

StealthGas Inc.
Form 20-F
April 30, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549
FORM 20-F

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

OR

p **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**
Commission file number 000-51559

STEALTHGAS INC.

(Exact name of Registrant as specified in its charter)

Republic of the Marshall Islands

(Jurisdiction of incorporation or organization)

331 Kifissias Avenue, Erithrea 14561 Athens, Greece

(Address of principal executive offices)

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(Name, Address, Telephone Number and Facsimile Number of Company Contact Person)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	The Nasdaq Stock Market LLC

SECURITIES 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

The number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2011 was:

Common Stock, par value \$0.01 per share	20,552,568 shares
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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

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

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 period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant 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 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

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

U.S. GAAP <input checked="" type="checkbox"/>	International Financial Reporting Standards <input type="checkbox"/>	Other <input type="checkbox"/>
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If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

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

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FORWARD-LOOKING INFORMATION

This Annual Report on Form 20-F includes assumptions, expectations, projections, intentions and beliefs about future events. These statements are intended as forward-looking statements. We caution that assumptions, expectations, projections, intentions and beliefs about future events may and often do vary from actual results and the differences can be material.

All statements in this document that are not statements of historical fact are forward-looking statements as defined in Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements include, but are not limited to, such matters as:

future operating or financial results;

global and regional economic and political conditions;

pending or recent acquisitions, business strategy and expected capital spending or operating expenses;

competition in the marine transportation industry;

shipping market trends, including charter rates, factors affecting supply and demand and world fleet composition;

ability to employ our vessels profitably;

performance by the counterparties to our charter agreements;

future liquefied petroleum gas (LPG), refined petroleum product and oil prices and production;

future supply and demand for oil and refined petroleum products and natural gas of which LPG is a by product;

our financial condition and liquidity, including our ability to obtain financing in the future to fund capital expenditures, acquisitions and other general corporate activities, the terms of such financing and our ability to comply with covenants set forth in our existing and future financing arrangements; and

expectations regarding vessel acquisitions.

When used in this document, the words anticipate, believe, intend, estimate, project, forecast, plan, potential, may, should forward-looking statements. Such statements reflect our current views and assumptions and all forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. The factors that could affect our future financial results are discussed more fully under Item 3. Key Information Risk Factors, as well as elsewhere in this Annual Report on Form 20-F and in our other filings with the U.S. Securities and Exchange Commission (SEC). We caution readers of this Annual Report not to place undue reliance on these forward-looking statements, which speak only as of their dates. We undertake no obligation to publicly update or revise any forward-looking statements.

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PART I

StealthGas Inc. is a Marshall Islands company that is referred to in this Annual Report on Form 20-F, together with its subsidiaries, as StealthGas, the Company, we, us, or our. This Annual Report should be read in conjunction with our consolidated financial statements and accompanying notes thereto, which are included in Item 18 to this Annual Report.

We use the term cubic meters, or cbm, in describing the size of our LPG carriers and the term deadweight tons, or dwt, in describing the size of our product carriers and crude oil tanker. Unless otherwise indicated, all references to currency amounts in this annual report are in U.S. dollars.

Item 1. Identity of Directors, Senior Management and Advisers

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Table of Contents**Item 3. Key Information****A. Selected Consolidated Financial Data**

The following table sets forth our selected consolidated financial data and other operating data shown in U.S. dollars, other than share and fleet data. The table should be read together with Item 5. Operating and Financial Review and Prospects.

Our audited and consolidated statements of operations, stockholder's equity and cash flows for the years ended December 31, 2009, 2010, and 2011 and the consolidated balance sheets as of December 31, 2010 and 2011, together with the notes thereto, are included in Item 18. Financial Statements and should be read in their entirety. The selected consolidated income statement data for the periods ended December 31, 2007, 2008 and the selected balance sheet data as of December 31, 2007, 2008 and 2009 have been derived from our audited consolidated financial statements which are not included in Item 18. Financial Statements.

	Year ended December 31,				
	2007	2008	2009	2010	2011
INCOME STATEMENT DATA					
Revenues	\$ 89,995,123	\$ 112,551,901	\$ 113,045,961	\$ 111,409,623	\$ 118,280,752
Operating expenses:					
Voyage expenses	5,369,546	6,180,754	10,522,573	13,680,008	17,829,220
Vessels' operating expenses	25,435,578	32,178,385	38,001,481	38,338,063	36,558,153
Dry-docking costs	314,181	1,112,99	1,266,455	2,716,378	3,443,491
Management fees	4,126,610	4,618,025	5,230,990	5,184,055	4,760,865
General and administrative expenses	5,024,912	4,772,615	3,546,779	3,031,491	2,646,418
Depreciation	16,546,692	23,283,393	26,766,672	26,624,098	27,562,120
Impairment Loss			9,867,777		
Forfeiture of vessel deposit and contract termination fees			16,500,000		
Charter termination fees			(753,000)	(228,000)	
Net (gain)/loss on sale of vessels		(1,673,321)	791,659	(960,696)	5,654,178
Total expenses	56,817,519	70,472,843	111,759,386	88,385,397	98,454,445
Income from operations	33,177,604	42,079,058	1,286,575	23,024,226	19,826,307
Interest and finance costs	(9,831,404)	(9,962,504)	(9,109,222)	(7,672,848)	(8,510,516)
Loss on derivatives	(2,573,992)	(2,713,055)	(5,478,163)	(6,071,638)	(2,931,404)
Interest income	1,888,070	743,193	250,326	315,517	83,059
Foreign exchange (loss)/ gain	(122,171)	(159,208)	(261,401)	1,497,934	82,345
Other expenses, net	(10,639,497)	(12,091,574)	(14,598,460)	(11,931,035)	(11,276,516)
Net income/(loss)	22,538,107	29,987,484	(13,311,885)	11,093,191	8,549,791
Earnings/(Loss) per share, basic(**)	\$ 1.25	\$ 1.35	\$ (0.60)	\$ 0.51	\$ 0.41
Earnings/(Loss) per share, diluted	\$ 1.25	\$ 1.34	\$ (0.60)	\$ 0.51	\$ 0.41
Weighted (and diluted) average number of shares outstanding	17,943,346	22,182,118	22,219,442	21,539,331	20,909,154
Dividends declared per share, basic and diluted(*)	\$ 0.75	\$ 0.75	\$ 0.1875	\$ 0.00	\$ 0.00

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	As of December 31,				
	2007	2008	2009	2010	2011
BALANCE SHEET DATA					
Current assets, including cash	\$ 69,497,341	\$ 52,458,518	\$ 69,031,753	\$ 45,127,547	\$ 56,521,743
Total assets	477,593,326	634,347,123	692,497,010	688,376,399	695,710,151
Current liabilities	37,372,666	40,774,931	69,023,455	60,269,033	56,100,855
Derivative liability	3,288,989	12,762,979	10,327,792	11,602,213	9,401,798
Total long-term debt, including current portion	145,758,529	283,693,873	345,822,070	345,085,949	351,068,181
Total stockholders' equity	303,030,788	317,847,325	300,801,931	306,250,752	313,098,027
Capital stock	222,841	223,101	223,101	211,042	205,526
Number of common shares outstanding	22,284,105	22,310,110	22,310,110	21,104,214	20,552,568

	Year ended December 31,				
	2007	2008	2009	2010	2011
OTHER FINANCIAL DATA					
Net cash provided by operating activities	\$ 47,704,497	\$ 48,080,792	\$ 48,347,343	\$ 27,816,341	\$ 42,375,718
Net cash used in investing activities	(149,636,615)	(159,979,986)	(101,563,715)	(33,172,378)	(31,593,396)
Net cash provided by/(used in) financing activities	123,900,119	120,632,381	55,444,652	(10,613,735)	2,953,018
FLEET DATA					
Average number of vessels(1)	32.8	38.6	42.0	38.6	37.6
Total voyage days for fleet(2)	11,871	14,018	15,240	13,835	13,368
Total time and bareboat charter days for fleet(3)	11,170	13,318	12,276	10,327	10,455
Total spot market days for fleet(4)	701	700	2,964	3,508	2,913
Total calendar days for fleet(5)	11,986	14,113	15,335	14,075	13,716
Fleet utilization(6)	99.0%	99.3%	99.4%	98.3%	97.5%

AVERAGE DAILY RESULTS

Time charter equivalent(7)	\$ 7,129	\$ 7,588	\$ 6,727	\$ 7,064	\$ 7,514
Vessel operating expenses(8)	2,122	2,280	2,478	2,724	2,665
General and administrative expenses	419	338	232	215	193
Management fees	344	327	341	368	347
Total operating expenses(9)	2,541	2,618	2,711	2,939	2,858

* We paid our first quarterly dividend since becoming a public company, of \$0.1875 per share, in January 2006. In the first quarter of 2009, our Board of Directors decided to suspend the payment of further cash dividends as a result of market conditions in the international shipping industry. Our payment of dividends is subject to the discretion of our Board of Directors. Our loan agreements and the provisions of Marshall Islands law also restrict our ability to pay dividends. See Item 3. Risk Factors - Risks Related To Our Common Stock. Our Board of Directors has determined to suspend the payment of cash dividends as a result of market conditions in the international shipping industry, and until such market conditions improve, it is unlikely we will reinstate the payment of dividends and Item 8. Financial Information - Dividend Policy.

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On January 1, 2009, the Company adopted new guidance which clarified that unvested share-based payment awards that contain rights to receive non forfeitable dividends or dividend equivalents (whether paid or

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unpaid) are participating securities, and thus, should be included in the two-class method of computing earnings per share (EPS). This guidance was applied retroactively to all periods presented and for the years ended December 31, 2005, 2006, and reduced basic EPS by \$0.01 for each of the years ended December 31, 2007 and 2008.

- (1) Average number of vessels is the number of vessels that constituted our fleet for the relevant period, as measured by the sum of the number of days each vessel was a part of our fleet during the period divided by the number of calendar days in that period.
- (2) Our total voyage days for our fleet reflect the total days the vessels were in our possession for the relevant periods, net of off-hire days associated with major repairs, drydockings or special or intermediate surveys.
- (3) Total time and bareboat charter days for fleet are the number of voyage days the vessels in our fleet operated on time or bareboat charters for the relevant period.
- (4) Total spot market charter days for fleet are the number of voyage days the vessels in our fleet operated on spot market charters for the relevant period.
- (5) Total calendar days are the total days the vessels were in our possession for the relevant period including off-hire days associated with major repairs, drydockings or special or intermediate surveys.
- (6) Fleet utilization is the percentage of time that our vessels were available for revenue generating voyage days, and is determined by dividing voyage days by fleet calendar days for the relevant period.
- (7) Time charter equivalent rate, or TCE rate, is a measure of the average daily revenue performance of a vessel on a per voyage basis. Our method of calculating TCE rate is consistent with industry standards and is determined by dividing voyage revenues (net of voyage expenses) or time charter equivalent revenues, or TCE revenues, by voyage days for the relevant time period. Voyage expenses primarily consist of port, canal and fuel costs that are unique to a particular voyage, which would otherwise be paid by the charterer under a time charter contract, as well as commissions. TCE revenues, a non-GAAP measure, provides additional meaningful information in conjunction with voyage revenues, the most directly comparable GAAP measure, because it assists Company management in making decisions regarding the deployment and use of its vessels and in evaluating their financial performance. It is also a standard shipping industry performance measure used primarily to compare period-to-period changes in a shipping company's performance despite changes in the mix of charter types (i.e., spot charters, time charters and bareboat charters) under which the vessels may be employed between the periods. Reconciliation of TCE revenues as reflected in the consolidated statements of operations and calculation of TCE rate follow:

	Year ended December 31,				
	2007	2008	2009	2010	2011
Voyage revenues	\$ 89,995,123	\$ 112,551,901	\$ 113,045,961	\$ 111,409,623	118,280,752
Voyage expenses	(5,369,546)	(6,180,754)	(10,522,573)	(13,680,008)	(17,829,220)
Time charter equivalent revenues	\$ 84,625,577	\$ 106,371,147	\$ 102,523,388	\$ 97,729,615	100,451,532
Total voyage days for fleet	11,871	14,018	15,240	13,835	13,368
Time charter equivalent rate	\$ 7,129	\$ 7,588	\$ 6,727	\$ 7,064	\$ 7,514

- (8) Vessel operating expenses, which include crew costs, provisions, deck and engine stores, lubricating oil, insurance, maintenance and repairs, is calculated by dividing vessel operating expenses by fleet calendar days for the relevant time period.
- (9) Total operating expenses, or TOE, is a measurement of our total expenses associated with operating our vessels. TOE is the sum of vessel operating expenses and general and administrative expenses. Daily TOE is calculated by dividing TOE by fleet calendar days for the relevant time period.

B. Capitalization and Indebtedness

Not applicable

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C. Reasons For the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

Risks Related To Our Industry

The cyclical nature of the demand for LPG transportation may lead to significant changes in our chartering and vessel utilization, which may adversely affect our revenues, profitability and financial position.

Historically, the international LPG carrier market has been cyclical with attendant volatility in profitability, charter rates and vessel values. The degree of charter rate volatility among different types of gas carriers has varied widely. Because many factors influencing the supply of, and demand for, vessel capacity are unpredictable, the timing, direction and degree of changes in the international gas carrier market are also not predictable. After increasing throughout 2007 and into 2008, charter rates for Handy size LPG carriers declined in the second half of 2008 and in 2009 as a result of slowdown in the world economy. Although there was an improvement beginning late 2010 and through 2011, rates remain below levels reached in 2007 and 2008 and could again decline. If charter rates decline, our earnings may decrease, particularly with respect to our vessels deployed in the spot market or those vessels whose charters will be subject to renewal during 2012, as they may not be extended or renewed on favorable terms when compared to the terms of the expiring charters. As of April 20, 2012, four of our 33 LPG carrier vessels were deployed in the spot market while 11 and 18 were under bareboat and time period charters, respectively. Of these time and bareboat chartered vessels, nine have charters that are scheduled to expire during the remainder of 2012. Any of the foregoing factors could have an adverse effect on our revenues, profitability, liquidity, cash flow and financial position.

Future growth in the demand for LPG carriers and charter rates will depend on economic growth in the world economy and demand for LPG product transportation that exceeds the capacity of the growing worldwide LPG carrier fleet's ability to match it. We believe that the future growth in demand for LPG carriers and the charter rate levels for LPG carriers will depend primarily upon the supply and demand for LPG particularly in the economies of China, India and Southeast Asia, and upon seasonal and regional changes in demand and changes to the capacity of the world fleet. The capacity of the world shipping fleet appears likely to increase in the near term, although growth in our core sector of 3,000 to 8,000 cbm Handy size LPG Carriers is expected to be limited in 2012. Economic growth may be limited in the near term, and possibly for an extended period, as a result of the current global economic conditions, which could have an adverse effect on our business and results of operations.

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

The factors that influence demand for our vessels include:

supply and demand for LPG products;

global and regional economic conditions;

the distance LPG products are to be moved by sea;

availability of alternative transportation means;

changes in seaborne and other transportation patterns;

environmental and other regulatory developments; and

weather.

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The factors that influence the supply of vessel capacity include:

the number of newbuilding deliveries;

the scrapping rate of older vessels;

LPG carrier prices;

changes in environmental and other regulations that may limit the useful lives of vessels; and

the number of vessels that are out of service.

A significant decline in demand for the seaborne transport of LPG or a significant increase in the supply of LPG carrier capacity without a corresponding growth in LPG carrier demand could cause a significant decline in prevailing charter rates, which could materially adversely affect our financial condition and operating results and cash flow.

Various economic factors could materially adversely affect our business, financial position and results of operations, as well as our future prospects.

The global economy and the volume of world trade sharply declined in the latter part of 2008 and in 2009. Although the global economy has shown signs of a recovery, the global economy remains relatively weak. Recovery of the global economy is proceeding at varying speeds across regions and remains subject to downside risks, including fragility of advanced economies and concerns over sovereign debt defaults by European Union member countries such as Greece. More specifically, some LPG products we carry are used in cyclical businesses, such as the manufacturing of plastics and in the chemical industry, that have been adversely affected by the recent economic downturn and, accordingly, a further slackening of demand in those industries could further adversely affect the LPG carrier industry. In particular, an adverse change in economic conditions affecting China, Japan, India or Southeast Asia generally could have a negative effect on the demand for LPG products, thereby adversely affecting our business, financial position and results of operations, as well as our future prospects. In particular, in recent years China and India have been among the world's fastest growing economies in terms of gross domestic product. Moreover, any deterioration in the economy of the United States or the European Union, including due to the European sovereign debt crisis, may further adversely affect economic growth in Asia. Our business, financial position and results of operations, as well as our future prospects, could likely be materially and adversely affected by adverse economic conditions in any of these countries or regions.

If the demand for LPG products and LPG shipping does not grow, or decreases, our business, results of operations and financial condition could be adversely affected.

Our growth, which depends on growth in the supply and demand for LPG products and LPG shipping, was adversely affected by the sharp decrease in world trade and the global economy experienced in the latter part of 2008 and in 2009. Although the global economy has shown signs of a modest recovery, it remains relatively weak and world and regional demand for LPG products and LPG shipping can be adversely affected by a number of factors, such as:

adverse global or regional economic or political conditions, particularly in LPG consuming regions, which could reduce energy consumption;

a reduction in global or general industrial activity specifically in the plastics and chemical industries;

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increases in the cost of petroleum and natural gas from which LPG is derived;

decreases in the consumption of LPG or natural gas due to availability of new, alternative energy sources or increases in the price of LPG or natural gas relative to other energy sources or other factors making consumption of LPG or natural gas less attractive; and

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increases in pipelines for LPG, which are currently few in number, linking production areas and industrial and residential areas consuming LPG, or the conversion of existing non-petroleum gas pipelines to petroleum gas pipelines in those markets. Reduced demand for LPG products and LPG shipping would have an adverse effect on our future growth and would harm our business, results of operations and financial condition.

Our operating results are subject to seasonal fluctuations, which could affect our operating results and the amount of available cash with which we can pay dividends.

We operate our LPG carriers in markets that 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, which could affect the amount of dividends that we pay to our stockholders from quarter-to-quarter. The LPG carrier market is typically stronger in the fall and winter months in anticipation of increased consumption of propane and butane for heating during the winter months. In addition, unpredictable weather patterns in these months tend to disrupt vessel scheduling and supplies of certain commodities. As a result, our revenues may be stronger in fiscal quarters ended December 31 and March 31, and conversely, our revenues may be weaker during the fiscal quarters ended June 30 and September 30. This seasonality could materially affect our operating results and cash available for distribution to our stockholders as dividends in the future.

Our revenues, operations and future growth could be adversely affected by a decrease in supply of liquefied natural gas, or natural gas.

In recent years, there has been a strong supply of natural gas and an increase in the construction of plants and projects involving natural gas, of which LPG is a byproduct. Several of these projects, however, have experienced delays in their completion for various reasons and thus the expected increase in the supply of LPG from these projects may be delayed significantly. If the supply of natural gas decreases, we may see a concurrent reduction in the production of LPG and resulting lesser demand and lower charter rates for our vessels, which could ultimately have a material adverse impact on our revenues, operations and future growth.

The product carrier and crude oil tanker shipping sectors are cyclical and have recently declined, which may lead to lower charter rates and lower vessel values.

The medium range type product carrier and crude oil tanker shipping sectors are cyclical with attendant volatility in charter rates and vessel values. Although the charter arrangements for our three product carriers are not scheduled to expire until 2015 in the case of the first two and 2012 in regard to our third product carrier, and 2015 in the case of our crude oil tanker, if prevailing market conditions, which have declined sharply since 2008, are depressed at such times as these charters expire or otherwise are terminated, we may not be able to renew or replace existing charters for these vessels at the same or similar rates. If we were required to enter into a charter when charter hire rates are low, our results of operations could be adversely affected. For the year ended December 31, 2011, charter rates in the product carrier and crude oil tanker sectors declined significantly, and have continued to be weak in the first quarter of 2012. The three year bareboat charter on one of our product tankers, the *Alpine Endurance* is set to expire in June 2012. Current charter market rates are lower than rates prevailing three years ago when we concluded the existing charter for that vessel.

The market values of our vessels, which have declined, may remain at current low, or lower, levels for a prolonged period and, over time, may fluctuate significantly. If the market values of our vessels are low, we may incur a loss on sale of a vessel or record an impairment charge, which may adversely affect our earnings and possibly lead to defaults under our loan agreements.

Due to the sharp decline in the world economy and related decreases in charter rates, the market value of our vessels, particularly the tankers, declined during the two years ended December 31, 2011. The market values of

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our vessels may remain at current low, or be depressed to even lower values for a prolonged period of time and, as was the case with the recent decreases in value, are subject to the potential significant fluctuations depending on a number of factors including:

general economic and market conditions affecting the shipping industry;

age, sophistication and condition of our vessels;

types and sizes of vessels;

availability of other modes of transportation;

cost and delivery of schedules for newbuildings;

governmental and other regulations;

supply and demand for LPG products and, with respect to our product carriers and oil tankers, refined petroleum products and oil, respectively;

prevailing level of LPG charter rates and, with respect to our product carriers, the prevailing level of product carrier charter rates and crude oil tanker rates, respectively; and

technological advances.

If we sell vessels at a time when vessel prices have fallen and before we have recorded an impairment adjustment to our financial statements, the sale may be for less than the vessel's carrying value in our financial statements, resulting in a loss and reduction in earnings. Furthermore, if vessel values experience significant further declines, we may have to record an impairment adjustment in our financial statements, which could adversely affect our financial results. For instance, in 2011, we sold four vessels and recorded a loss of \$5.7 million. If the market value of our fleet declines, we may not be in compliance with certain provisions of our existing loan agreements and we may not be able to refinance our debt or obtain additional financing or, if reinstated, pay dividends. If we are unable to pledge additional collateral, our lenders could accelerate our debt and foreclose on our fleet. The loss of our vessels would mean we could not run our business.

We are subject to regulation and liability under environmental laws that could require significant expenditures and affect our financial conditions and results of operations.

Our business and the operation of our vessels 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 the vessels operate, as well as in the country or countries of their registration. These regulations include, but are not limited to the U.S. Oil Pollution Act of 1990, or OPA, that establishes an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills and applies to any discharges of oil from a vessel, including discharges of fuel oil (bunkers) and lubricants, the U.S. Clean Air Act, U.S. Clean Water Act and the U.S. Marine Transportation Security Act of 2002, and regulations of the International Maritime Organization, or the IMO, including the International Convention for the Prevention of Pollution from Ships of 1975, the International Convention for the Prevention of Marine Pollution of 1973, and the International Convention for the Safety of Life at Sea of 1974. To comply with these and other regulations we may be required to incur additional costs to meet new maintenance and inspection requirements, develop contingency plans for potential spills, and obtain insurance coverage. Because those laws and regulations are often revised, we cannot predict the ultimate cost of complying with them or the impact they may have on the resale prices or useful lives of our vessels. However, a failure to comply with applicable laws and regulations may result in administrative and civil penalties,

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criminal sanctions or the suspension or termination of our operations. Additional laws and regulations may be adopted which could limit our ability to do business or increase the cost of our doing business and which could materially adversely affect our operations. For example, the April 2010 *Deepwater Horizon* oil spill in the Gulf of Mexico may result in new regulatory initiatives, including raising liability caps under OPA. We are also required by various governmental and quasi-governmental agencies to obtain permits, licenses,

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certificates and financial assurances with respect to our operations. These permits, licenses, certificates and financial assurances may be issued or renewed with terms that could materially and adversely affect our operations.

The operation of our vessels is affected by the requirements set forth in the International Management Code for the Safe Operation of Ships and Pollution Prevention (ISM Code). The ISM Code requires ship owners and bareboat charterers to develop and maintain an extensive Safety Management System (SMS) that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. The failure of a ship owner or bareboat charterer to comply with the ISM Code may subject the owner or charterer to increased liability, may decrease available insurance coverage for the affected vessels, may result in a denial of access to, or detention in, certain ports or may result in breach of our bank covenants. Currently, each of the vessels in our fleet is ISM Code-certified. Because these certifications are critical to our business, we place a high priority on maintaining them. Nonetheless, there is the possibility that such certifications may not be renewed.

We currently maintain, for each of our vessels, pollution liability insurance coverage in the amount of \$1.0 billion per incident. In addition, we carry hull and machinery and protection and indemnity insurance to cover the risks of fire and explosion. Under certain circumstances, fire and explosion could result in a catastrophic loss. We believe that our present insurance coverage is adequate, but not all risks can be insured, and there is the possibility that any specific claim may not be paid, or that we will not always be able to obtain adequate insurance coverage at reasonable rates. If the damages from a catastrophic spill exceeded our insurance coverage, the effect on our business would be severe and could possibly result in our insolvency.

We believe that regulation of the shipping industry will continue to become more stringent and compliance with such regulations more expensive for us and our competitors. Substantial violations of applicable requirements or a catastrophic release from one of our vessels could have a material adverse impact on our financial condition and results of operations.

Our vessels are subject to periodic inspections by a classification society.

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 the Safety of Life at Sea Convention. Our fleet is currently classed with Lloyds Register of Shipping, Nippon Kaiji Kyokai, or NKK, the American Bureau of Shipping, RINA SpA, Bureau Veritas and C.C.S., the Chinese Classification Society.

A vessel must undergo annual surveys, intermediate surveys and special surveys. 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. Our vessels are on special survey cycles for hull inspection and continuous survey cycles for machinery inspection. Every vessel is also required to be dry docked every two to three years for inspection of the underwater parts of such vessel.

If a vessel does not maintain its class and/or fails any annual survey, intermediate survey or special survey, the vessel will be unable to trade between ports and will be unemployable and we could be in violation of covenants in our loan agreements and insurance contracts or other financing arrangements. This would adversely impact our operations and revenues.

Maritime claimants could arrest our vessels, which could interrupt our cash flow.

Crew members, suppliers of goods and services to a vessel, shippers of cargo and others may be entitled to a maritime lien against that vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lien holder may enforce its lien by arresting a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could interrupt our cash flow and require us to pay large sums of funds to have the arrest lifted.

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In addition, in some jurisdictions, such as South Africa, under the sister ship theory of liability, a claimant may arrest both the vessel which is subject to the claimant's maritime lien and any associated vessel, which is any vessel owned or controlled by the same owner. Claimants could try to assert sister ship liability against one vessel in our fleet for claims relating to another of our ships or, possibly, another vessel managed by the Vafias Group.

Governments could requisition our vessels during a period of war or emergency, resulting in loss of revenues.

A government could requisition for title or seize our vessels. Requisition for title occurs when a government takes control of a vessel and becomes the owner. Also, a government could requisition our vessels for hire. Requisition for hire occurs when a government takes control of a vessel and effectively becomes the charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency. Government requisition of one or more of our vessels would adversely impact our operations and revenues, thereby resulting in loss of revenues.

Risks involved with operating ocean-going vessels could affect our business and reputation, which would adversely affect our revenues and stock price.

The operation of an ocean-going vessel carries inherent risks. These risks include the possibility of:

marine accident or disaster;

piracy and terrorism;

explosions;

environmental accidents;

pollution;

loss of life;

cargo and property losses or damage; and

business interruptions caused by mechanical failure, human error, war, political action in various countries, labor strikes or adverse weather conditions.

Any of these circumstances or events could increase our costs or lower our revenues. The involvement of our vessels in a serious accident could harm our reputation as a safe and reliable vessel operator and lead to a loss of business.

Our vessels may suffer damage and we may face unexpected repair costs, which could affect our cash flow and financial condition.

If our vessels suffer damage, they may need to be repaired at a shipyard facility. The costs of repairs are unpredictable and can be substantial. We may have to pay repair costs that our insurance does not cover. The loss of earnings while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, would have an adverse effect on our cash flow and financial condition. We do not intend to carry business interruption insurance.

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

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Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea and in the Gulf of Aden off the coast of Somalia. Since 2008, the frequency of piracy incidents

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increased significantly, particularly in the Gulf of Aden off the coast of Somalia. For example, in October 2010, Somali pirates captured the *York*, an LPG carrier, which is not affiliated with us, off the coast of Kenya. The vessel was released after a ransom was paid in March 2011. If these piracy attacks occur in regions in which our vessels are deployed and are characterized by insurers as war risk zones, as the Gulf of Aden continues to be, or Joint War Committee (JWC) war and strikes listed areas, premiums payable for such coverage, for which we are responsible with respect to vessels employed on spot charters, but not vessels employed on bareboat or time charters, could increase significantly and such insurance coverage may be more difficult to obtain. In addition, crew costs, including due to employing onboard security guards, could increase in such circumstances. We usually employ armed guard on board the vessels on time and spot charters that transit areas where Somali pirates operate. 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 and results of operations.

Our operations outside the United States expose us to global risks, such as political conflict and terrorism, that may interfere with the operation of our vessels.

We are an international company and primarily conduct our operations outside the United States. Changing economic, political and governmental conditions in the countries where we are engaged in business or where our vessels are registered affect us. In the past, political conflicts, particularly in the Arabian Gulf, resulted in attacks on vessels, mining of waterways and other efforts to disrupt shipping in the area. For example, in October 2002, the vessel *Limburg* (which is not affiliated with our Company) was attacked by terrorists in Yemen. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea. Following the terrorist attack in New York City on September 11, 2001 and more recent attacks in other parts of the world, and the military response of the United States and other nations, including the conflict in Iraq, the likelihood of future acts of terrorism may increase, and our vessels may face higher risks of being attacked. In addition, future hostilities or other political instability in regions where our vessels trade could affect our trade patterns and adversely affect our operations and performance. If the current threat by Iran to close the Straits of Hormuz becomes an actuality, it could adversely affect the availability of and demand for crude oil and petroleum products, as well as LPG, and negatively affect our investment and our customers investment decisions over an extended period of time. In addition, sanctions against oil exporting countries such as Iran, Sudan and Syria may also impact the availability of crude oil, petroleum products and LPG and which would increase the availability of applicable vessels thereby impacting negatively charter rates.

Terrorist attacks, or the perception that LPG or natural gas facilities or oil refineries and LPG carriers, natural gas carriers or product carriers are potential terrorist targets, could materially and adversely affect the continued supply of LPG, natural gas and refined petroleum products to the United States and to other countries. Concern that LPG and natural gas facilities may be targeted for attack by terrorists has contributed to a significant community and environmental resistance to the construction of a number of natural gas facilities, primarily in North America. If a terrorist incident involving a gas facility or gas carrier did occur, the incident may adversely affect necessary LPG facilities or natural gas facilities currently in operation. Furthermore, future terrorist attacks could result in increased volatility of the financial markets in the United States and globally and could result in an economic recession in the United States or the world. Any of these occurrences could have a material adverse impact on our operating results, revenues and costs.

Our vessels may call on ports located in countries that are subject to sanctions and embargoes imposed by the U.S. or other governments, which could adversely affect our reputation and the market for our common stock.

From time to time on charterers' instructions, our vessels have called and may again call on ports located in countries subject to sanctions and embargoes imposed by the United States government and countries identified by the United States government as state sponsors of terrorism, such as Cuba, Iran, Sudan and Syria. The U.S. sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same

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covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time. In 2010, the U.S. enacted the Comprehensive Iran Sanctions Accountability and Divestment Act (CISADA), which expanded the scope of the Iran Sanctions Act of 1996. Among other things, CISADA expands the application of the prohibitions involving Iran to include ships or shipping services by non-U.S. companies, such as our company, with respect to the supply or export of refined petroleum or petroleum products. On November 21, 2011, the President of the United States issued Executive Order 13590, which expands the existing energy-related sanctions under the Iran Sanctions Act. In addition, the U.S. Congress is currently considering the enactment of the Iran, North Korea and Syria Nonproliferation Reform and Modernization Act of 2011, which would, among other things, provide for the imposition of sanctions, including prohibitions on investments by U.S. persons and a 180-day prohibition on a vessel landing at any U.S. port after landing in such countries, on companies or persons that provide certain shipping services to or from Iran, North Korea or Syria. If enacted, this act would apply to our charterers as well as to us.

During the three year period ended December 31, 2011, two port calls in Iran were made by one of the vessels in our fleet, under a bareboat charter. 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 vary or may be subject to changing interpretations. Any such violation could result in fines or other penalties and could result in some investors deciding, or being required, to divest their interest, or not to invest, in the Company. Additionally, some investors may decide to divest their interest, or not to invest, in the Company simply because we do business with companies that do business in sanctioned countries. 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.

Risks Related To Our Business

We are dependent on the ability and willingness of our charterers to honor their commitments to us for all our revenues.

We derive all our revenues from the payment of charter hire by charterers. The ability and willingness of each of our counterparties to perform their obligations under charter agreements with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the LPG carrier, refined petroleum product carrier and oil tanker sectors of the shipping industry and the overall financial condition of the counterparties. In addition, in depressed market conditions, there have been reports of charterers renegotiating their charters or defaulting on their obligations under charters and our charterers may fail to pay charter hire or attempt to renegotiate charter rates. For instance, in the second quarter of 2011 we agreed to a 10% reduction in the daily charter rate payable under the bareboat charter for one of our product carriers. The bareboat charters on which we deploy the tankers in our fleet, generally provide for charter rates that are above current spot market rates. Should a counterparty fail to honor its obligations under agreements with us, it may be difficult to secure substitute employment for such vessel, and any new charter arrangements we secure in the spot market or on bareboat or time charters could be at lower rates. If we lose a charter, we may be unable to re-deploy the related vessel on terms as favorable to us. We would not receive any revenues from such a vessel while it remained unchartered, but we may be required to pay expenses necessary to maintain the vessel in proper operating condition, insure it and service any indebtedness secured by such vessel. The failure by charterers to meet their obligations to us or an attempt by charterers to renegotiate our charter agreements could have a material adverse effect on our revenues, results, operations and financial condition.

Charters at attractive rates may not be available when the charters for our current vessels expire, which would have an adverse impact on our revenues and financial condition.

As of April 20, 2012, of our 37 vessels, 15 and 18 were under bareboat charter and time charter respectively, while four were deployed in the spot market. We have arranged a five year charter with an affiliate of ours for

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our additional newbuilding LPG carrier, which is scheduled to be delivered to us in May 2012. As of April 20, 2012, 80% of our anticipated fleet days are covered by period charter contracts for the remainder of 2012 and 55% for 2013, with bareboat and time charters for nine of our vessels scheduled to expire in 2012. We are exposed to fluctuations in the charter market for the remaining anticipated voyage days that are not covered by fixed-rate contracts, and to the extent the counterparties to our fixed-rate charter contracts fail to honor their obligations to us. When the current charters for our fleet expire or are terminated, it may not be possible to re-charter these vessels at similar rates, or at all, or to secure charters for our newbuilding LPG carriers at similarly profitable rates, or at all. As a result, we may have to accept lower rates or experience off hire time for our vessels, which would adversely impact our revenues, results of operations and financial condition.

We depend upon a few significant customers for a large part of our revenues. The loss of one or more of these customers could adversely affect our financial performance.

In our operating history we have derived a significant part of our revenue from a small number of charterers. For the year ended December 31, 2010, approximately 43% of our revenues were derived from our four largest charter customers. For the year ended December 31, 2011 we had one customer that we derived more than 10% of our revenues from, namely Petredec, that accounted for 14% of our revenues. However, we anticipate a limited number of customers will continue to represent significant amounts of our revenue. If these customers cease doing business or do not fulfill their obligations under the charters for our vessels, due to the increasing financial pressure on these customers or otherwise, our results of operations and cash flows could be adversely affected. Further, if we encounter any difficulties in our relationships with these charterers, our results of operations, cash flows and financial condition could be adversely affected.

Our loan agreements or other financing arrangements contain restrictive covenants that may limit our liquidity and corporate activities.

Our loan agreements impose, and our future financing arrangements may impose, operating and financial restrictions on us. These restrictions may limit our ability to:

incur additional indebtedness;

create liens on our assets;

sell capital stock of our subsidiaries;

make investments;

engage in mergers or acquisitions;

pay dividends; and

make capital expenditures.

Our loan agreements require us to maintain specified financial ratios, satisfy financial covenants and contain cross-default clauses. These financial ratios and covenants include requirements that we:

maintain minimum cash balances in a pledged account with the lender at all times;

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ensure that our leverage, which is defined as total debt net of cash/total market adjusted assets, does not at any time exceed 80%;