

BACKGROUND AND CASE OVERVIEW

1. This is a securities class action on behalf of all persons who purchased the common stock of TOP Tankers Inc. (“TOP Tankers”) between November 2, 2004 and November 28, 2006, inclusive (the “Class Period”), against TOP Tankers and certain of its officers and directors for violation of Securities Exchange Act of 1934 (the “1934 Act”).

2. TOP Tankers, together with its subsidiaries, is an international provider of worldwide seaborne crude oil and petroleum products transportation services.

3. TOP Tankers went public in 2004 in a 12 million share offering purportedly to raise money to purchase additional vessels. During the Class Period, defendants made false statements about the Company’s finances and business which concealed important information about the Company’s acquisitions. As a result of defendants’ false statements during the Class Period, TOP Tankers stock increased to as high as \$24.14 per share.

4. In June 2006, the Company announced a Securities and Exchange Commission (“SEC”) inquiry into its acquisitions going back to 2004 and the sale and leaseback of 13 vessels which the Company announced in March 2006.

5. Then, on November 29, 2006, TOP Tankers announced that its independent auditor, Ernst & Young, had resigned because of disagreements over the Company’s accounting treatment of certain aspects of the sale and leaseback of 13 vessels that closed in March and April 2006. The press release stated in part:

TOP Tankers Inc announced today that its auditors, Ernst & Young, (“E&Y”), have resigned as the Company’s independent auditors. This resignation occurred as the Company and E&Y were in ongoing discussions to finalize their review of the third quarter 2006 results.

The discussions related to a disagreement over the accounting treatment of certain aspects of the sale and leaseback of thirteen vessels that closed in March and April 2006.

The Company believes that its accounting treatment of the sale and leaseback transactions, which was also approved by the Audit Committee of the Company's Board of Directors, was appropriate.

E&Y had previously reviewed the Company's interim unaudited financial statements and the relevant earnings releases for the first and second quarters of 2006. However, the Company has decided to restate its interim unaudited financial statements for the first and second quarters of 2006, in accordance with E&Y's later recommendations.

The Company estimates that this restatement will reduce net income per share by up to \$0.02 for the first quarter of 2006 and up to a \$0.09 per share for the second quarter of 2006. In addition there will be some balance sheet adjustments for the same periods. Analytical tables with the restated amounts will be provided in the Company's earnings release.

The restatement will not affect the Company's audited financial statements for the years ended December 31, 2004 and 2005.

The Company is currently discussing with another major accounting firm that firm's appointment as the Company's independent auditors.

6. After this news, TOP Tankers' stock price dropped to as low as \$4.85 per share before closing at \$5.04 per share, some 80% below the Class Period high of \$24.14 per share.

7. The true facts, which were known by each of the defendants but concealed from the investing public during the Class Period, were as follows:

(a) TOP Tankers was improperly accounting for the sale and leaseback of vessels, including for 13 vessels that closed in March and April 2006;

(b) TOP Tankers' acquisitions had been manipulated to benefit insiders;

(c) TOP Tankers had inadequate and deficient internal controls and systems; and

(d) as a result of (a)-(c) above, TOP Tankers' financial statements were grossly inflated and materially misleading.

JURISDICTION AND VENUE

8. Jurisdiction is conferred by §27 of the 1934 Act. The claims asserted herein arise under §§10(b) and 20(a) of the 1934 Act and SEC Rule 10b-5.

9. Venue is proper in this District pursuant to §27 of the 1934 Act. Many of the false and misleading statements were made in or issued from this District. Defendants' investor relations department is operated in this District. All of defendants' revenues are generated in U.S. Dollars.

THE PARTIES

10. (a) Plaintiff John E. Drury purchased TOP Tankers common stock as described in the attached certification and was damaged thereby.

(b) Plaintiff Obaid Ahmad purchased TOP Tankers common stock as described in the attached certification and was damaged thereby.

(c) Plaintiff Richard Weller purchased TOP Tankers common stock as described in the attached certification and was damaged thereby.

11. Defendant TOP Tankers has executive offices in Athens Greece and is organized under the laws of Republic of The Marshall Islands. Its stock is traded in an efficient market on the Nasdaq National Market.

12. Defendant Evangelos J. Pistiolis ("Pistiolis") is and has been throughout the Class Period the Company's Chief Executive Officer and President.

13. Defendant Stamatios N. Tsantanis ("Tsantanis") is and has been throughout the Class Period the Company's Chief Financial Officer.

14. Defendants Pistiolis and Tsantanis (the "Individual Defendants"), because of their positions with the Company, possessed the power and authority to control the contents of TOP Tankers' annual quarterly reports, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, *i.e.*, the market. They were provided with copies of the Company's reports and press releases alleged herein to be misleading prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their executive positions and their access to material non-public information

available to them but not to the public, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public and that the positive representations being made were then materially false and misleading. Defendants are liable for the false statements pleaded herein.

SCHEME TO DEFRAUD

15. In addition to the above-described involvement, the Individual Defendants had knowledge of TOP Tankers' problems and were motivated to conceal such problems.

16. The Individual Defendants were motivated to engage in the fraudulent practices alleged herein in order to increase their compensation.

FRAUDULENT SCHEME AND COURSE OF BUSINESS

17. The Individual Defendants are liable for: (i) making false statements; or (ii) failing to disclose adverse facts known to them about TOP Tankers. Defendants' fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of TOP Tankers' common stock was a success, as it: (i) deceived the investing public regarding TOP Tankers' prospects and business; (ii) artificially inflated the price of TOP Tankers' common stock; and (iii) caused plaintiffs and other members of the Class to purchase TOP Tankers common stock at inflated prices.

BACKGROUND

18. On July 23, 2004, TOP Tanker issued a press release entitled "Top Tankers Inc. Prices Initial Public Offering." The press release stated in part:

TOP Tankers Inc announced today that its initial public offering of 13,330,000 shares of common stock has been priced at \$11.00 per share. TOP Tankers has agreed to sell 12,258,570 shares, and its selling shareholder has agreed to sell 1,071,430 shares. In addition TOP Tankers and its selling shareholder have granted the underwriters a 30-day option to purchase up to an additional 1,544,955 and 454,545 shares, respectively, to cover over-allotments. TOP Tankers will not receive any of the proceeds from the shares of common stock sold by its selling shareholder. Based on the initial offering price, TOP Tankers and its lender have agreed to the terms of a \$222 million secured credit facility. A portion of the offering proceeds and advances

under the credit facility will be used to acquire 10 second-hand double-hull tankers. The common stock will be quoted on the Nasdaq National Market System under the symbol "TOPT" and is expected to begin trading today.

19. TOP Tankers went public on August 2, 2004, pursuant to a false Registration Statement and Prospectus. The Prospectus represented that:

Our financial strategy is focused on maintaining a targeted level of leverage and distributing a portion of our annual net income as dividends to our shareholders. Following the completion of this offering and the acquisition of the Identified Tankers, we expect to have a ratio of indebtedness to total capital of approximately 59%. We intend to maintain a targeted ratio of indebtedness to total capital of approximately 50% when making additional vessel acquisitions. Our business strategy is focused on building and maintaining enduring relationships with oil companies, charterers and oil traders and other participants in the international tanker industry, including brokers, suppliers, classification societies, insurers and others. We seek to continue to create long-term value principally by acquiring and operating high quality, double-hull, refined petroleum products and crude oil tankers. Consistent with this strategy, our combined fleet will enable us to serve customers in both the crude oil and refined petroleum products sectors of the tanker industry.

20. The offering was extremely successful for the Company as it received net proceeds of \$124.4 million. The insiders at the Company, primarily Pistiolis, also benefited as their tangible net book value per share increased as a result of the IPO from \$4.99 to \$11.00 per share.

21. On August 31, 2004, TOP Tankers issued a press release entitled "TOP Tankers Reports Second Quarter 2004 Results." The press release stated in part:

TOP Tankers Inc announced today operating results for the second quarter ended June 30, 2004.

For the second quarter of 2004, the Company reported net income of \$5,709,000, or \$0.95 per fully diluted share, compared with net income of \$355,000, or \$0.06 per fully diluted share, for the second quarter of 2003. The weighted average number of diluted shares used in the computations was 6,000,000 for the second quarters of 2004 and 2003.

For the second quarter of 2004, operating income was \$6,486,000, compared with \$703,000 for the second quarter of 2003. EBITDA for the second quarter was \$9,000,000, compared with \$1,647,000 for last year's second quarter. Revenues from vessels for the quarter were \$17,428,000, compared to \$5,917,000 recorded in the second quarter of last year.

For the six months ended June 30, 2004, TOP Tankers reported net income of \$6,953,000, or \$1.16 per fully diluted share, compared to \$900,000, or \$0.15 per fully diluted share, for the first half of 2003. The weighted average number of diluted shares used in the computations was 6,000,000 for the six month periods ended June 30, 2004 and 2003.

For the six-month period ended June 30, 2004, operating income was \$8,067,000, compared with \$1,462,000 for the first half of 2003. EBITDA for the first six months of 2004 was \$12,036,000, compared to \$3,182,000 for the same period last year. Revenues from vessels for the six month period ended June 30, 2004, were \$25,156,000, compared to \$11,278,000 recorded in the first half of 2003.

Evangelos J. Pistiolis, President and Chief Executive Officer of TOP Tankers Inc, commented, "The Company successfully completed its Initial Public Offering on the Nasdaq National Market on July 23, 2004, raising approximately \$146 million. Our commitment to executing our strategic plan, in the most efficient way, is evident from our ongoing vessel delivery schedule, which has exceeded our expectations. To date we have taken delivery of seven ice-classed Handymax tankers, which have already commenced producing revenues by immediately entering their two-year profit-sharing employment agreements with major oil traders. Three more vessels are to be delivered by the end of September: the Handymax M/T Spotless, which will complete its special survey and will be delivered to its charterers, and the Suezmaxes M/T Flawless and M/T Timeless, which will both undergo their special surveys."

22. By the end of September 2004, due to defendants' positive statements, TOP Tankers' stock was trading at nearly \$16 per share.

DEFENDANTS' FALSE AND MISLEADING STATEMENTS ISSUED DURING THE CLASS PERIOD

23. On November 2, 2004, the Company issued a press release entitled "TOP Tankers Reports Third Quarter 2004 Results." The press release stated in part:

TOP Tankers Inc today announced operating results for the third quarter ended September 30, 2004.

For the three months ended September 30, 2004, the Company reported net income of \$6,500,000, or \$0.42 per fully diluted share, compared with net income of \$46,000, or \$0.01 per fully diluted share, for the third quarter of 2003. The weighted average number of diluted shares used in the computations was 15,342,390 and 6,000,000 for the third quarters of 2004 and 2003 respectively.

For the three months ended September 30, 2004, operating income was \$7,899,000, compared with \$112,000 for the third quarter of 2003. EBITDA for the third quarter was \$11,792,000, compared with \$1,669,000 for last year's third

quarter. Voyage revenues for the quarter were \$20,896,000, compared to \$5,366,000 recorded in the third quarter of last year.

For the nine months ended September 30, 2004, TOP Tankers reported net income of \$13,453,000, or \$1.47 per fully diluted share, compared to \$946,000, or \$0.16 per fully diluted share, for the same period last year. The weighted average number of diluted shares used in the computations was 9,136,861 and 6,000,000 for the nine-month periods ended September 30, 2004 and 2003, respectively.

For the nine-month period ended September 30, 2004, operating income was \$15,966,000, compared with \$1,574,000 for the same period last year. EBITDA for the nine-month period of 2004 was \$23,827,000, compared to \$4,850,000 for the same period last year. Voyage revenues for the nine-month period ended September 30, 2004, were \$46,052,000, compared to \$16,644,000 recorded in the same period last year.

Evangelos J. Pistiolis, President and Chief Executive Officer of TOP Tankers Inc, commented, "During the third quarter of 2004, our Company underwent a significant transformation:

- * We successfully completed our initial public offering, listing on the Nasdaq National Market on July 23, 2004. The offering raised approximately \$146.0 million, which was the largest IPO of a tanker company in the U.S. Equity Markets during the last five years.
- * We significantly expanded our fleet by taking delivery of ten high quality double-hull vessels in a record time of 37 days on average. Seven of our newly-acquired vessels commenced their profit-sharing employment with major oil-traders immediately after their delivery.
- * We extended the two-year profit-sharing employment agreements with Vitol SA, a major oil-trader, for six of our double hull handymax vessels for an additional period of six months. These agreements will expire between February and March 2007.
- * We sold the oldest vessel of our fleet, the M/T Tireless at a profit and increased the double hull configuration to 95 percent of our fleet. Consistent with our policy of operating a high quality, double-hull fleet, we intend to sell our two remaining single-hull tankers."

24. On November 3, 2004, the Company announced that it was amending the Registration Statement filed on July 23, 2004, stating in part:

TOP Tankers Inc announced today that it has amended the Registration Statement it filed with the US Securities and Exchange Commission. The purpose of the amendment is to increase the number of shares in its proposed offering to 7,515,528 shares of its common stock. In addition, TOP Tankers has granted the underwriters an option to purchase up to an additional 1,127,329 shares to cover over-allotments.

A portion of the offering proceeds will be used to acquire five double-hull Suezmax tankers.

A registration statement relating to these securities has been filed with the US Securities and Exchange Commission but has not yet become effective. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This communication shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

25. On November 5, 2004, the Company issued a subsequent release entitled “TOP Tankers Announces Pricing of Follow-On Offering.” The release stated in part:

TOP Tankers Inc. announced today that its follow-on offering of 8,306,452 common shares has been priced at \$15.50 per share. In addition, TOP Tankers has granted the underwriters a 30-day option to purchase up to an additional 1,245,968 shares to cover over-allotments. TOP Tankers intends to use a portion of the net proceeds of the offering to acquire five Suezmax double-hull tankers from an unrelated third party.

26. TOP Tankers received net proceeds from the follow-on offering at \$139.4 million.

27. On February 18, 2005, the Company issued a press release entitled “TOP Tankers Reports Fourth Quarter and Fiscal Year 2004 Results.” The press release stated in part:

TOP Tankers Inc today announced operating results for the fourth quarter and the fiscal year ended December 31, 2004.

For the three months ended December 31, 2004, the Company reported net income of \$19,286,000, or \$0.80 per share, compared with net income of \$688,000, or \$0.11 per share, for the fourth quarter of 2003. The weighted average number of basic and diluted shares used in the computations was 24,196,917 and 6,000,000 for the fourth quarter of 2004 and 2003, respectively.

For the three months ended December 31, 2004, operating income was \$21,302,000 compared with \$1,136,000 for the fourth quarter of 2003. EBITDA for the fourth quarter of 2004 was \$28,254,000 compared with \$2,322,000 for the previous year’s fourth quarter. Voyage revenues for the fourth quarter of 2004 were \$47,722,000 compared to \$6,441,000 recorded in the fourth quarter of the previous year.

For the year ended December 31, 2004, TOP Tankers reported net income of \$32,739,000, or \$2.53 per share, compared to \$1,634,000, or \$0.27 per share, for the

previous year. The weighted average number of basic and diluted shares used in the computations was 12,922,449 and 6,000,000 for the years ended December 31, 2004, and 2003, respectively.

For the year ended December 31, 2004, operating income was \$37,268,000 compared with \$2,710,000 for the previous year. EBITDA for 2004 was \$52,081,000 compared to \$7,172,000 for the previous year. Voyage revenues for the year ended December 31, 2004, was \$93,774,000, compared to \$23,085,000 recorded in the previous year.

Evangelos J. Pistiolis, President and Chief Executive Officer of TOP Tankers Inc, commented, "2004 was a milestone year for our Company:

- * We listed our shares on the Nasdaq National Market on July 23, raising \$146.6 million, the largest shipping IPO at the time.
- * We completed our follow-on public offering on November 5, raising \$148 million.
- * We successfully acquired a fleet of 10 modern double-hull vessels with the proceeds of our IPO in record time, and we are in the process of taking delivery of another five modern double-hull tankers, acquired with the proceeds of our follow-on offering.
- * Our total fleet size increased six times, from five vessels, or 0.18 million Dwt on December 31, 2003, to 15 vessels, or 1.08 million Dwt on December 31, 2004, and 10.2 times pro-forma the delivery of the follow-on vessels.
- * We sold two of our single-hull Handysize vessels and increased our double-hull configuration to 97.2 percent by Dwt. Consistent with our policy of operating a high quality double-hull fleet, we intend to sell our last single-hull tanker during 2005.
- * We fixed our 10 Handymax vessels with major oil-traders on long-term employment contracts at profitable base rates with 50/50 profit sharing on subcharters. This employment strategy allows us to minimize downside risk, secure a significant part of our cashflow and benefit from higher spot voyage charter rates.

(Footnote omitted.)

28. On April 25, 2005, the Company issued a press release entitled "TOP Tankers Reports First Quarter 2005 EPS of \$0.69 Not Including \$0.24 Per Share in Cash Compensation."

The press release stated in part:

TOP Tankers Inc. today announced operating results for the first quarter of 2005.

For the three months ended March 31, 2005, the Company reported net income of \$19,121,000, or \$0.69 per share, compared with net income of \$1,244,000, or \$0.21 per share, for the first quarter of 2004. Net income for the first quarter of 2005 does not include \$6.8 million in cash or \$0.24 per share that the Company received as compensation in the amount of \$29,000 per day per vessel from February 1, 2005 to the delivery date of five Suezmax tankers. The \$6.8 million in cash we received was treated as a reduction of the purchase price of the vessels on our books. If these fees had been recognized as income, the Company's reported net income for the first quarter of 2005 would have been \$25,873,000 or \$0.93 per share. The weighted average number of basic and diluted shares used in the computations was 27,830,990 and 6,000,000 for the first quarter of 2005 and 2004, respectively.

For the three months ended March 31, 2005, operating income was \$20,975,000, compared with \$1,598,000 for the first quarter of 2004. EBITDA for the first quarter of 2005 was \$29,719,000, compared with \$3,036,000 for previous year's first quarter. EBITDA for the first quarter of 2005 does not include \$6.8 million in cash that the Company received as compensation for the delayed delivery of five Suezmax tankers acquired with the proceeds of our follow-on offering in November 2004. If these fees had been recognized as income, EBITDA for the first quarter of 2005 would have been \$36,471,000. Voyage revenues for the first quarter of 2005 were \$47,291,000, compared to \$7,728,000 recorded in the first quarter of the previous year.

Evangelos J. Pistiolis, President and Chief Executive Officer of TOP Tankers Inc, commented, "During the first quarter of 2005, we experienced another historically high spot charter market, notwithstanding concerns that had been expressed by industry participants on the continued strength of the market. We took advantage of these strong market conditions to secure long term period employment for four Suezmax tankers and extended the existing period charters for four of our Handymax tankers to the second half of 2009. We continued the growth of our fleet by acquiring four modern double hull Handymax tankers and chartering them for five years at attractive base rates with profit-sharing. We also agreed to sell our remaining single-hull vessel, consistent with the commitment we made during our IPO to operate a 100% double-hull tanker fleet."

29. On August 4, 2005, the Company issued a press release entitled "TOP Tankers Reports Second Quarter and First Half 2005 Financial Results." The press release stated in part:

TOP Tankers Inc today announced operating results for the second quarter and first half of 2005.

For the three months ended June 30, 2005, the Company reported net income of \$13,552,000, or \$0.49 per share, compared with net income of \$5,709,000, or \$0.95 per share, for the second quarter of 2004. The weighted average number of basic and diluted shares used in the computations was 27,830,990 and 6,000,000 for the second quarter of 2005 and 2004 respectively. For the three months ended June

30, 2005, operating income was \$19,200,000, compared with \$6,486,000 for the second quarter of 2004. EBITDA for the second quarter of 2005 was \$33,128,000, compared with \$8,999,000 for previous year's second quarter. Voyage revenues for the second quarter of 2005 were \$56,329,000, compared to \$17,428,000 recorded for the second quarter of the previous year.

For the six months ended June 30, 2005, TOP Tankers reported net income of \$32,673,000, or \$1.17 per share, compared to \$6,953,000, or \$1.16 per share, for the first half of 2004. The weighted average number of basic and diluted shares used in the computations was 27,830,990 and 6,000,000 for the first half of 2005 and 2004 respectively. For the six-month period ended June 30, 2005, operating income was \$40,175,000, compared with \$8,084,000 for the first half of 2004. EBITDA for the first six months of 2005 was \$62,847,000, compared to \$12,035,000 for the same period last year. Voyage revenues for the six month period ended June 30, 2005, were \$103,620,000, compared to \$25,156,000 recorded for the first half of 2004.

Evangelos J. Pistiolis, President and Chief Executive Officer of TOP Tankers Inc, commented, "We have entered the summer period, typically the season for low rate especially for crude oil tankers. Still, despite the decline in crude oil tanker-charter rates compared to last year, we are still experiencing a strong rate environment, which we consider very promising for the remainder of 2005."

(Footnote omitted.)

30. On November 10, 2005, the Company issued a press release entitled "TOP Tankers Reports Financial Results for the Third Quarter and the Nine-Month Period of 2005." The press release stated in part:

TOP Tankers Inc today announced operating results for the third quarter ended September 30, 2005.

For the three months ended September 30, 2005, the Company reported net income of \$7,921,000, or \$0.28 per share, compared with net income of \$6,500,000, or \$0.42 per share, for the third quarter of 2004. The weighted average number of basic and diluted shares used in the computations was 28,020,990 and 15,342,390 for the third quarter of 2005 and 2004 respectively. For the three months ended September 30, 2005, operating income was \$13,670,000, compared with \$7,881,000 for the third quarter of 2004. EBITDA for the third quarter of 2005 was \$28,324,000, compared with \$11,792,000 for previous year's third quarter. Voyage revenues for the third quarter of 2005 were \$50,003,000, compared to \$20,896,000 recorded in the third quarter of the previous year.

For the nine months ended September 30, 2005, the Company reported net income of \$40,594,000, or \$1.45 per share, compared to \$13,453,000, or \$1.47 per share, for the nine months ended September 30, 2004. The weighted average number

of basic and diluted shares used in the computations was 27,895,019 and 9,136,861 for the first nine months of 2005 and 2004 respectively. For the nine-month period ended September 30, 2005, operating income was \$53,845,000, compared with \$15,965,000 for the same period last year. EBITDA for the nine-month period ended September 30, 2005 was \$91,171,000, compared to \$23,827,000 for the same period last year. Voyage revenues for the nine-month period ended September 30, 2005, were \$153,623,000, compared to \$46,052,000 recorded in the same period last year.

Evangelos J. Pistiolis, President and Chief Executive Officer of TOP Tankers Inc, commented, "During the third quarter of 2005, we established the foundations to further expand our managed fleet and become one of the world's largest operators of double-hull Suezmax and Handymax tankers. Upon delivery of the final Suezmax tanker in early December, we will have organically grown the number of vessels under our management by nine tankers in 2005, to a total of 27 vessels.

In addition to the significant fleet growth, the Company has paid a total of \$1.09 per share of cash dividends so far in 2005, while maintaining conservative leverage levels of 53%."

31. On February 27, 2006, the Company issued a press release entitled "TOP Tankers Reports Fourth Quarter and Fiscal Year 2005 Financial Results." The press release stated in part:

Highlights:

- Record EPS in the fourth quarter of 2005 of \$1.00, including \$0.13 of specific items
- Highest Suezmax average spot TCE rate among peers of \$61,447 per day
- Delivery of four Suezmax tankers and one Handymax tanker

. . . TOP Tankers Inc. announced its operating results for its fourth quarter and fiscal year ended December 31, 2005.

For the three months ended December 31, 2005, the Company reported net income of \$28,090,000, or \$1.00 per share, compared with net income of \$19,341,000, or \$0.80 per share, for the fourth quarter of 2004. The weighted average numbers of basic and diluted shares used in the computations were 28,080,649 and 24,196,917 for the fourth quarters of 2005 and 2004, respectively. The results for the fourth quarter of 2005 include \$3,692,000, or \$0.13 per share, of specific items that are described in Appendix A of this release. For the three months ended December 31, 2005, operating income was \$33,108,000, compared with \$21,469,000 for the fourth quarter of 2004. EBITDA for the fourth quarter of 2005 was \$48,970,000, compared with \$28,309,000 for the previous year's fourth quarter. Voyage revenues for the fourth quarter of 2005 were \$90,592,000, compared to \$47,777,000 recorded in the previous year's fourth quarter.

For the year ended December 31, 2005, TOP Tankers reported net income of \$68,684,000, or \$2.46 per share, compared to \$32,794,000, or \$2.54 per share, for the previous year. The weighted average numbers of basic and diluted shares used in the computations were 27,956,894 and 12,922,449 for the years ended December 31, 2005 and 2004, respectively. For the year ended December 31, 2005, operating income was \$86,953,000, compared with \$37,434,000 for the previous year. EBITDA for 2005 was \$140,141,000, compared to \$52,136,000 for the previous year. Voyage revenues for the year ended December 31, 2005, were \$244,215,000, compared to \$93,829,000 recorded in the previous year.

Evangelos J. Pistiolis, President and Chief Executive Officer of TOP Tankers Inc, commented, "I am very pleased to announce the strongest financial results for our Company. Once again the Cassandras that predicted a global tanker depression for 2005 were wrong. The strong fundamentals of the tanker sector and the ever-increasing demand for our services overcame any pessimistic outlook for the year.

"We substantially increased our fleet in 2005 by adding 1.6 million dwt and became one of the largest Suezmax and Handymax operators in the world. We have also paid dividends of \$1.30 per share, out of which \$0.21 per share related to earnings of 2004 and \$1.09 per share related to earnings of 2005, yielding approximately 10.4 percent at our current stock price."

(Footnotes omitted.)

32. On March 13, 2006, TOP Tanker announced that it had entered into a sale and immediate leaseback transaction for 13 of its vessels for a period of five to seven years. The press release stated in part:

The lease is a bareboat charter, with TOP Tankers continuing to operate and commercially manage the vessels. The table below described the vessels involved and the length of the relevant leases:

	Vessel Name	Dwt	Type	Built	Period
1	Timeless	154,970	Suezmax	1991	5 years
2	Flawless	154,970	Suezmax	1991	5 years
3	Priceless	154,970	Suezmax	1991	5 years
4	Stopless	154,970	Suezmax	1991	5 years
5	Faultless	154,970	Suezmax	1992	7 years
6	Noiseless	149,554	Suezmax	1992	7 years
7	Stainless	149,599	Suezmax	1992	7 years
8	Limitless	136,055	Suezmax	1993	7 years
9	Endless	135,915	Suezmax	1992	7 years
10	Spotless	47,094	Handymax	1991	5 years
11	Doubtless	47,076	Handymax	1991	5 years
12	Vanguard	47,084	Handymax	1992	5 years
13	Faithful	45,720	Handymax	1992	5 years

The aggregate sale price of the thirteen vessels is approximately \$550 million, and the net cash proceeds from this transaction (after repayment of corresponding vessel loans and other expenses) are expected to be approximately \$240 million. The Company expects to generate a book gain of approximately \$90 million, which will be amortized over the respective lease period. The leases of the vessels following their sale are expected to qualify as operating leases under U.S. GAAP.

Evangelos J. Pistiolis, President and CEO of TOP Tankers Inc., commented: “Since our IPO in July 2004, we have committed to grow our company and create significant value for our shareholders. By entering into this transaction, we capitalize on prevailing high second hand tanker values, while maintaining full commercial and operational control of all our vessels.

“In addition, by distributing the majority of the net cash generated by this transaction in the form of a special dividend, we are generating a substantial return for our shareholders. We intend to continue to pursue similar transactions, whether involving acquisitions, redeployments of existing assets or dispositions, that increase shareholder value.

“After completion of the sale, TOP tankers will remain one of the largest double-hull Suezmax and Handymax operators in the world, with 27 vessels under management. Nine vessels will be fully owned, with an additional 18 tankers chartered-in and fully controlled.”

Distribution of Special Dividend

The Company has declared a special dividend of \$5.00 per share, payable on March 27, 2006 to shareholders of record as of March 22, 2006. The Company expects to declare an additional special dividend in the amount of \$2.50. The

declaration of that dividend is expected to be announced towards the end of March 2006.

33. On April 6, 2006, TOP Tankers declared a special dividend of \$2.50 per share. payable on April 25, 2006 to shareholders of record as of April 17, 2006. The press release continued in part:

The Company also announced that its Board of Directors has unanimously decided to discontinue the Company's policy of paying regular quarterly dividends. Declaration and payment of any future special dividends will remain subject to the discretion of the Company's Board of Directors and will be based on general market and other conditions including the Company's earnings, financial strength and cash requirements and availability.

34. On April 13, 2006, TOP Tanker filed its Form 20-F for the year ended December 31, 2005. The 20-F included TOP Tankers financial results previously reported and also included certifications by Pistiolis and Tsantanis, which each stated:

1. I have reviewed this annual report on Form 20-F of TOP Tankers Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by this annual

report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The Company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

35. On May 11, 2006, TOP Tanker released its financial and operational results for the first quarter ended March 31, 2006. The press release stated in part:

For the three months ended March 31, 2006, the Company reported net income of \$30,404,000, or \$1.06 per share, compared with net income of \$19,121,000, or \$0.69 per share, for the first quarter of 2005. The weighted average numbers of basic shares used in the computations were 28,099,212 and 27,830,990 for the first quarters of 2006 and 2005, respectively. The results for the first quarter of 2006 include net charges of \$3,246,000, or \$0.12 per share of special items that affected the Company's net income for the first quarter of 2006 that are typically excluded by securities analysts in their published estimates of the Company's financial results, which are described in Appendix A of this release. For the three months ended March 31, 2006, operating income was \$38,213,000, compared with \$20,975,000 for the first quarter of 2005. EBITDA for the first quarter of 2006 was \$55,850,000, compared with \$29,719,000 for the first quarter of 2005. Voyage revenues for the first quarter of 2006 were \$101,746,000, compared to \$47,291,000 recorded in the first quarter of 2005.

Evangelos J. Pistiolis, President and Chief Executive Officer of TOP Tankers Inc, commented, "The first quarter of 2006 was one of the most important periods in our history. Not only did we achieve our highest quarterly EPS of \$1.06, but we also concluded a significant \$550 million sale and leaseback transaction which has resulted in a significant return of \$7.50 per share to our shareholders.

"We have entered into the seasonal lower period for the tanker market and are experiencing a correction in the crude spot rates. We intend to take advantage of the temporary slowdown and bring forward most scheduled dry-dockings for our Suezmaxes. As a result, we expect to enjoy the benefit of our full fleet's availability during the next winter period, which is traditionally the strongest period of the year.

“I also wish to inform our shareholders that I am currently involved in a project which involves the listing of a real estate fund on the Alternative Investment Market of the London Stock Exchange. It is envisioned that I will act as Chief Executive Officer of a private company that will manage that fund. I discussed my prospective involvement in this management company with our Board of Directors earlier in this year. Both the TOP Tankers Board and I are comfortable that my duties for the fund will not interfere with the continued performance of my duties for TOP Tankers.

“You probably have questions relating to the fund, but beyond telling you that this project does not involve a public offering in the United States, I am not able to give you any more details at this time due to regulations governing securities offerings both in London and in the United States.”

* * *

On March 9, 2006, the Company sold and leased-back the Handymax tankers M/T Faithful, M/T Spotless, M/T Vanguard and M/T Doubtless and the Suezmax tankers M/T Flawless, M/T Timeless, M/T Priceless and M/T Stopless for a period of five years, generating a gain of \$46 million, which is amortized over the five year lease period.

(Footnote omitted.)

36. On June 27, 2006, TOP Tankers announced that it had sold “an aggregate of 2,600,000 shares of the Company’s common stock, par value \$0.01 per share, pursuant to the Company’s shelf registration statement on Form F-3 (Registration No. 333-127086) in ‘at-the-market’ offerings at an average price of approximately \$7.50 per share.”

37. The Company also disclosed that an informal inquiry had been made by the U.S. SEC in regard to the Company’s vessel acquisition transactions since 2004 and events prior to the sale and leaseback and \$7.50 special dividend announcements made on March 13, 2006.

38. On August 3, 2006, TOP Tankers released its financial and operational results for the second quarter ended June 30, 2006. The press release stated in part:

For the three months ended June 30, 2006, the Company reported net loss of \$4,911,000, or \$0.17 per share, compared with net income of \$13,552,000, or \$0.49 per share, for the second quarter of 2005. The weighted average numbers of basic shares used in the computations were 29,586,783 and 27,830,990 for the second quarters of 2006 and 2005, respectively. The results for the second quarter of 2006

include net charges of \$359,000, or \$0.01 per share of special items that affected the Company's net loss for the second quarter of 2006 that are typically excluded by securities analysts in their published estimates of the Company's financial results, which are described in Appendix A of this release. For the three months ended June 30, 2006, operating income was \$89,000, compared with \$19,200,000 for the second quarter of 2005. EBITDA for the second quarter of 2006 was \$10,188,000, compared with \$33,128,000 for the second quarter of 2005. Voyage revenues for the second quarter of 2006 were \$69,857,000, compared to \$56,329,000 recorded in the second quarter of 2005.

For the six months ended June 30, 2006, the Company reported net income of \$25,493,000, or \$0.86 per share, compared with net income of \$32,673,000, or \$1.17 per share, for the first half of 2005. The weighted average numbers of basic shares used in the computations were 28,847,107 and 27,830,990 for the first half of 2006 and 2005, respectively. The results for the first half of 2006 include net charges of \$3,605,000, or \$0.13 per share of special items that affected the Company's net income for the first half of 2006 that are typically excluded by securities analysts in their published estimates of the Company's financial results, which are described in Appendix A of this release. For the six months ended June 30, 2006, operating income was \$38,302,000, compared with \$40,175,000 for the first half of 2005. EBITDA for the first half of 2006 was \$66,038,000, compared with \$62,847,000 for the same period last year. Voyage revenues for the six month period ended June 30, 2006 were \$171,603,000, compared to \$103,620,000 recorded in the first half of 2005.

Evangelos J. Pistiolis, President and Chief Executive Officer of TOP Tankers Inc, commented, "As we discussed on the first quarter 2006 conference call, we brought forward our dry-docking schedule into the summer months, in order to take advantage of the anticipated slower charter market. However, the freight market so far has been exceptionally strong and our drydocks have lasted longer than expected, due mostly to significant delays in the Far Eastern shipyards. While there remains a degree of uncertainty regarding the exact date of completion for specific vessels, we expect to be able to enjoy the benefit of our full fleet's availability throughout the winter period, which is traditionally the strongest period of the year."

Pistiolis continued, "During the second quarter, we sold 3,053,900 shares of common stock, in 'at-the-market' offerings at an average price of \$7.30 per share. Such sales, together with continuing positive cash flows from operations, further increased our cash position to more than \$90 million. In addition, our Board of Directors has approved our sale of up to an additional 5,000,000 shares under this program, out of which 453,900 shares were sold during the second quarter. Sales under this program may or may not take place depending on our assessment of the market and other circumstances."

The Company also stated that it has cooperated fully with the U.S. Securities and Exchange Commission related to its previously announced informal inquiry.

39. In fact, these results were materially false and misleading and TOP Tankers had a loss of \$6.8 million rather than the \$4.9 million reported.

40. Then, on November 29, 2006, TOP Tankers announced that its independent auditor, Ernst & Young had resigned because of disagreements over the Company's accounting treatment of certain aspects of the sale and leaseback of 13 vessels that closed in March and April 2006. The press release stated in part:

TOP Tankers Inc announced today that its auditors, Ernst & Young, ("E&Y"), have resigned as the Company's independent auditors. This resignation occurred as the Company and E&Y were in ongoing discussions to finalize their review of the third quarter 2006 results.

The discussions related to a disagreement over the accounting treatment of certain aspects of the sale and leaseback of thirteen vessels that closed in March and April 2006.

The Company believes that its accounting treatment of the sale and leaseback transactions, which was also approved by the Audit Committee of the Company's Board of Directors, was appropriate.

E&Y had previously reviewed the Company's interim unaudited financial statements and the relevant earnings releases for the first and second quarters of 2006. However, the Company has decided to restate its interim unaudited financial statements for the first and second quarters of 2006, in accordance with E&Y's later recommendations.

The Company estimates that this restatement will reduce net income per share by up to \$0.02 for the first quarter of 2006 and up to a \$0.09 per share for the second quarter of 2006. In addition there will be some balance sheet adjustments for the same periods. Analytical tables with the restated amounts will be provided in the Company's earnings release.

The restatement will not affect the Company's audited financial statements for the years ended December 31, 2004 and 2005.

The Company is currently discussing with another major accounting firm that firm's appointment as the Company's independent auditors.

41. After this news, TOP Tankers' stock dropped to as low as \$4.85 per share before closing at \$5.04 per share, some 80% below the Class Period high of \$24.14 per share.

42. The Company ultimately reported the amount of the restatement which decreased previously reported second quarter 2006 operating income from \$89,000 to a loss of \$1.64 million.

The December 7, 2006 press release stated in part:

The Company reported a restatement of first, second quarter and first half of 2006 unaudited financial statements resulting from the accounting treatment of certain aspects of the sale and leaseback transactions that were completed in March and April 2006. The sale and leaseback transactions involved the sale of 13 vessels to financial institutions unaffiliated with the Company, for a consideration of \$550 million, and their simultaneous leaseback under bareboat charters to separate subsidiaries of the Company for a period of five to seven years. Under the terms of the sale and leaseback transactions, upon completion of the sale of the vessels, the Company received 90% of the consideration, or \$495 million. The remaining 10% of the consideration or \$55 million, commonly referred to as "Seller's Credit," was not due from the purchaser until not later than three months after the end of the bareboat charter period or upon the resale of the vessels by the purchaser, if earlier. The main purpose of the Seller's Credit is to secure a portion of the seller-lessee's payments to the owner-lessor. The sale and leaseback transactions resulted in a total book gain of \$96 million.

The Company deferred and amortized over the relevant charter period of five to seven years the total gain of \$82 million (which is the total gain including the present value of the Seller's Credit. This amount was included in part in "Deferred Income" in the Company's interim unaudited financial statements for the first quarter of 2006, and in full in the Company's interim unaudited financial statements for the second quarter of 2006. The Company has decided to restate its interim unaudited financial statements and exclude the Seller's Credit of \$55 million from the total gain and to defer recognition of the full amount until payment. The non-cash effect from deducting the Seller's Credit of \$55 million from the total gain of \$96 million, is to reduce net income per share by \$0.01 and \$0.07 for the first and second quarter of 2006, respectively. The net income per share in all subsequent quarters until December 31, 2010 will be reduced by approximately \$0.07.

(Footnote omitted.)

43. The true facts, which were known by each of the defendants but concealed from the investing public during the Class Period, were as follows:

(a) TOP Tankers was improperly accounting for the sale and leaseback of vessels, including for 13 vessels that closed in March and April 2006;

(b) TOP Tankers' acquisitions had been manipulated to benefit insiders;

- (c) TOP Tankers had inadequate and deficient internal controls and systems; and
- (d) as a result of (a)-(c) above, TOP Tankers' financial statements were grossly inflated and materially misleading.

**TOP TANKERS' FALSE FINANCIAL
REPORTING DURING THE CLASS PERIOD**

44. The Company has admitted that its financial results for the first and second quarters of 2006 were false and misleading and are being restated. These financial statements were false due to Defendants' improper accounting practices, including improperly accounting for sale and leaseback transactions which artificially inflated the Company's income and earnings per share. The Company will restate its prior financial statements to adjust for this improper accounting.

45. The Company's financial results for 2006 were included in reports filed with the SEC, including 10-Qs. The results were also included in press releases disseminated to the investing public. The Individual Defendants also reiterated these financial results in conference calls and other communications with analysts. These financial statements were not a fair presentation of TOP Tankers' results and were presented in violation of GAAP and SEC rules.

46. GAAP are those principles recognized by the accounting profession as the conventions, rules and procedures necessary to define accepted accounting practice at a particular time. SEC Regulation S-X (17 C.F.R. §210.4-01(a)(1)) states that financial statements filed with the SEC which are not prepared in compliance with GAAP are presumed to be misleading and inaccurate, despite footnote or other disclosure. Regulation S-X requires that interim financial statements must also comply with GAAP, with the exception that interim financial statements need not include disclosure which would be duplicative of disclosures accompanying annual financial statements. 17 C.F.R. §210.10-01(a).

47. TOP Tankers violated GAAP by failing to properly report acquisitions and/or sales-leaseback transactions.

48. As a result of TOP Tankers' improper accounting practices, it will restate at least its 2006 financial statements. The fact that TOP Tankers will restate its financial statements is an admission that:

(a) financial results originally issued during the Class Period and its public statements regarding those results were materially false and misleading;

(b) the financial statements reported during the Class Period were incorrect based on information available to defendants at the time the results were originally reported; and

(c) the financial statements can no longer be relied upon as being accurate.

49. The SEC has reiterated its position regarding restatements:

[T]he Commission often seeks to enter into evidence restated financial statements, and the documentation behind those restatements, in its securities fraud enforcement actions in order, *inter alia*, to prove the falsity and materiality of the original financial statements [and] to demonstrate that persons responsible for the original misstatements acted with scienter

In re Sunbeam Sec. Litig., No. 98-8258-Civ.-Middlebrooks, Brief of the United States Securities and Exchange Commission as *Amicus Curiae* Regarding Defendants' Motions *In Limine* to Exclude Evidence of the Restatement and Restatement Report at 2 (S.D. Fla. Jan. 31, 2002).

50. The fact that TOP Tankers is restating its past financial statements and has indicated that such financial statements should no longer be relied upon is an admission that the financial statements originally issued were false and that the overstatement of net income was material. Pursuant to GAAP, as set forth in Accounting Principles Board Opinion ("APB") No. 20, the type of restatement announced by TOP Tankers was to correct for material errors in its previously issued financial statements. See APB No. 20, ¶¶7-13. Moreover, SFAS No. 154, ¶25, *Accounting Changes and Error Corrections*, states: "Any error in the financial statements of a prior period discovered

subsequent to their issuance shall be reported as a prior-period adjustment by restating the prior-period financial statements.” Thus, GAAP provides that financial statements should be restated in order to correct an error in previously issued financial statements. TOP Tankers’ restatement is due to an error. Thus, the restatement is an admission by TOP Tankers that its previously issued financial results and its public statements regarding those results were false.

51. Due to these accounting improprieties, the Company presented its financial results and statements in a manner which violated GAAP, including the following fundamental accounting principles:

(a) The principle that interim financial reporting should be based upon the same accounting principles and practices used to prepare annual financial statements was violated (APB No. 28, ¶10);

(b) The principle that financial reporting should provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit and similar decisions was violated (FASB Statement of Concepts No. 1, ¶34);

(c) The principle that financial reporting should provide information about the economic resources of an enterprise, the claims to those resources, and effects of transactions, events and circumstances that change resources and claims to those resources was violated (FASB Statement of Concepts No. 1, ¶40);

(d) The principle that financial reporting should provide information about how management of an enterprise has discharged its stewardship responsibility to owners (stockholders) for the use of enterprise resources entrusted to it was violated. To the extent that management offers securities of the enterprise to the public, it voluntarily accepts wider responsibilities for

accountability to prospective investors and to the public in general (FASB Statement of Concepts No. 1, ¶50);

(e) The principle that financial reporting should provide information about an enterprise's financial performance during a period was violated. Investors and creditors often use information about the past to help in assessing the prospects of an enterprise. Thus, although investment and credit decisions reflect investors' expectations about future enterprise performance, those expectations are commonly based at least partly on evaluations of past enterprise performance (FASB Statement of Concepts No. 1, ¶42);

(f) The principle that financial reporting should be reliable in that it represents what it purports to represent was violated. That information should be reliable as well as relevant is a notion that is central to accounting (FASB Statement of Concepts No. 2, ¶¶58-59);

(g) The principle of completeness, which means that nothing is left out of the information that may be necessary to insure that it validly represents underlying events and conditions was violated (FASB Statement of Concepts No. 2, ¶79); and

(h) The principle that conservatism be used as a prudent reaction to uncertainty to try to ensure that uncertainties and risks inherent in business situations are adequately considered was violated. The best way to avoid injury to investors is to try to ensure that what is reported represents what it purports to represent (FASB Statement of Concepts No. 2, ¶¶95, 97).

52. Further, the undisclosed adverse information concealed by defendants during the Class Period is the type of information which, because of SEC regulations, regulations of the national stock exchanges and customary business practice, is expected by investors and securities analysts to be disclosed and is known by corporate officials and their legal and financial advisors to be the type of information which is expected to be and must be disclosed. Because of their positions

with the Company, and their access to material non-public information available to them but not to the public, defendants each knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public and that the positive representations being made were then materially false and misleading.

TOP TANKERS LACKED ADEQUATE INTERNAL CONTROLS

53. Defendants were able to inflate TOP Tankers stock price through accounting improprieties which resulted in materially misstated financial statements by means of circumventing and failing to establish and maintain adequate internal accounting control over financial reporting relating to stock options.

54. Section 13(b)(2) of the 1934 Act states, in pertinent part, that every reporting company must:

(A) make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer;

(B) devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that –

* * *

(ii) transactions are recorded as necessary . . . to permit preparation of financial statements in conformity with [GAAP].

15 U.S.C. §78m(b)(2)(A)-(B).

55. These provisions require an issuer to employ and supervise reliable personnel, to maintain reasonable assurances that transactions are executed as authorized, to properly record transactions on an issuer's books and, at reasonable intervals, to compare accounting records with physical assets. *SEC v. World-Wide Coin Inv.*, 567 F. Supp. 724, 746 (N.D. Ga. 1983).

56. Defendants caused TOP Tankers to violate §13(b)(2)(A) of the 1934 Act by failing to maintain accurate records concerning its accounting for acquisition and sale-leasebacks. TOP

Tankers' inaccurate and false records were not isolated or unique instances because they were improperly maintained for multiple reporting periods. Accordingly, TOP Tankers violated §13(b)(2)(A) of the 1934 Act.

57. In addition, defendants caused TOP Tankers to violate §13(b)(2)(B) of the 1934 Act by failing to implement procedures reasonably designed to prevent accounting irregularities. TOP Tankers failed to ensure that proper review and checks were in place to ensure that it was recording and properly reporting accounting for acquisitions and sales-leasebacks. In fact, despite knowing that the Company lacked adequate controls, defendants regularly issued quarterly financial statements throughout the Class Period, without ever disclosing the deficiencies in TOP Tankers' internal accounting controls, and falsely asserted that its financial statements complied with GAAP.

58. Financial reporting includes not only financial statements, but also other means of communicating information that relates directly or indirectly to the information in the financial statements. *See* FASB Statement of Concepts No. 1, ¶7. For this reason, in addition to TOP Tankers' failure to make the required disclosures in its financial statements and in its SEC filings, TOP Tankers also shirked its duty to make such disclosures in its conference calls, its press releases and its Annual Reports.

59. As defendants allowed and were responsible for initiating a gross lack of internal controls over financial reporting, defendants were able to inflate the Company's stock price through accounting improprieties which resulted in materially misstated publicly filed financial statements.

LOSS CAUSATION/ECONOMIC LOSS

60. During the Class Period, as detailed herein, defendants engaged in a scheme to deceive the market and a course of conduct that artificially inflated TOP Tankers' stock price and operated as a fraud or deceit on Class Period purchasers of TOP Tankers stock by misrepresenting the Company's financial statements. Later, however, when defendants' prior misrepresentations and

fraudulent conduct were disclosed and became apparent to the market, TOP Tankers' stock fell precipitously as the prior artificial inflation came out of TOP Tankers' stock price. As a result of their purchases of TOP Tankers stock during the Class Period, plaintiffs and other members of the Class suffered economic loss, *i.e.*, damages, under the federal securities laws.

61. By misrepresenting TOP Tankers' acquisition and sale-leaseback accounting and financial statements, the defendants presented a misleading picture of TOP Tankers' business and prospects.

62. These false financial statements caused and maintained the artificial inflation in TOP Tankers' stock price throughout the Class Period and until the truth was revealed to the market.

63. Defendants' false and misleading statements had the intended effect and caused TOP Tankers stock to trade at artificially inflated levels throughout the Class Period.

64. As investors and the market became aware of TOP Tankers' prior misstatements and concealments and that TOP Tankers' actual business prospects were, in fact, poor, the prior artificial inflation came out of TOP Tankers' stock price, damaging investors.

65. As a direct result of defendants' admissions and the public revelations regarding the truth about TOP Tankers' misstatements and its actual business prospects going forward, TOP Tankers' stock price plummeted. This drop removed the inflation from TOP Tankers' stock price, causing real economic loss to investors who had purchased the stock during the Class Period. In sum, as the truth about defendants' fraud and TOP Tankers' business performance was revealed, the Company's stock price plummeted, the artificial inflation came out of the stock and plaintiffs and other members of the Class were damaged, suffering economic losses.

66. The decline in TOP Tankers' stock price at the end of the Class Period was a direct result of the nature and extent of defendants' fraud finally being revealed to investors and the

market. The timing and magnitude of TOP Tankers' stock price declines negate any inference that the loss suffered by plaintiffs and other Class members was caused by changed market conditions, macroeconomic or industry factors or Company-specific facts unrelated to the defendants' fraudulent conduct. The economic loss, *i.e.*, damages, suffered by plaintiffs and other members of the Class was a direct result of defendants' fraudulent scheme to artificially inflate TOP Tankers' stock price and the subsequent significant decline in the value of TOP Tankers' stock when defendants' prior misrepresentations and other fraudulent conduct was revealed.

COUNT I

For Violation of §10(b) of the 1934 Act and Rule 10b-5 Against All Defendants

67. Plaintiffs incorporate ¶¶1-66 by reference.

68. During the Class Period, defendants disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

69. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

(a) employed devices, schemes and artifices to defraud;

(b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(c) engaged in acts, practices and a course of business that operated as a fraud or deceit upon plaintiffs and others similarly situated in connection with their purchases of TOP Tankers common stock during the Class Period.

70. Plaintiffs and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for TOP Tankers common stock. Plaintiffs and the Class would not have purchased TOP Tankers common stock at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by defendants' misleading statements.

71. As a direct and proximate result of these defendants' wrongful conduct, plaintiffs and the other members of the Class suffered damages in connection with their purchases of TOP Tankers common stock during the Class Period.

COUNT II

For Violation of §20(a) of the 1934 Act Against All Defendants

72. Plaintiffs incorporate ¶¶1-71 by reference.

73. Defendants acted as controlling persons of TOP Tankers within the meaning of §20(a) of the 1934 Act. By reason of their positions as officers and/or directors of TOP Tankers, and their ownership of TOP Tankers stock, defendants Pistiolis and Tsantanis had the power and authority to cause TOP Tankers to engage in the wrongful conduct complained of herein. TOP Tankers controlled the Individual Defendants and all of its employees. By reason of such conduct, the defendants are liable pursuant to §20(a) of the 1934 Act.

CLASS ACTION ALLEGATIONS

74. Plaintiffs bring this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased TOP Tankers common stock on the open market during the Class Period (the "Class"). Excluded from the Class are defendants.

75. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to

the parties and the Court. TOP Tankers has more than 29 million shares of stock outstanding, owned by hundreds if not thousands of persons.

76. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

- (a) whether the 1934 Act was violated by defendants;
 - (b) whether defendants omitted and/or misrepresented material facts;
 - (c) whether defendants' statements omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;
 - (d) whether defendants knew or deliberately disregarded that their statements were false and misleading;
 - (e) whether the price of TOP Tankers' common stock was artificially inflated;
- and
- (f) the extent of damage sustained by Class members and the appropriate measure of damages.

77. Plaintiffs' claims are typical of those of the Class because plaintiffs and the Class sustained damages from defendants' wrongful conduct.

78. Plaintiffs will adequately protect the interests of the Class and have retained counsel who are experienced in class action securities litigation. Plaintiffs have no interests which conflict with those of the Class.

79. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

PRAYER FOR RELIEF

WHEREFORE, plaintiffs pray for judgment as follows:

- A. Declaring this action to be a proper class action pursuant to Fed. R. Civ. P. 23;
- B. Awarding plaintiffs' and the members of the Class damages, including interest; and
- C. Awarding plaintiffs' reasonable costs, including attorneys' fees.

JURY DEMAND

Plaintiffs demand a trial by jury.

DATED: December 18, 2006

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