessel financing is difficult to obtain, as is currently the case, we believe the relationships and experience of Navios Holdings and its management enhances our ability to acquire young, technically advanced vessels at cyclically low prices and employ them under attractive charters with leading charterers. Navios Holdings long involvement and reputation for reliability in the Asia Pacific region have also allowed it to develop privileged relationships with many of the largest institutions in Asia. Through its established reputation and relationships, Navios Holdings has had access to opportunities not readily available to most other industry participants that lack Navios Holdings brand recognition, credibility and track record.

Benefit from Navios Holdings Leading Risk Management Practices and Corporate Managerial Support. Risk management requires the balancing of a number of factors in a cyclical and potentially volatile environment. Fundamentally, the challenge is to appropriately allocate capital to competing opportunities of owning or chartering vessels. In part, this requires a view of the overall health of the market, as well as an understanding of capital costs and returns. Navios Holdings actively engages in assessing financial and other risks associated with fluctuating market rates, fuel prices, credit risks, interest rates and foreign exchange rates.

Navios Holdings closely monitors credit exposure to charterers and other counterparties. Navios Holdings has established policies designed to ensure that contracts are entered into with counterparties that have appropriate credit history. Counterparties and cash transactions are limited to high credit, quality collateralized corporations and financial institutions. Navios Holdings has strict guidelines and policies that are designed to limit the amount of credit exposure. We believe that Navios Acquisition will benefit from these established policies. In addition, we are exploring the possibility of participating in the credit risk insurance currently available to Navios Holdings. Navios Holdings has insured its charter out contracts through a AA rated governmental agency of a European Union member state, which provides that if the charterer goes into payment default, the insurer will reimburse it for the charter payments under the terms of the policy for the remaining term of the charter out contract (subject to applicable deductibles and other customary limitations for insurance). While we may seek to benefit from such insurance, no assurance can be provided that we will qualify for or choose to obtain this insurance.

Implement and Sustain a Competitive Cost Structure. Pursuant to the Management Agreement, the Manager, a subsidiary of Navios Holdings, coordinates and oversees the commercial, technical and administrative management of our fleet. The current technical managers of the VLCC vessels, affiliates of the seller of such vessels, are technical ship management companies that have provided technical management to the VLCC vessels prior to the consummation of the VLCC Acquisition. These technical managers will continue to provide such services for an interim period, after which the technical management of our fleet is expected to be provided solely by the Manager. We believe that the Manager will be able to do so at rates competitive with those that would be available to us through independent vessel management companies. For example, pursuant to our management agreement with Navios Holdings, management fees of our vessels are fixed for the first two years of the agreement. We believe this external management arrangement will enhance the scalability of our business by allowing us to grow our fleet without incurring significant additional overhead costs. We believe that we will be able to leverage the economies of scale of Navios Holdings and manage operating, maintenance and corporate costs. At the same time, we believe the young age and high quality of the vessels in our fleet, coupled with Navios Holdings safety and environmental record, will position us favorably within the crude oil, product and chemical tanker transportation sectors with our customers and for future business opportunities.

Our Customers

We provide or will provide seaborne shipping services under charters with customers that we believe are creditworthy. Our major customers during 2011 were: DOSCO, Blue Light Chartering Inc and Jacob Tank Chartering GMBH & CO. KG. For the year ended December 31, 2011, these three customers accounted for 43.9%, 11.5% and 11.3% respectively, of Navios Acquisition s revenue.

38

Table of Contents

For the year ended December 31, 2010, Jacob Tank Chartering GMBH & CO. KG, SK Shipping Company Ltd, DOSCO, Formosa Petrochemical Corporation, Blue Light Chartering Inc and Navig8 Chemicals Shipping and Trading Co accounted for 42.5%, 18.6%, 12.9%, 12.9% and 10.9%, respectively, of Navios Acquisition s revenue.

Although we believe that if any one of our charters were terminated we could re-charter the related vessel at the prevailing market rate relatively quickly, the permanent loss of a significant customer or a substantial decline in the amount of services requested by a significant customer could harm our business, financial condition and results of operations if we were unable to re-charter our vessel on a favorable basis due to then current market conditions, or otherwise.

Expenses

Management fees: Pursuant to a Management Agreement dated May 28, 2010, a subsidiary of Navios Holdings, for five years from the closing of the Product and Chemical Tanker Acquisition, provides commercial and technical management services to Navios Acquisition s vessels for a daily fee of $6,000 per owned MR2 product tanker and chemical tanker vessel, $7,000 per owned LR1 product tanker vessel and $10,000 per VLCC vessel for the first two years with the fixed daily fees adjusted for the remainder of the term based on then current market fees. This daily fee covers all of the vessels operating expenses, other than certain fees and costs. During the remaining three years of the term of the Management Agreement, Navios Acquisition expects it will reimburse Navios Holdings for all of the actual operating costs and expenses it incurs in connection with the management of its fleet. Actual operating costs and expenses will be determined in a manner consistent with how the initial fixed fees were determined. Drydocking expenses will be fixed under this agreement for up to $0.3 million per vessel chemical LR1 and MR2 product and will be reimbursed at cost for VLCC vessels. Total management fees for each of the years ended December 31, 2011, 2010 and 2009 amounted to $35.7 million, $9.8 million and $0, respectively.

General and administrative expenses: On May 28, 2010, Navios Acquisition entered into an administrative services agreement with Navios Holdings, expiring on May 28, 2015, pursuant to which a subsidiary of Navios Holdings provides certain administrative management services to Navios Acquisition which include: bookkeeping, audit and accounting services, legal and insurance services, administrative and clerical services, banking and financial services, advisory services, client and investor relations and other. Navios Holdings is reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. For the years ended December 31, 2011, 2010 and 2009, administrative services rendered by Navios Holdings amounted to $1.5 million, $0.4 million and $0.1 million, respectively.

Off-hire

When the vessel is off-hire, the charterer generally is not required to pay the basic hire rate, and we are responsible for all costs. Prolonged off-hire may lead to vessel substitution or termination of the time charter. A vessel generally will be deemed off-hire if there is a loss of time due to, among other things:

- operational deficiencies; drydocking for repairs, maintenance or inspection; equipment breakdowns; or delays due to accidents, crewing strikes, certain vessel detentions or similar problems; or

- the shipowner s failure to maintain the vessel in compliance with its specifications and contractual standards or to provide the required crew.

Under some of our charters, the charterer is permitted to terminate the time charter if the vessel is off-hire for an extended period, which is generally defined as a period of 90 or more consecutive off-hire days.

Termination

We are generally entitled to suspend performance under the time charters covering our vessels if the customer defaults in its payment obligations. Under some of our time charters, either party may terminate the charter in the event of war in specified countries or in locations that would significantly disrupt the free trade of the vessel. Under some of our time charters covering our vessels require us to return to the charterer, upon the loss of the vessel, all advances paid by the charterer but not earned by us.

Management of Ship Operations, Administration and Safety

Navios Holdings provides, through a wholly owned subsidiary, expertise in various functions critical to our operations. Pursuant to a management agreement and an administrative services agreement with Navios Holdings, we have access to human resources, financial and other administrative functions, including:

- bookkeeping, audit and accounting services;
- administrative and clerical services;
- banking and financial services; and
- client and investor relations.

Technical management services are also provided, including:

- commercial management of the vessel;
- vessel maintenance and crewing;
- purchasing and insurance; and
- shipyard supervision.

For more information on the management agreement we have with Navios Holdings and the administrative services agreement we have with Navios Holdings, please read Item 7. Unit holders and Related Party Transactions .

Oil Company Tanker Vetting Process

Traditionally there have been relatively few charterers in the oil transportation business and that part of the industry has been undergoing consolidation. The so called oil majors , such as Exxon Mobil, BP p.l.c., Royal Dutch Shell plc. Chevron, ConocoPhillips and Total S.A., together with a few smaller companies, represent a significant percentage of the production, trading and, especially, seaborne transportation of crude oil and refined petroleum products worldwide. Concerns about the environment have led oil majors to develop and implement a strict due diligence process, known as vetting, when selecting vessels and considering their managers. Vetting has evolved into a sophisticated and comprehensive assessment of both the vessel and the vessel manager. While numerous factors are considered and evaluated prior to a commercial decision, the oil majors, through their association, Oil Companies International Marine Forum (OCIMF), have developed two basic tools: the Ship Inspection Report program, which is known as SIRE and the Tanker Management & Self Assessment program, which is known as TMSA. Based upon commercial risk, there are three levels of assessment used by oil majors:

- terminal use, which clears a vessel to call at one of the oil major s terminals;
- voyage charter, which clears the vessel for a single voyage; and
- period charter, which clears the vessel for use for an extended period of time.

The depth and complexity of each of these levels of assessment varies. Each of charter agreements for our vessels requires that the applicable vessel have a valid SIRE report (less than six months old) in the OCIMF website as recommended by OCIMF. In addition, under the terms of the charter agreements, the charterers require that our vessels and their technical managers be vetted and approved to transport crude oil by multiple oil majors. The technical manager is responsible for obtaining and maintaining the vetting approvals required to operate our vessels. The current technical manager of the VLCC vessels, an affiliate of the seller of such vessels, is a technical ship management company that has provided technical management to the acquired VLCC vessels prior to the consummation of the VLCC Acquisition, and such technical manager has been vetted and approved. This technical manager will continue to provide such services for an interim period after which the technical management of our fleet is expected to be provided solely by the Manager.

Competition

The market for international seaborne crude oil transportation services is fragmented and highly competitive. Seaborne crude oil transportation services generally are provided by two main types of operators: major oil company captive fleets (both private and state-owned) and independent ship owner fleets. In addition, several owners and operators pool their vessels together on an ongoing basis, and such pools are available to customers to the same extent as independently owned and operated fleets. Many major oil companies and other oil trading companies also operate their own vessels and use such vessels not only to transport their own crude oil but also to transport crude oil for third party charterers in direct competition with independent owners and operators in the tanker charter market. Competition for charters is intense and is based upon price, location, size, age, condition and acceptability of the vessel and its manager. Due in part to the fragmented tanker market, competitors with greater resources could enter the tanker market and operate larger fleets through acquisitions or consolidations and may be willing or able to accept lower prices than us, which could result in our achieving lower revenues from our vessels.

Table of Contents

Governmental and Other Regulations

Sources of applicable rules and standards

Shipping is one of the world s most heavily regulated industries, and, in addition, it is subject to many industry standards. Government regulation significantly affects the ownership and operation of vessels. These regulations consist mainly of rules and standards established by international conventions, but they also include national, state, and local laws and regulations in force in jurisdictions where vessels may operate or are registered, and which are commonly more stringent than international rules and standards. This is the case particularly in the United States and, increasingly, in Europe.

A variety of governmental and private entities subject vessels to both scheduled and unscheduled inspections. These entities include local port authorities (the U.S. Coast Guard, harbor masters or equivalent entities), classification societies, flag state administration (country vessel of registry), and charterers, particularly terminal operators. Certain of these entities require vessel owners to obtain permits, licenses, and certificates for the operation of their vessels. Failure to maintain necessary permits or approvals could require a vessel owner to incur substantial costs or temporarily suspend operation of one or more of its vessels.

Heightened levels of environmental and quality concerns among insurance underwriters, regulators, and charterers continue to lead to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the industry. Increasing environmental concerns have created a demand for vessels that conform to stricter environmental standards. Vessel owners are required to maintain operating standards for all vessels that will emphasize operational safety, quality maintenance, continuous training of officers and crews and compliance with U.S. and international regulations.

The International Maritime Organization, or IMO, has adopted a number of international conventions concerned with ship safety and with preventing, reducing or controlling pollution from ships. These fall into two main categories, consisting firstly of those concerned generally with ship safety standards, and secondly of those specifically concerned with measures to prevent pollution.

Ship safety regulation

In the former category the primary international instrument is the Safety of Life at Sea Convention of 1974, as amended, or SOLAS, together with the regulations and codes of practice that form part of its regime. Much of SOLAS is not directly concerned with preventing pollution, but some of its safety provisions are intended to prevent pollution as well as promote safety of life and preservation of property. These regulations have been and continue to be regularly amended as new and higher safety standards are introduced with which we are required to comply.

An amendment of SOLAS introduced the International Safety Management (ISM) Code, which has been effective since July 1998. Under the ISM Code the party with operational control of a vessel is required to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. The ISM Code requires that vessel operators obtain a safety management certificate for each vessel they operate. This certificate evidences compliance by a vessel s management with code requirements for a safety management system. No vessel can obtain a certificate unless its manager has been awarded a document of compliance, issued by the flag state for the vessel, under the ISM Code. Noncompliance with the ISM Code and other IMO regulations, such as the mandatory ship energy efficiency management plan (SEEMP) which is akin to a safety management plan and comes into effect on January 1, 2013, may subject a ship owner to increased liability, may lead to decreases in available insurance coverage for affected vessels, and may result in the denial of access to, or detention in, some ports. For example, the United States Coast Guard and European Union authorities have indicated that vessels not in compliance with the ISM Code will be prohibited from trading in ports in the United States and European Union.

Table of Contents

Security Regulations

Since the terrorist attacks of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. On November 25, 2002, MTSA came into effect. To implement certain portions of the MTSA, in July 2003, the U.S. Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. Similarly, in December 2002, amendments to SOLAS created a new chapter of the convention dealing specifically with maritime security. The new chapter went into effect on July 1, 2004, and imposes various detailed security obligations on vessels and port authorities, most of which are contained in the ISPS Code. Among the various requirements are:

- on-board installation of automatic information systems to enhance vessel-to-vessel and vessel-to shore communications;
- on-board installation of ship security alert systems;
- the development of vessel security plans; and
- compliance with flag state security certification requirements.

The U.S. Coast Guard regulations, intended to be aligned with international maritime security standards, exempt non-U.S. vessels from MTSA vessel security measures, provided such vessels had on board, by July 1, 2004, a valid ISSC that attests to the vessel s compliance with SOLAS security requirements and the ISPS Code.

International regulations to prevent pollution from ships

In the second main category of international regulation, the primary instrument is the International Convention for the Prevention of Pollution from Ships, or MARPOL, which imposes environmental standards on the shipping industry set out in Annexes I-VI of MARPOL. These contain regulations for the prevention of pollution by oil (Annex I), by noxious liquid substances in bulk (Annex II), by harmful substances in packaged forms within the scope of the International Maritime Dangerous Goods Code (Annex III), by sewage (Annex IV), by garbage (Annex V), and by air emissions (Annex VI).

These regulations have been and continue to be regularly amended as new and higher standards of pollution prevention are introduced with which we are required to comply.

For example, MARPOL Annex VI, together with the NOx Technical Code established thereunder, sets limits on sulphur oxide and nitrogen oxide emissions from ship exhausts and prohibits deliberate emissions of ozone depleting substances, such as chlorofluorocarbons. It also includes a global cap on the sulphur content of fuel oil and allows for special areas to be established with more stringent controls on sulphur emissions. Originally adopted in September 1997, Annex VI came into force in May 2005 and was amended in October 2008 (as was the NOx Technical Code) to provide for progressively more stringent limits on such emissions from 2010 onwards. The revised Annex VI provides, in particular, for a reduction of the global sulfur cap, initially to 3.5% (from the previous cap of 4.5%), with effect from January 1, 2012, then progressively reducing to 0.50% effective from January 1, 2020, subject to a feasibility review to be completed no later than 2018; and the establishment of new tiers of stringent nitrogen oxide emissions standards for marine engines, depending on their date of installation. We anticipate incurring costs in complying with these more stringent standards.

The revised Annex VI further allows for designation, in response to proposals from member parties, of Emission Control Areas (ECAs) that impose accelerated and/or more stringent requirements for control of sulfur oxide, particulate matter, and nitrogen oxide emissions. Such ECAs have been formally adopted for the Baltic Sea and the North Sea including the English Channel, It is expected that waters off the North American coast will be established as an ECA, where NOx, SOx and particulate matter emissions will be regulated, from August 1, 2012, and the United States Caribbean Sea ECA will come into force on January 1, 2013, having effect from January 1, 2014. For the currently-designated ECAs, much lower sulfur limits on fuel oil content are being phased in (1% from July 2010 and 0.1% from January 1, 2015), as well as nitrogen oxide after treatment requirements that will become applicable to the Baltic and North Sea ECAs in 2016. These more stringent fuel standards, when fully in effect, are expected to require measures such as fuel

Table of Contents

switching, vessel modification adding distillate fuel storage capacity, or addition of exhaust gas cleaning scrubbers, to achieve compliance, and may require installation and operation of further control equipment at significant increased cost.

The revised Annex I to the MARPOL Convention entered into force in January 2007. It incorporates various amendments to the MARPOL Convention and imposes construction requirements for oil tankers delivered on or after January 1, 2010. On August 1, 2007, Regulation 12A (an amendment to Annex I) came into force imposing performance standards for accidental oil fuel outflow and requiring oil fuel tanks to be located inside the double-hull in all ships with an aggregate oil fuel capacity of 600 cubic meters and above, and which are delivered on or after August 1, 2010, including ships for which the building contract is entered into on or after August 1, 2007 or, in the absence of a contract, for which keel is laid on or after February 1, 2008. All of our newbuild tanker vessels will comply with Regulation 12A.

Greenhouse gas emissions

In February 2005, the Kyoto Protocol to the United Nations Framework Convention on Climate Change entered into force. Pursuant to the Kyoto Protocol, adopting countries are required to implement national programs to reduce emissions of certain gases, generally referred to as greenhouse gases, which are suspected of contributing to global warming. Currently, the greenhouse gas emissions from international shipping do not come under the Kyoto Protocol.

In December 2011, UN climate change talks took place in Durban and concluded with an agreement referred to as the Durban Platform for Enhanced Action. In preparation for the Durban Conference, the International Chamber of Shipping (ICS) produced a briefing document, confirming the shipping industry s commitment to cut shipping emissions by 20% by 2020, with significant further reductions thereafter. The ICS called on the participants in the Durban Conference to give the IMO a clear mandate to deliver emissions reductions through market-based measures, for example a shipping industry environmental compensation fund. Notwithstanding the ICS request for global regulation of the shipping industry, the Durban Conference did not result in any proposals specifically addressing the shipping industry s role in climate change. The European Union announced in April 2007 that it planned to expand the European Union emissions trading scheme by adding vessels, and a proposal from the European Commission was expected if no global regime for reduction of seaborne emissions had been agreed by the end of 2011. That deadline has now expired and it remains to be seen what position the EU takes in this regard in 2012. In the United States, in 2007 the California Attorney General and a coalition of environmental groups petitioned the U.S. Environmental Protection Agency, or EPA, in October 2007 to regulate greenhouse gas emissions from ocean-going ships under the Clean Air Act, and in 2010 another coalition of environmental groups filed suit to require the EPA to do the same. Any passage of climate control legislation or other regulatory initiatives by the IMO, European Union, or individual countries where we operate, including the U.S. that restrict emissions of greenhouse gases from vessels could require us to make significant financial expenditures we cannot predict with certainty at this time.

Other international regulations to prevent pollution

In addition to MARPOL, other more specialized international instruments have been adopted to prevent different types of pollution or environmental harm from ships. In February 2004, the IMO adopted an International Convention for the Control and Management of Ships Ballast Water and Sediments, or the BWM Convention. The BWM Convention s implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits. The BWM Convention will not enter into force until 12 months after it has been adopted by 30 states, the combined merchant fleets of which represent not less than 35% of the gross tonnage of the world s merchant shipping. To date, there has not been sufficient adoption of this standard by member-states representing enough of the gross tonnage of the world s fleet for it to take force. However, as of February 29, 2012, the Convention has been ratified by 33 states, representing 26.5% of the global merchant shipping fleet s gross tonnage, and its entry-into-force with attendant compliance costs may therefore be anticipated in the foreseeable future.

Table of Contents

European regulations

European regulations in the maritime sector are in general based on international law. However, since the *Erika* incident in 1999, the European Community has become increasingly active in the field of regulation of maritime safety and protection of the environment. It has been the driving force behind a number of amendments of MARPOL (including, for example, changes to accelerate the time-table for the phase-out of single hull tankers, and to prohibit the carriage in such tankers of heavy grades of oil), and if dissatisfied either with the extent of such amendments or with the time-table for their introduction it has been prepared to legislate on a unilateral basis. In some instances where it has done so, international regulations have subsequently been amended to the same level of stringency as that introduced in Europe, but the risk is well established that EU regulations may from time to time impose burdens and costs on shipowners and operators which are additional to those involved in complying with international rules and standards.

In some areas of regulation the EU has introduced new laws without attempting to procure a corresponding amendment of international law. Notably, it adopted in 2005 a directive on ship-source pollution, imposing criminal sanctions for pollution not only where this is caused by intent or recklessness (which would be an offence under MARPOL), but also where it is caused by serious negligence . The directive could therefore result in criminal liability being incurred in circumstances where it would not be incurred under international law. Experience has shown that in the emotive atmosphere often associated with pollution incidents, retributive attitudes towards ship interests have found expression in negligence being alleged by prosecutors and found by courts on grounds which the international maritime community has found hard to understand. Moreover, there is skepticism that the notion of serious negligence is likely to prove any narrower in practice than ordinary negligence. Criminal liability for a pollution incident could not only result in us incurring substantial penalties or fines but may also, in some jurisdictions, facilitate civil liability claims for greater compensation than would otherwise have been payable.

United States environmental regulations and laws governing civil liability for pollution

Environmental legislation in the United States merits particular mention as it is in many respects more onerous than international laws, representing a high-water mark of regulation with which shipowners and operators must comply, and of liability likely to be incurred in the event of non-compliance or an incident causing pollution.

U.S. federal legislation, including notably the Oil Pollution Act of 1990, or OPA, establishes an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills, including cargo or bunker oil spills from tankers. OPA affects all owners and operators whose vessels trade in the United States, its territories and possessions or whose vessels operate in United States waters, which includes the United States territorial sea and its 200 nautical mile exclusive economic zone. Under OPA, vessel owners, operators and bareboat charterers are responsible parties and are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or substantial threats of discharges, of oil from their vessels. In addition to potential liability under OPA as the relevant federal legislation, vessel owners may in some instances incur liability on an even more stringent basis under state law in the particular state where the spillage occurred.

Title VII of the Coast Guard and Maritime Transportation Act of 2004, or the CGMTA, amended OPA to require the owner or operator of any non-tank vessel of 400 gross tons or more, that carries oil of any kind as a fuel for main propulsion, including bunkers, to prepare and submit a response plan for each vessel on or before August 8, 2005. The vessel response plans must include detailed information on actions to be taken by vessel personnel to prevent or mitigate any discharge or substantial threat of such a discharge of ore from the vessel due to operational activities or casualties.

OPA currently limits liability of the responsible party for single-hull tank vessels over 3,000 gross tons liability to the greater of $3,000 per gross ton or $22 million (this amount is reduced to $6.0 million if the vessel is less than 3,000 gross tons). For tank vessels over 3,000 gross tons, other than a single-hull vessel, liability is limited to $1,900 per gross ton or $16.0 million (or $4.0 million for a vessel less than 3,000 gross tons), whichever is greater. These amounts are periodically adjusted for inflation.

These limits of liability do not apply if an incident was directly caused by violation of applicable United States federal safety, construction or operating regulations or by a responsible party s gross negligence or willful misconduct, or if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with oil removal activities.

In response to the Deepwater Horizon incident in the Gulf of Mexico, in 2010 the U.S. Congress has proposed, but has not formally adopted legislation that would amend OPA to mandate stronger safety standards and increased liability and financial responsibility for offshore drilling operations, but the bill did not seek to change the OPA liability limits applicable to vessels. While Congressional activity on this topic is expected to continue to focus on offshore facilities rather than on vessels generally, it cannot be known with certainty what form any such new legislative initiatives may take.

In addition, the Comprehensive Environmental Response, Compensation, and Liability Act, or CERCLA, which applies to the discharge of hazardous substances (other than oil) whether on land or at sea, contains a similar liability regime and provides for cleanup, removal and natural resource damages. Liability under CERCLA is limited to the greater of $300 per gross ton or $0.5 million for vessels not carrying hazardous substances as cargo or residue, unless the incident is caused by gross negligence, willful misconduct, or a violation of certain regulations, in which case liability is unlimited.

We currently maintain, for each of our owned vessels, insurance coverage against pollution liability risks in the amount of $1.0 billion per incident. The insured risks include penalties and fines as well as civil liabilities and expenses resulting from accidental pollution. However, this insurance coverage is subject to exclusions, deductibles and other terms and conditions. If any liabilities or expenses fall within an exclusion from coverage, or if damages from a catastrophic incident exceed the $1.0 billion limitation of coverage per incident, our cash flow, profitability and financial position could be adversely impacted.

Under OPA, an owner or operator of a fleet of vessels is required only to demonstrate evidence of financial responsibility in an amount sufficient to cover the vessel in the fleet having the greatest maximum liability under OPA. Under the self-insurance provisions, the shipowner or operator must have a net worth and working capital, measured in assets located in the United States against liabilities located anywhere in the world, that exceeds the applicable amount of financial responsibility. We have complied with the U.S. Coast Guard regulations by providing a certificate of responsibility from third party entities that are acceptable to the U.S. Coast Guard evidencing sufficient self-insurance.

The U.S. Coast Guard s regulations concerning certificates of financial responsibility provide, in accordance with OPA, that claimants may bring suit directly against an insurer or guarantor that furnishes certificates of financial responsibility. In the event that such insurer or guarantor is sued directly, it is prohibited from asserting any contractual defense that it may have had against the responsible party and is limited to asserting those defenses available to the responsible party and the defense that the incident was caused by the willful misconduct of the responsible party. Certain organizations, which had typically provided certificates of financial responsibility under pre-OPA laws, including the major protection and indemnity organizations, have declined to furnish evidence of insurance for vessel owners and operators if they are subject to direct actions or required to waive insurance policy defenses. This requirement may have the effect of limiting the availability of the type of coverage required by the Coast Guard and could increase our costs of obtaining this insurance as well as the costs of our competitors that also require such coverage.

OPA specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, and some states environmental laws impose unlimited liability for oil spills. In some cases, states which have enacted such legislation have not yet issued implementing regulations defining vessels owners responsibilities under these laws. We intend to comply with all applicable state regulations in the ports where our vessels call.

The United States Clean Water Act prohibits the discharge of oil or hazardous substances in U.S. navigable waters and imposes strict liability in the form of penalties for unauthorized discharges. The Clean Water Act also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under CERCLA. The EPA regulates the discharge of ballast water and other substances incidental to the normal operation of vessels in U.S. waters using a Vessel General Permit, or VGP, system pursuant to the CWA, in order to combat the risk of harmful organisms that can travel in ballast water carried from foreign ports. Compliance with the conditions of the VGP is required for commercial vessels 79 feet in length or longer (other than commercial fishing vessels.) In November 2011, the EPA issued a revised draft Vessel General Permit that is expected to go into effect in 2013. This new VGP will impose a numeric standard to control the release of non-indigenous invasive species in ballast water discharges. In addition, through the CWA certification provisions that allow US states to place additional conditions on use of the VGP within state waters, a number of states have proposed or implemented a variety of stricter ballast water requirements including, in some states, specific treatment standards. Compliance with new U.S. federal and state requirements could require the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial cost, and/or otherwise restrict our vessels from entering U.S. waters.

The Federal Clean Air Act (CAA) requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. Our vessels are subject to CAA vapor control and recovery standards (VCS) for cleaning fuel tanks and conducting other operations in regulated port areas, and to CAA emissions standards for so-called Category 3 marine diesel engines operating in U.S. waters. In April 2010, EPA adopted regulations implementing the provision of MARPOL Annex VI regarding emissions from Category 3 marine diesel engines. Under these regulations, both U.S. and foreign-flagged ships must comply with the applicable engine and fuel standards of MARPOL Annex VI, including the stricter North America Emission Control Area (ECA) standards which take effect in August 2012, when they enter U.S. ports or operate in most internal U.S. waters including the Great Lakes. MARPOL Annex VI requirements are discussed in greater detail above under International regulations to prevent pollution from ships. We may incur costs to install control equipment on our vessels to comply with the new standards.

Also under the CAA, the U.S. Coast Guard has since 1990 regulated the safety of VCSs that are required under EPA and state rules. Our vessels operating in regulated port areas have installed VCSs that are compliant with EPA, state and U.S. Coast Guard requirements. In October 2010, the U.S. Coast Guard proposed a rule that would make its VCS requirements more compatible with new EPA and State regulations, reflect changes in VCS technology, and codify existing U.S. Coast Guard guidelines. It appears unlikely that the updated U.S. Coast Guard rule when finalized will impose a material increase in costs.

We intend to comply with all applicable state and U.S. federal regulations in the ports where our vessels call.

International laws governing civil liability to pay compensation or damages

We operate a fleet of product and chemical tankers that are subject to national and international laws governing pollution from such vessels. Several international conventions impose and limit pollution liability from vessels. An owner of a tanker vessel carrying a cargo of persistent oil as defined by the International Convention for Civil Liability for Oil Pollution Damage (the CLC) is subject under the convention to strict liability for any pollution damage caused in a contracting state by an escape or discharge from cargo or bunker tanks. This liability is subject to a financial limit calculated by reference to the tonnage of the ship, and the right to limit liability may be lost if the spill is caused by the shipowner s intentional or reckless conduct. Liability may also be incurred under the CLC for a bunker spill from the vessel even when she is not carrying such cargo, but is in ballast.

When a tanker is carrying clean oil products that do not constitute persistent oil that would be covered under the CLC, liability for any pollution damage will generally fall outside the CLC and will depend on other international conventions or domestic laws in the jurisdiction where the spillage occurs. The same principle applies to any pollution from the vessel in a jurisdiction which is not a party to the CLC. The CLC applies in over 100 jurisdictions around the world, but it does not apply in the United States, where the corresponding liability laws such as the Oil Pollution Act of 1990 (The OPA) discussed below, are particularly stringent.

Table of Contents

In 2001, the IMO adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage, or the Bunker Convention, which imposes strict liability on shipowners for pollution damage in jurisdictional waters of ratifying states caused by discharges of bunker oil. The Bunker Convention defines bunker oil as any hydrocarbon mineral oil, including lubricating oil, used or intended to be used for the operation or propulsion of the ship, and any residues of such oil. The Bunker Convention also requires registered owners of ships over a certain size to maintain insurance for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime (but not exceeding the amount calculated in accordance with the Convention on Limitation of Liability for Maritime Claims of 1976, as amended, or the 1976 Convention). The Bunker Convention entered into force on November 21, 2008, and as of February 29, 2012 it was in effect in 64 states. In other jurisdictions liability for spills or releases of oil from ships bunkers continues to be determined by the national or other domestic laws in the jurisdiction where the events or damages occur.

Outside the United States, national laws generally provide for the owner to bear strict liability for pollution, subject to a right to limit liability under applicable national or international regimes for limitation of liability. The most widely applicable international regime limiting maritime pollution liability is the 1976 Convention. Rights to limit liability under the 1976 Convention are forfeited where a spill is caused by a shipowners intentional or reckless conduct. Some states have ratified the 1996 LLMC Protocol to the 1976 Convention, which provides for liability limits substantially higher than those set forth in the 1976 Convention to apply in such states. Finally, some jurisdictions are not a party to either the 1976 Convention or the 1996 LLMC Protocol, and, therefore, shipowners rights to limit liability for maritime pollution in such jurisdictions may be uncertain.

Inspection by Classification Societies

Every sea going vessel must be classed by a classification society. The classification society certifies that the vessel is in class, signifying that the vessel has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the vessel s country of registry and the international conventions of which that country is a member. In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the classification society will undertake them on application or by official order, acting on behalf of the authorities concerned.

Table of Contents

The classification society also undertakes, on request, other surveys and checks that are required by regulations and requirements of the flag state. These surveys are subject to agreements made in each individual case or to the regulations of the country concerned. For maintenance of the class, regular and extraordinary surveys of hull, machinery (including the electrical plant) and any special equipment classed are required to be performed as follows:

Annual Surveys: For ocean-going ships, annual surveys are conducted for the hull and the machinery (including the electrical plant) and, where applicable, for special equipment classed, at intervals of 12 months from the date of commencement of the class period indicated in the certificate.

Intermediate Surveys: Extended annual surveys are referred to as intermediate surveys and typically are conducted two and a half years after commissioning and each class renewal. Intermediate surveys may be carried out on the occasion of the second or third annual survey.

Class Renewal Surveys: Class renewal surveys, also known as special surveys, are carried out for the ship s hull, machinery (including the electrical plant), and for any special equipment classed, at the intervals indicated by the character of classification for the hull. At the special survey, the vessel is thoroughly examined, including audio-gauging, to determine the thickness of its steel structure. Should the thickness be found to be less than class requirements, the classification society would prescribe steel renewals. The classification society may grant a one year grace period for completion of the special survey. Substantial amounts of money may have to be spent for steel renewals to pass a special survey if the vessel experiences excessive wear and tear. In lieu of the special survey every four or five years, depending on whether a grace period was granted, a shipowner has the option of arranging with the classification society for the vessel s integrated hull or machinery to be on a continuous survey cycle, in which every part of the vessel would be surveyed within a five-year cycle.

Risk of Loss and Liability Insurance

General

The operation of any cargo vessel includes risks such as mechanical failure, physical damage, collision, property loss, and cargo loss or damage and business interruption due to political circumstances in foreign countries, hostilities and labor strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. The OPA, which imposes virtually unlimited liability upon owners, operators and demise charterers of any vessel trading in the United States exclusive economic zone for certain oil pollution accidents in the United States, has made liability insurance more expensive for ship owners and operators trading in the United States market. While Navios Acquisition believes that its insurance coverage is adequate, not all risks can be insured, and there can be no guarantee that any specific claim will be paid, or that we will always be able to obtain adequate insurance coverage at reasonable rates.

Hull and Machinery Insurance

Navios Acquisition has obtained marine hull and machinery and war risk insurance, which includes the risk of actual or constructive total loss, for all of its vessels. The vessels will each be covered up to at least fair market value, with deductibles in amounts ranging between $75,000 and $250,000, depending on the size of the tanker vessel. Navios Acquisition has also extended its war risk insurance to include war loss of hire for any loss of time to the vessel, including for physical repairs, caused by a warlike incident, including a piracy seizure.

Navios Acquisition has arranged, as necessary, increased value insurance for its vessels. With the increased value insurance, in case of total loss of the vessel, Navios Acquisition will be able to recover the sum insured under the increased value policy in addition to the sum insured under the hull and machinery policy. Increased value insurance also covers excess liabilities that are not recoverable in full by the hull and machinery policies by reason of under insurance. Navios Acquisition does not expect to maintain loss of hire insurance for certain of its vessels. Loss of hire insurance covers business interruptions that result in the loss of use of a vessel.

Protection and Indemnity Insurance

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

Table of Contents

Navios Acquisition s protection and indemnity insurance coverage for oil pollution is limited to $1.0 billion per event. The 13 P&I Associations that comprise the International Group insure approximately 95% of the world s commercial tonnage and have entered into a pooling agreement to reinsure each association s liabilities. Each vessel that Navios Acquisition acquires will be entered with P&I Associations of the International Group. Under the International Group reinsurance program, each P&I club in the International Group is responsible for the first $8.0 million of every claim. In every claim the amount in excess of $8.0 million and up to $60.0 million is shared by the clubs under a pooling agreement. Any claim in excess of $60.0 million is reinsured by the International Group under the General Excess of Loss Reinsurance Contract. This policy currently provides an additional $2.0 billion of coverage for non-oil pollution claims. Further to this, overspill protection has been placed by the International Group for claims up to $1 billion in excess of $2.06 billion, i.e. $3.06 billion in total. For passengers and crew claims the overall limit is $3.0 billion any one even any one vessel with a sub-limit of $2.0 billion for passengers.

As a member of a P&I Association, which is a member of the International Group, Navios Acquisition will be subject to calls payable to the associations based on its claim records as well as the claim records of all other members of the individual associations, and members of the pool of P&I Associations comprising the International Group. The P&I Associations policy year commences on February 20th. Calls are levied by means of Estimated Total Premiums (ETP) and the amount of the final installment of the ETP varies according to the actual total premium ultimately required by the club for a particular policy year. Members have a liability to pay supplementary calls which might be levied by the board of directors of the club if the ETP is insufficient to cover amounts paid out by the club.

Exchange Controls

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

Facilities

We do not own any real estate or other physical property. Our headquarters are located at 85 Akti Miaouli Street, Piraeus, Greece 185 38. We believe that our office facilities are suitable and adequate for our business as it is presently conducted. We presently occupy office space provided by Navios Holdings. Navios Holdings has agreed that it will make such office space, as well as certain office and secretarial services, available to us, as may be required by us from time to time.

Crewing and Staff

The Manager crews its vessels primarily with Greek, Filipino, Indian, Romanian, Russian and Ukranian officers and Filipino seamen. The Manager is responsible for selecting its Greek officers. For other nationalities, officers and seamen are referred to us by local crewing agencies. Navios Acquisition requires that all of its seamen have the qualifications and licenses required to comply with international regulations and shipping conventions.

Administrative Services

On May 28, 2010, Navios Acquisition entered into an administrative services agreement with Navios Holdings, expiring on May 28, 2015, pursuant to which Navios Holdings provides certain administrative management services to Navios Acquisition, which include bookkeeping, audit and accounting services, legal and insurance services, administrative and clerical services, banking and financial services, advisory services, client and investor relations and other services. Navios Holdings is reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. See Item 7B-Related Party Transactions the Administrative Services Agreement.

Legal Proceedings

To the knowledge of management, there is no litigation currently pending or contemplated against us or any of our officers or directors in their capacity as such.

C. Organizational Structure

The table below lists the Company s wholly-owned subsidiaries as of December 31, 2011.

49

Table of Contents

Navios Maritime Acquisition Corporation and Subsidiaries:	Nature	Country of Incorporation
Company Name		
Aegean Sea Maritime Holdings Inc.	Sub-Holding Company	Marshall Is.
Amorgos Shipping Corporation	Vessel Owning Company	Marshall Is.
Andros Shipping Corporation	Vessel Owning Company	Marshall Is.
Antikithira Shipping Corporation	Vessel Owning Company	Marshall Is.
Antiparos Shipping Corporation (1)	Vessel Owning Company	Marshall Is.
Amindra Shipping Co.	Sub-Holding Company	Marshall Is.
Crete Shipping Corporation (1)	Vessel Owning Company	Marshall Is.
Folegandros Shipping Corporation	Vessel Owning Company	Marshall Is.
Ikaria Shipping Corporation (1)	Vessel Owning Company	Marshall Is.
Ios Shipping Corporation	Vessel Owning Company	Cayman Is.
Kithira Shipping Corporation	Vessel Owning Company	Marshall Is.
Kos Shipping Corporation (1)	Vessel Owning Company	Marshall Is.
Mytilene Shipping Corporation (1)	Vessel Owning Company	Marshall Is.
Navios Acquisition Finance (U.S.) Inc.	Co-Issuer	Delaware
Rhodes Shipping Corporation (1)	Vessel Owning Company	Marshall Is.
Navios Maritime Acquisition Corporation	Holding Company	Marshall Is.
Serifos Shipping Corporation (1)	Vessel Owning Company	Marshall Is.
Shinyo Dream Limited	Vessel Owning Company	Hong Kong
Shinyo Kannika Limited	Vessel Owning Company	Hong Kong
Shinyo Kieran Limited	Vessel Owning Company	British Virgin Is.
Shinyo Loyalty Limited	Vessel Owning Company	Hong Kong
Shinyo Navigator Limited	Vessel Owning Company	Hong Kong
Shinyo Ocean Limited	Vessel Owning Company	Hong Kong
Shinyo Saowalak Limited	Vessel Owning Company	British Virgin Is.
Sifnos Shipping Corporation (1)	Vessel Owning Company	Marshall Is.
Skiathos Shipping Corporation (1)	Vessel Owning Company	Marshall Is.
Skopelos Shipping Corporation	Vessel Owning Company	Cayman Is.
Syros Shipping Corporation (1)	Vessel Owning Company	Marshall Is.
Thera Shipping Corporation (1)	Vessel Owning Company	Marshall Is.
Tinos Shipping Corporation (1)	Vessel Owning Company	Marshall Is.
Oinousses Shipping Corporation (1)	Vessel Owning Company	Marshall Is.
Psara Shipping Corporation (1)	Vessel Owning Company	Marshall Is.
Antipsara Shipping Corporation (1)	Vessel Owning Company	Marshall Is.

(1) Each company has the rights over a shipbuilding contract of a tanker vessel.

D. Property, plants and equipment

Other than our vessels, we do not have any material property, plant or equipment.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

Overview

Navios Acquisition was incorporated in the Republic of the Marshall Islands on March 14, 2008. We were formed to acquire through a merger, capital stock exchange, asset acquisition, stock purchase or other similar business combination one or more assets or operating businesses in the marine transportation and logistics industries. On July 1, 2008, we consummated our initial public offering representing gross proceeds of

$253.0 million.

On May 25, 2010, we consummated the Product and Chemical Tanker Acquisition, the acquisition of 13 vessels (11 product tankers and two chemical tankers), for an aggregate purchase price of $457.7 million, including amounts to be paid for future contracted vessels to be delivered. On September 10, 2010, we consummated the VLCC Acquisition, for an aggregate purchase price of $587.0 million.

On October 21, 2010, Navios Acquisition and Navios Acquisition Finance (US) Inc., its wholly owned finance subsidiary (Navios Acquisition Finance), completed the sale of $400.0 million of 8 5/8% First Priority Ship Mortgage notes due 2017 (the Existing Notes).

On May 26, 2011, Navios Acquisition and Navios Acquisition Finance completed the sale of $105.0 million of 8 5/8% first priority ship mortgage notes due 2017 (the Additional Notes) at 102.25% plus accrued interest from May 1, 2011. The net proceeds of the offering of $104.6 million were used to partially finance the acquisition of the VLCC delivered on June 8, 2011 and to repay the $80.0 million revolving credit facility with Marfin Egnatia Bank.

Equity Transactions

On September 17, 2010, Navios Acquisition issued 3,000 shares of preferred stock to an independent third party holder in connection with the payment of certain consultant and advisory fees. The preferred stock issued to the consultant was recorded at fair value as an expense in our statement of income totaling $5.6 million.

On October 29, 2010 Navios Acquisition issued 540 shares of Series B Convertible preferred stock (fair value $1.6 million) to the seller of the two newbuild LR1 product tankers the Company recently acquired. The preferred stock contains a 2% per annum dividend payable quarterly starting on January 1, 2011, and mandatorily converts into shares of common stock at various dates in the future subject to the terms and conditions of such preferred stock. The holders of the preferred stock also have the right to convert their shares to common stock subject to certain terms and conditions. The preferred stock does not have any voting rights.

On November 19, 2010, the Company completed the public offering of 6,500,000 shares of common stock at $5.50 per share and raised gross proceeds of $35.8 million. The net proceeds of this offering, including the underwriting discount of $1.8 million and excluding offering costs of $0.6 million were approximately $34.0 million.

Pursuant to an Exchange Agreement entered into March 30, 2011, Navios Holdings exchanged 7,676,000 shares of Navios Acquisition s common stock it held for 1,000 shares of non-voting Series C Convertible Preferred Stock of Navios Acquisition. After giving effect to this exchange, Navios Holdings owned 45.0% of our outstanding common stock. Each holder of shares of Series C Convertible Preferred Stock is entitled at their option at any time, after March 31, 2013, to convert all or any of their outstanding shares into shares of our common stock determined by multiplying each share of Series C Convertible Preferred Stock to be converted by 7,676, subject to certain limitations. Upon the declaration of a common stock dividend, the holders of Series C Convertible Preferred Stock are entitled to receive dividends in an amount equal to the amount that would have been received on the number of shares of our common stock into which the shares of Series C Convertible Preferred Stock held by each holder could be converted.

On November 4, 2011, with respect to the shares held in escrow for the VLCC Acquisition, a total of 1,160,963 shares of common stock were released to the sellers and the remaining 217,159 were returned to Navios Acquisition in settlement of representations and warranties attributable to the sellers. The returned shares were cancelled on December 30, 2011.

As of December 31, 2011, Navios Acquisition had outstanding: 40,517,413 shares of common stock, 4,540 shares of preferred stock, and 6,037,994 public warrants. Included in the number of shares and warrants are 18,815 units (one unit consists of one share of common stock and one warrant).

Table of Contents

Fleet Development

On May 25, 2010, after its special meeting of stockholders, Navios Acquisition announced the approval of: (a) the acquisition from Navios Holdings of 13 vessels (11 product tankers and two chemical tankers) for an aggregate purchase price of $457.7 million, of which $128.7 million was to be paid from existing cash and the $329.0 million balance with existing and new debt financing pursuant to the terms and conditions of the Acquisition Agreement by and between Navios Acquisition and Navios Holdings and (b) certain amendments to Navios Acquisition s amended and restated articles of incorporation.

On May 28, 2010, Navios Acquisition consummated the vessel acquisition, which constituted our initial business combination. In connection with the stockholder vote to approve the vessel acquisition, holders of 10,021,399 shares of common stock voted against the asset acquisition and elected to redeem their shares in exchange for an aggregate of approximately $99.3 million which amount was disbursed from the trust account on May 28, 2010. In addition, on May 28, 2010, Navios Acquisition disbursed an aggregate of $8.9 million from the trust account to the underwriters of our initial public offering for deferred fees. After disbursement of approximately $76.5 million to Navios Holdings to reimburse it for the first equity instalment payment on the vessels of $38.8 million and other associated payments, the balance of the trust account of $66.1 million was released to Navios Acquisition for general operating expenses. From the 13 vessels, Navios Acquisition took delivery of two LR1s in June and July 2010, and two chemical tankers in October 2010 and January 2011, respectively.

On September 10, 2010, Navios Acquisition consummated the VLCC Acquisition for an aggregate purchase price of $587.0 million, adjusted for net working capital acquired of $20.6 million. The purchase price was financed as follows: (a) $410.4 million of bank debt, assumed at closing, consisting of six credit facilities with a consortium of banks; (b) $134.3 million of cash paid at closing; (c) $11.0 million through the issuance of 1,894,918 Navios Acquisition shares of common stock (based on the closing trading price averaged over the 15 trading days immediately prior to closing) of which 1,378,122 shares of common stock were deposited to a one-year escrow to provide for indemnity or other claims. The 1,894,918 shares were valued at the closing price of September 9, 2010; and (d) $51.4 million due to a shipyard in 2011 for the newbuilding scheduled for delivery in June 2011. The VLCC Acquisition was accounted for as a business combination (refer to note 4 in the audited financial statements included herein).

On November 4, 2011, a total of 1,160,963 shares of common stock were released to the sellers of the VLCC Acquisition and the remaining 217,159 were returned to Navios Acquisition in settlement of claims relating to representations and warranties attributable to the sellers. The returned shares were cancelled on December 30, 2011.

On October 26, 2010, Navios Acquisition entered into agreements to acquire two 75,000 dwt LR1 product tankers. The acquisition price of $87.0 million is financed with: (a) the issuance of $5.4 million mandatorily convertible preferred stock, (b) a new credit facility of $52.2 million and (c) $29.4 million of cash on hand. On November 14, 2011, Navios Acquisition took delivery of the Nave Andromeda, a 75,000 dwt LR1 South Korean built product tanker, for a total cost of $44.6 million. Cash paid was $27.2 million and $17.4 million was transferred from vessel deposits. The Nave Estella was delivered to Navios Acquisition s fleet on January 20, 2012.

On January 27, 2011, Navios Acquisition took delivery of the Nave Polaris, a 25,145 dwt South Korean-built chemical tanker, for a total cost of $31.7 million. Cash paid was $4.5 million and $27.2 million was transferred from vessel deposits.

On June 8, 2011, Navios Acquisition took delivery of a 297,066 dwt VLCC, the Shinyo Kieran, from a Chinese shipyard, for a total cost of $119.2 million. Cash paid was $29.1 million and $90.1 million was transferred from vessel deposits.

On July 12, 2011, Navios Acquisition took delivery of the Bull, a 2009 built MR2 product tanker vessel of 50,542 dwt and attached time charter, for a total cost of $42.4 million that was paid in cash. Favorable lease terms recognized through this transaction amounted to $5.1 million and the balance of $37.3 million was classified under vessels, net.

On July 18, 2011, Navios Acquisition took delivery of the Buddy, a 2009-built MR2 product tanker vessel of 50,470 dwt and attached time charter, for a total cost of $42.5 million that was paid in cash. Favorable lease terms recognized through this transaction amounted to $5.2 million and the balance of $37.3 million was classified under vessels, net.

Prior to our initial acquisition of vessels, on May 28, 2010, we had neither engaged in any operations nor generated any revenues. We generated non-operating income in the form of interest income on cash and cash equivalents following the completion of our IPO.

Table of Contents

Navios Maritime Acquisition Corporation and Subsidiaries:	Nature	Country of Incorporation	Statement of operations 2011	2010	2009
Company Name					
Aegean Sea Maritime Holdings Inc.	Sub-Holding Company	Marshall Is.	1/1 - 12/31	5/28 - 12/31	
Amorgos Shipping Corporation	Vessel Owning Company	Marshall Is.	1/1 - 12/31	5/28 - 12/31	
Andros Shipping Corporation	Vessel Owning Company	Marshall Is.	1/1 - 12/31	5/28 - 12/31	
Antikithira Shipping Corporation	Vessel Owning Company	Marshall Is.	6/7 - 12/31		
Antiparos Shipping Corporation (1)	Vessel Owning Company	Marshall Is.	1/1 - 12/31	5/28 - 12/31	
Amindra Shipping Co.	Sub-Holding Company	Marshall Is.	4/28 - 12/31		
Crete Shipping Corporation (1)	Vessel Owning Company	Marshall Is.	1/1 - 12/31	5/28 - 12/31	
Folegandros Shipping Corporation	Vessel Owning Company	Marshall Is.	1/1 - 12/31	10/26 - 12/31	
Ikaria Shipping Corporation (1)	Vessel Owning Company	Marshall Is.	1/1 - 12/31	5/28 - 12/31	
Ios Shipping Corporation	Vessel Owning Company	Cayman Is.	1/1 - 12/31	5/28 - 12/31	
Kithira Shipping Corporation	Vessel Owning Company	Marshall Is.	6/7 - 12/31		
Kos Shipping Corporation (1)	Vessel Owning Company	Marshall Is.	1/1 - 12/31	5/28 - 12/31	
Mytilene Shipping Corporation (1)	Vessel Owning Company	Marshall Is.	1/1 - 12/31	5/28 - 12/31	
Navios Acquisition Finance (U.S.) Inc.	Co-Issuer	Delaware	1/1 - 12/31	10/05 - 12/31	
Navios Maritime Acquisition Corporation	Holding Company	Marshall Is.	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Rhodes Shipping Corporation (1)	Vessel Owning Company	Marshall Is.	1/1 - 12/31	5/28 - 12/31	
Serifos Shipping Corporation (1)	Vessel Owning Company	Marshall Is.	1/1 - 12/31	10/26 - 12/31	
Shinyo Dream Limited	Vessel Owning Company	Hong Kong	1/1 - 12/31	9/10 - 12/31	
Shinyo Kannika Limited	Vessel Owning Company	Hong Kong	1/1 - 12/31	9/10 - 12/31	
Shinyo Kieran Limited	Vessel Owning Company	British Virgin Is.	1/1 - 12/31	9/10 - 12/31	
Shinyo Loyalty Limited	Vessel Owning Company	Hong Kong	1/1 - 12/31	9/10 - 12/31	
Shinyo Navigator Limited	Vessel Owning Company	Hong Kong	1/1 - 12/31	9/10 - 12/31	
Shinyo Ocean Limited	Vessel Owning Company	Hong Kong	1/1 - 12/31	9/10 - 12/31	
Shinyo Saowalak Limited	Vessel Owning Company	British Virgin Is.	1/1 - 12/31	9/10 - 12/31	
Sifnos Shipping Corporation (1)	Vessel Owning Company	Marshall Is.	1/1 - 12/31	5/28 - 12/31	
Skiathos Shipping Corporation (1)	Vessel Owning Company	Marshall Is.	1/1 - 12/31	5/28 - 12/31	
Skopelos Shipping Corporation	Vessel Owning Company	Cayman Is.	1/1 - 12/31	5/28 - 12/31	
Syros Shipping Corporation (1)	Vessel Owning Company	Marshall Is.	1/1 - 12/31	5/28 - 12/31	
Thera Shipping Corporation (1)	Vessel Owning Company	Marshall Is.	1/1 - 12/31	5/28 - 12/31	
Tinos Shipping Corporation (1)	Vessel Owning Company	Marshall Is.	1/1 - 12/31	5/28 - 12/31	
Oinousses Shipping Corporation (1)	Vessel Owning Company	Marshall Is.	10/5 - 12/31		
Psara Shipping Corporation (1)	Vessel Owning Company	Marshall Is.	10/5 - 12/31		
Antipsara Shipping Corporation (1)	Vessel Owning Company	Marshall Is.	10/5 - 12/31		

(1) Each company has the rights over a shipbuilding contract of a tanker vessel.

Our Charters

For the year ended December 31, 2011, Navios Acquisition s customers representing 10% or more of total revenue were, Dalian Ocean Shipping Co., Blue light Chartering Inc and Jacob Tank Chartering GMBH &CO. KG. which accounted for 43.9%, 11.5% and 11.3% respectively. For the year ended December 31, 2010, Jacob Tank Chartering GMBH & CO. KG, SK Shipping Company Ltd, DOSCO, Formosa Petrochemical Corporation, Blue Light Chartering Inc and Navig8 Chemicals Shipping and Trading Co accounted for 42.5%, 18.6%, 12.9%, 12.9% and 10.9%, respectively, of Navios Acquisition s revenue. There were no customers in the corresponding 2009 period as the Company was in the development stage. No other customers accounted 10% or more of total revenue for any of the years presented.

Our revenues are driven by the number of vessels in the fleet, the number of days during which the vessels operate and our charter hire rates, which, in turn, are affected by a number of factors, including:

the duration of the charters;

- the level of spot and long-term market rates at the time of charter;
- decisions relating to vessel acquisitions and disposals;
- the amount of time spent positioning vessels;
- the amount of time that vessels spend undergoing repairs and upgrades in drydock;
- the age, condition and specifications of the vessels; and
- the aggregate level of supply and demand in the tanker shipping industry.

Time charters are available for varying periods, ranging from a single trip (spot charter) to long-term which may be

Table of Contents

many years. In general, a long-term time charter assures the vessel owner of a consistent stream of revenue. Operating the vessel in the spot market affords the owner greater spot market opportunity, which may result in high rates when vessels are in high demand or low rates when vessel availability exceeds demand. We intend to operate our vessels in a mix of short-term and long-term charter market. Vessel charter rates are affected by world economics, international events, weather conditions, strikes, governmental policies, supply and demand and many other factors that might be beyond our control.

We could lose a customer or the benefits of a charter if:

- the customer fails to make charter payments because of its financial inability, disagreements with us or otherwise;
- the customer exercises certain rights to terminate the charter the vessel;
- the customer terminates the charter because we fail to deliver the vessel within a fixed period of time, the vessel is lost or damaged beyond repair, there are serious deficiencies in the vessel or prolonged periods of off-hire, or we default under the charter; or
- a prolonged force majeure event affecting the customer, including damage to or destruction of relevant production facilities, war or political unrest prevents us from performing services for that customer.

If we lose a charter, we may be unable to re-deploy the related vessel on terms as favorable to us due to the long-term nature of most charters and the cyclical nature of the industry or we may be forced to charter the vessel on the spot market at then market rates which may be less favorable than the charter that has been terminated. The loss of any of our customers, time charters or vessels, or a decline in payments under our charters, could have a material adverse effect on our business, results of operations and financial condition and our ability to make cash distributions in the event we are unable to replace such customer, time charter or vessel.

Under some of our time charters, either party may terminate the charter contract in the event of war in specified countries or in locations that would significantly disrupt the free trade of the vessel. Some of the time charters covering our vessels require us to return to the charterer, upon the loss of the vessel, all advances paid by the charterer but not earned by us.

Vessels Operations

Under our charters, our vessel manager is generally responsible for commercial, technical, health and safety and other management services related to the vessels operation, and the charterer is responsible for bunkering and substantially all of the vessel voyage costs, including canal tolls and port charges.

Pursuant to the Management Agreement dated May 28, 2010, a subsidiary of Navios Holdings provides, for five years from the closing of the Product and Chemical Tanker Acquisition, commercial and technical management services to Navios Acquisition s vessels for a daily fee of $6,000 per owned MR2 product tanker and chemical tanker vessel, $7,000 per owned LR1 product tanker vessel, and $10,000 per owned VLCC vessel, for the first two years with the fixed daily fees adjusted for the remainder of the term based on then-current market fees. This daily fee covers all of the vessels operating expenses, other than certain extraordinary fees and costs. Actual operating costs and expenses will be determined in a manner consistent with how the initial fixed fees were determined. Drydocking expenses are fixed under this agreement for up to $300,000 per vessel, for MR2 and LR1 product tankers, and will be reimbursed at cost for VLCC vessels.

Extraordinary costs and expenses include fees and costs resulting from:

- time spent on insurance and salvage claims;
- time spent vetting and pre-vetting the vessels by any charterers in excess of 10 days per vessel per year;

the deductible of any insurance claims relating to the vessels or for any claims that are within such deductible range;

the significant increase in insurance premiums which are due to factors such as acts of God outside the control of the Manager;

repairs, refurbishment or modifications, including those not covered by the guarantee of the shipbuilder or by the insurance covering the vessels, resulting from maritime accidents, collisions, other accidental damage or unforeseen events (except to the extent that such accidents, collisions, damage or events are due to the fraud, gross negligence or willful misconduct of the Manager, its employees or its agents, unless and to the extent otherwise covered by insurance);

expenses imposed due to any improvement, upgrade or modification to, structural changes with respect to the installation of new equipment aboard any vessel that results from a change in, an introduction of new, or a change in the interpretation of, applicable laws, at the recommendation of the classification society for that vessel or otherwise;

costs associated with increases in crew employment expenses resulting from an introduction of new, or a change in the interpretation of, applicable laws or resulting from the early termination of the charter of any vessel;

any taxes, dues or fines imposed on the vessels or the Manager due to the operation of the vessels;

expenses incurred in connection with the sale or acquisition of a vessel such as inspections and technical assistance;

and

any similar costs, liabilities and expenses that were not reasonably contemplated by us and the Manager as being encompassed by or a component of the fixed daily fees at the time the fixed daily fees were determined.

Payment of any extraordinary fees or expenses to the Manager could significantly increase our vessel operating expenses and impact our results of operations.

During the remaining term of the Management Agreement, we expect that we will reimburse the Manager for all of the actual operating costs and expenses it incurs in connection with the management of our fleet.

Administrative Services

On May 28, 2010, Navios Acquisition entered into an administrative services agreement with Navios Holdings, expiring on May 28, 2015, pursuant to which a subsidiary of Navios Holdings provides certain administrative management services to Navios Acquisition which include: rent, bookkeeping, audit and accounting services, legal and insurance services, administrative and clerical services, banking and financial services, advisory services, client and investor relations and other. Navios Holdings is reimbursed for reasonable costs and expenses incurred in connection with the provision of these services.

A. Operating results

Trends and Factors Affecting Our Future Results of Operations

We believe the principal factors that will affect our future results of operations are the economic, regulatory, political and governmental conditions that affect the shipping industry generally and that affect conditions in countries and markets in which our vessels engage in business. Other key factors that will be fundamental to our business, future financial condition and results of operations include:

the demand for seaborne transportation services;

the ability of Navios Holdings commercial and chartering operations to successfully employ our vessels at economically attractive rates, particularly as our fleet expands and our charters expire;

the effective and efficient technical management of our vessels;

Navios Holdings ability to satisfy technical, health, safety and compliance standards of major commodity traders; and

the strength of and growth in the number of our customer relationships, especially with major commodity traders.

In addition to the factors discussed above, we believe certain specific factors will impact our combined and consolidated results of operations. These factors include:

the charter hire earned by our vessels under our charters;

our access to capital required to acquire additional vessels and/or to implement our business strategy;

our ability to sell vessels at prices we deem satisfactory;

our level of debt and the related interest expense and amortization of principal; and

the level of any dividend to our stockholders.

Period over Period Comparisons

Year Ended December 31, 2011 Compared to the Year Ended December 31, 2010

The following table presents consolidated revenue and expense information for the years ended December 31, 2011 and 2010. This information was derived from the audited consolidated financial statements of Navios Acquisition for the respective periods.

(in thousands of U.S. dollars)	Year ended December 31, 2011	Year ended December 31, 2010
Revenue	$ 121,925	$ 33,568
Time charter expenses	(3,499)	(355)
Direct vessel expenses	(633)	
Management fees	(35,679)	(9,752)
General and administrative expenses	(4,241)	(1,902)
Shared based compensation		(2,140)
Transaction costs		(8,019)
Depreciation and amortization	(38,638)	(10,120)
Prepayment penalties & write-off deferred financing costs	(935)	(5,441)

Table of Contents

Interest income	1,414	862
Interest expenses and finance cost, net	(43,165)	(10,651)
Other (expense)/income, net	(406)	404
Net loss	**$ (3,857)**	**$ (13,546)**

Set forth below are selected historical and statistical data for Navios Acquisition for each of the years ended December 31, 2011 and 2010 that we believe may be useful in better understanding Navios Acquisition s financial position and results of operations.

	Year ended December 31, 2011	**Year ended December 31, 2010**
FLEET DATA		
Available days (1)	4,053	1,104
Operating days (2)	4,004	1,096
Fleet utilization (3)	98.8%	99.3%
Vessels operating at period end	14	9
AVERAGE DAILY RESULTS		
Time Charter Equivalent per day (4)	$ 29,218	$ 30,087

(1) *Available days:* Available days is the total number of days a vessel is controlled by a company less the aggregate number of days that the vessel is off-hire due to scheduled repairs or repairs under guarantee, vessel upgrades or special surveys. The shipping industry uses available days to measure the number of days in a period during which vessels should be capable of generating revenues.

(2) *Operating days:* Operating days is the number of available days in a period less the aggregate number of days that the vessels are off-hire due to any reason, including lack of demand or unforeseen circumstances. The shipping industry uses operating days to measure the aggregate number of days in a period during which vessels actually generate revenues.

(3) *Fleet utilization:* Fleet utilization is obtained by dividing the number of operating days during a period by the number of available days during the period. The shipping industry uses fleet utilization to measure a company s efficiency in finding suitable employment for its vessels and minimizing the amount of days that its vessels are off-hire for reasons other than scheduled repairs or repairs under guarantee, vessel upgrades, special surveys or vessel positioning.

(4) *Time Charter Equivalent:* Time Charter Equivalent is defined as voyage and time charter revenues less voyage expenses during a period divided by the number of available days during the period. The TCE rate is a standard shipping industry performance measure used primarily to present the actual daily earnings generated by vessels on various types of charter contracts for the number of available days of the fleet.

For the year ended December 31, 2011, Navios Acquisition had 4,053 available days, after it took delivery of the vessel Nave Cielo (ex. Colin Jacob) on June, 2010, Nave Ariadne (ex. Ariadne Jacob) on July 2010, seven VLCCs on September 10, 2010, of which the Shinyo Kieran was delivered in June 2011, the vessel Nave Cosmos on October 2010, the Nave Polaris in January 2011, the Buddy and the Bull in July 2011 and the Nave Andromeda in November 2011. There were 1,104 available days in the comparative period in 2010.

Revenue: Revenue for the year ended December 31, 2011 increased by $88.3 million or 262.8% to $121.9 million, as compared to $33.6 million for the year ended 2010. The increase was mainly attributable to the acquisitions of the Nave Cielo (ex. Colin Jacob) and the Nave Ariadne (ex. Ariadne Jacob) in July 2010, seven VLCCs in September 2010, of which the Shinyo Kieran was delivered in June 2011, the Nave Cosmos in October 2010, the Nave Polaris in January 2011, the Buddy and the Bull in July 2011 and the Nave Andromeda in November 2011 and a $3,704 early termination compensation fee. As a result of the vessel acquisitions described above, available days of the fleet increased to 4,053 days for the year ended December 31, 2011, as compared to 1,104 days for the year ended December 31, 2010. The TCE rate decreased to $29,218 for the year ended December 31, 2011, from $30,087 for the year ended December 31, 2010.

Time Charter Expenses: Time charter expenses for the year ended December 31, 2011 increased by $3.1 million to $3.5 million, as compared to $0.4 million for the year ended December 31, 2010. The increase was attributable to brokerage commissions and other miscellaneous expenses, due to the increased number of vessels operating in Navios Acquisition s fleet. Time charter expenses are expensed over the period of the time charter.

56

Table of Contents

Direct vessel expenses: Direct vessel expenses, comprised of the amortization of dry dock and special survey costs, of two VLCC vessels that were completed in August 5, 2011 and October 3, 2011, respectively, amounted to $0.6 million for the year ended December 31, 2011. There were no direct vessel expenses for the comparative period in 2010.

Management Fees: Management fees for the year ended December 31, 2011 increased by $25.9 million to $35.7 million, as compared to $9.8 million for the year ended December 31, 2010. The increase was attributable to the increase in the number of vessels operating under Navios Acquisition s fleet. Pursuant to a Management Agreement dated May 28, 2010, a subsidiary of Navios Holdings, provides for five years from the closing of the Product and Chemical Tanker Acquisition, commercial and technical management services to Navios Acquisition s vessels for a daily fee of $6,000 per owned MR2 product tanker and chemical tanker vessel, $7,000 per owned LR1 product tanker vessel and $10,000 per VLCC vessel for the first two years with the fixed daily fees adjusted for the remainder of the term based on then-current market fees. This daily fee covers all of the vessels operating expenses, other than certain fees and costs. During the remaining three years of the term of the Management Agreement, Navios Acquisition expects it will reimburse Navios Holdings for all of the actual operating costs and expenses it incurs in connection with the management of its fleet. Actual operating costs and expenses will be determined in a manner consistent with how the initial fixed fees were determined. Drydocking expenses are fixed under this agreement for up to $0.3 million per vessel chemical LR1 and MR2 product and are reimbursed at cost for VLCC vessels.

General and Administrative Expenses: Total general and administrative fees for the year ended December 31, 2011 increased by $2.3 million or 121% to $4.2 million compared to $1.9 million for the year ended December 31, 2010. The increase was mainly attributable to the increase in administrative expenses paid to the Manager due to the increased number of vessels in Navios Acquisition s fleet.

On May 28, 2010, Navios Acquisition entered into an administrative services agreement with Navios Holdings, expiring on May 28, 2015, pursuant to which a subsidiary of Navios Holdings provides certain administrative management services to Navios Acquisition which include: rent, bookkeeping, audit and accounting services, legal and insurance services, administrative and clerical services, banking and financial services, advisory services, client and investor relations and other. Navios Holdings is reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. For the years ended December 31, 2011 and 2010, the expenses charged by Navios Holdings for administrative services were $1.5 million and $0.4 million, respectively. The remaining balance of $2.7 million and $1.5 million of general and administrative expenses for the years ended December 31, 2011 and 2010, respectively, related to legal and professional fees including audit fees.

Share-based compensation: On June 11, 2008, Navios Holdings transferred 290,000 Sponsor Units to our officers and directors. Each Sponsor Unit consisted of one warrant and one share of common stock and they vested only upon a successful business combination. As such, on May 28, 2010, we recorded an expense of $2.1 million representing the fair value of the units on that date with equal increase in our Additional Paid in Capital. There were no share based compensation for the year ended December 31, 2011.

Transaction costs: On September 10, 2010, we completed the VLCC Acquisition and we incurred certain expenses directly related to such acquisition that amounted to $8.0 million. From the $8.0 million, $2.4 million was related to various audit, legal and consulting fees and $5.6 million was related to the fair value of 3,000 shares of preferred stock issued to an independent third party holder in connection with the payment of certain consultant and advisory fees. There were no transaction costs for the year ended December 31, 2011.

Depreciation and Amortization: Depreciation and amortization increased by $28.5 million to $38.6 million for the year ended December 31, 2011 as compared to $10.1 million for the year ended December 31, 2010. The increase of $28.5 million was attributable to: (a) an increase in depreciation expense of $23.9 million due to the acquisitions of the vessel Nave Cielo (ex. Colin Jacob) on June, 2010, Nave Ariadne (ex. Ariadne Jacob) on July 2010, seven VLCCs on September 10, 2010, of which the Shinyo Kieran was delivered in June 2011, the vessel Nave Cosmos on October 2010, the Nave Polaris in January 2011, the Buddy and the Bull in July 2011 and the Nave Andromeda in November 2011; and (b) an increase in amortization expense of $4.6 million due to the favorable and unfavorable lease terms that were recognized in relation to the acquisition of the rights on the time charter-out contracts of the vessels. Depreciation of vessel is calculated using an estimated useful life of 25 years for the date the vessel was originally delivered from the shipyard. Intangible assets are amortized over the contract periods, which range from 3.17 to 15.00 years.

Prepayment penalties and write-off deferred financing costs: Prepayment penalties and write-off of deferred financing costs amounted to approximately $0.9 million for the year ended December 31, 2011 compared to $5.4 million for the year ended December 31, 2010.

For the year ended December 31, 2011, an amount of $0.9 million of deferred financing costs was written-off in relation to the cancellation of certain committed credit.

For the year ended December 31, 2010, following the issuance of the Existing Notes and net proceeds raised of $388.9 million, loan facilities, that previously secured the six VLCC vessels, were fully repaid, and as a result deferred finance costs related to these facilities of $2.9 million, were written off and prepayment fees of $2.5 million were paid.

Interest Income: Interest income for year ended December 31, 2011 increased by $0.5 million to $1.4 million compared to $0.9 million for the year ended December 31, 2010.

Interest expense and finance cost, net: Interest expense and finance cost, net for the year ended December 31, 2011 increased by $32.5 million to $43.2 million, as compared to $10.7 million for the year ended December 31, 2010. The increase was due to: (a) the increase in average outstanding loan balance to $327.2 million in the year ended December 31, 2011 from $185.7 million in the year ended December 31, 2010; (b) the full effect of the Existing Notes which were issued on October 21, 2010; and (c) the effect of the Additional Notes, which were issued on May 26, 2011. As of December 31, 2011 and 2010, the outstanding loan balance under Navios Acquisition s credit facilities was $885.4 million and $721.8 million, respectively, and the weighted average interest rate as of December 31, 2011 and 2010 was 3.16% and 3.27%, respectively.

Other (expense)/ income, net: Other (expense)/ income, net decreased to a $0.4 million expense for the year ended December 31, 2011 compared to $0.4 million income for the same period in 2010. The decrease of $0.8 million was mainly attributable to: (a) $0.5 million of claim reserves; and (b) $0.3 million decrease in miscellaneous income.

Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009

The following table presents consolidated revenue and expense information for the years ended December 31, 2010 and 2009. This information was derived from the audited consolidated financial statements of Navios Acquisition for the respective periods.

(in thousands of U.S. dollars)	**Year ended December 31, 2010**	**Year ended December 31, 2009**
Revenue	$ 33,568	$
Time charter expenses	(355)	
Management fees	(9,752)	
General and administrative expenses	(1,902)	(994)
Shared based compensation	(2,140)	
Transaction costs	(8,019)	
Depreciation and amortization	(10,120)	
Prepayment penalties & write-off deferred financing costs	(5,441)	
Interest income	862	346
Interest expenses and finance cost, net	(10,651)	
Other income, net	404	
Net loss	**$ (13,546)**	**$ (648)**

Set forth below are selected historical and statistical data for Navios Acquisition for each of the years ended December 31, 2010 and 2009 that we believe may be useful in better understanding Navios Acquisition s financial position and results of operations.

	Year ended December 31, 2010	**Year ended December 31, 2009**
FLEET DATA		
Available days (1)	1,104	
Operating days (2)	1,096	
Fleet utilization (3)	99.3%	
Vessels operating at period end	9	

AVERAGE DAILY RESULTS			
Time Charter Equivalent per day [4]	**$**	30,087	**$**

Table of Contents

(1) *Available days:* Available days is the total number of days a vessel is controlled by a company less the aggregate number of days that the vessel is off-hire due to scheduled repairs or repairs under guarantee, vessel upgrades or special surveys. The shipping industry uses available days to measure the number of days in a period during which vessels should be capable of generating revenues.

(2) *Operating days:* Operating days is the number of available days in a period less the aggregate number of days that the vessels are off-hire due to any reason, including lack of demand or unforeseen circumstances. The shipping industry uses operating days to measure the aggregate number of days in a period during which vessels actually generate revenues.

(3) *Fleet utilization:* Fleet utilization is obtained by dividing the number of operating days during a period by the number of available days during the period. The shipping industry uses fleet utilization to measure a company s efficiency in finding suitable employment for its vessels and minimizing the amount of days that its vessels are off-hire for reasons other than scheduled repairs or repairs under guarantee, vessel upgrades, special surveys or vessel positioning.

(4) *Time Charter Equivalent:* Time Charter Equivalent is defined as voyage and time charter revenues less voyage expenses during a period divided by the number of available days during the period. The TCE rate is a standard shipping industry performance measure used primarily to present the actual daily earnings generated by vessels on various types of charter contracts for the number of available days of the fleet.

For the year ended December 31, 2010, Navios Acquisition had 1,104 available days, after it took delivery of the vessel Colin Jacob on June 30, 2010, Ariadne Jacob on July 2, 2010, six VLCCs on September 10, 2010 and the vessel Nave Cosmos on October 27, 2010. There were no available or operating days in the comparative period in 2009, since Navios Acquisition was in a development stage.

Revenue: Time charter revenues amounted to approximately $33.6 million for the year ended December 31, 2010 compared to $0 for the year ended 2009. Following the delivery of six VLCC vessels in September 2010, the delivery of the product tankers Colin Jacob in June 2010, Ariadne Jacob in July 2010 and Nave Cosmos in October 2010, we had 1,104 available days for the year ended December 31, 2010, at a TCE rate of $30,087. There were no operations in the corresponding period in 2009.

Time Charter Expenses: Time charter expenses amounted to $0.4 million for the year ended December 31, 2010 compared to $0 for the year ended December 31, 2009.

Time charter expenses comprise brokerage commissions and other miscellaneous expenses. Time charter expenses are expensed over the period of the time charter.

Management Fees: Total management fees for the year ended December 31, 2010 amounted to $9.8 million compared to $0 for the year ended December 31, 2009. Pursuant to a Management Agreement dated May 28, 2010, a subsidiary of Navios Holdings, provides for five years from the closing of the Product and Chemical Tanker Acquisition, commercial and technical management services to Navios Acquisition s vessels for a daily fee of $6,000 per owned MR2 product tanker and chemical tanker vessel, $7,000 per owned LR1 product tanker vessel and $10,000 per VLCC vessel for the first two years with the fixed daily fees adjusted for the remainder of the term based on then-current market fees. This daily fee covers all of the vessels operating expenses, other than certain fees and costs. During the remaining three years of the term of the Management Agreement, Navios Acquisition expects it will reimburse Navios Holdings for all of the actual operating costs and expenses it incurs in connection with the management of its fleet. Actual operating costs and expenses will be determined in a manner consistent with how the initial fixed fees were determined. Drydocking expenses will be fixed under this agreement for up to $0.3 million per vessel chemical LR1 and MR2 product and will be reimbursed at cost for VLCC vessels.

General and Administrative Expenses: Total general and administrative fees for the year ended December 31, 2010 amounted to $1.9 million compared to $1.0 million for the year ended December 31, 2009. On May 28, 2010, Navios Acquisition entered into an administrative services agreement with Navios Holdings, expiring on May 28, 2015, pursuant to which a subsidiary of Navios Holdings provides certain administrative management services to Navios Acquisition which include: rent, bookkeeping, audit and accounting services, legal and insurance services, administrative and clerical services, banking and financial services, advisory services, client and investor relations and other. Navios Holdings is reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. For the year ended December 31, 2010, the expenses charged by Navios Holdings for administrative services were $0.4 million. The remaining balance of $1.5 million of general and administrative expenses for the year ended December 31, 2010 related to legal and professional fees including audit fees.

Share based compensation: On June 11, 2008, Navios Holdings transferred 290,000 Sponsor Units to our officers and directors. Each Sponsor Unit consisted of one warrant and one share of common stock and they vested only upon a successful business combination. As such, on May 28, 2010, we recorded an expense of $2.1 million representing the fair value of the units on that date with equal increase in our Additional Paid in Capital.

Transaction costs: On September 10, 2010, we completed the VLCC Acquisition and we incurred certain expenses directly related to such acquisition that amounted to $8.0 million. From the $8.0 million, $2.4 million is related to various audit, legal and consulting fees and $5.6 million is related to the fair value of 3,000 shares of preferred stock issued to an independent third party holder in connection with the payment of certain consultant and advisory fees.

Depreciation and Amortization: Depreciation and amortization amounted to $10.1 million for the year ended December 31, 2010 compared to $0 million for the year ended December 31, 2009. Of the total amount of $10.1 million, $9.1 million was related to depreciation of vessels, and $1.0 million was related to net amortization of intangible assets and liabilities associated with the acquisition of the VLCC vessels. Depreciation of vessels is calculated using an estimated useful life of 25 years from the date the vessel was originally delivered from the shipyard. Intangible assets are amortized over the contract periods, which range from four to ten years.

Prepayment penalties and write-off deferred financing costs: Prepayment penalties and write-off of deferred financing costs amounted to approximately $5.4 million for the year ended December 31, 2010 compared to $0 million for the year ended December 31, 2009. Following the issuance of the Existing Notes and net proceeds raised of $388.9 million, loan facilities, that previously secured the six VLCC vessels, were fully repaid, and as a result deferred finance costs related to these facilities of $2.9 million, were written off and prepayment fees of $2.5 million were paid.

Interest Income: Interest income for year ended December 31, 2010 amounted to $0.9 million compared to $0.3 million for the year ended December 31, 2009. The increase in interest income of $0.6 million was due to the investment of the net proceeds of Navios Acquisition s public offering, including amounts in the trust account.

Interest Expense and Finance Cost, Net: Interest expense and finance cost, net amounted to $10.7 million for the year ended December 31, 2010 compared to $0 for the year ended December 31, 2009. Interest expense and finance cost for the year ended December 31, 2010, related to $6.8 million of accrued bond coupon expenses and the balance related to interest expense and finance costs in relation to our existing facilities. The weighted average loan for the year ended December 31, 2010 was $185.7 million and the weighted average interest rate was 3.27%.

Other income, net: Other income for the year ended December 31, 2010 was $0.4 million compared to $0 for the same period in 2009.

B. Liquidity and Capital Resources and Uses

Our initial liquidity needs were primarily met through our IPO and private placement of warrants which took place in 2008 and generated gross proceeds of $260.6 million. Our primary short-term liquidity needs are to fund general working capital requirements, drydocking expenditures, deposits for vessels under construction, minimum cash balance maintenance as per our credit facility agreements and debt repayment, while our long-term liquidity needs primarily relate to expansion and investment capital expenditures and other maintenance capital expenditures and debt repayment. Expansion capital expenditures are primarily for the purchase or construction of vessels to the extent the expenditures increase the operating capacity of or revenue generated by our fleet, while maintenance capital expenditures primarily consist of drydocking expenditures and expenditures to replace vessels in order to maintain the operating capacity of or revenue generated by our fleet. Investment capital expenditures are those capital expenditures that are neither maintenance capital expenditures nor expansion capital expenditures. We anticipate that our primary sources of funds for our short-term liquidity needs will be cash flows from operations and bank borrowings which we believe that will be sufficient to meet our existing short-term liquidity needs for at least the next 12 months. Generally, our long-term sources of funds will be from cash from operations, longterm bank borrowings and other debt or equity financings. We expect that we will rely upon external financing sources, including bank borrowings, to fund acquisitions and expansion and investment capital expenditures. We cannot assure you that we will be able to raise the size of our credit Facilities or obtaining additional funds on favorable terms.

On November 19, 2010, the Company completed the public offering of 6,500,000 shares of common stock at $5.50 per share and raised gross proceeds of $35.8 million. The net proceeds of this offering, including the underwriting discount of $1.8 million and excluding offering costs of $0.6 million were approximately $34.0 million.

Navios Acquisition finances its capital requirements with cash flows from operations, equity contributions from stockholders, bank loans and the issuance of the Existing Notes and Additional Notes. Main uses of funds have been capital expenditures for the acquisition of new vessels, expenditures incurred in connection with ensuring that the owned vessels

comply with international and regulatory standards, repayments of bank loans and payments of dividends. Navios Acquisition on December 29, 2011 entered into loan agreements to finance the three newbuild product tankers scheduled to be delivered in 2014, acquired in January 2012, see Long Term Debt Obligations and Credit Arrangements .

Cash flows for the year ended December 31, 2011 compared to the year ended December 31, 2010:

The following table presents cash flow information for the years ended December 31, 2011 and 2010. This information was derived from the audited consolidated statement of cash flows of Navios Acquisition for the respective periods.

(Expressed in thousands of U.S. dollars)	Year Ended December 31, 2011	Year Ended December 31, 2010
Net cash provided by operating activities	$ 67,972	11,479
Net cash used in investing activities	(229,516)	(104,781)
Net cash provided by financing activities	141,484	154,575
Change in cash and cash equivalents	**$ (20,060)**	**61,273**

Cash provided by operating activities for the year ended December 31, 2011 as compared to the year ended December 31, 2010:

Net cash provided by operating activities increased by $56.5 million to $68.0 million for the year ended December 31, 2011 as compared to $11.5 million for the same period in 2010. The increase is analyzed as follows:

The net loss for the year ended December 31, 2011 was $3.9 million compared to $13.5 million loss for the year ended December 31, 2010. In determining net cash provided by operating activities for the years ended December 31, 2011, net loss was adjusted for the effect of depreciation and amortization of $38.6 million, $3.2 million for amortization and write-off of deferred finance fees and $0.6 million for the amortization of drydocking costs. For the period ended December 31, 2010, net income was also adjusted for the effects of certain non-cash items, including depreciation and amortization of $10.1 million, $3.5 million amortization and write-off of deferred financing cost, $5.6 million for non cash transaction costs and $2.1 million for share based compensation.

Amounts due to related parties increased by $37.5 million from $6.1 million for the year ended December 31, 2010 to $43.6 million for the year ended December 31, 2011. The increase was due to: (i) administrative fees payable to the Manager of $0.9 million; (ii) managements fees payable to the Manager of $18.1 million; (iii) $16.0 million costs related to vessel pre-building expenses and dry dockings; (iv) $0.1 million related to accrued interest; and (v)$2.4 million related to insurances.

Capitalized dry dock costs incurred in the year ended December 31, 2011 were $7.8 million and related to the dry dock and special survey costs incurred for two of the VLCC tanker vessels of the fleet.

Accounts receivable increased by $2.0 million to $6.5 million for the year ended December 31, 2011, from $4.5 million for the year ended December 31, 2010 and were related to receivables from charterers.

Restricted cash from operating activities decreased by $0.5 million for the year ended December 31, 2010 and related to the cash held in retention account for the payment of interest under our credit facilities.

Accounts payable decreased by $2.4 million from $3.4 million for the year ended December 31, 2010 to $1.0 million for the year ended December 31, 2011. This decrease was attributable to the decrease in legal and professional fees of $2.3 million and the $0.6 million decrease in other creditors which were partially offset by the $0.5 million increase in broker s commission payable.

Prepaid expenses increased by $0.1 million to $0.5 million for the year ended December 31, 2011 from $0.4 million for the year ended December 31, 2010, due to a decrease in prepaid vessel operating expenses On November 4, 2011, with respect to the shares held in escrow for the VLCC Acquisition, a total of 1,160,963 shares of common stock were released to the sellers and the remaining 217,159 were returned to Navios Acquisition in settlement of representations and warranties attributable to the sellers. The returned shares were cancelled on December 30, 2011. The value of the 217,159 shares that were returned was $1.2 million.

Accrued expenses increased by $6.3 million to $15.5 million for the year ended December 31, 2011, from $9.2 million on December 31, 2010. The increase was attributable to a $1.2 million increase in accrued interest, $4.2 million increase in other accrued expenses due to increase in accrued deferred finance fees incurred in relation to credit facilitites entered to partially finance the acquisition of three MR2 vessels, $0.4 million increase in voyage expenses and $0.5 million increase due to the straight line effect of revenue of the vessels acquired in July 2011.

Other long term assets increased by $1.3 million for the year ended December 31, 2011 and $0 million of the comparative period in 2010. On October 28, 2011, the charter contract of the Nave Ariadne (ex Ariadne Jacob) and Nave Cielo (ex Colin Jacob) were terminated prior to their original expiration in June 2013. Navios Acquisition entered into certain settlement agreements with charterers that provide for an amount of approximately $5.0 million to compensate for the early termination of the charters and to cover outstanding receivables, out of which $2.0 million will be settled in installments until June 2015.

Deferred voyage revenue primarily relates to cash received from charterers prior to it being earned. These amounts are recognized as revenue over the voyage or charter period. Deferred voyage revenue increased by $0.5 million to $3.3 million for the year ended December 31, 2011 from $2.8 million on December 31, 2010.

Long Term Liabilities increased by $0.5 million. Lond term liabilities are related to the long term portion of the straight line effect of revenue of the vessels acquired in July 2011.

Cash used in by investing activities for the year ended December 31, 2011 as compared to the year ended December 31, 2010:

Net cash used in investing activities increased by $124.7 million to $229.5 million at December 31, 2011 from $104.8 million at December 31, 2010 mainly as a result of fleet expansion.

Net cash used in investing activities resulted from: (a) $143.2 million paid for the acquisition of the Nave Polaris in January 2011, the Shinyo Kieran in June 2011, the Buddy and the Bull in July 2011 and the Nave Andromed in November 2011; (b) $79.7 million paid as a deposits for the acquisition of the vessels that will be delivered to Navios Acquisition at various dates through October 2014; and (c) $10.4 million of intangible assets and liabilities associated with the acquisition of two MR2 vessels in July 2011. The $233.3 million was partially offset by a $3.8 million decrease in restricted cash.

For the year ended December 31, 2010 net cash used in investing activities increased as a result of: (a) a $76.4 million refund to Navios Holdings, which made the first equity installment payment on the vessels acquired in Navios Acquisition s initial vessel acquisition; (b) $89.9 million paid for the acquisition of the Colin Jacob, the Ariadne Jacob and the Nave Cosmos that were delivered on June 29, 2010, July 2, 2010 and October 27, 2010, respectively; (c) $102.0 million paid for the VLCC Acquisition, net of cash acquired through working capital; and (d) $90.2 million paid as a deposits for the acquisition of the vessels that will be delivered to Navios Acquisition at various dates through December 2012. The increase was partially offset by the release of $251.5 million of investments from the trust account and the release of $2.3 million from the restricted cash.

Cash provided by financing activities for the year ended December 31, 2011 as compared to the year ended December 31, 2010:

Net cash provided by financing activities decreased by $13.1 million to $141.5 million at December 31, 2011 from $154.6 million at December 31, 2010.

Net cash provided by financing activities for the year ended December 31, 2011 was $141.5 million. Net cash provided by financing activities resulted from a $252.1 million loan proceeds net of deferred finance fees and a $33.2 million proceeds from related party loan, net of deferred finance fees. This increase was partially offset by: (a) $1.7 million decrease in restricted cash; (b) $126.3 million for loan repayments; (c) $6.0 million repayment of a loan from related party; and (d) $9.8 million dividends paid.

Net cash provided by financing activities for the year ended December 31, 2010 was $154.6 million. Net cash provided by financing activities resulted from: (a) $556.7 million loan proceeds net of deferred finance fees; (b) $75.0 million from net proceeds from the warrant exercise program; (c) $39.6 million proceeds from related party loan; and (d) $33.4 million net proceeds from the equity offering of 6,500,000 shares that was completed on November 19, 2010. This increase was offset by: (a) $99.3 million paid to holders of 10,021,399 shares of our common stock who voted against the initial vessel acquisition and elected to redeem their shares; (b) $8.9 million disbursed to the underwriters of Navios Acquisitions initial public offering for deferred fees; (c) $0.3 million decrease in restricted cash; (d) $412.3 million for loan repayments, of which, $410.5 million is associated with facilities acquired in the VLCC Acquisition; (e) $27.6 million repayment of a loan from related party; and (f) $1.8 million costs related to the issuance of Series B convertible preferred stock .

Cash flows for the year ended December 31, 2010 compared to the year ended December 31, 2009:

The following table presents cash flow information for the years ended December 31, 2010 and 2009. This information was derived from the audited consolidated statement of cash flows of Navios Acquisition for the respective periods.

(Expressed in thousands of U.S. dollars)	Year Ended December 31, 2010	Year Ended December 31, 2009
Net cash provided by/(used in) operating activities	$ 11,479	$ (623)
Net cash (used in)/provided by investing activities	(104,781)	708
Net cash provided by financing activities	154,575	
Change in cash and cash equivalents	**$ (61,273)**	**$ 85**

Cash provided by/ (used in) operating activities for the year ended December 31, 2010 as compared to the year ended December 31, 2009:

Net cash provided by operating activities increased by $12.1 million to $11.5 million for the year ended December 31, 2010 as compared to a negative $0.6 million for the same period in 2009. The increase is analyzed as follows:

The net loss for the year ended December 31, 2010 was $13.5 million compared to $0.6 million loss for the year ended December 31, 2009. In determining net cash provided by operating activities for the years ended December 31, 2010, net loss was adjusted for the effect of depreciation and amortization of $10.1 million, $5.6 million for non cash transaction costs, $2.1 million for share based compensation and $3.5 million for amortization and write-off of deferred finance fees. There were no adjustments for the comparative period in 2009.

Amounts due to related parties increased by $5.6 million from $0 for the year ended December 31, 2009 to $6.1 million for the year ended December 31, 2010 (including $0.5 million payable to Navios Holdings on the unspacking date). The increase was due to: (i) administrative fees payable to the Manager of $0.4 million; (ii) management fees payable to the Manager of $2.7 million; and (iii) $2.5 million costs related to vessel pre-building expenses.

Restricted cash from operating activities increased by $0.3 million for the year ended December 31, 2010 and relates to the cash held in retention account for the payment of interest under our credit facilities.

Accounts payable increased by $3.4 million from $0.1 million for the year ended December 31, 2009 to $3.5 million for the year ended December 31, 2010. This increase was mainly attributable to the fact that Navios Acquisition had no operations in 2009. Accounts payable mainly consisted of $2.6 million of legal and professional fees and $0.9 million of brokers and other creditors.

Accounts receivable increased to $4.5 million for the year ended December 31, 2010, from $0 for the year ended December 31, 2009 and were mainly related to receivables from charterers. There were no receivables from charterers for the same period in 2009, as Navios Acquisition had not commenced its operations.

Prepaid expenses and other current assets increased by $0.3 million to $0.4 million for the year ended December 31, 2010 (including prepaid expenses and other current assets obtained as a result of the VLCC Acquisition amounting to $3.5 million) from $0.1 million for the year ended December 31, 2009.

Accrued expenses increased by $8.8 million to $9.2 million for the year ended December 31, 2010 (including accrued expenses obtained as a result of the VLCC Acquisition and accrued expenses obtained as a result of the Product and Chemical Tanker Acquisition from Navios Holdings amounting to $12.7 million), from $0.4 million on December 31, 2009.

Deferred voyage revenue primarily relates to cash received from charterers prior to it being earned. These amounts are recognized as revenue over the voyage or charter period. Deferred voyage revenue increased by $2.8 million to $2.8 million for the year ended December 31, 2010 (including deferred revenue obtained as a result of the VLCC Acquisition amounting to $2.4 million) from $0 on December 31, 2009.

Cash (used in)/provided by investing activities for the year ended December 31, 2010 as compared to the year ended December 31, 2009:

Net cash used in investing activities increased by $105.5 million to $104.8 million at December 31, 2010 from $0.7 million inflow at December 31, 2009.

Net cash provided by investing activities increased as a result of the release of $251.5 million of investments from the trust account and the release of $2.3 million from the restricted cash. This increase of $253.8 million was partially offset by: (a) $76.4 million refund to Navios Holdings, which made the first equity installment payment on the vessels acquired in Navios Acquisition s initial vessel acquisition, (b) $89.9 million paid for the acquisition of the Colin Jacob, the Ariadne Jacob and the

Table of Contents

Nave Cosmos that were delivered on June 29, 2010, July 2, 2010 and October 27, 2010, respectively; (c) $90.2 million paid as a deposits for the acquisition of the vessels that will be delivered to Navios Acquisition at various dates through December 2012; and (d) $102.0 million paid for the VLCC Acquisition, net of cash acquired through working capital.

Net cash provided by investing activities for year ended December 31, 2009 resulted from an $0.8 million decrease in the balance of the trust account as interest earned was released to fund Navios Acquisition s working capital requirements.

Cash provided by financing activities for the year ended December 31, 2010 as compared to the year ended December 31, 2009:

Net cash provided by financing activities for the year ended December 31, 2010 was $154.6 million. There were no financing activities for the same period in 2009.

Net cash provided by financing activities resulted from: (a) $556.3 million from loan proceeds net of deferred finance fees; (b) $75.0 million from net proceeds from the warrant exercise program; (c) $40.0 million proceeds from related party loan; and (d) $33.4 million net proceeds from the equity offering of 6,500,000 shares that was completed on November 19, 2010. This increase was offset by: (a) $99.3 million paid to holders of 10,021,399 shares of our common stock who voted against the initial vessel acquisition and elected to redeem their shares; (b) $8.9 million disbursed to the underwriters of Navios Acquisitions initial public offering for deferred fees; (c) $0.3 million decrease in restricted cash; (d) $412.3 million for loan repayments, of which, $410.5 million is associated with facilities acquired in the VLCC Acquisition; (e) $27.6 million repayment of a loan from related party; and (f) $1.8 million costs related to the issuance of Series B convertible preferred stock.

Reconciliation of Adjusted EBITDA to Net Cash from Operating Activities

Expressed in thousands of U.S. dollars	**Year Ended December 31, 2011 (unaudited)**	**Year Ended December 31, 2010 (unaudited)**
Net Cash from Operating Activities	$ 67,972	$ 11,479
Net increase in operating assets	12,972	1,579
Net increase in operating liabilities	(42,342)	(5,269)
Net interest cost	41,751	9,789
Share Based Compensation		(2,140)
Non cash transaction costs		(5,619)
Amortization of deferred finance cost	(2,253)	(518)
Write-off of deferred finance costs	935	(2,938)
EBITDA	$ **77,165**	**$ 6,363**
Share Based Compensation		2,140
Transaction cost		8,019
Write-off deferred finance costs	(935)	5,441
Adjusted EBITDA	**78,100**	**$ 21,963**

(1)

	Year ended December 31, 2011	**Year ended December 31, 2010**
Net cash provided by /(used in) operating activities	67,972	$ 11,479
Net cash used in investing activities	(229,516)	$ (104,781)
Net cash provided by financing activities	141,484	$ 154,575

EBITDA represents loss plus interest expenses and finance cost plus depreciation and amortization and income taxes.

Adjusted EBITDA for the year ended December 31, 2011, represents EBITDA excluding the write-off of $0.9 million of the deferred finance costs that were incurred in connection with the cancellation of committed credit.

64

Table of Contents

Adjusted EBITDA for the year ended December 31, 2010, excludes $8.0 million of transaction costs for the VLCC acquisition, $5.4 million of prepayment fees and write-off of deferred financing costs and $2.1 million of share based compensation.

EBITDA and Adjusted EBITDA are presented because Navios Acquisition believes that EBITDA and Adjusted EBITDA are bases upon which liquidity can be assessed and present useful information to investors regarding Navios Acquisition s ability to service and/or incur indebtedness, pay capital expenditures, meet working capital requirements and pay dividends. EBITDA and Adjusted EBITDA are non-GAAP financial measures and should not be considered a substitute for net income, cash flow from operating activities and other operations or cash flow statement data prepared in accordance with accounting principles generally accepted in the United States or as a measure of profitability or liquidity.

While EBITDA and Adjusted EBITDA are frequently used as a measure of operating results and the ability to meet debt service requirements, the definition of EBITDA and Adjusted EBITDA used here may not be comparable to that used by other companies due to differences in methods of calculation.

Long-Term Obligations and Credit Arrangements

8 5/8% First Priority Ship Mortgage Notes

On October 21, 2010, Navios Acquisition and Navios Acquisition Finance, completed the sale of the $400.0 million of Existing Notes. Following the issuance of the Existing Notes and net proceeds raised of $388.9 million, the securities on six VLCC under their loan facilities were fully released in connection with the full repayment of the facilities totalling $343.8 million, $27.6 million was used to partially repay the $40.0 million Navios Holdings credit facility and the remaining proceeds were used for working capital purposes. On May 26, 2011, Navios Acquisition and Navios Acquisition Finance completed the sale of the $105.0 million of Additional Notes. The net proceeds of the offering of $104.6 million were used to partially finance the acquisition of the VLCC delivered on June 8, 2011 and to repay the $80.0 million revolving credit facility with Marfin Egnatia Bank. The Existing Notes and the Additional Notes are secured by first priority ship mortgages on seven VLCC vessels owned by certain subsidiary guarantors.

The Existing Notes and the Additional Notes are fully and unconditionally guaranteed on a joint and several basis by all of the Company s subsidiaries with the exception of Navios Acquisition Finance. The subsidiary guarantees are full and unconditional, as that term is defined by Regulation S-X Rule 3-10, except for the fact that the indenture provides for an individual subsidiary s guarantee to be automatically released in certain customary circumstances, such as when a subsidiary is sold or all assets are sold, the capital stock is sold, when the subsidiary is designated as an unrestricted subsidiary for purposes of the bond indenture upon liquidation or dissolution or upon legal or covenant defeasance or satisfaction and discharge of the Existing Notes and the Additional Notes.

The Existing Notes and the Additional Notes contain covenants which, among other things, limit the incurrence of additional indebtedness, issuance of certain preferred stock, the payment of dividends, redemption or repurchase of capital stock or making restricted payments and investments, creation of certain liens, transfer or sale of assets, entering into certain transactions with affiliates, merging or consolidating or selling all or substantially all of Company s properties and assets and creation or designation of restricted subsidiaries. We filed a registration statement for the exchange of the Existing Notes which became effective on January 31, 2011. On February 2, 2011, we commenced the exchange offer which terminated on March 2, 2011. As a result of such exchange offer, 100% of the outstanding Existing Notes were exchanged. A registration statement for the exchange of Additional Notes was filed on July 28, 2011 and was declared effective on August 22, 2011. On August 24, 2011, we commenced the exchange offer which terminated on September 23, 2011. As a result of such exchange offer, 100% of the outstanding Additional Notes were exchanged.

Following the consummation of the exchange offer for the Additional Notes on September 23, 2011, the Additional Notes and the Existing Notes have the same CUSIP number.

Credit Facilities

Deutsche Schiffsbank AG, Alpha Bank A.E., and Credit Agricole Corporate and Investment Bank: As a result of its initial vessel acquisition, Navios Acquisition assumed a loan agreement dated April 7, 2010, with Deutsche Schiffsbank AG, Alpha Bank A.E. and Credit Agricole Corporate and Investment Bank of up to $150.0 million (divided in six equal tranches of $25.0 million each) to partially finance the construction of two chemical tankers and four product tankers. Each tranche of the facility is repayable

Table of Contents

in 12 equal semi-annual installments of $0.75 million each with a final balloon payment of $16.75 million to be repaid on the last repayment date. The repayment of each tranche starts six months after the delivery date of the respective vessel which that tranche finances. It bears interest at a rate of LIBOR plus 250 bps. The loan also requires compliance with certain financial covenants. As of December 31, 2011, $115.8 million was outstanding under this facility and $31.2 million remains to be drawn.

BNP Paribas SA Bank and DVB Bank S.E.: As a result of the initial vessel acquisition, Navios Acquisition assumed a loan agreement dated April 8, 2010, of up to $75.0 million (divided in three equal tranches of $25.0 million each) for the purpose of part-financing the purchase price of three product tankers. Each of the tranche is repayable in 12 equal semi-annual installments of $0.75 million each with a final balloon payment of $16.75 million to be repaid on the last repayment date. The repayment date of each tranche starts six months after the delivery date of the respective vessel which that tranche finances. It bears interest at a rate of LIBOR plus 250 bps. The loan also requires compliance with certain financial covenants. As of December 31, 2011, $36.2 million was outstanding under this facility and $38.8 million remains to be drawn.

DVB Bank S.E. and ABN AMRO Bank N.V.: On May 28, 2010, Navios Acquisition entered into a loan agreement with DVB Bank S.E. and ABN AMRO BANK N.V. of up to $52.0 million (divided into two tranches of $26.0 million each) to partially finance the acquisition costs of two product tanker vessels. The repayment of each tranche starts three months after the delivery date of the respective vessel. It bears interest at a rate of LIBOR plus 275 bps. The loan also requires compliance with certain financial covenants. On December 29, 2011, Navios Acquisition prepaid $2.5 million in relation to an amendment to its credit facility. After the prepayment, outstanding amount under each tranche is repayable in five quarterly installments of $0.2 million each, 13 equal quarterly installments of $0.44 million each, with a final balloon payment of $15.2 million to be repaid on the last repayment date. As of December 31, 2011, the facility was fully drawn, and the outstanding amount under this facility was $44.1 million.

Marfin Egnatia Bank: In September 2010, Navios Acquisition (through four subsidiaries) entered into a $80.0 million revolving credit facility with Marfin Egnatia Bank to partially finance the acquisition and construction of vessels and for investment and working capital purposes. The loans are secured by assignments of construction contracts and guarantees, as well as security interests in related assets. The loan matures on September 7, 2012 (with available one-year extensions upon Navios Acquisition s request and the bank s consent) and bears interest at a rate of LIBOR plus 275 bps. As of December 31, 2011, the outstanding amount under this facility was $24.3 million that was used to partially finance the acquisition cost of two product tanker vessels and $55.7 million remains undrawn. Pursuant to an agreement dated December 28, 2011, the maturity of the facility was extended, to match the delivery of the vessels.

Eurobank Ergasias S.A.: On October 26, 2010, Navios Acquisition entered into a loan agreement with Eurobank Ergasias S.A. of up to $52.2 million (divided into two tranches of $26.1 million each) to partially finance the acquisition costs of two product tanker vessels. Each tranche of the facility is repayable in 32 equal quarterly installments of $0.35 million, each with a final balloon payment of $15.1 million, to be repaid on the last repayment date. The repayment of each tranche starts three months after the delivery date of the respective vessel. The loan bears interest at a rate of LIBOR plus (i) plus 250 bps for the period prior to the delivery date in respect of the vessel being financed, and (ii) thereafter 275 bps. The loan also requires compliance with certain financial covenants. The outstanding amount under this facility as of December 31, 2011 was $46.5 million and $5.7 million remains to be drawn.

Eurobank Ergasias S.A.: On December 6, 2010, Navios Acquisition entered into a loan agreement with Eurobank Ergasias S.A. of up to $52.0 million (divided into two tranches of $26.0 million each) to partially finance the acquisition costs of two product tanker vessels. Each tranche of the facility is repayable in 32 equal quarterly installments of $0.35 million each with a final balloon payment of $15.0, to be repaid on the last repayment date. The repayment of each tranche starts three months after the delivery date of the respective vessel. It bears interest at a rate of LIBOR plus 300 bps. The loan also requires compliance with certain financial covenants. As of December 31, 2011, $18.2 million was outstanding under this facility ($9.1 million from each of the two tranches) and $33.8 million remain to be drawn.

ABN AMRO BANK N.V.: On July 8, 2011, Navios Acquisition entered into a loan agreement with ABN AMRO Bank N.V of up to $55.1 million (divided into two equal tranches) to partially finance the purchase price of two MR2 product tanker vessels. The total amount of $54.8 million was drawn under this facility. Each tranche of the facility is repayable in 12 quarterly installments of $0.75 million each and 12 quarterly installments of $0.57 million each with a final balloon payment of $11.6 million to be repaid on the last repayment date. The repayment of each tranche started in October 2011 and it bears interest at a rate of LIBOR plus 325 bps. The loan also requires compliance with certain financial covenants. As of December 31, 2011, $53.3 million was outstanding under this loan agreement ($26.6 million from each of the two tranches), and no further amounts are available to be drawn.

Table of Contents

DVB Bank SE: On December 7, 2011, Navios Acquisition entered into a loan agreement with DVB Bank SE of up to $51.0 million (divided into two tranches of $25.5 million each) to partially finance the purchase price of two LR1 product tanker vessels. Each tranche of the facility is repayable in 28 quarterly installments of $0.4 million each with a final balloon payment of $14.3 million to be repaid on the last repayment date. The repayment starts three months after the delivery of the respective vessel and it bears interest at a rate of LIBOR plus 270 bps per annum. The loan also requires compliance with certain financial covenants. As of December 31, 2011, $0 was drawn and outstanding under this loan agreement.

NORDDEUTSCHE LANDESBANK GIROZENTRALE: On December 29, 2011, Navios Acquisition entered into a loan agreement with NORDDEUTSCHE LANDESBANK GIROZENTRALE of up to $28.1 million to partially finance the purchase price of one MR2 product tanker vessel. The facility is repayable in 32 quarterly installments of $0.39 million each with a final balloon payment of $15.6 million to be repaid on the last repayment date. The repayment starts three months after the delivery of the vessel and it bears interest at a rate of LIBOR plus: (a) up to but not including the Drawdown Date of, 175bps per annum; (b) thereafter until, but not including, the tenth Repayment Date, 250 bps per annum; and (c) thereafter 300 bps per annum. The loan also requires compliance with certain financial covenants. As of December 31, 2011, $0 was drawn and outstanding under this loan agreement.

DVB Bank SE and Emporiki Bank of Greece S.A.: On December 29, 2011, Navios Acquisition entered into a loan agreement with DVB Bank SE and Emporiki Bank of Greece S.A**.** of up to $56.3 million (divided into two tranches of $28.1 million each) to partially finance the purchase price of two MR2 product tanker vessels. Each tranche of the facility is repayable in 32 quarterly installments of $0.39 million each with a final balloon payment of $15.6 million to be repaid on the last repayment date. The repayment starts three months after the delivery of the respective vessel and it bears interest at a rate of LIBOR plus: (a) up to but not including the Drawdown Date of, 175 bps per annum; (b) thereafter until, but not including, the tenth Repayment Date, 250 bps per annum; and (c) thereafter 300 bps per annum. The loan also requires compliance with certain financial covenants. As of December 31, 2011, $0 was drawn and outstanding under this loan agreement.

Navios Holdings Credit Facility: In connection with the VLCC Acquisition, Navios Acquisition entered into a $40.0 million credit facility with Navios Holdings. The $40.0 million facility has a margin of LIBOR plus 300 bps and a term of 18 months, maturing on April 1, 2012. Following the issuance of the Notes in October 2010, the Company prepaid $27.6 million of this facility. Pursuant to an amendment in October 2010, the facility will be available for multiple drawings up to a limit of $40.0 million. Pursuant to an agreement dated November 8, 2011, this facility was extended from April 2012 to December 2014. As of December 31, 2011, the outstanding amount under this facility was $40.0 million and interest accrued under this facility is $0.1 million, is included under amounts due to related parties.

The VLCC Acquisition Credit Facilities

On September 10, 2010, Navios Acquisition consummated the VLCC Acquisition. In connection with the acquisition of the VLCC vessels, it entered into, assumed and supplemented the VLCC Acquisition Credit Facilities described below. The VLCC Acquisition Credit Facilities were fully repaid and terminated with the proceeds of the Existing Notes on October 21, 2010.

In connection with the full repayment of the VLCC facilities of $343.8 million Navios Acquisition paid prepayment fees and breakage cost of $2.5 million and wrote-off unamortized deferred financing costs of $2.9 million. The total amount of $5.4 million was expensed in the Statement of Operations in the year ended December 31, 2010.

On December 12, 2006, a loan of $82.9 million was obtained from HSH Nordbank AG. The loan was secured by the Shinyo Navigator together with security interests in related assets. The balance of the loan assumed at closing was $56.1 million and was repayable in one installment of $2.2 million, one installment of $1.9 million, 12 installments of $2.0 million, eight installments of $1.5 million and four installments of $2.0 million after the prepayment of $8.0 million on September 13, 2010. Payments were to be made quarterly until the tenth anniversary of the date three months from the drawdown date. The facility was amended on September 9, 2010, in connection with the closing of the VLCC Acquisition, and was guaranteed by the Company. The amended terms included: (a) a new margin of 2.75%; (b) a financial covenant package similar to Navios Acquisition s other facility agreements; (c) the prepayment of $8.0 million held in a cash collateral account; and (d) a minimum value clause at 115% starting on June 30, 2011 and 120% starting on December 31, 2011. A 1% fee on the outstanding balance of the facility as of September 10, 2010 was paid at closing. As of December 31, 2010 the outstanding amount under this facility was $0 as the facility was repaid through the issuance of the Existing Notes on October 21, 2010.

On September 5, 2007, a syndicated loan of $65.0 million was obtained from DVB Group MerchantBank (Asia) Ltd, BNP Paribas, Credit Suisse and Deutsche Schiffsbank AG. The loan was secured by the C. Dream together with security interests in related assets. The balance of the loan assumed at closing was $54.7 million and was repayable in one installment of $0.90 million, four installments of $0.95 million, four installments of $1,0 million, four installments of $1.08 million, four installments of $1.15 million four installments of $1.2 million, seven installments of $1.25 million and a balloon payment of $23.55 million payable together with the last installment. Payments were to be made quarterly until the 10th anniversary of the date three months from the drawdown date. The facility was amended on September 10, 2010, in connection with the closing of the VLCC Acquisition, and was guaranteed by the Company. The amended terms included (a) a new margin of 2.75%, (b) a financial covenant package similar to Navios Acquisition s other facility agreements and (c) a minimum value clause at 115% until December 31, 2011 and thereafter at 130%. A 1% fee on the outstanding balance of the facility as of September 10, 2010 was paid at closing. As of December 31, 2010 the outstanding amount under this facility was $0 as it was repaid through the issuance of the Existing Notes on October 21, 2010.

On January 4, 2007, a syndicated loan of $86.8 million was obtained from DVB Group MerchantBank (Asia) Ltd, Credit Suisse and Deutsche Schiffsbank AG. The loan was secured by the Shinyo Ocean together with security interests in related assets. The balance of the loan assumed on September 10, 2010 was $58.9 million and was repayable in three installments of $1.6 million, eight installments of $1.7 million, four installments of $1.8 million, four installments of $2.0 million, four installments of $2.1 million, three installments of $2.2 million and a balloon payment of $10.4 million payable together with the last installment. Payments are to be made quarterly until the tenth anniversary of the date three months from the drawdown date. The facility was amended on September 9, 2010, in connection with the closing of the VLCC Acquisition, and was guaranteed by the Company. The amended terms included (a) a new margin of 2.75%, (b) a financial covenant package similar to Navios Acquisition s other facility agreements and (c) a minimum value clause at 115% until December 31, 2011 and thereafter at 130%. A 1% fee on the outstanding balance of the facility as of September 10, 2010 was paid at closing. The outstanding amount under this facility as of December 31, 2010 was $0 million, since it was repaid through the issuance of the Existing Notes on October 21, 2010.

On January 4, 2007, a syndicated loan of $86.8 million was obtained from DVB Group Merchant Bank (Asia) Ltd, Credit Suisse and Deutsche Schiffsbank AG. The loan was secured by the Shinyo Kannika together with security interests in related assets. The balance of the loan assumed on September 10, 2010 was $58.8 million and was payable in two installments of $1.6 million, four installments of $1.6 million, four installments of $1.7 million, four installments of $1.9 million, four installments of $2.0 million, four installments of $2.1 million, three installments of $2.2 million and a balloon payment of $12.1 million together with the last installment. Forty quarterly payments are to be made commencing on February 15, 2007. The facility was amended on September 9, 2010, in connection with the closing of the VLCC Acquisition, and was guaranteed by the Company. The amended terms included (a) a new margin of 2.75%, (b) financial covenant package similar to Navios Acquisition s other facility agreements and (c) a minimum value clause at 115% until December 31, 2011 and thereafter at 130%. A 1% fee on the outstanding balance of the facility as of September 10, 2010 was paid at closing. As of December 31, 2010 the outstanding amount under this facility was $0, as it was repaid through the issuance of the Existing Notes on October 21, 2010.

On May 16, 2007, a syndicated loan in the amount of $62.0 million was obtained from DVB Group Merchant Bank (Asia) Ltd, Credit Suisse and Deutsche Schiffsbank AG. The loan was secured by the Shinyo Splendor together with security interests in related assets. The balance of the credit facility on September 10, 2010 was $38.8 million and was repayable in three installments of $1.9 million, four installments of $2.1 million, four installments of $2.2 million and three installments of $2.4 million together with a balloon payment of $8.9 million. Payments were to be made for 28 quarters from the date three months from the drawdown date. The facility was amended on September 9, 2010, in connection with the closing of the VLCC transaction and was guaranteed by the Company. The amended terms included (a) a new margin of 2.75% applicable for tranche A and margin of 4% applicable for tranche B, (b) a financial covenant package similar to Navios Acquisition s other facility agreements and (c) minimum value clause at 115% until December 31, 2011 on a charter attached basis and thereafter at 130% on a charter free basis. A 1% fee on the outstanding balance of the facility as of September 10, 2010 was paid at closing. As of December 31, 2010 the outstanding amount under this facility was $0, since the facility was repaid through the issuance of the Existing Notes on October 21, 2010.

On March 26, 2010, a loan facility of $90.0 million was obtained from China Merchant Bank Co., Ltd. to finance the construction of Shinyo Saowalak. The balance of the loan facility as September 10, 2010 was $90.0 million. The loan was secured by the Shinyo Saowalak together with security interests in related assets and was repayable by 12 installments of $1.8 million, 12 installments of $2.0 million and 16 installments of $2.8 million. The first repayment was to be made on September 21, 2010 with the last installment to be paid on the date falling 117 months after September 21, 2010. The facility was amended on September 9, 2010, in connection with the closing of the VLCC Acquisition, and was guaranteed by the Company. The amended terms included a financial covenant package similar to Navios Acquisition s other facility agreements. The outstanding amount under this facility as of December 31, 2010 was $0, since the facility was paid in full on October 21, 2010 through the issuance of the Existing Notes.

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

Not applicable.

D. Trend information

Our results of operations depend primarily on the charter hire rates that we are able to realize for our vessels, which depend on the demand and supply dynamics characterizing the tanker market at any given time. For other trends affecting our business please see other discussions in Item 5-Operating and Financial Review and Prospects .

Table of Contents

E. Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

F. Contractual Obligations and Contingencies

The following table summarizes our long-term contractual obligations as of December 31, 2011:

	Payments due by period				
(In thousands of U.S. dollars)	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Long term debt obligations [1,2]	$ 11,928	$ 27,008	$ 72,803	$ 731,644	$ 843,383
Loans due to related parties [3]	$	$ 40,000			40,000
Vessel deposits [4]	271,638	41,152			312,790
Total contractual obligations	**$ 283,566**	**$ 108,160**	**$ 72,803**	**$ 731,644**	**$ 1,196,173**

1. The amount identified does not include interest costs associated with the outstanding credit facility which is based on LIBOR, plus the costs of complying with any applicable regulatory requirements and a margin ranging from 1.75% to 3.25% per annum.
2. The long-term debt contractual obligations includes in the amount shown for more than three and five years future principal payments of the drawn portion of credit facilities associated with the financing of the construction of the LR1 vessel, the Nave Estella, which was delivered to Navios Acquisition s fleet on January 20, 2012.
3. The amount relates to the credit facility with Navios Holdings. The amount identified does not include interest costs associated with the outstanding credit facility which is based on LIBOR, and a margin of 3.00% per annum.
4. Future remaining contractual deposits of the ten MR2 product tanker vessels and the four LR1 product tanker vessels to be delivered in various dates through October 2014.

Table of Contents

Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates in the application of our accounting policies based on the best assumptions, judgments and opinions of management. Following is a discussion of the accounting policies that involve a higher degree of judgment and the methods of their application that affect the reported amount of assets and liabilities, revenues and expenses and related disclosure of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are those that reflect significant judgments or uncertainties, and potentially result in materially different results under different assumptions and conditions. For a description of all of our significant accounting policies, see Note 2 to the Notes to Consolidated Financial Statements, included herein.

Use of Estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. On an on-going basis, management evaluates the estimates and judgments, including those related to uncompleted voyages, future drydock dates, the selection of useful lives for tangible assets, expected future cash flows from long-lived assets to support impairment tests, provisions necessary for accounts receivables, provisions for legal disputes, and contingencies. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates under different assumptions and/or conditions.

Vessels, Net: Vessels are stated at historical cost, which consists of the contract price, delivery and acquisition expenses and capitalized interest costs while under construction. Vessels acquired in an asset acquisition or in a business combination are recorded at fair value. Subsequent expenditures for major improvements and upgrading are capitalized, provided they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of the vessels. Expenditures for routine maintenance and repairs are expensed as incurred.

Depreciation is computed using the straight line method over the useful life of the vessels, after considering the estimated residual value. Management estimates the residual values of our tanker vessels based on a scrap value of $285 per lightweight ton, as we believe these levels are common in the shipping industry. Management estimates the useful life of our vessels to be 25 years from the vessel s original construction. However, when regulations place limitations over the ability of a vessel to trade on a worldwide basis, its useful life is re-estimated to end at the date such regulations become effective.

Impairment of long-lived assets: Vessels, other fixed assets and other long lived assets held and used by Navios Acquisition are reviewed periodically for potential impairment whenever events or changes in circumstances indicate that the carrying amount of a particular asset may not be fully recoverable. Navios Acquisition s management evaluates the carrying amounts and periods over which long-lived assets are depreciated to determine if events or changes in circumstances have occurred that would require modification to their carrying values or useful lives. In evaluating useful lives and carrying values of long-lived assets, certain indicators of potential impairment, are reviewed such as undiscounted projected operating cash flows, vessel sales and purchases, business plans and overall market conditions.

Undiscounted projected net operating cash flows are determined for each asset group and compared to the vessel carrying value and related carrying value of the intangible with respect to the time charter agreement attached to that vessel or the carrying value of deposits for new buildings. Within the shipping industry, vessels are customarily bought and sold with a charter attached. The value of the charter may be favorable or unfavorable when comparing the charter rate to then current market rates. The loss recognized either on impairment (or on disposition) will reflect the excess of carrying value over fair value (selling price) for the vessel asset group.

During the fourth quarter of fiscal 2011, management concluded that events occurred and circumstances had changed, which indicated the potential impairment of Navios Acquisition s long-lived assets may exist. These indicators included continued deterioration in the spot market, and the related, impact of the current tanker sector has on management s expectation for future revenues. As a result, an impairment assessment of long-lived assets was performed.

The Company determined undiscounted projected net operating cash flows for each vessel and deposits for buildings and compared it to the vessel s carrying value together with the carrying value of the related intangible. The significant factors and assumptions used in the undiscounted projected net operating cash flow analysis included: determining the projected net operating cash flows by considering the charter revenues from existing time charters for the fixed fleet days (Company s remaining charter agreement rates) and an estimated daily time charter equivalent for the unfixed days (based on a combination of the Company s remaining charter agreement rates and the 10-year average historical one year time charter rates) over the remaining economic life of each vessel, net of brokerage and address commissions, excluding days of scheduled off-hires, management fees fixed until May 2012 and thereafter assuming an annual increase of 3.0% and utilization rate of 98.6% based on the fleets historical performance.

Table of Contents

For the deposits for new build vessels, the net cash flows also included the future cash out flows to make vessel ready for use, all remaining progress payments to shipyards and other pre-delivery expenses (e.g. capitalized interest). Accordingly, no impairment charge was recorded.

The assessment concluded that step two of the impairment analysis was not required and no impairment of vessels and the intangible assets existed as of December 31, 2011, as the undiscounted projected net operating cash flows exceeded the carrying value.

In the event that impairment would occur, the fair value of the related asset would be determined and a charge would be recorded to operations calculated by comparing the asset s carrying value to its fair value. Fair value is estimated primarily through the use of third-party valuations performed on an individual vessel basis.

Although management believes the underlying assumptions supporting this assessment are reasonable, if charter rate trends and the length of the current market downturn, vary significantly from our forecasts, management may be required to perform step two of the impairment analysis in the future that could expose Navios Acquisition to material impairment charges in the future.

No impairment loss was recognized for any of the periods presented.

Revenue Recognition: Revenue is recorded when services are rendered, under a signed charter agreement or other evidence of an arrangement, the price is fixed or determinable, and collection is reasonably assured. Revenue is generated from the voyage charter and the time charter of vessels.

Voyage revenues for the transportation of cargo are recognized ratably over the estimated relative transit time of each voyage. A voyage is deemed to commence when a vessel is available for loading and is deemed to end upon the completion of the discharge of the current cargo. Estimated losses on voyages are provided for in full at the time such losses on voyages are provided for in full at the time such losses become evident. Under a voyage charter, a vessel is provided for the transportation of specific goods between specific ports in return for payment of an agreed upon freight per ton of cargo.

Revenues from time chartering of vessels are accounted for as operating leases and are thus recognized on a straight-line basis as the average revenue over the rental periods of such charter agreements, as service is performed. A time charter involves placing a vessel at the charterers disposal for a period of time during which the charterer uses the vessel in return for the payment of a specified daily hire rate. Under time charters, operating costs such as for crews, maintenance and insurance are typically paid by the owner of the vessel.

Profit-sharing revenues are calculated at an agreed percentage of the excess of the charterer s average daily income (calculated on a quarterly or half-yearly basis) over an agreed amount and accounted for on an accrual basis based on provisional amounts and for those contracts that provisional accruals cannot be made due to the nature of the profit share elements, these are accounted for on the actual cash settlement.

Revenues are recorded net of address commissions. Address commissions represent a discount provided directly to the charterers based on a fixed percentage of the agreed upon charter or freight rate. Since address commissions represent a discount (sales incentive) on services rendered by the Company and no identifiable benefit is received in exchange for the consideration provided to the charterer, these commissions are presented as a reduction of revenue.

Goodwill: As required by the accounting guidance, goodwill acquired in a business combination is not to be amortized.

Goodwill is tested for impairment at the reporting unit level at least annually and written down with a charge to operations if the carrying amount exceeds the estimated implied fair value.

The Company will evaluate impairment of goodwill using a two-step process. First, the aggregate fair value of the reporting unit is compared to its carrying amount, including goodwill. The Company determines the fair value of the reporting unit based on a combination of discounted cash flow analysis and an industry market multiple.

If the fair value exceeds the carrying amount, no impairment exists. If the carrying amount of the reporting unit exceeds the fair value, then the Company must perform the second step in order to determine the implied fair value of the reporting unit s goodwill and compare it with its carrying amount. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit to all the assets and liabilities of that unit, as if the unit had been acquired in a business combination and the fair value of the unit was the purchase price. If the carrying amount of the goodwill exceeds the implied fair value, then a goodwill impairment is recognized by writing the goodwill down to its implied fair value.

71

Navios Acquisition has one reporting unit. No impairment loss was recognized for any of the periods presented.

Intangibles other than goodwill: Navios Acquisition s intangible assets and liabilities consist of favorable lease terms and unfavorable lease terms. When intangible assets or liabilities associated with the acquisition of a vessel are identified, they are recorded at fair value. Fair value is determined by reference to market data and the discounted amount of expected future cash flows. Where charter rates are higher than market charter rates, an asset is recorded, being the difference between the acquired charter rate and the market charter rate for an equivalent vessel. Where charter rates are less than market charter rates, a liability is recorded, being the difference between the assumed charter rate and the market charter rate for an equivalent vessel. The determination of the fair value of acquired assets and assumed liabilities requires us to make significant assumptions and estimates of many variables including market charter rates, expected future charter rates, the level of utilization of our vessels and our weighted average cost of capital. The use of different assumptions could result in a material change in the fair value of these items, which could have a material impact on Navios Acquisition s financial position and results of operations.

The amortizable value of favorable and unfavorable leases is amortized over the remaining life of the lease term and the amortization expense is included in the statement of income in the depreciation and amortization line item. The amortizable value of favorable leases would be considered impaired if their fair market values could not be recovered from the future undiscounted cash flows associated with the asset. Vessel purchase options that have not been exercised, which are included in favorable lease terms, are not amortized and would be considered impaired if the carrying value of an option, when added to the option price of the vessel, exceeded the fair value of the vessel. If the purchase option is exercised the portion of this asset will be capitalized as part of the cost of the vessel and will be depreciated over the remaining useful life of the vessel.

Management, after considering various indicators performed an impairment test which included intangible assets as described in critical Accounting policy Impairment of long-lived assets . As of December 31, 2011, there was no impairment of intangible assets.

Deferred Drydock and Special Survey Costs: Navios Acquisition s vessels are subject to regularly scheduled drydocking and special surveys which are carried out every 30 or 60 months to coincide with the renewal of the related certificates issued by the Classification Societies, unless a further extension is obtained in rare cases and under certain conditions. The costs of drydocking and special surveys is deferred and amortized over the above periods or to the next drydocking or special survey date if such has been determined. Unamortized drydocking or special survey costs of vessels sold are written off to income in the year the vessel is sold. Costs capitalized as part of the drydocking or special survey consist principally of the actual costs incurred at the yard, spare parts, paints, lubricants and services incurred solely during the drydocking and special survey period.

Recent Accounting Pronouncements

Fair Value Disclosures

In January 2010, the Financial Accounting Standards Board (FASB) issued amended standards requiring additional fair value disclosures. The amended standards require disclosures of transfers in and out of Levels 1 and 2 of the fair value hierarchy, as well as requiring gross basis disclosures for purchases, sales, issuances and settlements within the Level 3 reconciliation. Additionally, the update clarifies the requirement to determine the level of disaggregation for fair value measurement disclosures and to disclose valuation techniques and inputs used for both recurring and nonrecurring fair value measurements in either Level 2 or Level 3. Navios Acquisition adopted the new guidance in the first quarter of fiscal 2010, except for the disclosures related to purchases, sales, issuance and settlements, which was effective for Navios Acquisition beginning in the first quarter of fiscal 2011. The adoption of the new standards did not have a significant impact on Navios Acquisition s consolidated financial statements.

Supplementary Pro Forma Information for Business Combinations

In December 2010, the FASB issued an amendment of the Accounting Standards Codification regarding Business Combinations. This amendment affects any public entity as defined by Topic 805 that enters into business combinations that are material on an individual or aggregate basis. The amendments specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments in this Update also expand the supplemental pro forma disclosures under Topic 805 to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Navios Acquisition adopted these new requirements in fiscal 2011 and the adoption did not have a significant impact on Navios Acquisition s consolidated financial statements.

Table of Contents

Presentation of Comprehensive Income

In June 2011, the FASB issued an update in the presentation of comprehensive income. According to the update an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The statement of other comprehensive income should immediately follow the statement of net income and include the components of other comprehensive income and a total for other comprehensive income, along with a total for comprehensive income. On December 23, 2011 the FASB issued an amendment to the new standard on Comprehensive income to defer the requirement to measure and present reclassification adjustments form accumulated other comprehensive income to net income by income statement line item is net income and also in other comprehensive income. The amendments in this update do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption is permitted, because compliance with the amendments is already permitted. The amendments do not require any transition disclosures. The adoption of the new amendments did not have a significant impact on Navios Acquisition s consolidated financial statements. There were no items of other comprehensive income arising in any of the periods presented.

Goodwill Impairment guidance

In September 2011, the FASB issued an update to simplify how public entities, test goodwill for impairment. The amendments in the update permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount on a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted including for annual and interim impairment tests performed as of a date before September 15, 2011, if an entity s financial statements for the most recent annual or interim period have not yet been issued. The adoption of the new amendments is not expected to have a significant impact on Navios Acquisition s consolidated financial statements.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

Set forth below are the names, ages and positions of Navios Acquisition s directors, executive officers and key employees.

Name	Age	Position
Angeliki Frangou	47	Chairman, Chief Executive Officer and Director
Ted C. Petrone	57	President and Director
Nikolaos Veraros, CFA	42	Director
John Koilalous	81	Director
Leonidas Korres	36	Chief Financial Officer
Brigitte Noury	65	Director
Anna Kalathakis	42	Director, Senior Vice President Legal Risk Management
George Galatis	49	Director
Vasiliki Papaefthymiou	43	Secretary

Angeliki Frangou has been Navios Maritime Acquisition Corporation s Chairman and CEO since inception. In addition, Ms. Frangou serves as the Chairman and Chief Executive Officer of Navios Maritime Holdings, a growth-focused drybulk company since August 2005 and Navios Partners, a limited partnership, since August 2007. Ms. Frangou is also the Chairman of the board of directors of Navios South American Logistics since inception in December 2007. Previously, Ms. Frangou was Chairman, Chief Executive Officer and President of International Shipping Enterprises Inc., which acquired Navios Holdings. During the period 1990 through August 2005, Ms. Frangou was the Chief Executive Officer of Maritime Enterprises

Management S.A., and its predecessor company, which specialized in the management of dry cargo vessels. Ms. Frangou is the Chairman of IRF European Finance Investments Ltd., listed on the SFM of the London Stock Exchange. During the period April 2004 to July 2005, Ms. Frangou served on the board of directors of Emporiki Bank of Greece (then, the second largest retail bank in Greece). From June 2006 until September 2008, Ms. Frangou also served as Chairman of Proton Bank, based in Athens, Greece. Ms. Frangou is Member of the Board of The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited and Vice Chairman of China Classification Society Mediterranean Committee and a member of the Hellenic and Black Sea Committee of Bureau Veritas as well as a member of Greek Committee of Nippon Kaiji Kyokai. Ms. Frangou received a bachelor s degree in Mechanical Engineering from Fairleigh Dickinson University (summa cum laude) and a master s degree in Mechanical Engineering from Columbia University.

Ted C. Petrone has been our President and a member of our Board of Directors since March 2008. He has also been a director of Navios Holdings since May 2007, having become President of Navios Corporation in September 2006. He heads Navios Holdings worldwide commercial operations. Mr. Petrone has served in the maritime industry for 35 years, 31 of which he has spent with Navios Holdings. After joining Navios Holdings as an assistant vessel operator, Mr. Petrone worked there in various operational and commercial positions. For the last 15 years, Mr. Petrone has been responsible for all the aspects of the daily commercial activity, encompassing the trading of tonnage, derivative hedge positions and cargoes. Mr. Petrone graduated from New York Maritime College at Fort Schuyler with a B.S. in Maritime Transportation. He has also served aboard U.S. Navy (Military Sealift Command) tankers.

Nikolaos Veraros, CFA, has been a member of our Board of Directors since June 2008. Mr. Veraros is a senior analyst at Investments & Finance Ltd., where he has worked since August 2001, and also from June 1997 to February 1999. From March 1999 to August 2001, Mr. Veraros worked as a senior equity analyst for National Securities, S.A., a subsidiary of National Bank of Greece. He is a Chartered Financial Analyst (CFA), a Certified Market Maker for Derivatives in the Athens Stock Exchange, and a Certified Analyst from the Hellenic Capital Market Commission. Mr. Veraros received his Bachelor of Science degree in Business Administration from the Athens University of Economics and Business (graduated as valedictorian) and his Master of Business Administration degree in Finance/Accounting from the William E. Simon Graduate School of Business Administration at the University of Rochester.

John Koilalous has been a member of our board of directors since June 2008. Mr. Koilalous began his career in the shipping industry in the City of London in 1949, having worked for various firms both in London and Piraeus. He entered the adjusting profession in 1969, having worked for Francis and Arnold for some 18 years and then with Pegasus Adjusting Services Ltd., of which he was the founder and, until his retirement at the end of 2008, the managing director. He still remains active in an advisory capacity on matters of marine insurance claims.

Leonidas Korres has been our Chief Financial Officer since April 2010, and previously our Senior Vice President for Business Development since January 2010. Mr. Korres served as the Special Secretary for Public Private Partnerships in the Ministry of Economy and Finance of the Hellenic Republic from October 2005 until November 2009. Prior to that, from April 2004 to October 2005, Mr. Korres served as Special Financial Advisor to the Minister of Economy and Finance of the Hellenic Republic and as liquidator of the Organizational Committee for the Olympic Games Athens 2004 S.A. From 2001 to 2004, Mr. Korres worked as a Senior Financial Advisor for KPMG Corporate Finance. From October 2007 until January 2010, Mr. Korres was a member of the board of directors of Navios Partners. From May 2003 to December 2006, Mr. Korres was Chairman of the Center for Employment and Entrepreneurship, a non-profit Company. From June 2008 until February 2009, Mr. Korres served as a board member and audit committee member of Hellenic Telecommunications Organization S.A. (trading on the Athens and New York Stock Exchanges). From June 2004 until November 2009, Mr. Korres served on the board of Hellenic Olympic Properties S.A., which was responsible for exploiting the Olympic venues. Mr. Korres earned his bachelor s degree in Economics from the Athens University of Economics and Business and his master s degree in Finance from the University of London.

Brigitte Noury has been a member of our board of directors since May 2010. Ms. Noury served from March 2002 until December 2009 as Director of Corporate & Investment Banking Asset & Recovery Management Europe for Societe Generale. She also served from June 1989 until February 2002 as Head of Shipping at Societe Generale. She also served as Vice President Shipping at Banque Indosuez from 1987 to 1989. Before that Ms. Noury served as financial controller at Banque Internationale pour l Afrique Occidentale (further acquired by BNP Paribas). Ms. Noury received a master of economic sciences degree and a diploma in Business Administration from the University of Dijon.

Anna Kalathakis has been a member of our board of directors and Senior Vice President Legal Risk Management since May 2010. Ms. Kalathakis has been Senior Vice President Legal Risk Management of Navios Maritime Holdings Inc. since December 2005. Before joining Navios Holdings, Ms. Kalathakis was the General Manager of the Greek office of A Bilbrough & Co. Ltd. (Managers of the London Steam-Ship Owners Mutual Insurance Association Limited, the London P&I Club) and an Associate Director of the London P&I Club where she gained experience in the handling of liability and contractual disputes in both the dry and tanker shipping sectors (including collisions, oil pollution incidents, groundings etc). She previously worked for a U.S. maritime law firm in New Orleans, having qualified as a lawyer in Louisiana in 1995, and also served in a similar capacity for a London maritime law firm. She qualified as a solicitor in England and Wales in 1999 and was admitted to the Piraeus Bar, Greece, in 2003. She received a bachelor s degree International Relations from Georgetown University and holds a Masters of Business Administration degree from European University in Brussels and a Juris Doctor degree from Tulane Law School.

George Galatis has served as a member of our board of directors since July 2010. He is currently the Executive Vice President Product Development at Demo Pharmaceutical Industry having served as a Senior Vice President Project Development since 1999. Mr Galatis has also served as a Technical Manager in Pharmaceutical Industry Projects at Telos Consulting Ltd. of London from 1994 to 1999. Previously, Mr. Galatis has served as an engineer, technical manager and product manager in various shipping companies in the United States and the UK. Mr. Galatis is a mechanical engineer and holds a bachelor s degree in Mechanical Engineering and master s degree in Robotics from the University of Newcastle upon Tyne.

Vasiliki Papaefthymiou has been appointed our Secretary since inception. Ms. Papaefthymiou has been Executive Vice President Legal and a member of Navios Holdings board of directors since August 25, 2005, and prior to that was a member of the board of directors of ISE. Ms. Papaefthymiou has served as General Counsel for Maritime Enterprises Management S.A. since October 2001, where she has advised the company on shipping, corporate and finance legal matters. Ms. Papaefthymiou provided similar services as General Counsel to Franser Shipping from October 1991 to September 2001. Ms. Papaefthymiou received her undergraduate degree from the Law School of the University of Athens and a master s degree in Maritime Law from Southampton University in the United Kingdom. Ms. Papaefthymiou is admitted to practice law before the Bar in Piraeus, Greece.

B. Executive compensation

Board Classes

Our board of directors is divided into three classes with only one class of directors being elected in each year and each class serving a three-year term. The term of office of the first class of directors, consisting of John Koilalous, George Galatis and Brigitte Noury, will expire at our 2012 annual meeting of stockholders. The term of office of the second class of directors, consisting of Ted C. Petrone and Nikolaos Veraros, will expire at our 2013 annual meeting of stockholders. The term of office of the third class of directors, consisting of Angeliki Frangou and Anna Kalathakis, will expire at our 2014 annual meeting, as their term was renewed for three years during our 2011 annual meeting.

Director Independence

Our board of directors has determined that Messrs. Veraros, Koilalous, Galatis and Ms. Noury are independent directors as defined in the New York Stock Exchange listing standards and Rule 10A-3 of the Exchange Act. We will always seek to have a board of directors comprising of a majority of independent directors.

Executive Compensation

Our independent directors are entitled to receive $50,000 in cash per year, from the respective start of their service on our board of directors. Ms. Frangou receives a fee of $150,000 per year for acting as a director and as our Chairman of the Board. No other executive officer has received any cash compensation for services rendered and no compensation of any kind, including finder s and consulting fees, were paid to our initial stockholders, officers, directors or any of their respective affiliates. Nor has Navios Holdings or, our officers, directors or any of their respective affiliates received any cash compensation for services rendered prior to or in connection with a business combination, except that our independent directors were entitled to receive $50,000 in cash per year, accruing *pro rata* from the respective start of their service on our board of directors and payable only upon the successful consummation of a business combination. However, all of these individuals were reimbursed for any out-of-pocket expenses incurred in connection with activities on our behalf such as identifying potential target businesses and performing due diligence on suitable business combinations.

For the year ended December 31, 2011, aggregate annual compensation paid to our current non-management executive directors was $0.2 million; and $0.15 million was paid to Ms. Frangou for acting as a director and as our Chairman of the Board.

Table of Contents

C. Board Practices

Board committees

Our board of directors has an audit committee and a nominating committee. Our board of directors has adopted a charter for the audit committee as well as a code of conduct and ethics that governs the conduct of our directors and officers.

Audit committee

Our audit committee consists of Messrs. Veraros, Koilalous and Ms. Noury. Each member of our audit committee is financially literate under the current listing standards of the New York Stock Exchange, and our board of directors has determined that Mr. Veraros qualifies as an audit committee financial expert, as such term is defined by SEC rules.

The audit committee reviews the professional services and independence of our independent registered public accounting firm and our accounts, procedures and internal controls. The audit committee also selects our independent registered public accounting firm, reviews and approves the scope of the annual audit, reviews and evaluates with the independent public accounting firm our annual audit and annual consolidated financial statements, reviews with management the status of internal accounting controls, evaluates problem areas having a potential financial impact on us that may be brought to the committee s attention by management, the independent registered public accounting firm or the board of directors, and evaluates all of our public financial reporting documents.

Any expense reimbursements payable to members of our audit committee are reviewed and approved by our board of directors, with the interested director or directors abstaining from such review and approval.

Nominating committee

A nominating committee of the board of directors has been established, which consists of Messrs. Veraros, Koilalous, Galatis, and Ms. Noury, each of whom is an independent director. The nominating committee is responsible for overseeing the selection of persons to be nominated to serve on our board of directors. The nominating committee considers persons identified by its members, management, stockholders, investment bankers and others.

Code of conduct and ethics

We have adopted a code of conduct and ethics applicable to our directors and officers in accordance with applicable federal securities laws and the rules of the New York Stock Exchange.

Conflicts of Interest

Stockholders and potential investors should be aware of the following potential conflicts of interest:

None of our officers and directors is required to commit their full time to our affairs and, accordingly, they will have conflicts of interest in allocating management time among various business activities, including those related to Navios Holdings and Navios Partners.

Each of our directors has, or may come to have other fiduciary obligations. Angeliki Frangou, our Chairman and Chief Executive Officer, is the Chairman and Chief Executive Officer of Navios Holdings and Navios Partners. In addition, Ms. Frangou is the Chairman of the board of directors of IRF European Finance Investments, Ltd. Ted C. Petrone, our president and a member of our board of directors, is the president of Navios Corporation, a subsidiary of Navios Holdings, and a director of Navios Holdings. Mr. Veraros is a senior analyst at Investments & Finance, Ltd., an investment banking firm specializing in the shipping industry. Mr. Koilalous is the founder and managing director of Pegasus Adjusting Services, Ltd., an adjusting firm in the shipping industry. Ms. Kalathakis is Senior Vice President Legal Risk Management of Navios Holdings.

We have entered a Management Agreement, expiring May 28, 2015, with a subsidiary of Navios Holdings, pursuant to which such subsidiary provides certain commercial and technical ship management services for a fixed daily fee of $6,000 per owned MR2 product tanker and chemical tanker vessel, $7,000 per owned LR1 product tanker vessel and $10,000 per owned VLCC tanker vessel for the first two years of the term of that agreement.

We entered into an Administrative Services Agreement with Navios Holdings, expiring on May 28, 2015, pursuant to which a subsidiary of Navios Holdings provides certain administrative management services to Navios Acquisition which include: bookkeeping, audit and accounting services, legal and insurance services, administrative and clerical services, banking and financial services, advisory services, client and investor relations and other. Navios Holdings is reimbursed for reasonable costs and expenses incurred in connection with the provision of these services.

We have not adopted a policy that expressly prohibits our directors, officers, security holders or affiliates from having a direct or indirect pecuniary interest in any investment to be acquired or disposed of by us or in any transaction to which we are a party or have an interest. Nor do we have a policy that expressly prohibits any such persons from engaging for their own account in business activities of the types conducted by us. Accordingly, such parties may have an interest in certain transactions in which we are involved, and may also compete with us.

We cannot assure you that any of the above mentioned conflicts will be resolved in our favor.

Navios Holdings has a significant ownership interest. As a result of Navios Holdings significant ownership stake in us and our common management, there are certain potential conflicts of interest, including potential competition as to acquisition targets and, after an acquisition has been consummated, potential competition and business relationships with each other.

All ongoing and future transactions between us and any of our officers and directors or their respective affiliates, including Navios Holdings, will be on terms believed by us to be no less favorable than are available from unaffiliated third parties, and such transactions will require prior approval, in each instance, by a unanimous vote of our disinterested independent directors or the members of our board who do not have an interest in the transaction.

Please see Item 7.-Major Stockholders and Related Party Transactions .

Facilities

We do not own any real estate or other physical property. Our headquarters are located at 85 Akti Miaouli Street, Piraeus, Greece 185 38.

D. Employees

Employees of Navios Holdings and its subsidiaries provide assistance to us and our operating subsidiaries pursuant to the management agreement and the administrative services agreement; therefore Navios Acquisition does not employ additional staff.

The Manager crews its vessels primarily with Greek, Filipino, Indian, Romanian, Russian and Ukranian officers and Filipino seamen. Navios Acquisition s Manager is responsible for selecting its Greek officers. For other nationalities, officers and seamen are referred to us by local crewing agencies. Navios Acquisition requires that all of its seamen have the qualifications and licenses required to comply with international regulations and shipping conventions.

Navios Holdings also provides on-shore advisory, operational and administrative support to us pursuant to service agreements. Please see Item 7.-Major Stockholders and Related Party Transactions .

E. Share Ownership

The following table sets forth certain information regarding beneficial ownership, based on 40,517,413 shares of common stock outstanding as of March 14, 2012, of our common stock held by Navios Holdings, each of our officers and directors and by all of our directors and officers as a group. The information is not necessarily indicative of beneficial ownership for any other purposes.

Unless otherwise indicated, we believe that all persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them.

Name and Address of Beneficial Owner (1)	Amount of Beneficial Ownership	Percentage of Common Stock
Navios Maritime Holdings Inc. (2)	18,331,551 (2)	45.2%
Angeliki Frangou (3)	1,902,628	4.7%
Ted C. Petrone	*	*
Nikolaos Veraros	*	*
George Galatis		*
John Koilalous	*	*

Birgitte Noury		*
Anna Kalathakis		*
All of our officers and directors as a group [3]	2,025,275	5.0%

* less than one (1%) percent.

Table of Contents

(1) Unless otherwise indicated, the business address of each of the individuals is c/o Navios Maritime Holdings Inc., 85 Akti Miaouli Street, Piraeus, Greece.
(2) Navios Holdings is a U.S. public company controlled by its board of directors, which consists of the following seven members: Angeliki Frangou (our Chairman and Chief Executive Officer), Vasiliki Papaefthymiou, Ted C. Petrone (our president), Spyridon Magoulas, John Stratakis, Stathis Loizos and George Malanga.
(3) Includes 1,502,628 shares held by Amadeus Maritime S.A. that may be deemed to be beneficially owned by Ms. Frangou.

Item 7. Major Stockholders and Related Party Transactions

A. Major Stockholders

The following table sets forth the beneficial ownership of our common stock by each person we know to beneficially own more than 5% of our common stock based upon 40,517,413 shares of common stock outstanding as of March 14, 2012 and the amounts and percentages as are contained in the public filings of such persons and based on knowledge of the Company. The number of shares of common stock beneficially owned by each person is determined under SEC rules and the information is not necessarily indicative of beneficial ownership for any other purpose. Under SEC rules, a person beneficially owns any units as to which the person has or shares voting or investment power. In addition, a person beneficially owns any shares of common stock that the person or entity has the right to acquire as of March 14, 2012 through the exercise of any right. All of the stockholders, including the stockholders listed in this table, are entitled to one vote per share of common stock held.

Name of Beneficial Owner	Amount of Beneficial Ownership	Percentage of Common Stock
Navios Maritime Holdings Inc. [1]	18,331,551	45.2%
A. Lawrence Caroll Trust [2]	4,250,000	10.4%
Jeffrey E. Schwarz [3]	2,257,413	5.5%

(1) The business address of the reporting person is 85 Akti Miaouli Street, Piraeus, Greece 185 38. The foregoing information was derived from a Schedule 13D/A filed with the SEC on July 20, 2011.
(2) The business address of the reporting person is 415 L Ambiance Drive, 804 Longboat Key, FL 34228. The foregoing information was derived from a schedule 13G/A with the SEC on February 2, 2012.
(3) The business address the reporting person is 660 Madison Ave., 18th Floor, New York, NY 10065. The foregoing information was derived from a schedule 13G filed with the SEC on August 5, 2011. The reporting person files jointly with Karen L. Finerman as principals of Metropolitan Capital Advisors, Inc., KJ Advisors Inc., Metropolitan Capital L.L.C. and Metropolitan Capital III, Inc which serve, directly or indirectly, as general partner and/or investment manager for private investment funds and/or managed accounts.

B. Related Party Transactions

On May 28, 2010, Navios Acquisition consummated the vessel acquisition, which constituted its initial business combination. In connection with the stockholder vote to approve the business combination, holders of 10,021,399 shares of common stock voted against the business combination and elected to redeem their shares in exchange for an aggregate of approximately $99.3 million, which amount was disbursed from Navios Acquisitions investments held in trust account on May 28, 2010. In addition, on May 28, 2010, Navios Acquisition disbursed an aggregate of $8.9 million from the trust account to the underwriters of its IPO for deferred fees. After disbursement of approximately $76.5 million to Navios Holdings to reimburse it for the first equity installment payment on the vessels of $38.8 million and other associated payments, the balance of the trust account of $66.1 million was released to Navios Acquisition for general operating expenses. Following such transaction, Navios Acquisition commenced its operations as an operating company and was controlled by Navios Holdings and is consolidated into its financial statements.

In connection with the VLCC Acquisition, Navios Acquisition entered into a $40.0 million credit facility with Navios Holdings. The $40.0 million facility has a margin of LIBOR plus 300 bps and a term of 18 months, maturing on April 1, 2012. Following the issuance of the Notes in October 2010, the Company prepaid $27.6 million of this facility. Pursuant to an amendment in October 2010, the facility will be available for multiple drawings up to a limit of $40.0 million. Pursuant to an agreement dated November 8, 2011, the Navios Holdings credit facility was extended from April 2012 to December 2014. As of December 31, 2011, the outstanding amount under this facility was $40.0 million and interest accrued under this facility is $0.1 million, is included under amounts due to related parties.

Table of Contents

Pursuant to an Exchange Agreement entered into March 30, 2011, Navios Holdings exchanged 7,676,000 shares of Navios Acquisition s common stock it held for 1,000 shares of Series C Convertible Preferred Stock of Navios Acquisition.

The Management Agreement

We have entered into a five-year Management Agreement with the Manager, pursuant to which the Manager will provide certain commercial and technical ship management services to us. These services will be provided in a commercially reasonable manner in accordance with customary ship management practice and under our direction. The Manager will provide these services to us directly but may subcontract for certain of these services with other entities, including other Navios Holdings subsidiaries.

The commercial and technical management services will include:

- *the commercial and technical management of vessels*: managing day-to-day vessel operations including negotiating charters and other employment contracts for the vessels and monitoring payments thereunder, ensuring regulatory compliance, arranging for the vetting of vessels, procuring and arranging for port entrance and clearance, appointing counsel and negotiating the settlement of all claims in connection with the operation of each vessel, appointing adjusters and surveyors and technical consultants as necessary, and providing technical support;

- *vessel maintenance and crewing*: including the supervision of the maintenance and general efficiency of vessels and ensuring the vessels are in seaworthy and good operating condition, arranging our hire of qualified officers and crew, arranging for all transportation, board and lodging of the crew, negotiating the settlement and payment of all wages; and

- *purchasing and insurance*: purchasing stores, supplies and parts for vessels, arranging insurance for vessels (including marine hull and machinery insurance, protection and indemnity insurance and war risk and oil pollution insurance).

The initial term of the Management Agreement will expire May 28, 2015. Pursuant to the terms of the Management Agreement, we will pay the Manager a fixed daily fee of $6,000 per owned MR2 product tanker and chemical tanker vessel, $7,000 per owned LR1 product tanker vessel and $10,000 per owned VLCC vessel, for the first two years of the term of that agreement, with the fixed daily fees adjusted for the remainder of the term based on then-current market fees. This fixed daily fee will cover all of our vessel operating expenses, other than certain extraordinary fees and costs. During the remaining three years of the term of the Management Agreement, we expect that we will reimburse the Manager for all of the actual operating costs and expenses it incurs in connection with the management of our fleet. Actual operating costs and expenses will be determined in a manner consistent with how the initial fees were determined. Drydocking expenses will be fixed under this agreement for up to $300,000 per vessel and will be reimbursed at cost for VLCC vessels.

The Management Agreement may be terminated prior to the end of its initial term by us upon 120-day s notice if there is a change of control of the Manager or by the Manager upon 120-day s notice if there is a change of control of Navios Acquisition. In addition, the Management Agreement may be terminated by us or by the Manager upon 120-day s notice if:

- the other party breaches the agreement;

- a receiver is appointed for all or substantially all of the property of the other party;

- an order is made to wind up the other party;

- a final judgment or order that materially and adversely affects the other party s ability to perform the Management Agreement is obtained or entered and not vacated or discharged; or the other party makes a general assignment for the benefit of its creditors, files a petition in bankruptcy or liquidation or commences any reorganization proceedings.

Furthermore, at any time after the first anniversary of the Management Agreement, the Management Agreement may be terminated prior to the end of its initial term by us or by the Manager upon 365-day s notice for any reason other than those described above.

In addition to the fixed daily fees payable under the Management Agreement, the Management Agreement provides that the Manager will be entitled to reasonable supplementary remuneration for extraordinary fees and costs resulting from:

Table of Contents

- time spent on insurance and salvage claims;
- time spent vetting and pre-vetting the vessels by any charterers in excess of 10 days per vessel per year;
- the deductible of any insurance claims relating to the vessels or for any claims that are within such deductible range;
- the significant increase in insurance premiums which are due to factors such as acts of God outside the control of the Manager;
- repairs, refurbishment or modifications, including those not covered by the guarantee of the shipbuilders or by the insurance covering the vessels, resulting from maritime accidents, collisions, other accidental damage or unforeseen events (except to the extent that such accidents, collisions, damage or events are due to the fraud, gross negligence or willful misconduct of the Manager, its employees or its agents, unless and to the extent otherwise covered by insurance);
- expenses imposed due to any improvement, upgrade or modification to, structural changes with respect to the installation of new equipment aboard any vessel that results from a change in, an introduction of new, or a change in the interpretation of, applicable laws, at the recommendation of the classification society for that vessel or otherwise;
- costs associated with increases in crew employment expenses resulting from an introduction of new, or a change in the interpretation of, applicable laws or resulting from the early termination of the charter of any vessel;
- any taxes, dues or fines imposed on the vessels or the Manager due to the operation of the vessels;
- expenses incurred in connection with the sale or acquisition of a vessel such as inspections and technical assistance; and
- any similar costs, liabilities and expenses that were not reasonably contemplated by us and the Manager as being encompassed by or a component of the fixed daily fees at the time the fixed daily fees were determined.

Under the Management Agreement, neither we nor the Manager will be liable for failure to perform any of our or its obligations, respectively, under the Management Agreement by reason of any cause beyond our or its reasonable control.

In addition, the Manager will have no liability for any loss arising in the course of the performance of the commercial and technical management services under the Management Agreement unless and to the extent that such loss is proved to have resulted solely from the fraud, gross negligence or willful misconduct of the Manager or its employees, in which case (except where such loss has resulted from the Manager s intentional personal act or omission and with knowledge that such loss would probably result) the Manager s liability will be limited to $3.0 million for each incident or series of related incidents.

Further, under our Management Agreement, we have agreed to indemnify the Manager and its employees and agents against all actions that may be brought against them under the Management Agreement including, without limitation, all actions brought under the environmental laws of any jurisdiction, or otherwise relating to pollution or the environment, and against and in respect of all costs and expenses they may suffer or incur due to defending or settling such action; provided, however, that such indemnity excludes any or all losses which may be caused by or due to the fraud, gross negligence or willful misconduct of the Manager or its employees or agents, or any breach of the Management Agreement by the Manager.

The Administrative Services Agreement

We have entered into an Administrative Services Agreement, expiring May 28, 2015, with the Manager, pursuant to which the Manager will provide certain administrative management services to us.

The Administrative Services Agreement may be terminated prior to the end of its term by us upon 120-day s notice if there is a change of control of the Manage