Star Maritime Acquisition Corp.
Form 10-Q
November 08, 2007
Table of Contents

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

FORM 10-Q

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

For the quarterly period ended September 30, 2007.

or

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

Commission File Number: 001-32685

Star Maritime Acquisition Corp.
(Exact name of registrant as specified in its charter)

Delaware	**20-2873585**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

103 Foulk Rd.
Wilmington, Delaware 19803
(Address of Principal Executive Offices including Zip Code)

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

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

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

Large Accelerated Filer o ð Accelerated Filer ý Non-Accelerated Filer o

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

There were 29,026,924 shares of the Registrant’s common stock issued and outstanding as of November 5, 2007.

Table of Contents

Star Maritime Acquisition Corp. and Subsidiary

Index to Form 10-Q

Table of Contents

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS (UNAUDITED)

Star Maritime Acquisition Corp. and Subsidiary
(a development stage company)
Condensed Consolidated Balance Sheets

	September 30, 2007 (unaudited)	December 31, 2006
ASSETS		
Current Assets		
Cash	$ 290,597	$ 2,118,141
Investments in trust account	197,859,466	192,915,257
Prepaid expenses and other current assets	118,401	149,647
Deferred costs	785,071	-
Total Current Assets	199,053,535	195,183,045
Property and equipment, net	12,516	3,256
TOTAL ASSETS	**$ 199,066,051**	**$ 195,186,301**
LIABILITIES & STOCKHOLDERS' EQUITY		
Liabilities		
Accounts payable & accrued expenses	$ 1,179,633	$ 603,520
Deferred Interest on investments	3,876,627	2,163,057
Deferred underwriting fees	4,000,000	4,000,000
Income taxes payable	-	206,687
Total Liabilities	9,056,260	6,973,264
Common Stock, $.0001 par value, 6,599,999 shares subject to possible redemption, at redemption value of $9.80 per share	64,679,990	64,679,990
Commitments		
Stockholders' Equity		
Preferred Stock, $.0001 par value; authorized, 1,000,000 shares; none issued or outstanding	-	-
Common Stock, $.0001 par value, authorized, 100,000,000 shares; 29,026,924 shares issued and outstanding.	2,903	2,903
(including 6,599,999 shares subject to possible redemption)		
Additional paid in capital	120,441,727	120,441,727
Earnings accumulated in the development stage	4,885,171	3,088,417
Total Stockholders' Equity	125,329,801	123,533,047
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 199,066,051**	**$ 195,186,301**

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

Star Maritime Acquisition Corp. and Subsidiary
(a development stage company)
Condensed Consolidated Statements of Income

	Three Months Ended September 30, 2007 (unaudited)	Three Months Ended September 30, 2006 (unaudited)	Nine Months Ended September 30, 2007 (unaudited)	Nine Months Ended September 30, 2006 (unaudited)	May 13, 2005 (date of inception) to September 30, 2007 (unaudited)
Operating expenses					
Professional fees	$ 75,531	$ 203,908	$ 1,035,921	$ 331,954	$ 1,651,944
Insurance	81,157	26,250	129,937	89,500	246,413
Due diligence costs	6,294	8,141	82,790	65,434	345,667
Other	86,574	36,230	457,459	170,869	723,394
Total operating expenses	249,556	274,529	1,706,107	657,757	2,967,418
Interest income	1,192,297	1,117,933	3,502,861	3,275,131	8,082,276
Income before provision for income taxes	942,741	843,404	1,796,754	2,617,374	5,114,858
Provision for income taxes	-	13,400	-	256,726	229,687
Net income	$ 942,741	$ 830,004	$ 1,796,754	$ 2,360,648	$ 4,885,171
Earnings per share (basic and diluted)	$ 0.03	$ 0.03	$ 0.06	$ 0.08	$ 0.20
Weighted average shares outstanding - basic and diluted	29,026,924	29,026,924	29,026,924	29,026,924	23,931,286

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

Star Maritime Acquisition Corp. and Subsidiary
(a development stage company)
Condensed Consolidated Statements of Stockholders' Equity

	Common Stock Shares	Common Stock Amount	Additional paid-in capital	Earnings accumulated in the development stage	Total stockholders' equity
May 13, 2005 (Inception) to September 30, 2007					
Stock Issuance on May 17, 2005 at $.003 per share	9,026,924	$ 903	$ 24,097	$ -	$ 25,000
Private placement issued December 15, 2005 at $10 per share	1,132,500	113	11,324,887		11,325,000
Common shares issued December 21, 2005 at $10 per share	18,867,500	1,887	188,673,113		188,675,000
Expenses of offerings			(14,900,380)		(14,900,380)
Proceeds subject to possible redemption of 6,599,999 shares			(64,679,990)		(64,679,990)
Net income for the period May 13, 2005 (inception) to December 31, 2005	-	-	-	110,331	110,331
Balance, December 31, 2005	29,026,924	$ 2,903	$ 120,441,727	$ 110,331	$ 120,554,961
Net Income for the year ended December 31, 2006	-	-	-	2,978,086	2,978,086
Balance, December 31, 2006	29,026,924	$ 2,903	$ 120,441,727	$ 3,088,417	$ 123,533,047
Unaudited					
Net income for the nine months ended September 30, 2007	-	-	-	1,796,754	1,796,754
Balance, September 30, 2007	29,026,924	$ 2,903	$ 120,441,727	$ 4,885,171	$ 125,329,801

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

Star Maritime Acquisition Corp. and Subsidiary
(a development stage company)
Condensed Consolidated Statements of Cash Flows

	Nine months ended September 30, 2007 (unaudited)	Nine months ended September 30, 2006 (unaudited)	May 13, 2005 (date of inception) to September 30, 2007 (unaudited)
Cash flows from operating activities:			
Net Income	$ 1,796,754	$ 2,360,648	$ 4,885,171
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			-
Depreciation	1,944	102	2,352
Changes in operating assets and liabilities:			-
Increase in value of trust account	(4,944,209)	(3,881,681)	(9,184,466)
Decrease (increase) in prepaid expenses and other current assets	31,246	33,501	(118,401)
Decrease in deferred tax asset	-	9,000	-
Increase (decrease) in accounts payable and accrued expenses	(208,958)	(104,153)	394,562
Increase in deferred interest	1,713,570	1,612,074	3,876,627
Increase (decrease) in taxes payable	(206,687)	264,726	-
Net cash (used in) provided by operating activities	(1,816,340)	294,217	(144,155)
Cash flows from investing activities:			
Payment to trust account	-	-	(188,675,000)
Capital expenditures	(11,204)	(3,663)	(14,868)
Net cash used in investing activities	(11,204)	(3,663)	(188,689,868)
Cash flows from financing activities:			
Gross proceeds from public offering	-	-	188,675,000
Gross proceeds from private placement	-	-	11,325,000
Proceeds of note payable to stockholder	-	-	590,000
Repayment of note payable to stockholder	-	-	(590,000)
Proceeds from sale of shares of common stock	-	-	25,000
Payment of offering costs	-	-	(10,900,380)
Net cash provided by financing activities	-	-	189,124,620
Net cash (decrease) increase for period	(1,827,544)	290,553	290,597
Cash at beginning of period	2,118,141	593,281	-
Cash at end of period	**$ 290,597**	**$ 883,834**	**$ 290,597**
Supplemental disclosure of cash flow information			
Interest paid	$ -	$ -	$ 9,163
Supplemental schedule of non-cash financing activities			
Accrual of deferred underwriting fees	$ -	$ -	$ 4,000,000
Accrual of deferred costs	$ 785,071	$ -	$ 785,071

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

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

Notes to Condensed Consolidated Financial Statements (unaudited)
September 30, 2007

NOTE A-ORGANIZATION AND BUSINESS OPERATIONS

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

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

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

On January 12, 2007, the Company, through Star Bulk, agreed to purchase eight drybulk carriers (the "Vessels") from certain wholly-owned subsidiaries of TMT Co., Ltd., a Taiwan corporation (TMT Co., Ltd. and such wholly-owned subsidiaries, collectively, "TMT"), pursuant to separate definitive Memoranda of Agreement by and between the Star Bulk and TMT (collectively, the "MOAs"), as supplemented by a Supplemental Agreement by and among the Company, Star Bulk and TMT (the "Supplemental Agreement") and a Master Agreement by and among the Company, Star Bulk and TMT (the "Master Agreement" and collectively with the MOAs and the Supplemental Agreement, the "Acquisition Agreements") which transaction is also referred to as the "Asset Acquisition". As required under its Certificate of Incorporation, the Company will hold a special meeting of its stockholders to vote on the Asset Acquisition and a proposed merger of the Company into Star Bulk in which Star Bulk will be the surviving entity (the "Redomiciliation Merger" and together with the Asset Acquisition, the "Business Combination"). The Redomiciliation Merger shall occur at the time of approval by the Company's stockholders of the Business Combination. Star Bulk will acquire the vessels in its initial fleet from wholly-owned subsidiaries of TMT for an aggregate purchase price of $345,237,520, consisting of $224,500,000 in cash and 12,537,645 shares of common stock of Star Bulk to be issued at the time of the Redomiciliation Merger and an additional 1,606,962 shares of common stock of Star Bulk to be issued in two installments. As of September 30, 2007 approximately $785,071 of legal and accounting fees related to this transaction have been recorded to deferred costs.

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

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

Table of Contents

NOTE A-ORGANIZATION AND BUSINESS OPERATIONS (continued)

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

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

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

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

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

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

Table of Contents

NOTE A-ORGANIZATION AND BUSINESS OPERATIONS (continued)

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

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

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

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

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

The accompanying financial statements have been prepared assuming that The Company will continue as a going concern. The Company's Certificate of Incorporation provides for mandatory liquidation of the Company by

-9-

Table of Contents

NOTE A-ORGANIZATION AND BUSINESS OPERATIONS (continued)

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

NOTE B-RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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

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

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

NOTE C-COMMITMENTS

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

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

-10-

Table of Contents

NOTE C-COMMITMENTS (continued)

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

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

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

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

The Company has engaged the representative of the underwriters, on a non-exclusive basis, as its agent for the solicitation of the exercise of the warrants. To the extent not inconsistent with the guidelines of the NASD and the rules and regulations of the Securities and Exchange Commission, the Company has agreed to pay the representative for bona fide services rendered a commission equal to 5% of the exercise price for each warrant exercised more than one year after the date of the prospectus if the exercise was solicited by the underwriters. In addition to soliciting, either orally or in writing, the exercise of the warrants, the representative's services may also include disseminating information, either orally or in writing, to warrant holders about the Company or the market for the Company's securities, and assisting in the processing of the exercise of the warrants. No compensation will be paid to the representative upon the exercise of the warrants if:

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

the holder of the warrants has not confirmed in writing that the representative solicited the exercise;

Table of Contents

NOTE C-COMMITMENTS (continued)

- the warrants are held in a discretionary account;

- the warrants are exercised in an unsolicited transaction; or

- the arrangements to pay the commission are not disclosed in the prospectus provided to warrant holders at the time of exercise.

NOTE D-RELATED PARTY TRANSACTIONS

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

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

NOTE E - INCOME TAXES

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

NOTE F - COMMON STOCK RESERVED FOR ISSUANCE

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

NOTE G - PREFERRED STOCK

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

NOTE H - SUBSEQUENT EVENTS

On October 3, 2007, Star Bulk entered into amended consultancy agreements with companies controlled by Messrs. P. Tsirigakis and G. Syllantavos, respectively, for services rendered outside of Greece. These agreements will be effective only upon the approval and completion of the Business Combination.

On October 3, 2007, the Company and TMT entered into an amendment to the Master Agreement to adjust the terms of the issuance of an additional 1,606,962 shares of Star Bulk stock to TMT.

Table of Contents

On November 2, 2007, the Securities and Exchange Commission declared the Company's joint proxy statement/prospectus on Schedule 14A effective. The Schedule 14A contains the information that will presented at a special meeting of stockholders to conduct a stockholder vote on the Business Combination. The special meeting has been scheduled for November 27, 2007, and owners of record of our stock as of November 5, 2007, will be entitled to vote at that meeting.

Additional information regarding the proposals on which our stockholders are being asked to vote is available from our definitive proxy materials filed with the Commission on Form DEF 14 A on November 2, 2007.

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

Forward Looking Statements

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

Overview

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

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

Critical Accounting Policies

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

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes-an Interpretation of SFAS No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in tax positions recognized in a company's financial statements in accordance with SFAS No. 109, “Accounting for Income Taxes.” FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of the tax position taken or expected to be taken in a tax return. The Company adopted FIN 48

Table of Contents

effective January 1, 2007. The adoption of FIN 48 did not have any impact on the accompanying financial statements since we have not identified any uncertain tax positions as defined by FIN 48.

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

Results of Operations for the three months ended September 30, 2007 and 2006

For the three months ended September 30, 2007 and 2006, we earned net income after taxes of $942,741 ($1,528,397 before the deduction of $585,656 of net interest attributable to common stock subject to redemption) and we earned net income after taxes of $830,004 ($1,380,379 before the deduction of $550,375 of net interest attributable to common stock subject to redemption, respectively). Since we did not have any operations, all of our income was derived from interest income, most of which was earned on funds held in the Trust Account. Our operating expenses for the three months ended September 30, 2007 and 2006 was $249,556 and $274,529 respectively and consisted primarily of expenses related to pursuing a business combination, due diligence, insurance costs and legal and accounting professional fees.

Results of Operations for the nine months ended September 30, 2007 and 2006

For the nine months ended September 30, 2007 and 2006, we earned net income after taxes of $1,796,754 ($3,510,324 before the deduction of $1,713,570 of net interest attributable to common stock subject to redemption) and we earned net income after taxes of $2,360,648 ($3,972,722 before the deduction of $1,612,074 of net interest attributable to common stock subject to redemption respectively. Since we did not have any operations, all of our income was derived from interest income, most of which was earned on funds held in the Trust Account. Our operating expenses for the nine months ended September 30, 2007 and 2006 was $1,706,107 and $657,757 respectively and consisted primarily of expenses related to pursuing a business combination, due diligence, insurance costs and legal and accounting professional fees.

Liquidity and Capital Resources

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

The net proceeds from the sale of our units, after deducting certain offering expenses of $10,217,665 including underwriting discounts and commissions and placement fees, were $189,807,335. Of this amount, $188,675,000 was placed in the trust account, $599,163 was used to repay debt and interest to Mr. Tsirigakis for a loan used to cover expenses related to the Initial Public Offering and the remaining proceeds of $533,172, which after payment of approximately $170,000 of additional financing fees, provided us with approximately $363,172 which was deposited and held outside of the trust account to be used to provide for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses. The net proceeds deposited into the trust account remain on deposit in the trust account earning interest. As of September 30, 2007, there was $197,859,466 held in the trust account, of which up to $4,000,000 will be paid to the underwriters if a business combination is consummated, but which will be forfeited in part if public stockholders elect to have their shares redeemed for cash if a business combination is not consummated. We will use substantially all of the net proceeds of the Initial Public Offering to acquire a target business, and will use the proceeds held outside of the trust account and disbursements of interest income to identify and evaluate prospective acquisition candidates, select the target business, and structure, negotiate and consummate the business combination. To the extent that our capital stock is used in whole or in part as consideration to effect a business combination, the proceeds held in the trust account as well as any other net proceeds not expended will be used to finance the operations of the target business.

Table of Contents

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

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

Off-Balance Sheet Arrangements

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

Contractual Obligations

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

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

Table of Contents

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

Table of Contents

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

In our Quarterly Report on Form 10-Q for the quarter ended June 30, 2007, we disclosed new risks and material changes from risk factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2006. With the exception of the following risk factors, there have been no material changes or new risks during the quarter ended September 30, 2007 to be disclosed. We hereby incorporate by reference the risk factors set forth in Item 1A of the Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.

Company Risk Factors Relating to Star Bulk

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

Section 7874(b) of the Code provides that, unless certain requirements are satisfied, a corporation organized outside the United States which acquires substantially all of the assets (through a plan or a series of related transactions) of a corporation organized in the United States will be treated as a U.S. domestic corporation for U.S. federal income tax purposes if shareholders of the U.S. corporation whose assets are being acquired own at least 80% of the non-U.S. acquiring corporation after the acquisition. If Section 7874(b) of the Code were to apply to Star Maritime and the Redomiciliation Merger, then, among other consequences, Star Bulk, as the surviving entity of the Redomiciliation Merger, would be subject to U.S. federal income tax as a U.S. domestic corporation on its worldwide income after the Redomiciliation Merger. These consequences are discussed in more detail under the heading "Tax Considerations—Material U.S. Federal Income Tax Consequences—United States Federal Income Tax Considerations—Tax Consequences of the Merger." The Redomiciliation Merger has been structured so that upon completion of the Redomiciliation Merger and the concurrent issuance of stock to TMT under the Acquisition Agreements, the stockholders of Star Maritime will own less than 80% of Star Bulk and therefore, Star Bulk should not be subject to Section 7874(b) of the Code after the Redomiciliation Merger. Star Maritime has obtained an opinion of its counsel, Seward & Kissel, LLP, that Section 7874(b) should not apply to the Redomiciliation Merger. However, there is no authority directly addressing the application of Section 7874(b) to a transaction such as the Redomiciliation Merger where shares in a foreign corporation such as Star Bulk are issued concurrently with (or shortly after) a merger. In particular, since there is no authority directly applying the "series of related transactions" or "plan" provisions to the post-acquisition stock ownership requirements of Section 7874(b), there is no assurance that the United States Internal Revenue Service, or IRS, will agree with Seward & Kissel's opinion on this matter. Moreover, Star Maritime has not sought a ruling from the IRS on this point. Therefore, there is no assurance that the IRS would not seek to assert that Star Bulk is subject to U.S. federal income tax on its worldwide income after the Redomiciliation Merger although Seward & Kissel is of the opinion that such an assertion should not be successful.

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

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

Based on Star Bulk's proposed method of operation, Star Bulk intends to take the position for United States federal income tax purposes it is not a PFIC with respect to any taxable year. In this regard, Star Bulk intends to treat the gross income it will derive or will be deemed to derive from its time chartering activities as services income, rather than rental income. Accordingly, Star Bulk intends to take the position that its income from its time chartering activities does not constitute "passive income," and the assets that it 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 Star Bulk's proposed method of operation. In addition, Star Bulk has not received an opinion of counsel with respect to this issue. Accordingly, no assurance can be given that the U.S. Internal Revenue Service, or the IRS, or a court of law will accept Star Bulk's position, and there is a risk that the IRS or a court of law could determine that Star Bulk is a PFIC. Moreover, no assurance can be given that Star Bulk would not constitute a PFIC for any future taxable year if there were to be changes in the nature and extent of its operations. For example, if Star Bulk were treated as earning rental income from its chartering activities rather than services income, Star Bulk would be treated as a PFIC.

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

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

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

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

Table of Contents

ITEM 6. EXHIBITS

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

Table of Contents

SIGNATURES

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

STAR MARITIME ACQUISITION CORP.

November 8, 2007

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

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