

FreeSeas Inc.  
Form 424B5  
July 20, 2009

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Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

**Filed Pursuant to Rule 424(b)(5)  
Registration No. 333-149916**

**SUBJECT TO COMPLETION DATED JULY 20, 2009**

**PROSPECTUS SUPPLEMENT**

**(to Prospectus dated May 14, 2008)**

**\$15,716,586**

**FREESEAS INC.**

**Shares of Common Stock**

We are offering up to \$15,716,586 of shares of our common stock. Our common stock is listed on the NASDAQ Global Market under the symbol FREE. On July 17, 2009, the last reported sale price of our common stock was \$2.37 per share.

**Investing in our common stock involves a high degree of risk. See Risk Factors beginning on page S-11 to read about the risks you should consider before buying shares of our common stock.**

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

	<b>Per Share</b>	<b>Total</b>
Public offering price	\$	\$
Underwriting discounts and commissions	\$	\$
Proceeds to us, before expenses	\$	\$

The underwriters have a 30-day option to purchase up to \$2,357,488 of additional shares of our common stock from us to cover over-allotments, if any, at the offering price less underwriting discounts and commissions.

The underwriters expect to deliver the shares to purchasers on or about \_\_\_\_\_, 2009.

**DAHLMAN ROSE & COMPANY**

The date of this prospectus supplement is July , 2009.

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**ABOUT THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS**

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of our offering of up to \$15,716,586 of our shares of common stock (\$18,074,074 if the underwriters exercise their over-allotment option in full) and which also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information, some of which does not apply to this offering. You should read both this prospectus supplement and the accompanying prospectus together with the documents incorporated herein by reference and the additional information about us described in the sections titled *Where You Can Find More Information* and *Incorporation of Certain Documents by Reference*.

**If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely only on the information contained in or incorporated by reference into this prospectus supplement. We have not, and the underwriters have not, authorized any other person to provide you with information that is different. If anyone provides you with different or inconsistent information, you should not rely on it. The information contained in or incorporated by reference into this document is accurate only as of the date of this prospectus supplement, regardless of the time of delivery of this prospectus supplement or of any sale of shares of our common stock.**

Unless the context otherwise requires, the term(s) *FreeSeas*, *Company*, *we*, *us* and *our* refer to FreeSeas Inc. and subsidiaries.

Unless the context otherwise requires, the term *prospectus* refers to this prospectus supplement.

Unless otherwise indicated, all references to *\$* and *dollars* in this prospectus supplement are to U.S. dollars and financial information presented in this prospectus supplement that is derived from financial statements incorporated by reference is prepared in accordance with the U.S. generally accepted accounting principles.

We use the term *deadweight tons*, or *dwt*, in describing the capacity of our drybulk carriers. *Dwt*, expressed in metric tons, each of which is equivalent to 1,000 kilograms, refers to the maximum weight of cargo and supplies that a vessel can carry. Drybulk carriers are generally categorized as *Handysize*, *Handymax*, *Panamax* and *Capesize*. The carrying capacity of a *Handysize* drybulk carrier typically ranges from 10,000 to 39,999 dwt and that of a *Handymax* drybulk carrier typically ranges from 40,000 to 59,999 dwt. By comparison, the carrying capacity of a *Panamax* drybulk carrier typically ranges from 60,000 to 79,999 dwt and the carrying capacity of a *Capesize* drybulk carrier typically is 80,000 dwt and above.

**ENFORCEABILITY OF CIVIL LIABILITIES**

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



**Table of Contents****ABOUT OUR COMPANY****Our Company**

We are an international drybulk shipping company incorporated under the laws of the Republic of the Marshall Islands with headquarters in Piraeus, Greece. Our existing fleet consists of seven Handysize vessels and two Handymax vessels that carry a variety of drybulk commodities, including iron ore, grain and coal, which are referred to as major bulks, as well as bauxite, phosphate, fertilizers, steel products, cement, sugar and rice, or minor bulks. As of June 30, 2009, the aggregate dwt of our fleet is approximately 268,166 dwt and the average age of our fleet is approximately 13.72 years.

We are currently focusing on the Handysize and Handymax sectors, which we believe are more versatile in the types of cargoes that they can carry and trade routes they can follow, and offer less volatile returns than larger vessel classes. We may, however, acquire larger drybulk vessels if appropriate opportunities present themselves.

We have contracted the management of our fleet to Free Bulkers, S.A., or Free Bulkers, a company owned by Ion G. Varouxakis, our chairman, chief executive officer and president. Free Bulkers provides technical management of our fleet, accounting services and office space and has subcontracted the charter and post-charter management of our fleet to Safbulk Pty Ltd., or Safbulk, a company controlled by the Restis family. We believe that Safbulk has achieved a strong reputation in the international shipping industry for efficiency and reliability that should create new employment opportunities for us with a variety of well known charterers. While Safbulk is responsible for finding and arranging charters for our vessels, the final decision to charter our vessels remains with us.

**Our Fleet**

The following table details the vessels in our fleet as of July 17, 2009:

<b>Vessel Name</b>	<b>Type</b>	<b>Built</b>	<b>Dwt</b>	<b>Employment</b>
M/V Free Destiny	Handysize	1982	25,240	30-day spot time charter at \$13,400 per day through July 2009
M/V Free Envoy	Handysize	1984	26,318	Spot time charter at \$8,300 per day, which is expected to be completed by the beginning of August 2009
M/V Free Goddess	Handysize	1995	22,051	Balance of time charter at \$8,000 per day through September 2009 (plus 50% profit sharing above \$10,000 per day); increases to \$10,500 per day on September 15, 2009 through January/February 2010 (plus 50% profit sharing above \$12,500 per day)
M/V Free Hero	Handysize	1995	24,318	35-day time charter at \$12,400 per day through July 2009



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M/V Free Impala	Handysize	1997	24,111	Spot time charter at \$7,500 per day, which is expected to be completed by the beginning of August 2009
M/V Free Jupiter	Handymax	2002	47,777	Balance of time charter at \$28,000 per day through March 2010 and \$24,000 per day through March 2011
M/V Free Knight	Handysize	1998	24,111	45-60 day spot time charter at \$7,600 per day through September 2009
M/V Free Lady	Handymax	2003	50,246	Balance of time charter at \$51,150 per day through May 2010
M/V Free Maverick	Handysize	1998	23,994	45-day spot time charter at \$8,650 per day through August 2009

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### **Recent Developments**

In July 2009, we received an extension of our loan covenant waivers from First Business Bank S.A., or FBB. FBB has agreed, subject to execution of appropriate amendments to the loan documents, to extend the previously provided waivers of the vessel value to debt ratio covenant and the parent company leverage ratio covenant from January 1, 2010 to July 1, 2010. In connection with this extension, we agreed to an increase in the interest rate on the loan from 2.00% above LIBOR to 2.75% above LIBOR. In addition, Hollandsche Bank-Unie N.V., or HBU, has agreed to modify our interest coverage and debt service coverage ratios requirements. For 2009 and 2010, the interest coverage ratio will be defined as EBITD/net financing charges and is to be at least 3.75 until July 1, 2010 and at least 3.00 through December 31, 2010. During this period, the debt service coverage ratio must be at least 1.00 through December 31, 2010. The foregoing ratios for 2011 will be determined based on the prevailing market conditions. See Management's Discussion and Analysis of Financial Condition and Results of Operations Long-Term Debt Loan Agreement Covenants and Waivers.

Certain of our vessels experienced off-hire days relating to technical and operational occurrences during the second quarter of 2009. These off-hire days are expected to reduce our income from operations for the quarter by approximately \$1 million to \$1.5 million in the aggregate. We intend to seek to recover a portion of this amount, although there can be no assurances that we will be successful in recovering all or any portion of it.

### **Our Corporate History**

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

On December 15, 2005, we completed a merger with Trinity Partners Acquisition Company Inc., a blank check company formed to serve as a vehicle to complete a business combination with an operating business, in which we were the surviving corporation. At the time of the merger we owned three drybulk carriers. Each outstanding share of Trinity's common stock and Class B common stock was converted into the right to receive an equal number of shares of our common stock, and each Trinity Class W warrant and Class Z warrant was converted into the right to receive an equal number of our Class W warrants and Class Z warrants.

As of June 30, 2009, we had outstanding 21,171,329 shares of our common stock, 786,265 Class W warrants, which expire on July 29, 2009 and 1,655,006 Class Z warrants, which expire on July 29, 2011.

Our common stock, Class W warrants and Class Z warrants currently trade on the NASDAQ Global Market under the trading symbols FREE, FREEW and FREEZ, respectively.

Our executive offices are located at 89 Akti Miaouli & 4 Mavrokordatou Street, 185 38, Piraeus, Greece and our telephone number is 011-30-210-452-8770.

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**THE OFFERING**

Issuer	FreeSeas Inc.
Shares of common stock offered hereby	Up to \$15,716,586 of shares of our common stock, based on the closing price of our shares on July 17, 2009 (\$18,074,074 if the underwriters exercise their over-allotment option in full).
Shares of common stock outstanding after this offering(1)	27,802,799 shares (28,797,520 shares if the underwriters exercise their over-allotment option in full), based on the closing price of our shares on July 17, 2009.
NASDAQ Global Market Symbol	Our common stock is listed on the NASDAQ Global Market under the symbol FREE.
Risk Factors	See Risk Factors beginning on page S-11 and other information included or incorporated by reference in this prospectus supplement for a discussion of factors you should carefully consider before deciding to invest in our common stock.
Use of Proceeds	<p>We estimate that we will receive net proceeds of approximately \$14.6 million (\$16.8 million if the underwriters exercise their over-allotment option in full) from this offering assuming an offering price of \$2.37 per share of common stock, the last reported closing price of our common stock on July 17, 2009, after deducting underwriting discounts and commissions and offering expenses.</p> <p>We intend to use the proceeds of this offering to repay a portion of our outstanding indebtedness to HBU, to purchase additional vessels, and for general working capital purposes. See Use of Proceeds.</p>
Dividends	Because of restrictions in certain waivers we received from our lenders and in light of prevailing economic conditions, our board of directors determined in 2009 to suspend payment of cash dividends. See Dividend Policy.
Purchases by Insiders	We currently anticipate that The Mida s Touch, S.A., an entity controlled by Ion G. Varouxakis, our Chairman of the Board, Chief Executive Officer and President, will acquire 200,000 shares of common stock in the offering.

(1) The number of shares of common stock outstanding after this offering is based on 21,171,329 shares of our common stock outstanding on June 30, 2009 and excludes the following:

A. up to 170,000 shares reserved for issuance upon the exercise of stock options currently outstanding (of which, as of June 30, 2009, options to purchase 140,000 shares had vested), which have an exercise price of \$8.25 per share and

expire on December 2012, and up to 1,080,000 shares issuable upon exercise of stock options that may be granted in the future under our stock incentive plan;

B. 2,591,271 shares of common stock reserved for issuance upon the exercise of outstanding warrants, as follows:

150,000 Class A warrants held by our founding shareholders exercisable at \$5.00 per share and expiring July 29, 2011;

786,265 Class W warrants exercisable at \$5.00 per share and expiring July 29, 2009; and

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1,655,006 Class Z warrants exercisable at \$5.00 per share and expiring July 29, 2011;

C. 410,000 shares of common stock reserved for issuance upon the exercise of the unit purchase option sold to the lead underwriter in the initial public offering of our predecessor, which unit purchase option expires July 29, 2009, as follows:

25,000 shares of common stock included in the 12,500 Series A units purchasable upon exercise of the unit purchase option, at an exercise price of \$17.325 per Series A unit;

62,500 shares of common stock issuable for \$5.50 per share upon exercise of 62,500 Class W warrants included in the 12,500 Series A units;

62,500 shares of common stock issuable for \$5.50 per share upon exercise of 62,500 Class Z warrants included in the 12,500 Series A units;

130,000 shares of common stock included in the 65,000 Series B units purchasable upon exercise of the unit purchase option, at an exercise price of \$16.665 per Series B unit;

65,000 shares of common stock issuable for \$5.50 per share upon exercise of 65,000 Class W warrants included in the 65,000 Series B units;

65,000 shares of common stock issuable for \$5.50 per share upon exercise of 65,000 Class Z warrants included in the 65,000 Series B units; and

D. shares that may be issued pursuant to the underwriters' over-allotment option.

Assuming all outstanding stock options, all outstanding warrants and the unit purchase option sold to the lead underwriter in the initial public offering of our predecessor (and all warrants subject to such unit purchase option) were exercised for cash, we would receive gross proceeds of approximately \$16.8 million.

**Table of Contents****SUMMARY FINANCIAL INFORMATION AND DATA**

The following summary financial information and data were derived from our audited consolidated financial statements for the years ended December 31, 2008, 2007 and 2006, and our unaudited condensed consolidated financial statements for the three months ended March 31, 2009 and 2008. The information is only a summary and should be read in conjunction with our historical consolidated financial statements and related notes incorporated by reference into this prospectus supplement and the section of this prospectus supplement titled Management's Discussion and Analysis of Financial Condition and Results of Operations. The historical data included below and elsewhere in this prospectus supplement are not necessarily indicative of our future performance.

All amounts in the tables below are in thousands of U.S. dollars, except for share data and per diem amounts.

	<b>Three Months Ended</b>		<b>Year Ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Statement of Operations</b>					
<b>Data:</b>					
Operating revenues	\$ 17,556	\$ 8,641	\$ 66,689	\$ 20,147	\$ 11,727
Vessel operating expenses	(3,479)	(3,257)	(16,354)	(6,001)	(4,483)
Voyage expenses	(159)	(89)	(527)	(267)	(689)
Depreciation expense	(4,280)	(2,015)	(13,349)	(4,435)	(4,479)
Amortization of deferred charges	(281)	(102)	(788)	(757)	(442)
Management fees to a related party	(415)	(485)	(2,634)	(875)	(540)
Commissions	(947)	(460)	(3,383)	(1,095)	(799)
Stock-based compensation expense	(3)	(27)	(107)	(96)	(651)
General and administrative expenses	(712)	(545)	(2,756)	(2,111)	(1,925)
Bad debts			(221)	(118)	
Gain on sale of vessel				1,369	
<b>Income (loss) from operations</b>	<b>7,280</b>	<b>1,661</b>	<b>26,570</b>	<b>5,761</b>	<b>(2,281)</b>
Interest and finance costs	(1,232)	(916)	(6,209)	(3,204)	(1,004)
Loss on debt extinguishment			(639)	(2,570)	
Change in derivatives fair value	57	(702)	(1,061)	(749)	
Interest income	14	284	580	639	19
Other	78	(44)	(49)	(33)	(58)
<b>Net income (loss)</b>	<b>\$ 6,197</b>	<b>\$ 283</b>	<b>\$ 19,192</b>	<b>\$ (156)</b>	<b>\$ (3,324)</b>
Basic earnings (loss) per share	\$ 0.29	\$ 0.01	\$ 0.91	\$ (0.02)	\$ (0.53)
Diluted earnings (loss) per share	\$ 0.29	\$ 0.01	\$ 0.91	\$ (0.02)	\$ (0.53)
	21,171,329	20,743,456	21,006,497	8,786,287	6,290,100

Basic weighted average number of shares					
Diluted weighted average number of shares	21,171,329	21,012,924	21,051,963	8,786,287	6,290,100

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	<b>March 31, 2009</b>	<b>2008</b>	<b>December 31, 2007</b>	<b>2006</b>
<b>Balance Sheet Data:</b>				
Current assets, including cash	\$ 20,157	\$ 27,184	\$ 81,440	\$ 1,417
Fixed assets, net	271,125	275,405	108,021	19,369
Total assets	296,143	307,861	191,972	23,086
Total current liabilities, including current portion of long-term debt	37,070	50,768	34,097	10,260
Derivative financial instruments, net of current portion	1,043	1,337	749	
Long-term debt, including shareholder loans net of current portion	129,550	133,650	44,500	5,819
Total liabilities	169,088	187,006	79,346	16,079
Total shareholders' equity	127,055	120,855	112,626	7,007

	<b>Three Months Ended March 31,</b>		<b>Year Ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Other Financial Data:</b>					
Net cash provided by (used in) operating activities	\$ 8,703	\$ (1,547)	\$ 32,563	\$ 5,071	\$ 1,078
Net cash used in investing activities		49,974	(182,539)	(86,979)	
Net cash provided by (used in) financing activities	(8,892)	24,542	89,960	144,930	(3,991)

	<b>Three Months Ended March 31,</b>		<b>Year Ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Performance Indicators:</b>					
<b>Adjusted EBITDA(1)</b>	\$ 11,919	\$ 3,734	\$ 40,658	\$ 8,350	\$ 2,582
<b>Fleet Data:</b>					
Average number of vessels(2)	9.00	5.11	7.36	3.30	3.00
Ownership days(3)	810	465	2,688	1,206	1,095
Available days(4)	810	465	2,605	1,177	1,005
Operating days(5)	809	386	2,441	1,048	941
Fleet utilization(6)	99.9%	83.0%	90.8%	86.9%	86.0%
<b>Average Daily Results:</b>					
Average TCE rate(7)	\$ 20,334	\$ 20,964	\$ 25,719	\$ 17,925	\$ 10,881
Vessel operating expenses(8)	4,295	7,004	6,084		