Danaos Corp
Form 20-F
June 18, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 20-F

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

OR

ý **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009**

OR

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

For the transition period from to

OR

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

Date of event requiring this shell company report

Commission file number 001-33060

DANAOS CORPORATION

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

Republic of The Marshall Islands

(Jurisdiction of incorporation or organization)

c/o Danaos Shipping Co. Ltd
14 Akti Kondyli
185 45 Piraeus
Greece

(Address of principal executive offices)

Dimitri J. Andritsoyiannis
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14 Akti Kondyli
185 45 Piraeus
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Telephone: +30 210 419 6480
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(Name, Address, Telephone Number and Facsimile Number of Company Contact Person)

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

Title of each class	Name of each exchange on which registered
Common stock, $0.01 par value per share	New York Stock Exchange
Preferred stock purchase rights	New York Stock Exchange

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Securities registered or to be registered pursuant to Section 12(g) of the Act:

None.

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None.

As of December 31, 2009, there were 54,550,858 shares of the registrant's common stock outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes o   No ý

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 o   No ý

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 ý   No o

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 o   No o

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

o Large accelerated filer	o Accelerated filer	ý Non-accelerated filer

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

ý U.S. GAAP	o International Financial Reporting Standards	o Other

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.

o Item 17   o 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 o   No ý

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FORWARD-LOOKING INFORMATION

This annual report contains forward-looking statements based on beliefs of our management. Any statements contained in this annual report that are not historical facts are forward-looking statements as defined in Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. We have based these forward-looking statements on our current expectations and projections about future events, including:

- future operating or financial results;
- pending acquisitions and dispositions, business strategies and expected capital spending;
- operating expenses, availability of crew, number of off-hire days, drydocking requirements and insurance costs;
- general market conditions and shipping market trends, including charter rates, vessel values and factors affecting supply and demand;
- our financial condition and liquidity, including our ability to obtain financing in the future to fund capital expenditures, acquisitions and other general corporate activities and comply with covenants in our financing arrangements;
- our ability to enter into definitive documentation for the restructuring of certain of our existing credit facilities and new financing arrangements for which we have reached agreements in principle and satisfy the conditions thereto;
- the availability of ships to purchase, the time that it may take to construct new ships, or the useful lives of our ships;
- performance by our charterers of their obligations;
- our continued ability to enter into multi-year, fixed-rate period charters with our customers;
- our ability to leverage to our advantage our manager's relationships and reputation in the containership shipping sector of the international shipping industry;
- changes in governmental rules and regulations or actions taken by regulatory authorities;
- potential liability from future litigation; and
- other factors discussed in "Item 3. Key Information Risk Factors" of this annual report.

The words "anticipate," "believe," "estimate," "expect," "forecast," "intend," "potential," "may," "plan," "project," "predict," and "should" and similar expressions as they relate to us are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. We may also from time to time make forward-looking statements in our periodic reports that we file with the U.S. Securities and Exchange Commission ("SEC") other information sent to our security holders, and other written materials. 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 in "Item 3. Key Information Risk Factors" and in our other filings with the 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

Danaos Corporation is a corporation domesticated in the Republic of The Marshall Islands that is referred to in this Annual Report on Form 20-F, together with its subsidiaries, as "Danaos Corporation," "the Company," "we," "us," or "our." This report should be read in conjunction with our consolidated financial statements and the accompanying notes thereto, which are included in Item 18 to this annual report.

As described in "Item 5. Operating and Financial Review and Prospects," we have reached an agreement in principle with our existing lenders to restructure our existing indebtedness, other than under our KEXIM and KEXIM-Fortis credit facilities, and agreements in principle for new financing arrangements. These agreements remain subject to the approval of the credit committees of the respective lenders, negotiation and execution of definitive documentation and other conditions, including our receipt of requisite proceeds from equity issuances.

We use the term "Panamax" to refer to vessels capable of transiting the Panama Canal and "Post-Panamax" to refer to vessels with a beam of more than 32.31 meters that cannot transit the Panama Canal. We use the term "twenty foot equivalent unit," or "TEU," the international standard measure of containers, in describing the capacity of our containerships. 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.

Item 3. Key Information

Selected Financial Data

The following table presents selected consolidated financial and other data of Danaos Corporation and its consolidated subsidiaries for each of the five years in the five year period ended December 31, 2009, reflecting the discontinued operations of the drybulk carriers owned by subsidiaries of Danaos Corporation between 2005 and 2007 as discontinued operations. The table should be read together with "Item 5. Operating and Financial Review and Prospects." The selected consolidated financial data of Danaos Corporation is derived from our consolidated financial statements and notes thereto, which have been prepared in accordance with U.S. generally accepted accounting principles, or "U.S. GAAP", and have been audited for the years ended December 31, 2009, 2008, 2007, 2006 and 2005 by PricewaterhouseCoopers S.A., an independent registered public accounting firm.

Our audited consolidated statements of income, stockholders' equity and cash flows for the years ended December 31, 2009, 2008 and 2007, and the consolidated balance sheets at December 31, 2009 and 2008, together with the notes thereto, are included in "Item 18. Financial Statements" and should be read in their entirety.

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	Year Ended December 31,				
	2009	2008	2007	2006	2005
	In thousands, except per share amounts				
STATEMENT OF INCOME					
Operating revenues	$ 319,511	$ 298,905	$ 258,845	$ 205,177	$ 175,886
Voyage expenses	(7,346)	(7,476)	(7,498)	(5,423)	(3,883)
Vessel operating expenses	(92,327)	(89,246)	(65,676)	(52,991)	(45,741)
Depreciation	(60,906)	(51,025)	(40,622)	(27,304)	(22,940)
Amortization of deferred drydocking and special survey costs	(8,295)	(7,301)	(6,113)	(4,127)	(2,638)
Bad debt expense		(181)	(1)	(145)	(36)
General and administrative expenses	(14,541)	(11,617)	(9,955)	(6,413)	(3,914)
Gain/(loss) on sale of vessels		16,901	(286)		
Income from operations	136,096	148,960	128,694	108,774	96,734
Interest income	2,428	6,544	4,861	3,605	6,345
Interest expense	(36,208)	(34,740)	(22,421)	(23,905)	(19,190)
Other finance (expenses)/income, net	(2,290)	(2,047)	(2,779)	2,049	(6,961)
Other (expenses)/income, net	(336)	(1,060)	14,560	(18,476)	(270)
(Loss)/gain on fair value of derivatives	(63,601)	(597)	183	(6,628)	2,831
Total other expenses, net	(100,007)	(31,900)	(5,596)	(43,355)	(17,245)
Net income from continuing operations	$ 36,089	$ 117,060	$ 123,098	$ 65,419	$ 79,489
Net (loss)/income from discontinued operations	$	$ (1,822)	$ 92,166	$ 35,663	$ 43,361
Net income	$ 36,089	$ 115,238	$ 215,264	$ 101,082	$ 122,850
PER SHARE DATA(i)(ii)(iii)					
Basic and diluted net income per share of common stock from continuing operations	$ 0.66	$ 2.15	$ 2.26	$ 1.40	$ 1.79
Basic and diluted net (loss)/income per share of common stock from discontinued operations	$	$ (0.04)	$ 1.69	$ 0.76	$ 0.98
Basic and diluted net income per share of common stock	$ 0.66	$ 2.11	$ 3.95	$ 2.16	$ 2.77
Basic and diluted weighted average number of shares	54,550	54,557	54,558	46,751	44,308
CASH FLOW DATA					
Net cash provided by operating activities	$ 93,166	$ 135,489	$ 158,270	$ 151,578	$ 162,235

Net cash used in investing activities	(372,909)	(511,986)	(687,592)	(330,099)	(40,538)
Net cash provided by/(used in) financing activities	281,073	433,722	549,742	183,596	(180,705)
Net increase/(decrease) in cash and cash equivalents	1,330	57,225	20,420	5,075	(59,008)
BALANCE SHEET DATA (at period end)					
Total current assets	$ 300,504	$ 250,194	$ 92,038	$ 59,700	$ 64,012
Total assets	3,142,711	2,828,464	2,071,791	1,297,190	945,758
Total current liabilities, including current portion of long term debt	2,518,007	122,215	51,113	45,714	70,484
Current portion of long-term debt	2,331,678	42,219	25,619	22,760	57,521
Long-term debt, net of current portion		2,054,635	1,330,927	639,556	609,217
Total stockholders' equity	405,591	219,034	624,904	565,852	262,725
Common stock(i)(ii)(iii)	54,551	54,543	54,558	54,558	44,308
Share capital(i)	546	546	546	546	443

(i) As adjusted for 88,615-for-1 stock split effected on September 18, 2006.

(ii) As adjusted for 15,000 shares repurchased in the open market during December 2008, held by the Company and reported as Treasury Stock as of December 31, 2008.

(iii) As adjusted for 6,642 shares held by the Company and reported as Treasury Stock as of December 31, 2009.

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As a privately held company, we paid aggregate dividends of $244.6 million in 2005. We paid no dividends in 2006. We paid our first quarterly dividend since becoming a public company in October 2006, of $0.44 per share, on February 14, 2007, and subsequent dividends of $0.44 per share, $0.44 per share, $0.465 per share and $0.465 per share on May 18, 2007, August 17, 2007, November 16, 2007 and February 14, 2008. In addition, we paid a dividend of $0.465 per share on May 14, 2008, August 20, 2008 and November 19, 2008, respectively. 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 contain restrictions that affect our ability to pay dividends and we generally will not be permitted to pay cash dividends under the terms of the bank agreement and new financing agreements for which we have reached agreements in principle. See "Item 3. Key Information Risk Factors Risks Inherent in Our Business We are not permitted to pay dividends under the waiver agreements and amendments to our existing credit facilities, and under the agreements in respect of the restructuring of these facilities and the new financing arrangements for which we have reached agreements in principle, we generally will not be permitted to pay cash dividends." see "Item 8. Financial Information Dividend Policy."

Capitalization and Indebtedness

Not Applicable.

Reasons for the Offer and Use of Proceeds

Not Applicable.

Risk Factors

Risks Inherent in Our Business

Our inability to comply with certain financial and other covenants under our loan agreements raises substantial doubt about our ability to continue as a going concern.

As a result of the decline in the containership charter market and related decline in vessel values in the containership sector we are in breach of certain financial covenants under two of our credit facilities (our $60.0 million credit facility with HSH Nordbank and our $180.0 million credit facility with Deutsche Bank), under which an aggregate of $217.0 million was outstanding as of December 31, 2009, for which we have not obtained waivers. In addition, although we were in compliance with the covenants in our credit facility with the Export-Import Bank of Korea ("KEXIM")) under which $70.4 million was outstanding as of December 31, 2009, and have obtained waivers expiring on October 1, 2010 of covenant breaches under our other credit facilities, under the cross default provisions of the respective credit facilities our lenders could require immediate repayment of the outstanding debt under the respective credit facilities (see Note 13 to our consolidated financial statements included elsewhere in this annual report). In addition, were we to default on installment payments for our newbuilding containerships, for a number of which we have reached agreements in principle to finance with new credit facilities, but do not yet have definitive agreements in place, such default would also constitute an event of default under certain of our loan agreements. A total of $2.3 billion of our indebtedness as of December 31, 2009 has been reclassified as current liabilities as a result of our non-compliance with financial covenants contained in our loan agreements. As a result of this reclassification we had a working capital deficit of $2.2 billion as of December 31, 2009. Our independent registered public accounting firm included an explanatory paragraph in its opinion on our most recently audited financial statements for the year ended December 31, 2009 that expressed substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of

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assets or the amounts and classification of liabilities that may result from the outcome of our inability to continue as a going concern. However, there is a material uncertainty related to events or conditions which raises substantial doubt on our ability to continue as a going concern and, therefore, we may be unable to realize our assets and discharge our liabilities in the normal course of business.

We have reached an agreement in principle with the lenders under all of our existing credit facilities, other than the lenders under our credit facilities with KEXIM and KEXIM-Fortis, for an agreement that, among other things, would provide for the waiver of any covenant breaches or defaults under our existing credit facilities with such lenders and the amendment of covenants. If, however, we are unable to enter into a definitive documentation for such agreement and otherwise satisfy the conditions thereto, including raising the requisite proceeds from equity issuances, or if the credit committees of the respective lenders do not approve the agreements, and we are unable to enter into agreements under our KEXIM and KEXIM-Fortis credit facilities, our lenders could accelerate our indebtedness under credit facilities in respect of which we do not have waivers, as well as our other credit facilities which contain cross-default provisions, or upon expiration of our existing waivers, if we are not then in compliance and are not able to obtain extensions, and foreclose upon the vessels in our fleet which could prevent us from continuing to conduct our business.

We are not and have not been in compliance with financial covenants contained in certain of our credit facilities and the current low containership charter rates and containership vessel values and any future declines in these rates and values will affect our ability to comply with various covenants in our credit facilities.

Our credit facilities, which are secured by mortgages on our vessels, require us to maintain specified collateral coverage ratios and satisfy financial covenants, including requirements based on the market value of our containerships and our net worth. The market value of containerships is sensitive to, among other things, changes in the charter markets with vessel values deteriorating in times when charter rates are falling and improving when charter rates are anticipated to rise. The depressed state of the containership charter market coupled with the prevailing difficulty in obtaining financing for vessel purchases has adversely affected containership values since the middle of 2008. These conditions have led to a significant decline in the fair market values of our vessels and the extremely low prevailing interest rates have led to significant declines in the fair value of our interest rate swap agreements. As a result, we were in breach of covenants contained in two of our loan agreements as of December 31, 2009 for which we have not obtained waivers. We also had to obtain waivers of breaches of covenants in certain of our loan agreements as of December 31, 2008 and June 30, 2009 (see Note 13 to our consolidated financial statements included elsewhere in this annual report). In addition, although we were in compliance with the covenants in our credit facility with KEXIM, under the cross default provisions of this credit facility, and the cross default provisions of our credit facilities for which waivers were obtained during 2009, the lenders could require immediate repayment of the related outstanding debt.

If we fail to enter into a definitive bank agreement, under which the lenders participating thereunder would waive any existing covenant breaches or defaults under our existing credit facilities (other than our KEXIM and KEXIM-Fortis credit facilities which will not be covered thereby), as well as agree to amend the covenants under our existing credit facilities, and fail to reach separate agreements in respect of our KEXIM and KEXIM-Fortis credit facilities, and we are not otherwise able to obtain waivers of our existing covenant breaches or extensions of our current waivers under our other credit facilities, our lenders could accelerate our indebtedness and foreclose on the vessels in our fleet, which would impair our ability to continue to conduct our business. Any such acceleration, because of the cross-default provisions in our loan agreements, could in turn lead to additional defaults under our other loan agreements and the consequent acceleration of the indebtedness thereunder and the commencement of similar foreclosure proceedings by our other lenders. If our indebtedness were

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accelerated in full or in part, it would be very difficult in the current financing environment for us to refinance our debt or obtain additional financing and we could lose our vessels if our lenders foreclose upon their liens, which would adversely affect our ability to continue our business.

Our business, and an investment in our securities, involves a high degree of risk, including risks relating to the downturn in the container shipping market, which continues to adversely affect the major liner companies which charter our vessels and has had and may continue to have an adverse effect on our earnings, affect our compliance with our loan covenants and could result in us having to restructure our obligations.

The abrupt and dramatic downturn in the containership market, from which we derive all of our revenues, has severely affected the container shipping industry, particularly the large liner companies to which we charter our vessels, and has adversely affected our business. The average daily charter rate of a 4,400 TEU containership, which represents the approximate average TEU capacity of our vessels, decreased from $36,000 in May 2008 to $20,000 in April 2010, after reaching a low of $6,400 in December 2009. The decline in charter rates is due to various factors, including the reduced availability of trade financing for purchases of containerized cargo carried by sea, which has resulted in a significant decline in the volume of cargo shipments, and the level of global trade, including exports from China to Europe and the United States. The decline in the containership market has affected the major liner companies which charter our vessels, some of which have announced efforts to obtain third party aid and restructure their obligations. It also affects the value of our vessels, which follow the trends of freight rates and containership charter rates, and the earnings on our charters, and similarly, affects our cash flows and liquidity, as well as adversely affecting our ability to obtain the significant amount of additional financing needed to fund the remaining installments on our contracted newbuilding containerships. We have had to obtain waivers (or extensions of waivers) from the lenders under all but one of our credit facilities (our credit facility with KEXIM) because we have not been in compliance with the covenants contained in our loan agreements. In addition, we have not obtained waivers for new breaches as of December 31, 2009 under two of our credit facilities (our $60.0 million credit facility with HSH Nordbank and our $180.0 million credit facility with Deutsche Bank). The decline in the containership charter market has had and may continue to have additional adverse consequences for our industry including an absence of financing for vessel acquisitions and newbuildings, the absence of an active secondhand market for the sale of vessels, charterers not performing under, or requesting modifications of, existing time charters and widespread loan covenant defaults in the container shipping industry. As a result of this dramatic downturn in the container shipping industry, including any of these factors, it is possible that we could become unable to service our debt and other obligations, particularly if we are not able to enter into definitive documentation for the bank agreement in respect of restructuring our existing credit facilities and new financing arrangements for which we have reached agreements in principle, and could have to restructure our obligations, either as part of a court supervised process or otherwise.

Obtaining financing for 11 of our newbuildings is dependent upon our ability to enter into definitive agreements with existing lenders to restructure our existing indebtedness and provide additional financing.

Our existing lenders with whom we have reached an agreement in principle for the restructuring of our existing indebtedness, have agreed, as part of the restructuring, to provide us with up to $426.4 million of new credit facilities for the $1.1 billion in funds we need to finance installment payments for 11 of our newbuildings. We have also reached agreements in principle for up to $393.4 million to finance additional installment payments for these newbuildings, which are scheduled to be delivered in 2011 and 2012. These agreements are not, however, binding contracts, and remain subject to approval by the credit committees of the respective lenders and certain conditions, including negotiation and execution of definitive documentation for each such agreement, our receipt of net proceeds of $200 million from equity issuances, including an investment by our Chief Executive Officer, and, in the case of the new credit facilities for which we have reached agreements in principle, our reaching separate agreements for amendments to our KEXIM and KEXIM-Fortis credit facilities. See "Item 5. Operating and Financial Review and Prospects Bank Agreement," " New Credit Facilities," " Citi-CEXIM Credit Facility" and " Hyundai Samho Vendor Financing." If we are unable to enter into definitive agreements with our lenders implementing our debt restructuring and the new credit facilities and other financing agreements, or to satisfy the conditions of these agreements, we will not be able to make the required installment payments on these newbuildings. If this were to occur, we could lose our advances for vessels under construction, which amounted to $1.0 billion as of May 31, 2010, excluding the $64.35 million in cash deposits that we agreed to forfeit in connection with the cancellation of three newbuildings in the first half of 2010 (together with $7.16 million of other capitalized expenses), and incur additional liability to charterers and shipyards, which may pursue claims against us under our newbuilding construction contracts and retain and sell to third parties such newbuildings to the extent completed, and incur other costs. If we are unable to negotiate and enter into definitive documentation, and satisfy the other conditions to the new financing arrangements for which we have reached agreements in principle and we cannot arrange financing when these installment payments come due, we could exhaust our existing cash resources and available financing.

We are dependent on the ability and willingness of our charterers to honor their commitments to us for all of our revenues and the failure of our counterparties to meet their obligations under our time charter agreements, or under our shipbuilding contracts, could cause us to suffer losses or otherwise adversely affect our business.

We derive all of our revenues from the payment of charter hire by our charterers. Our 45 containerships are currently employed under time charters with eleven liner companies, with 94% of our revenues in 2009 generated from six such companies. We have also arranged long-term time charters for each of our 20 contracted newbuilding containerships. We could lose a charterer or the benefits of a time charter if:

- the charterer fails to make charter payments to us because of its financial inability, disagreements with us, defaults on a payment or otherwise;
- the charterer exercises certain specific limited rights to terminate the charter;
- we do not take delivery of a contracted newbuilding containership at the agreed time; or
- the charterer terminates the charter because the ship fails to meet certain guaranteed speed and fuel consumption requirements and we are unable to rectify the situation or otherwise reach a mutually acceptable settlement.

A number of major liner companies, including some of our charterers, have announced efforts to obtain third party aid and restructure their obligations and request charter modifications, as well as an intention to reduce the number of vessels they charter-in, which circumstances may increase the likelihood of losing a charterer or the benefits of a time charter.

If we lose a time charter, we may be unable to re-deploy the related vessel on terms as favorable to us or at all. 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 time charters on which we deploy our containerships generally provide for charter rates that are significantly above current market rates. The ability and willingness of each of our counterparties to perform its obligations under their time charters 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 container shipping industry, which has experienced severe declines since the second half of 2008, and the overall financial condition of the counterparty. Furthermore, the combination of a reduction in cash flow resulting from declines in world trade, a reduction in borrowing bases under credit facilities

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and the reduced availability of debt and equity financing may result in a significant reduction in the ability of our charterers to make charter payments to us, with a number of large liner companies announcing efforts to obtain third party aid and restructure their obligations. For example, Senator Lines, the charterer of one of our vessels defaulted on its charter due to its insolvency in the first quarter of 2009 and the replacement charter we were able to arrange was at a reduced rate. The likelihood of a charterer seeking to renegotiate or defaulting on its charter with us may be heightened to the extent such customers are not able to utilize the vessels under charter from us, and instead leave such chartered vessels idle, as was recently the case with certain of our vessels. 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 may be at lower rates given currently depressed situation in the charter market. If our charterers fail to meet their obligations to us or attempt to renegotiate our charter agreements, we could sustain significant losses which would have a material adverse effect on our business, financial condition, results of operations and cash flows, as well as our ability to pay dividends, if any, in the future, and comply with the covenants in our credit facilities. If charterers of our vessels were to fail to meet their obligations under the charters for our vessels or seek to reduce their charter rates thereunder, as part of a court-led restructuring or otherwise, we could be unable to service our debt and other obligations and could ourselves have to restructure our obligations, either as part of a court-supervised process or otherwise.

We depend upon a limited number of customers, some of which have acknowledged financial difficulties and announced efforts to restructure their obligations, for a large part of our revenues. The loss of these customers could adversely affect us.

Our customers in the containership sector consist of a limited number of liner operators. The percentage of our revenues derived from these customers has varied in past years. In the past several years, Hanjin Shipping, CMA CGM, HMM Korea and Yang Ming have represented substantial amounts of our revenue. In 2009, approximately 94% of our revenues from continuing operations were generated by six customers, China Shipping, CMA CGM, HMM Korea, Maersk, Yang Ming and ZIM, and in 2008 these six customers generated approximately 93% of our revenues from continuing operations. As of the date of this filing, we have charters for 4 of our existing vessels and none of our newbuildings with China Shipping, for 8 of our existing vessels and 7 of our newbuildings with CMA CGM, for 11 of our existing vessels and 5 of our newbuildings with HMM Korea, for 7 of our existing vessels and two of our newbuildings with Yang Ming and six of our existing vessels with ZIM. We expect that a limited number of liner companies may continue to generate a substantial portion of our revenues, some of which liner companies including CMA CGM and Zim have publicly acknowledged the financial difficulties facing them, reported substantial losses in 2009 and announced efforts to obtain third party aid and restructure their obligations, including under charter contracts. Further, CMA CGM announced in September 2009 that CMA CGM and its lenders are exploring a potential financial restructuring to address its short and medium term financing requirements and that CMA CGM is seeking to reduce and in some cases cancel certain vessel deliveries. It is impossible to predict the outcome of these discussions. If any of these liner operators cease doing business or do not fulfill their obligations under their charters for our vessels, due to the increasing financial pressure on these liner companies from the significant decreases in demand for the seaborne transport of containerized cargo 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.

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Although we have arranged charters for each of our 20 contracted newbuilding vessels, we are dependent on the ability and willingness of the charterers to honor their commitments under such charters as it would be difficult to redeploy such vessels at equivalent rates, or at all, if charter markets continue to experience weakness.

We are dependent on the ability and willingness of the charterers to honor their commitments under the multi-year time charters we have arranged for each of our 20 contracted newbuilding vessels. The combination of a reduction of cash flow resulting from declines in world trade, a reduction in borrowing bases under credit facilities and the lack of availability of debt or equity financing may result in a significant reduction in the ability of our charterers to make charter payments to us. Furthermore, the surplus of containerships available at lower charter rates and lack of demand for our customers' liner services could negatively affect our charterers' willingness to perform their obligations under the time charters for our newbuildings, which provide for charter rates significantly above current market rates. The decline in the containership market has affected the major liner companies which charter our vessels, some of which have announced efforts to obtain third party aid and restructure their obligations. In addition, if we fail to enter into definitive documentation for our new financing arrangements or otherwise fail to obtain financing for any of our newbuilding containerships, or otherwise fail to timely deliver such containerships to their respective charterers, such charterers may cancel their charter contracts with, and, possibly assert claims against, us. The combination of the current surplus of containership capacity, and the expected significant increase in the size of the world containership fleet over the next few years, as the high volume of containerships currently being constructed are delivered, would make it difficult to secure substitute employment for any of our newbuilding vessels if our counterparties failed to perform their obligations under the currently arranged time charters, and any new charter arrangements we were able to secure would be at lower rates given currently depressed charter rates. As a result of the foregoing, we could sustain significant losses which would have a material adverse effect on our business, financial condition, results of operations and cash flows, as well as our ability to comply with the covenants in our credit facilities. If the charterers do not honor their commitments under these charters, we may have rights for certain claims, subject to the terms and conditions of each charter. However, pursuing these claims may be time consuming, uncertain and ultimately insufficient to compensate us for any failure of the charterers to honor their commitments.

Our profitability and growth depend on the demand for containerships and the recent changes in general economic conditions, and the impact on consumer confidence and consumer spending, has resulted and may continue to result in a decrease in containerized shipping volume, driving charter rates to significantly lower levels than the historic highs of the past few years. Charter hire rates for containerships may continue to experience volatility or settle at depressed levels, which would, in turn, adversely affect our profitability.

Demand for our vessels depends on demand for the shipment of cargoes in containers and, in turn, containerships. The ocean-going container shipping industry is both cyclical and volatile in terms of charter hire rates and profitability. Since the second half of 2008, the ocean-going container shipping industry has experienced severe declines, with charter rates at significantly lower levels than the historic highs of the past few years. Variations in containership charter rates result from changes in the supply and demand for ship capacity and changes in the supply and demand for the major products transported by containerships. The factors affecting the supply and demand for containerships and supply and demand for products shipped in containers are outside of our control, and the nature, timing and degree of changes in industry conditions are unpredictable. The recent global economic slowdown and disruptions in the credit markets have significantly reduced demand for products shipped in containers and, in turn, containership capacity.

Factors that influence demand for containership capacity include:

- supply and demand for products suitable for shipping in containers;

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- changes in global production of products transported by containerships;
- the distance that container cargo products are to be moved by sea;
- the globalization of manufacturing;
- global and regional economic and political conditions;
- developments in international trade;
- changes in seaborne and other transportation patterns, including changes in the distances over which containerized cargoes are transported;
- environmental and other regulatory developments; and
- currency exchange rates.

Factors that influence the supply of containership capacity include:

- the number of new building deliveries;
- the scrapping rate of older containerships;
- the price of steel and other raw materials;
- changes in environmental and other regulations that may limit the useful life of containerships;
- the number of containerships that are out of service; and
- port congestion.

Consumer confidence and consumer spending have deteriorated significantly over the past year, and could remain depressed for an extended period. Consumer purchases of discretionary items, many of which are transported by sea in containers, generally decline during periods where disposable income is adversely affected or there is economic uncertainty and, as a result, liner company customers may ship fewer containers or may ship containers only at reduced rates. This decrease in shipping volume could adversely impact our liner company customers and, in turn, demand for containerships. As a result, charter rates and vessel values in the containership sector have decreased significantly and the counterparty risk associated with the charters for our vessels has increased.

Our ability to recharter our containerships upon the expiration or termination of their current charters and the charter rates payable under any renewal or replacement charters will depend upon, among other things, the prevailing state of the charter market for containerships. The charters for four of our existing vessels expire between July and November 2010. If the charter market is depressed, as it has been since the second half of 2008, when our vessels' charters expire, we may be forced to recharter the containerships, if we are able to recharter such vessels at all, at sharply reduced rates and possibly at a rate whereby we incur a loss. If we are unable to recharter our vessels on favorable terms, we may potentially scrap certain of such vessels, which may reduce our earnings or make our earnings volatile. Moreover, a number of major liner companies, including some of our customers, have announced an intention to reduce the number of vessels they charter-in as part of an effort to reduce the size of their fleets to better align fleet capacity with the reduced demand for the marine transportation of containerized cargo, which may increase the difficulty of rechartering our vessels. The same issues will exist if we acquire additional containerships, if we are able to recharter such vessels at all, and attempt to obtain multi-year charter arrangements as part of an acquisition and financing plan.

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Disruptions in world financial markets and the resulting governmental action in the United States and in other parts of the world could have a further material adverse impact on our results of operations, financial condition and cash flows, and could cause the market price of our common stock to decline further.

Although showing signs of recovery, the United States and other parts of the world have exhibited weak economic trends and have been in a recession. For example, the credit markets in the United States have experienced significant contraction, de-leveraging and reduced liquidity, and the United States federal government and state governments have implemented and are considering a broad variety of governmental action and/or new regulation of the financial markets. Securities and futures markets and the credit markets are subject to comprehensive statutes, regulations and other requirements. The U.S. Securities and Exchange Commission, or the SEC, other regulators, self-regulatory organizations and securities exchanges are authorized to take extraordinary actions in the event of market emergencies, and may effect changes in law or interpretations of existing laws.

Global financial markets and economic conditions have been, and continue to be, severely disrupted and volatile. Credit markets and the debt and equity capital markets have been exceedingly distressed. These issues, along with the re-pricing of credit risk and the difficulties being experienced by financial institutions have made, and will likely continue to make, it difficult to obtain financing. As a result of the disruptions in the credit markets, the cost of obtaining bank financing has increased as many lenders have increased interest rates, enacted tighter lending standards, required more restrictive terms, including higher collateral ratios for advances, shorter maturities and smaller loan amounts, refused to refinance existing debt at maturity at all or on terms similar to our current debt. Furthermore, certain banks that have historically been significant lenders to the shipping industry have announced an intention to reduce or cease lending activities in the shipping industry. Although we have not experienced any difficulties drawing on committed facilities to date, we may be unable to fully draw on the available capacity under our existing credit facilities in the future if our lenders are unwilling or unable to meet their funding obligations. We cannot be certain that financing will be available on acceptable terms or at all. If financing is not available when needed, or is available only on unfavorable terms, we may be unable to meet our obligations, including under our newbuilding contracts, as they come due. Our failure to obtain the funds for these capital expenditures would have a material adverse effect on our business, results of operations and financial condition. In the absence of available financing, we also may be unable to take advantage of business opportunities or respond to competitive pressures, any of which could have a material adverse effect on our revenues and results of operations.

We face risks attendant to changes in economic environments, changes in interest rates, and instability in the banking and securities markets around the world, among other factors. Major market disruptions and the current adverse changes in market conditions and the regulatory climate in the United States and worldwide may adversely affect our business or impair our ability to borrow amounts under our credit facilities or any future financial arrangements. We cannot predict how long the current market conditions will last. However, these recent and developing economic and governmental factors, together with the concurrent decline in charter rates and vessel values, may have a material adverse effect on our results of operations, financial condition or cash flows, have caused the price of our common stock to decline and could cause the price of our common stock to decline further.

Weak economic conditions throughout the world, particularly in the Asia Pacific region, and including due to the recent European Union sovereign debt default fears, could have a material adverse effect on our business, financial condition and results of operations.

Negative trends in the global economy that emerged in 2008 have continued through the first half of 2010. In particular, recent concerns regarding the possibility of sovereign debt defaults by European Union member countries, including Greece, have resulted in significant devaluation of the Euro, disruptions of financial markets throughout the world and have led to concerns regarding consumer demand both in Europe and other parts of the world, including the United States. The deterioration in the global economy has caused, and may continue to cause, a decrease in worldwide demand for certain goods and, thus, container shipping. Continuing economic instability could have a material adverse effect on our financial condition and results of operations. In particular, we anticipate a significant number of the port calls made by our vessels will continue to involve the loading or unloading of containers in ports in the Asia Pacific region. As a result, negative changes in economic conditions in any Asia Pacific country, and particularly in China, may exacerbate the effect of the significant downturns in the economies of the United States and the European Union and may have a material adverse effect on our business, financial position and results of operations, as well as our future prospects. In recent years, China has been one of the world's fastest growing economies in terms of gross domestic product, which has had a significant impact on shipping demand. China and other countries in the Asia Pacific region may, however, experience slowed or even negative economic growth in the future. Moreover, the current slowdown in the economies of the United States, the European Union and other Asian countries may further adversely affect economic growth in China and elsewhere. In particular, the possibility of sovereign debt defaults by European Union member countries, including Greece, and the resulting weakness of the Euro, including against the Chinese renminbi, could adversely affect European consumer demand, particularly for goods imported, many of which are shipped in containerized form, from China and elsewhere in Asia, and reduce the availability of trade financing which is vital to the conduct of international shipping. Our business, financial condition, results of operations, ability to pay dividends, if any, as well as our future prospects, will likely be materially and adversely affected by a further economic downturn in any of these countries.

Demand for the seaborne transport of products in containers has decreased dramatically since the second half of 2008, placing significant financial pressure on liner companies and, in turn, decreasing demand for containerships and increasing our charter counterparty risk.

The sharp decline in global economic activity since the second half of 2008 has resulted in a substantial decline in the demand for the seaborne transportation of products in containers, reaching the lowest levels in decades. Consequently, the cargo volumes and freight rates achieved by liner companies, with which all of the existing and contracted newbuilding vessels in our fleet are chartered, have declined sharply, reducing liner company profitability and, at times, failing to cover the costs of liner companies operating vessels on their shipping lines. In response to such reduced cargo volume and freight rates, the number of vessels being actively deployed by liner companies has decreased, with almost 12% of the world containership fleet estimated to be out of service at its high point as of December 2009, although the idle capacity of the global containership fleet had decreased to 6.8% of total fleet capacity as of the end of April 2010. Moreover, newbuilding containerships with an aggregate capacity of 4.4 million TEUs, representing approximately 33% of the world's fleet capacity as of April 2010, were under construction, which may exacerbate the surplus of containership capacity further reducing charterhire rates or increasing the number of unemployed vessels. In 2009, a number of major liner companies, including some of our customers, announced plans to reduce the number of vessels they charter-in as part of efforts to reduce the size of their fleets to better align fleet capacity with the reduced demand for marine transportation of containerized cargo. In some instances, these liner companies have announced efforts to obtain third party aid and restructure their obligations, including obligations under charter contracts.

The reduced demand and resulting financial challenges faced by our liner company customers has significantly reduced demand for containerships and may increase the likelihood of one or more of our customers being unable or unwilling to pay us the contracted charterhire rates, which are generally significantly above prevailing charter rates, under the charters for our vessels. We generate all of our revenues from these charters and if our charterers fail to meet their obligations to us, we would sustain significant losses which could materially adversely affect our business and results of operations, as well as our ability to comply with covenants in our credit facilities.

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An over-supply of containership capacity may prolong or further depress the current low charter rates and adversely affect our ability to recharter our containerships at profitable rates or at all and, in turn, reduce our profitability.

While the size of the containership order book has declined from historic highs since mid-2008, at the end of April 2010 newbuilding containerships with an aggregate capacity of 4.4 million TEUs, were under construction representing approximately 33% of existing global fleet capacity. The size of the orderbook is large relative to historic levels and, although some orders will likely be cancelled or delayed, will likely result in a significant increase in the size of the world containership fleet over the next few years. An over-supply of containership capacity, particularly in conjunction with the currently low level of demand for the seaborne transport of containers, could exacerbate the recent decrease in charter rates or prolong the period during which low charter rates prevail. In 2009, a number of major liner companies, including some of our customers, announced plans to reduce the number of vessels they charter-in as part of their efforts to reduce the size of their fleets to better align fleet capacity with the reduced demand for the marine transport of containerized cargo. We do not hedge against our exposure to changes in charter rates, due to increased supply of containerships or otherwise. As such, if the current low charter rate environment persists, or a further reduction occurs, during a period when the current charters for our containerships expire or are terminated, we may only be able to recharter those containerships at reduced or unprofitable rates or we may not be able to charter those vessels at all. The charters for four of our exisiting vessels expire between July 2010 and November 2010.

We may be unable to draw down the full amount of our credit facilities, pursuant to the terms of the bank agreement with respect to restructuring our existing credit facilities and the new financing arrangements for which we have reached agreements in principle, and we may have difficulty obtaining other financing, particularly if the market values of our vessels further decline.

There are restrictions on the amount of cash that can be advanced to us under our existing credit facilities and new credit facilities for which we have reached agreements in principle based on the market value of the vessel or vessels in respect of which the advance is being made, and other customary conditions to such advances. If the market value of our fleet, which has experienced substantial recent declines, declines further, we may not be able to draw down the full amount of certain of our credit facilities, pursuant to the terms of the bank agreement with respect to restructuring our existing credit facilities and the new financing arrangements for which we have reached agreements in principle, obtain other financing or incur debt on terms that are acceptable to us, or at all. We may also not be able to refinance our debt or obtain additional financing, particularly for our newbuilding vessels which have remaining installment payments well in excess of their current charter-free market value, to the extent we seek bank financing in addition to that contemplated by the bank agreement with respect to restructuring our existing credit facilities and the new financing arrangements for which we have reached agreements in principle. Any inability for us to draw down the full amount of our credit facilities due to the market value of our vessels or otherwise would have a material adverse effect on our liquidity and financial condition.

The bank agreement covering the restructuring of certain of our existing credit facilities and new financing arrangements, for which we have reached agreements in principle, will impose more stringent operating and financial restrictions on us which may, among other things, limit our ability to grow our business.

Our existing credit facilities, under the terms of the agreement for which we have reached an agreement in principle, and our new credit facilities and financing arrangements for which we have reached agreements in principle, will impose more stringent operating and financial restrictions on us than those currently contained in our existing credit facilities. These restrictions, as described in "Item 5. Operating and Financial Review and Prospects," would generally preclude us from:

- incurring additional indebtedness without the consent of our lenders, except to the extent the proceeds of such additional indebtedness is used to repay existing indebtedness;
- creating liens on our assets, generally, unless for the equitable and ratable benefit of our existing lenders;
- selling capital stock of our subsidiaries;
- disposing of assets without the consent of the lenders with loans collateralized by such assets and, in case of such approval, using the proceeds thereof to repay indebtedness;
- using a significant portion of the proceeds from equity issuances for any purpose other than to repay indebtedness;
- using more than a minimal amount of our cash from operations from purposes other than repayment of indebtedness;
- engaging in transactions that would constitute a change of control, as defined in such financing agreement, without repaying all of our indebtedness in full;
- paying dividends, absent a substantial reduction in our leverage; or
- changing our manager or certain members of our management.

As a result we will have reduced discretion in operating our business and may have difficulty growing our business beyond our currently contracted newbuilding vessels. In addition, our respective lenders under these financing arrangements would, at their option, be able to require us to repay in full amounts outstanding under such respective credit facilities, upon a "Change of Control" of our company, which for these purposes and as further described in "Item 5. Operating and Financial Review and Prospects Bank Agreement", includes Dr. Coustas ceasing to be our Chief Executive Officer, Dr. Coustas and members of his family ceasing to collectively own over one-third of the voting interest in our outstanding capital stock or any other person or group controlling more than 20% of the voting power of our outstanding capital stock.

Certain of our existing credit facilities require us to maintain specified financial ratios and satisfy financial covenants, including requirements to maintain minimum levels of market value adjusted net worth and stockholders' equity; minimum ratios of the market value of our fleet to net consolidated debt; minimum ratios of the aggregate market value of the vessels in our fleet securing a loan to the amount of debt outstanding under such loan; minimum ratios of market value adjusted stockholders' equity to total market value adjusted assets; maximum ratios of total liabilities to total market value adjusted assets; minimum cash and cash equivalents and minimum ratios of EBITDA to interest expense. These financial ratio and covenant requirements will be reset pursuant to the terms of the bank agreement for which we have reached an agreement in principle, and the new financing arrangements for which we have reached agreements in principle will contain financial covenants, such that we will be required to:

- maintain a ratio of (i) the market value of all of the vessels in our fleet, on a charter-inclusive basis, plus the net realizable value of any additional collateral to (ii) our consolidated total debt above specified minimum levels gradually increasing from 90% through December 31, 2011 to 130% from September 30, 2017 through September 30, 2018;

maintain a minimum ratio of (i) the market value of the nine vessels (Hull Nos. S456, S457, S458, S459, S460, S461, S462, S463 and S4004) collateralizing the new credit facilities of $426.4 million for which we have reached agreements in principle, calculated on a charter-free

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basis, to (ii) our aggregate debt outstanding under such new credit facilities of 100% from September 30, 2012 through September 30, 2018;

maintain minimum free consolidated unrestricted cash and cash equivalents, less the amount of the aggregate variable principal amortization amounts under our restructured and new credit facilities, through December 31, 2014, of $30.0 million at the end of each calendar quarter, other than during 2012 when we will be required to maintain a minimum amount of $20.0 million;

ensure that our (i) consolidated total debt less unrestricted cash and cash equivalents to (ii) consolidated EBITDA (defined as earnings before interest expense (plus or minus gains or losses under any hedging arrangements), tax depreciation, amortization and any other non-cash items provided that non-recurring items excluded from this calculation which shall not, after 2010, exceed 5% of EBITDA calculated in this manner) for the last twelve months does not exceed a maximum ratio gradually decreasing from 12:1 on September 30, 2010 to 4.75:1 on September 30, 2018;

ensure that the ratio of our (i) consolidated EBITDA (as defined above) for the last twelve months to (ii) net interest expense (defined as consolidated interest expense excluding consolidated capitalized interest less consolidated interest income and plus any realized losses or minus any realized gains on the fair value of derivatives as reflected in our income statement) exceeds a minimum level of 1.50:1 through September 30, 2013 and thereafter gradually increasing up to 2.80:1 by September 30, 2018; and

maintain a consolidated market value adjusted net worth (defined as our total consolidated assets adjusted for the market value of our vessels less cash and cash equivalents in excess of our debt service requirements over our total consolidated liabilities and excluding changes in the fair value of derivatives as reflected in our balance sheet) of at least $400 million.

If we fail to meet our payment or covenant compliance obligations under the terms of the bank agreement covering the restructuring of our existing credit facilities (other than our KEXIM and KEXIM-Fortis credit facilities) for which we have reached an agreement in principle or our other new financing arrangements for which we have reached agreements in principle, our lenders could then accelerate our indebtedness and foreclose on the vessels in our fleet securing those credit facilities, which could result in cross-defaults under our other credit facilities, and the consequent acceleration of the indebtedness thereunder and the commencement of similar foreclosure proceedings by other lenders. In addition, if we fail to enter into definitive documentation for the bank agreement and satisfy the conditions thereto, which contemplates waivers of any existing breaches under certain of our existing credit facilities, for some of which we do not have waivers, as well as covenant amendments, through December 31, 2018 and reach separate waiver or amendment agreements in respect of our KEXIM and KEXIM-Fortis credit facilities, we could face the same consequences as described in the preceding sentence, including due to cross default provisions in those credit agreements for which other covenant breaches have been waived. The loss of these vessels would have a material adverse effect on our operating results and financial condition.

Our profitability and growth depends on our ability to expand relationships with existing charterers and to obtain new time charters, for which we will face substantial competition from established companies with significant resources as well as new entrants.

One of our objectives over the mid- to long-term is, when market conditions warrant, to acquire additional containerships in conjunction with entering into additional multi-year, fixed-rate time charters for these vessels. We employ our vessels in highly competitive markets that are capital intensive and highly fragmented, with a highly competitive process for obtaining new multi-year time charters that generally involves an intensive screening process and competitive bids, and often extends for several months. Generally, we compete for charters based on price, customer relationship, operating expertise, professional reputation and the size, age and condition of our vessels. In recent months, in light of the dramatic downturn in the containership charter market, other containership owners, including many of the KG-model shipping entities, have chartered their vessels to liner companies at extremely low rates, including at unprofitable levels, increasing the price pressure when competing to secure employment for our containerships. Container shipping charters are awarded based upon a variety of factors relating to the vessel operator, including:

- shipping industry relationships and reputation for customer service and safety;
- container shipping experience and quality of ship operations (including cost effectiveness);
- quality and experience of seafaring crew;
- the ability to finance containerships at competitive rates and financial stability in general;
- relationships with shipyards and the ability to get suitable berths;
- construction management experience, including the ability to obtain on-time delivery of new ships according to customer specifications;
- willingness to accept operational risks pursuant to the charter, such as allowing termination of the charter for force majeure events; and
- competitiveness of the bid in terms of overall price.

We face substantial competition from a number of experienced companies, including state-sponsored entities and major shipping companies. Some of these competitors have significantly greater financial resources than we do, and can therefore operate larger fleets and may be able to offer better charter rates. We anticipate that other marine transportation companies may also enter the containership sector, including many with strong reputations and extensive resources and experience. This increased competition may cause greater price competition for time charters and, in stronger market conditions, for secondhand vessels and newbuildings.

In addition, a number of our competitors in the containership sector, including several that are among the largest charter owners of containerships in the world, have been established in the form of a German KG (Kommanditgesellschaft), which provides tax benefits to private investors. Although the German tax law was amended to significantly restrict the tax benefits to taxpayers who invest after November 10, 2005, the tax benefits afforded to all investors in the KG-model shipping entities continue to be significant, and such entities will continue to be attractive investments. Their focus on these tax benefits allows the KG-model shipping entities more flexibility in offering lower charter rates to liner companies. Further, since the charter rate is generally considered to be one of the principal factors in a charterer's decision to charter a vessel, the rates offered by these sizeable competitors can have a depressing effect throughout the charter market.

As a result of these factors, we may be unable to compete successfully with established companies with greater resources or new entrants for charters at a profitable level, or at all, which would have a material adverse effect on our business, results of operations and financial condition.

We may have more difficulty entering into multi-year, fixed-rate time charters if a more active short-term or spot container shipping market develops.

One of our principal strategies is to enter into multi-year, fixed-rate containership time charters particularly in strong charter rate environments, although in weaker charter rate environments, such as the one that currently exists, we would generally expect to target somewhat shorter charter terms of three to six years or even shorter periods. As more vessels become available for the spot or short-term market, we may have difficulty entering into additional multi-year, fixed-rate time charters for our containerships due to the increased supply of containerships and the possibility of lower rates in the spot market and, as a result, our cash flows may be subject to instability in the long-term. A more active short-term or spot market may require us to enter into charters based on changing market rates, as opposed to contracts based on a fixed rate, which could result in a decrease in our cash flows and net income in periods when the market for container shipping is depressed, as it is currently, or insufficient funds are available to cover our financing costs for related containerships.

Delays in deliveries of our additional 20 contracted newbuilding vessels could harm our business.

The 20 contracted newbuilding vessels in our contracted fleet are expected to be delivered to us at various times between June 2010 and June 2012. Delays in the delivery of these vessels, or any other newbuilding containerships we may order or any secondhand vessels we may agree to acquire, would delay our receipt of revenues under the arranged time charters and could result in the cancellation of those time charters or other liabilities under such charters, and therefore adversely affect our anticipated results of operations. In 2009, we reached agreements to delay the delivery of most of our containership newbuildings for periods of up to one year and in the first half of 2010 agreed to cancel three newbuildings and their related charter arrangements. As of May 31, 2010, after giving effect to the cancellation of the three newbuilding vessels in 2010, we expect to take delivery of seven newbuilding vessels in the remainder of 2010, eight in 2011 and five in 2012. The remaining capital expenditure installments for these vessels was approximately $480.6 million for the remainder of 2010, $540.7 million for 2011 and $448.6 million for 2012. Although the delivery delays arranged in 2009 will delay our funding requirements for the installment payments to purchase these vessels, it will also delay our receipt of contracted revenues under the charters for such vessels.

The delivery of the newbuilding containerships could also be delayed because of, among other things:

- work stoppages or other labor disturbances or other events that disrupt the operations of the shipyard building the vessels;
- quality or engineering problems;
- changes in governmental regulations or maritime self-regulatory organization standards;
- lack of raw materials;
- bankruptcy or other financial crisis of the shipyard building the vessel;
- our inability to obtain requisite financing or make timely payments;
- a backlog of orders at the shipyard building the vessel;
- hostilities or political or economic disturbances in the countries where the containerships are being built;
- weather interference or catastrophic event, such as a major earthquake or fire;
- our requests for changes to the original vessel specifications;
- requests from the liner companies, with which we have arranged charters for such vessels, to delay construction and delivery of such vessels due to weak economic conditions and container shipping demand, in addition to those delayed deliveries we have already arranged;

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

our inability to obtain requisite permits or approvals; or

a dispute with the shipyard building the vessel.

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The shipbuilders with which we have contracted for our 20 newbuildings may be affected by the ongoing instability of the financial markets and other market conditions, including with respect to the fluctuating price of commodities and currency exchange rates. In addition, the refund guarantors under our newbuilding contracts, which are banks, financial institutions and other credit agencies, may also be affected by financial market conditions in the same manner as our lenders and, as a result, may be unable or unwilling to meet their obligations under their refund guarantees. If our shipbuilders or refund guarantors are unable or unwilling to meet their obligations to us, this will impact our acquisition of vessels and may materially and adversely affect our operations and our obligations under our credit facilities.

The delivery of any secondhand containership we may agree to acquire could be delayed because of, among other things, hostilities or political disturbances, non-performance of the purchase agreement with respect to the vessels by the seller, our inability to obtain requisite permits, approvals or financing or damage to or destruction of the vessels while being operated by the seller prior to the delivery date.

Certain of the containerships in our contracted fleet are subject to purchase options held by the charterers of the respective vessels, which, if exercised, could reduce the size of our containership fleet and reduce our future revenues.

The chartering arrangements with respect to the *CMA-CGM Moliere*, the *CMA-CGM Musset*, the *CMA-CGM Nerval*, the *HN S4004* and the *HN S4005* include options for the charterer, CMA-CGM, to purchase the vessels eight years after the commencement of their respective charters, which, based on the respective expected delivery dates for these vessels, is expected to fall in September 2017, March 2018, May 2018, June 2018 and July 2018, respectively, each for $78.0 million. The option exercise prices with respect to these vessels reflect an estimate of market prices, which are in excess of the vessels' book values net of depreciation, at the time the options become exercisable. If CMA-CGM were to exercise these options with respect to any or all of these vessels, the expected size of our combined containership fleet would be reduced and, if there were a scarcity of secondhand containerships available for acquisition at such time and because of the delay in delivery associated with commissioning newbuilding containerships, we could be unable to replace these vessels with other comparable vessels, or any other vessels, quickly or, if containership values were higher than currently anticipated at the time we were required to sell these vessels, at a cost equal to the purchase price paid by CMA-CGM. Consequently, if these purchase options were to be exercised, the expected size of our combined containership fleet would be reduced, and as a result our anticipated level of revenues would be reduced.

Containership values have recently decreased significantly, and may remain at these depressed levels, or decrease further, and over time may fluctuate substantially. If these values are low at a time when we are attempting to dispose of a vessel, we could incur a loss.

Due to the sharp decline in world trade and containership charter rates, the market values of the containerships in our fleet are currently significantly lower than prior to the downturn in the second half of 2008. Containership values may remain at current low, or lower, levels for a prolonged period of time and can fluctuate substantially over time due to a number of different factors, including:

- prevailing economic conditions in the markets in which containerships operate;
- changes in and the level of world trade;
- the supply of containership capacity;
- prevailing charter rates; and

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the cost of retrofitting or modifying existing ships, as a result of technological advances in vessel design or equipment, changes in applicable environmental or other regulations or standards, or otherwise.

In the future, if the market values of our vessels experience further deterioration or we lose the benefits of the existing charter arrangements for any of our vessels and can not replace such arrangements with charters at comparable rates, we may be required to record an impairment charge in our financial statements, which could adversely affect our results of operations. If a charter expires or is terminated, we may be unable to re-charter the vessel at an acceptable rate and, rather than continue to incur costs to maintain and finance the vessel, may seek to dispose of it. Our inability to dispose of the containership at a reasonable price could result in a loss on its sale and adversely affect our results of operations and financial condition.

We are not permitted to pay dividends under the waiver agreements and amendments to our existing credit facilities, and under the agreement in respect of restructuring such facilities and the new financing arrangements for which we have reached agreements in principle, we generally will not be permitted to pay cash dividends.

Prior to 2009, we paid regular cash dividends on a quarterly basis. In the first quarter of 2009, our board of directors suspended the payment of cash dividends as a result of market conditions in the international shipping industry and in particular the sharp decline in charter rates and vessel values in the containership sector. Until such market conditions significantly improve, it is unlikely that we will reinstate the payment of dividends and if reinstated, it is likely that any dividend payments would be at reduced levels. Under the waivers and amendments to our credit facilities agreed to in 2009, we will need to obtain the consent of certain of our lenders to make future dividend payments, if any, during the period covered by such waivers. In addition, the bank agreement in respect of restructuring our existing credit facilities and our new financing arrangements for which we have reached agreements in principle would not permit us to pay cash dividends or repurchase shares of our common stock until the termination of such agreements in 2018, absent a significant decrease in our leverage.

We are a holding company and we depend on the ability of our subsidiaries to distribute funds to us in order to satisfy our financial obligations.

We are a holding company and our subsidiaries conduct all of our operations and own all of our operating assets. We have no significant assets other than the equity interests in our subsidiaries. As a result, our ability to pay our contractual obligations and, if permitted by our lenders and reinstated, to make any dividend payments in the future depends on our subsidiaries and their ability to distribute funds to us. The ability of a subsidiary to make these distributions could be affected by a claim or other action by a third party, including a creditor, or by the law of their respective jurisdictions of incorporation which regulates the payment of dividends by companies. If we are unable to obtain funds from our subsidiaries, even if our lenders agreed to allow dividend payments, our board of directors may exercise its discretion not to declare or pay dividends. If we reinstate dividend payments in the future, we do not intend to seek to obtain funds from other sources to make such dividend payments, if any.

If we are unable to fund our capital expenditures, we may not be able to continue to operate some of our vessels or grow our fleet, which would have a material adverse effect on our business.

We must make substantial capital expenditures to maintain the operating capacity of our fleet and to grow our fleet. Maintenance capital expenditures include capital expenditures associated with drydocking a vessel, modifying an existing vessel or acquiring a new vessel to the extent these expenditures are incurred to maintain the operating capacity of our fleet. These expenditures could increase as a result of changes in the cost of labor and materials; customer requirements; increases in

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our fleet size or the cost of replacement vessels; governmental regulations and maritime self-regulatory organization standards relating to safety, security or the environment; and competitive standards.

In order to fund our capital expenditures, other than installment payments for our currently contracted newbuilding vessels which we expect to fund with borrowings under the new financing arrangements for which we have reached agreements in principle, we generally plan to use equity financing given the restrictions that will be contained in our restructured credit facilities and new financing arrangements on the use of cash from our operations, debt financings and asset sales for purposes other than debt repayment. Our ability to access the capital markets through future offerings may be limited by our financial condition at the time of any such offering as well as by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond our control. Moreover, only a portion of the proceeds from any equity financings that we are able to complete will be permitted to be used for purposes other than debt repayment under our restructured and new financing arrangements. Our failure to obtain the funds for necessary future capital expenditures could limit our ability to continue to operate some of our vessels or grow our fleet or impair the values of our vessels and could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Substantial debt levels could limit our flexibility to obtain additional financing and pursue other business opportunities.

As of May 31, 2010, we had outstanding indebtedness of $2.3 billion and we expect to incur substantial additional indebtedness, including under the existing and the new credit facilities and other financing arrangements for which we have reached agreements in principle in aggregate principal amounts of $1.2 billion, as we finance the $1.5 billion aggregate remaining purchase price for our 20 newbuilding containerships (following cancellation of three newbuildings in the first half of 2010) and, as market conditions warrant over the medium to long-term, further grow our fleet. Although we will not be required to make repayments of principal until December 31, 2012 under our existing credit facilities, other than our KEXIM and KEXIM-Fortis credit facilities, pursuant to the terms of the bank agreement in respect of restructuring such agreements for which we have reached an agreement in principle or under our new credit facilities for which we have reached agreements in principle, this level of debt could have important consequences to us, including the following:

- our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired or such financing may be unavailable on favorable terms;

- we will need to use substantially all of our cash from operations, as required under the terms of our financing arrangements for which we have reached agreements in principle, to make principal and interest payments on our debt, reducing the funds that would otherwise be available for operations, future business opportunities and, if permitted by our lenders and reinstated, dividends to our stockholders;

- our debt level could make us more vulnerable than our competitors with less debt to competitive pressures or a downturn in our business or the economy generally; and

- our debt level may limit our flexibility in responding to changing business and economic conditions.

Our ability to service our debt will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. Due to the restrictions on the use of cash from operations and other sources for purposes other than the repayment of indebtedness, even if we otherwise generate sufficient cash flow to service our debt, we may still be forced to take actions such as reducing or delaying our business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing our debt or seeking additional equity capital. We may not be able to effect any of these remedies on satisfactory terms, or at all. In addition, restrictions in the bank agreement in respect of restructuring existing credit facilities and new credit facilities for which we have reached agreements in principle and a lack of liquidity in the debt and equity markets could hinder our ability to refinance our debt or obtain additional financing on favorable terms in the future.

The derivative contracts we have entered into to hedge our exposure to fluctuations in interest rates could result in higher than market interest rates and reductions in our stockholders' equity, as well as charges against our income.

We have entered into interest rate swaps, in an aggregate notional amount of $4.1 billion as of December 31, 2009 (of which $1.55 billion related to forward starting arrangements), generally for purposes of managing our exposure to fluctuations in interest rates applicable to indebtedness under our credit facilities which were advanced at floating rates based on LIBOR, as well as two interest rate swap agreements, in an aggregate notional amount of $122.9 million as of December 31, 2009, converting fixed interest rate exposure under our credit facilities advanced at a fixed rate of interest to floating rates based on LIBOR. Our hedging strategies, however, may not be effective and we may incur substantial losses if interest rates move materially differently from our expectations.

To the extent our existing interest rate swaps do not, and future derivative contracts may not, qualify for treatment as hedges for accounting purposes we would recognize fluctuations in the fair value of such contracts in our consolidated statements of income. If our estimates of the forecasted incurrence of debt change, as they did as of December 31, 2009 due to the deferred delivery dates arranged for certain of our newbuildings and as we expect will occur as a result of the modified amortization of our existing credit facilities under the terms of the restructuring agreement for which we have reached in agreement in principle, our interest rate swap arrangements may cease to be effective as hedges and, therefore, cease to qualify for treatment as hedges for accounting purposes. In addition, changes in the fair value of our derivative contracts, even those that qualify for treatment as hedges for accounting and financial reporting purposes, are recognized in "Accumulated Other Comprehensive Loss" on our consolidated balance sheet in relation to the effective portion of our cash flow hedges and in our consolidated income statement in relation to the ineffective portion, and can affect compliance with the net worth covenant requirements in our credit facilities.

Our financial condition could also be materially adversely affected to the extent we do not hedge our exposure to interest rate fluctuations under our financing arrangements under which loans have been advanced at a floating rate based on LIBOR. Any hedging activities we engage in may not effectively manage our interest rate exposure or have the desired impact on our financial conditions or results of operations.

Because we generate all of our revenues in United States dollars but incur a significant portion of our expenses in other currencies, exchange rate fluctuations could hurt our results of operations.

We generate all of our revenues in United States dollars and for the year ended December 31, 2009, we incurred approximately 60% of our vessels' expenses in currencies other than United States dollars. This difference could lead to fluctuations in net income due to changes in the value of the United States dollar relative to the other currencies, in particular the Euro. Expenses incurred in foreign currencies against which the United States dollar falls in value could increase, thereby decreasing our net income. We have not hedged our currency exposure and, as a result, our U.S. dollar-denominated results of operations and financial condition could suffer.

Due to our lack of diversification following the sale of our drybulk carriers, adverse developments in the containership transportation business could reduce our ability to meet our payment obligations and our profitability.

In August 2006, we agreed to sell the six drybulk carriers in our fleet, with an aggregate capacity of 342,158 deadweight tons, or dwt, for an aggregate of $143.5 million. In the first quarter of 2007, we delivered five of these vessels to the purchaser, which is not affiliated with us, for an aggregate of $118.0 million and the remaining vessel to the purchaser for $25.5 million when its charter expired in the second quarter of 2007. Subject to market conditions, including the availability of suitably configured vessels, we may reinvest in the drybulk sector of the shipping industry. Unless we acquire replacement drybulk carriers, we will rely exclusively on the cash flows generated from charters for our vessels that operate in the containership sector of the shipping industry. Due to our lack of diversification, adverse developments in the container shipping industry have a significantly greater impact on our financial condition and results of operations than if we maintained more diverse assets or lines of business.

We may have difficulty properly managing our growth through acquisitions of additional vessels and we may not realize the expected benefits from these acquisitions, which may have an adverse effect on our financial condition and performance.

To the extent market conditions warrant and we are able to obtain sufficient financing for such purposes in compliance with the restrictions in our financing arrangements for which we have reached agreements in principle, we intend to grow our business over the medium to long-term by ordering newbuilding containerships and through selective acquisitions of additional vessels. Future growth will primarily depend on:

- locating and acquiring suitable vessels;
- identifying and consummating vessel acquisitions or joint ventures relating to vessel acquisitions;
- enlarging our customer base;
- developments in the charter markets in which we operate that make it attractive for us to expand our fleet;
- managing any expansion;
- the operations of the shipyard building any newbuilding containerships we may order; and
- obtaining required financing, within the restrictions placed on the use of funds by our contemplated new financing arrangements, on acceptable terms.

Although charter rates and vessel values have recently declined significantly, along with the availability of debt to finance vessel acquisitions, during periods in which charter rates are high, vessel values generally are high as well, and it may be difficult to acquire vessels at favorable prices. Moreover, our financing arrangements for which we have reached agreements in principle will impose significant restrictions in our ability to use debt financing, or cash from operations, asset sales or equity financing, for purposes, such as vessel acquisitions, other than debt repayment without the consent of our lenders. In addition, growing any business by acquisition presents numerous risks, such as managing relationships with customers and integrating newly acquired assets into existing infrastructure. We cannot give any assurance that we will be successful in executing our growth plans or that we will not incur significant expenses and losses in connection with our future growth efforts.

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Under the terms of a plea agreement, our manager pled to one count of negligent discharge of oil from the Henry (ex CMA CGM Passiflore) and one count of obstruction of justice, based on a charge of attempted concealment of the source of the discharge. Any violation of the terms of the plea agreement, or any penalties or heightened environmental compliance plan requirements imposed as a result of any alleged discharge from any other vessel in our fleet calling at U.S. ports could negatively affect our operations and business.

In the summer of 2001, one of our vessels, the *Henry* (ex *CMA CGM Passiflore*), experienced engine damage at sea that resulted in an accumulation of oil and oily water in the vessel's engine room. The U.S. Coast Guard found oil in the overboard discharge pipe from the vessel's oily water separator. Subsequently, on July 2, 2001, when the vessel was at anchor in Long Beach, California, representatives of our manager notified authorities of the presence of oil on the water on the starboard side of the vessel. On July 3, 2001, oil was found in an opening through which seawater is taken in to cool the vessel's engines. In connection with these events, our manager entered into a plea agreement with the U.S. Attorney, on behalf of the government, which was filed with the U.S. District Court on June 20, 2006, pursuant to which our manager agreed to plead guilty to one count of negligent discharge of oil and one count of obstruction of justice, based on a charge of attempted concealment of the source of the discharge. Our manager also agreed to a probation period of three years and to pay an aggregate of $500,000 in penalties in connection with the charges of negligent discharge and obstruction of justice, with half of the penalties to be applied to community service projects that would benefit, restore or preserve the environment and ecosystems in the central California area. Consistent with the government's practice in similar cases, our manager agreed to develop and implement an approved third-party consultant monitored environmental compliance plan, designate an internal corporate compliance manager, and arrange for, fund and complete a series of audits of its fleet management offices and of waste streams of the vessels it manages, including all of the vessels in our fleet that call at U.S. ports, as well as an independent, third-party focused environmental compliance plan audit. On August 14, 2006, the court accepted our manager's guilty plea to the two counts and, on December 4, 2006, sentenced our manager in accordance with the terms of the plea agreement. Our manager has developed and is implementing the environmental compliance plan. Any violation of this environmental compliance plan or of the terms of our manager's probation or any penalties, restitution or heightened environmental compliance plan requirements that are imposed relating to alleged discharges in any other action involving our fleet or our manager could negatively affect our operations and business.

We are subject to regulation and liability under environmental laws that could require significant expenditures and affect our cash flows and net income.

Our business and the operation of our vessels are materially affected by environmental regulation in the form of international, national, state and local laws, regulations, conventions and standards in force in international waters and the jurisdictions in which our vessels operate, as well as in the country or countries of their registration, including those governing the management and disposal of hazardous substances and wastes, the cleanup of oil spills and other contamination, air emissions, wastewater discharges and ballast water management. Because such conventions, laws, and regulations are often revised, we cannot predict the ultimate cost of complying with such requirements or their impact on the resale price or useful life of our vessels. Additional conventions, laws and regulations may be adopted that could limit our ability to do business or increase the cost of doing business and which may materially and adversely affect our operations. We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses, certificates and financial assurances with respect to our operations. Many environmental requirements are designed to reduce the risk of pollution, such as oil spills, and our compliance with these requirements can be costly.

Environmental requirements can also affect the resale value or useful lives of our vessels, could require a reduction in cargo capacity, ship modifications or operational changes or restrictions, could lead to decreased availability of insurance coverage for environmental matters or could result in the denial of access to certain jurisdictional waters or ports or detention in certain ports. Under local, national and foreign laws, as well as international treaties and conventions, we could incur material liabilities, including cleanup obligations and natural resource damages liability, in the event that there is a release of petroleum or other hazardous material from our vessels or otherwise in connection with our operations. We could also become subject to personal injury or property damage claims relating to the release of hazardous substances associated with our existing or historic operations. Violations of, or liabilities under, environmental requirements can result in substantial penalties, fines and other sanctions, including, in certain instances, seizure or detention of our vessels.

The operation of our vessels is also affected by the requirements set forth in the International Maritime Organization's, or IMO's, International Management Code for the Safe Operation of Ships and Pollution Prevention, or the ISM Code. The ISM Code requires shipowners and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. Failure to comply with the ISM Code may subject us to increased liability, may decrease available insurance coverage for the affected ships, and may result in denial of access to, or detention in, certain ports.

Increased inspection procedures, tighter import and export controls and new security regulations could cause disruption of our containership business.

International container shipping is subject to security and customs inspection and related procedures in countries of origin, destination, and certain trans-shipment points. These inspection procedures can result in cargo seizure, delays in the loading, offloading, trans-shipment, or delivery of containers, and the levying of customs duties, fines or other penalties against exporters or importers and, in some cases, charterers and charter owners.

Since the events of September 11, 2001, U.S. authorities have more than doubled container inspection rates to over 5% of all imported containers. Government investment in non-intrusive container scanning technology has grown and there is interest in electronic monitoring technology, including so-called "e-seals" and "smart" containers, that would enable remote, centralized monitoring of containers during shipment to identify tampering with or opening of the containers, along with potentially measuring other characteristics such as temperature, air pressure, motion, chemicals, biological agents and radiation. Also, as a response to the events of September 11, 2001, additional vessel security requirements have been imposed including the installation of security alert and automatic information systems on board vessels.

It is further unclear what changes, if any, to the existing inspection and security procedures will ultimately be proposed or implemented, or how any such changes will affect the industry. It is possible that such changes could impose additional financial and legal obligations, including additional responsibility for inspecting and recording the contents of containers and complying with additional security procedures on board vessels, such as those imposed under the ISPS Code. Changes to the inspection and security procedures and container security could result in additional costs and obligations on carriers and may, in certain cases, render the shipment of certain types of goods by container uneconomical or impractical. Additional costs that may arise from current inspection or security procedures or future proposals that may not be fully recoverable from customers through higher rates or security surcharges.

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

A government of a ship's registry could requisition for title or seize our vessels. Requisition for title occurs when a government takes control of a ship and becomes the owner. Also, a government could requisition our containerships for hire. Requisition for hire occurs when a government takes

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control of a ship 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 may negatively impact our revenues and results of operations.

Terrorist attacks and international hostilities could affect our results of operations and financial condition.

Terrorist attacks such as the attacks on the United States on September 11, 2001 and more recent attacks in other parts of the world, and the continuing response of the United States and other countries to these attacks, as well as the threat of future terrorist attacks, continue to cause uncertainty in the world financial markets and may affect our business, results of operations and financial condition. The conflicts in Iraq and Afghanistan may lead to additional acts of terrorism, regional conflict and other armed conflicts around the world, which may contribute to further economic instability in the global financial markets. These uncertainties could also adversely affect our ability to obtain additional financing on terms acceptable to us, or at all.

Terrorist attacks targeted at sea vessels, such as the October 2002 attack in Yemen on the VLCC Limburg, a ship not related to us, may in the future also negatively affect our operations and financial condition and directly impact our containerships or our customers. 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 affecting the United States or the entire world. Any of these occurrences could have a material adverse impact on our operating results, revenue and costs.

Changing economic, political and governmental conditions in the countries where we are engaged in business or where our vessels are registered could affect us. In addition, future hostilities or other political instability in regions where our vessels trade could also affect our trade patterns and adversely affect our operations and performance.

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

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 has increased significantly, particularly in the Gulf of Aden off the coast of Somalia. For example, in January 2010, the Maran Centaurus, a tanker vessel not affiliated with us, was captured by pirates in the Indian Ocean while carrying crude oil estimated to be worth $20 million, and was released in January 2010 upon a ransom payment of over $5 million. In addition, crew costs, including costs due to employing onboard security guards, could increase in such circumstances. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, any detention or hijacking as a result of an act of piracy against our vessels, or an increase in cost, or unavailability, of insurance for our vessels, could have a material adverse impact on our business, financial condition, results of operations and ability to pay dividends.

Risks inherent in the operation of ocean-going vessels could affect our business and reputation, which could adversely affect our expenses, net income and stock price.

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

- marine disaster;
- environmental accidents;
- grounding, fire, explosions and collisions;
- cargo and property losses or damage;

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- business interruptions caused by mechanical failure, human error, war, terrorism, political action in various countries, or adverse weather conditions;
- work stoppages or other labor problems with crew members serving on our vessels, substantially all of whom are unionized and covered by collective bargaining agreements; and
- piracy.

Such occurrences could result in death or injury to persons, loss of property or environmental damage, delays in the delivery of cargo, loss of revenues from or termination of charter contracts, governmental fines, penalties or restrictions on conducting business, higher insurance rates, and damage to our reputation and customer relationships generally. Any of these circumstances or events could increase our costs or lower our revenues, which could result in reduction in the market price of our shares of common stock. The involvement of our vessels in an environmental disaster may harm our reputation as a safe and reliable vessel owner and operator.

Our insurance may be insufficient to cover losses that may occur to our property or result from our operations due to the inherent operational risks of the shipping industry.

The operation of any vessel includes risks such as mechanical failure, collision, fire, contact with floating objects, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, hostilities and labor strikes. In addition, there is always an inherent possibility of a marine disaster, including oil spills and other environmental mishaps. There are also liabilities arising from owning and operating vessels in international trade. We procure insurance for our fleet against risks commonly insured against by vessel owners and operators. Our current insurance includes (i) hull and machinery insurance covering damage to our vessels' hull and machinery from, among other things, contact with free and floating objects, (ii) war risks insurance covering losses associated with the outbreak or escalation of hostilities and (iii) protection and indemnity insurance (which includes environmental damage and pollution insurance) covering third-party and crew liabilities such as expenses resulting from the injury or death of crew members, passengers and other third parties, the loss or damage to cargo, third-party claims arising from collisions with other vessels, damage to other third-party property, pollution arising from oil or other substances and salvage, towing and other related costs and loss of hire insurance for the *CSCL Europe*, the *CSCL America* (ex *MSC Baltic*), the *CSCL Pusan* (ex *HN 1559*) and the *CSCL Le Havre* (ex *HN 1561*).

We can give no assurance that we are adequately insured against all risks or that our insurers will pay a particular claim. Even if our insurance coverage is adequate to cover our losses, we may not be able to obtain a timely replacement vessel in the event of a loss. Under the terms of our credit facilities, we will be subject to restrictions on the use of any proceeds we may receive from claims under our insurance policies. Furthermore, in the future, we may not be able to obtain adequate insurance coverage at reasonable rates for our fleet. We may also be subject to calls, or premiums, in amounts based not only on our own claim records but also the claim records of all other members of the protection and indemnity associations through which we receive indemnity insurance coverage for tort liability. Our insurance policies also contain deductibles, limitations and exclusions which, although we believe are standard in the shipping industry, may nevertheless increase our costs.

In addition, we do not carry loss of hire insurance (other than for the *CSCL Europe*, the *CSCL America* (ex *MSC Baltic*), the *CSCL Pusan* (ex *HN 1559*) and the *CSCL Le Havre* (ex *HN 1561*) to satisfy our loan agreement requirements). Loss of hire insurance covers the loss of revenue during extended vessel off-hire periods, such as those that occur during an unscheduled drydocking due to damage to the vessel from accidents. Accordingly, any loss of a vessel or any extended period of vessel off-hire, due to an accident or otherwise, could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends to our stockholders.

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

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties 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 flows and require us to pay large sums of money to have the arrest lifted.

In addition, in some jurisdictions, such as South Africa, under the "sister ship" theory of liability, a claimant may arrest both the vessel that 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.

The aging of our fleet may result in increased operating costs in the future, which could adversely affect our earnings.

In general, the cost of maintaining a vessel in good operating condition increases with the age of the vessel. As our fleet ages, we may incur increased costs. Older vessels are typically less fuel efficient and more costly to maintain than more recently constructed vessels due to improvements in engine technology. Cargo insurance rates also increase with the age of a vessel, making older vessels less desirable to charterers. Governmental regulations and safety or other equipment standards related to the age of a vessel may also require expenditures for alterations or the addition of new equipment to our vessels, and may restrict the type of activities in which our vessels may engage. Although our current fleet of 45 containerships had an average age (weighted by TEU capacity) of approximately 9.0 years as of May 31, 2010, we cannot assure you that, as our vessels age, market conditions will justify such expenditures or will enable us to profitably operate our vessels during the remainder of their expected useful lives.

Compliance with safety and other requirements imposed by classification societies may be very costly and may adversely affect our business.

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, and all vessels must be awarded ISM certification.

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. Each of the vessels in our fleet is on a special survey cycle for hull inspection and a continuous survey cycle for machinery inspection.

If any vessel does not maintain its class or fails any annual, intermediate or special survey, and/or loses its certification, the vessel will be unable to trade between ports and will be unemployable, and we could be in violation of certain covenants in our loan agreements. This would negatively impact our operating results and financial condition.

Our business depends upon certain employees who may not necessarily continue to work for us.

Our future success depends to a significant extent upon our chief executive officer, Dr. John Coustas, and certain members of our senior management and that of our manager. Dr. Coustas has substantial experience in the container shipping industry and has worked with us and our manager for many years. He and others employed by us and our manager are crucial to the execution of our business strategies and to the growth and development of our business. In addition, under the terms of the bank agreement in respect of restructuring our existing credit facilities and the new financing arrangements for which we have reached agreements in principle, Dr. Coustas ceasing to serve as our Chief Executive Officer, absent a successor acceptable to our lenders, would constitute an event of default under these agreements. If these certain individuals were no longer to be affiliated with us or our manager, or if we were to otherwise cease to receive advisory services from them, we may be unable to recruit other employees with equivalent talent and experience, and our business and financial condition may suffer as a result.

The provisions in our employment arrangements with our chief executive officer restricting his ability to compete with us, like restrictive covenants generally, may not be enforceable.

In connection with his employment agreement with us, Dr. Coustas, our chief executive officer, has entered into a restrictive covenant agreement with us under which he is precluded during the term of his employment and for one year thereafter from owning and operating drybulk ships or containerships larger than 2,500 TEUs and from acquiring or investing in a business that owns or operates such vessels. Courts generally do not favor the enforcement of such restrictions, particularly when they involve individuals and could be construed as infringing on their ability to be employed or to earn a livelihood. Our ability to enforce these restrictions, should it ever become necessary, will depend upon the circumstances that exist at the time enforcement is sought. We cannot be assured that a court would enforce the restrictions as written by way of an injunction or that we could necessarily establish a case for damages as a result of a violation of the restrictive covenants.

We depend on our manager to operate our business.

Pursuant to the management agreement and the individual ship management agreements, our manager and its affiliates may provide us with certain of our officers and will provide us with technical, administrative and certain commercial services (including vessel maintenance, crewing, purchasing, shipyard supervision, insurance, assistance with regulatory compliance and financial services). Our operational success will depend significantly upon our manager's satisfactory performance of these services. Our business would be harmed if our manager failed to perform these services satisfactorily. In addition, if the management agreement were to be terminated or if its terms were to be altered, our business could be adversely affected, as we may not be able to immediately replace such services, and even if replacement services were immediately available, the terms offered could be less favorable than the ones currently offered by our manager. Our management agreement with any new manager may not be as favorable.

Our ability to compete for and enter into new time charters and to expand our relationships with our existing charterers depends largely on our relationship with our manager and its reputation and relationships in the shipping industry. If our manager suffers material damage to its reputation or relationships, it may harm our ability to:

- renew existing charters upon their expiration;
- obtain new charters;
- successfully interact with shipyards during periods of shipyard construction constraints;
- obtain financing on commercially acceptable terms or at all;
- maintain satisfactory relationships with our charterers and suppliers; or
- successfully execute our business strategies.

If our ability to do any of the things described above is impaired, it could have a material adverse effect on our business and affect our profitability.

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Our manager is a privately held company and there is little or no publicly available information about it.

The ability of our manager to continue providing services for our benefit will depend in part on its own financial strength. Circumstances beyond our control could impair our manager's financial strength, and because it is a privately held company, information about its financial strength is not available. As a result, our stockholders might have little advance warning of problems affecting our manager, even though these problems could have a material adverse effect on us. As part of our reporting obligations as a public company, we will disclose information regarding our manager that has a material impact on us to the extent that we become aware of such information.

We are a Marshall Islands corporation, and the Marshall Islands does not have a well developed body of corporate law.

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

It may be difficult to enforce service of process and enforcement of judgments against us and our officers and directors.

We are a Marshall Islands corporation, and our registered office is located outside of the United States in the Marshall Islands. A majority of our directors and officers reside outside of the United States, and a substantial portion of our assets and the assets of our officers and directors are located outside of the United States. As a result, you may have difficulty serving legal process within the United States upon us or any of these persons. You may also have difficulty enforcing, both in and outside of the United States, judgments you may obtain in the U.S. courts against us or these persons in any action, including actions based upon the civil liability provisions of U.S. federal or state securities laws.

There is also substantial doubt that the courts of the Marshall Islands would enter judgments in original actions brought in those courts predicated on U.S. federal or state securities laws. Even if you were successful in bringing an action of this kind, the laws of the Marshall Islands may prevent or restrict you from enforcing a judgment against our assets or our directors and officers.

We maintain cash with a limited number of financial institutions including financial institutions that may be located in Greece, which will subject us to credit risk.

We maintain all of our cash with a limited number of financial institutions, including institutions that are located in Greece. These financial institutions located in Greece may be subsidiaries of international banks or Greek financial institutions. Economic conditions in Greece have been, and continue to be, severely disrupted and volatile, and as a result of sovereign weakness, Moody's Investor Services Inc. has recently downgraded the bank financial strength ratings, as well as the deposit and debt ratings, of several Greek banks to reflect their weakening stand-alone financial strength and the anticipated additional pressures stemming from the country's challenged economic prospects.

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We do not expect that any of our balances held with Greek financial institutions will be covered by insurance in the event of default by these financial institutions. The occurrence of such a default could therefore have a material adverse effect on our business, financial condition, results of operations and cash flows. If we are unable to fund our capital expenditures, we may not be able to continue to operate some of our vessels, which would have a material adverse effect on our business and could diminish our ability to pay dividends.

Risks Relating to Our Common Stock

The market price of our common stock has fluctuated widely and the market price of our common stock may fluctuate in the future.

The market price of our common stock has fluctuated widely since our initial public offering in October 2006, reaching a high of $40.26 per share in 2007 and a low of $2.72 per share in the third quarter of 2009, and may continue to do so as a result of many factors, including our actual results of operations and perceived prospects, the prospects of our competition and of the shipping industry in general and in particular the containership sector, differences between our actual financial and operating results and those expected by investors and analysts, changes in analysts' recommendations or projections, changes in general valuations for companies in the shipping industry, particularly the containership sector, changes in general economic or market conditions and broad market fluctuations.

If the market price of our common stock remains below $5.00 per share, under stock exchange rules, our stockholders will not be able to use such shares as collateral for borrowing in margin accounts. This inability to use shares of our common stock as collateral may depress demand as certain institutional investors are restricted from investing in shares priced below $5.00 and lead to sales of such shares creating downward pressure on and increased volatility in the market price of our common stock.

In addition, under the rules of The New York Stock Exchange, listed companies are required to maintain a share price of at least $1.00 per share and if the share price declines below $1.00 for a period of 30 consecutive business days, then the listed company would have a cure period of 180 days to regain compliance with the $1.00 per share minimum. In the event that our share price declines below $1.00, we may be required to take action, such as a reverse stock split, in order to comply with the New York Stock Exchange rules that may be in effect at the time in order to avoid delisting of our common stock and the associated decrease in liquidity in the market for our common stock.

We cannot be assured that we will be able to raise sufficient equity proceeds to satisfy the condition to our new credit facilities and a bank agreement covering the restructuring of our existing credit facilities that we raise net proceeds from equity issuances of $200 million or that we would be able to raise alternative debt financing sufficient to meet our future capital and operating needs. This or other future issuances of equity or equity-linked securities, or future sales of our common stock by existing stockholders, may result in significant dilution and adversely affect the market price of our common stock.

A principal condition to the agreements in principle we have reached for new credit facilities and restructuring our existing credit facilities is that we raise net proceeds from equity issuances of $200 million, including an investment by our chief executive officer. In order to raise sufficient proceeds to satisfy this condition we will have to issue a substantial number of shares of our common stock, and there can be no assurance that we will be able to raise sufficient proceeds from, or even complete, such an equity offering, which will be subject to market conditions. Sales of a substantial number of shares of our common stock in such an equity offering or other sales in the public market, or the perception that these sales could occur, may depress the market price for our common stock. Such sales could also impair our ability to raise additional capital through the sale of our equity securities in the future. In addition, we have agreed to grant warrants to our existing lenders participating under the new credit facilities for which we have reached agreements in principle, upon entry into definitive documentation for such arrangements, for no additional consideration, entitling such lenders acquire up to an aggregate of 15 million additional shares of our common stock, which is equal to approximately 27.5% of our currently outstanding shares of common stock, at exercise price of $7. 0 per share.

We may have to attempt to sell additional shares in the future to satisfy our capital and operating needs. In addition, lenders may be unwilling to provide future financing or may provide future financing only on unfavorable terms. In light of the restrictions on our use of cash from operations, debt financings and asset sales that we expect to be contained in our bank agreement for the structuring of our existing credit facilities and new credit facilities for which we have reached agreements in principle, to finance further growth beyond our contracted newbuildings we would likely have to issue additional shares of common stock or other equity securities. If we sell shares in the future, the prices at which we sell these future shares will vary, and these variations may be significant. If made at currently prevailing prices, these sales would be significantly dilutive of existing stockholders.

Subsequent resales of substantial numbers of such shares in the public market, moreover, could adversely affect the market price of our shares. We filed with the SEC a shelf registration statement on Form F-3 registering under the Securities Act 44,318,500 shares of our common stock for resale on behalf of selling stockholders, including our executive officers, in addition to securities issuable by us. In the aggregate these 44,318,500 shares represent approximately 81% of our outstanding common stock as of May 31, 2010. These shares may be sold in registered transactions and may also be resold subject to the holding period, volume, manner of sale and notice requirements of Rule 144 under the Securities Act. Sales or the possibility of sales of substantial amounts of our common stock by these shareholders in the public markets could adversely affect the market price of our common stock.

We cannot predict the effect that future sales of our common stock or other equity related securities would have on the market price of our common stock.

The Coustas Family Trust, our principal existing stockholder, controls the outcome of matters on which our stockholders are entitled to vote and its interests may be different from yours.

The Coustas Family Trust, under which our chief executive officer is both a beneficiary, together with other members of the Coustas Family, and the protector (which is analogous to a trustee), through Danaos Investments Limited, a corporation wholly-owned by Dr. Coustas, owned, directly or indirectly, approximately 80% of our outstanding common stock as of May 31, 2010. This stockholder is able to control the outcome of matters on which our stockholders are entitled to vote, including the election of our entire board of directors and other significant corporate actions. The interests of this stockholder may be different from yours. Under the terms of the bank agreement for restructuring our existing credit facilities and new financing arrangements for which we have reached agreements in principle, Dr. Coustas, together with the Coustas Family Trust and his family, ceasing to own over one-third of our outstanding common stock will constitute an event of default in certain circumstances.

We are a "controlled company" under the New York Stock Exchange rules, and as such we are entitled to exemptions from certain New York Stock Exchange corporate governance standards, and you may not have the same protections afforded to stockholders of companies that are subject to all of the New York Stock Exchange corporate governance requirements.

We are a "controlled company" within the meaning of the New York Stock Exchange corporate governance standards. Under the New York Stock Exchange rules, a company of which more than 50% of the voting power is held by another company or group is a "controlled company" and may elect not to comply with certain New York Stock Exchange corporate governance requirements, including (1) the requirement that a majority of the board of directors consist of independent directors, (2) the

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requirement that the nominating committee be composed entirely of independent directors and have a written charter addressing the committee's purpose and responsibilities, (3) the requirement that the compensation committee be composed entirely of independent directors and have a written charter addressing the committee's purpose and responsibilities and (4) the requirement of an annual performance evaluation of the nominating and corporate governance and compensation committees. We may utilize these exemptions, and currently a non-independent director serves on our compensation committee and on our nominating and corporate governance committees. As a result, non-independent directors, including members of our management who also serve on our board of directors, may serve on the compensation or the nominating and corporate governance committees of our board of directors which, among other things, fix the compensation of our management, make stock and option awards and resolve governance issues regarding us. Accordingly, you may not have the same protections afforded to stockholders of companies that are subject to all of the New York Stock Exchange corporate governance requirements.

The requirements of being a public company may strain our resources and distract management.

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, and the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act. These requirements may place a burden on our systems and resources. The Securities Exchange Act of 1934, as amended, requires that we file annual and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act, among other things, requires that we maintain effective disclosure controls and procedures and internal controls for financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, significant resources and management oversight are required. This may divert management's attention from other business concerns, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

In addition, if we fail to maintain effective controls and procedures, we may be unable to provide the financial information that publicly traded companies are required to provide in a timely and reliable fashion. Any such delays or deficiencies could limit our ability to obtain financing, either in the public capital markets or from private sources, and could thereby impede our ability to implement our strategies. In addition, any such delays or deficiencies could result in failure to meet the requirements for continued listing of our common stock on the New York Stock Exchange, which would adversely affect the liquidity of our common stock.

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

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

These provisions:

- authorize our board of directors to issue "blank check" preferred stock without stockholder approval;

- provide for a classified board of directors with staggered, three-year terms;

- prohibit cumulative voting in the election of directors;

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- authorize the removal of directors only for cause and only upon the affirmative vote of the holders of at least $66^2/_3$% of the outstanding stock entitled to vote for those directors;
- prohibit stockholder action by written consent unless the written consent is signed by all stockholders entitled to vote on the action;
- establish advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings; and
- restrict business combinations with interested stockholders.

We have adopted a stockholder rights plan pursuant to which our board of directors may cause the substantial dilution of the holdings of any person that attempts to acquire us without the approval of our board of directors. In addition, our respective lenders under our existing credit facilities covered by the bank agreement for the restructuring thereof and the new credit facilities for which we have reached agreements in principle will be entitled to require us to repay in full amounts outstanding under such credit facilities, if Dr. Coustas ceases to be our Chief Executive Officer or, together with members of his family and trusts for the benefit thereof, ceases to collectively own over one-third of the voting interest in our outstanding capital stock or any other person or group controls more than 20.0% of the voting power of our outstanding capital stock.

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

Tax Risks

We may have to pay tax on U.S.-source income, which would reduce our earnings.

Under the United States Internal Revenue Code of 1986, as amended, or the Code, 50% of the gross shipping income of a ship owning or chartering corporation, such as ourselves, that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States is characterized as U.S.-source shipping income and as such is subject to a 4% U.S. federal income tax without allowance for deduction, unless that corporation qualifies for exemption from tax under Section 883 of the Code and the Treasury Regulations promulgated thereunder.

Other than with respect to four of our vessel-owning subsidiaries, as to which we are uncertain whether they qualify for this statutory tax exemption, we believe that we and our subsidiaries currently qualify for this statutory tax exemption and we currently intend to take that position for U.S. federal income tax reporting purposes. However, there are factual circumstances beyond our control that could cause us or our subsidiaries to fail to qualify for the benefit of this tax exemption and thus to be subject to U.S. federal income tax on U.S.-source shipping income. There can be no assurance that we or any of our subsidiaries will qualify for this tax exemption for any year. For example, even assuming, as we expect will be the case, that our shares are regularly and primarily traded on an established securities market in the United States, if shareholders each of whom owns, actually or under applicable attribution rules, 5% or more of our shares own, in the aggregate, 50% or more of our shares, then we and our subsidiaries will generally not be eligible for the Section 883 exemption unless we can establish, in accordance with specified ownership certification procedures, either (i) that a sufficient number of the shares in the closely-held block are owned, directly or under the applicable attribution rules, by "qualified shareholders" (generally, individuals resident in certain non-U.S. jurisdictions) so that the shares in the closely-held block that are not so owned could not constitute 50% or more of our shares for more than half of the days in the relevant tax year or (ii) that qualified shareholders owned more than 50% of our shares for at least half of the days in the relevant taxable year. There can be no assurance that we will be able to establish such ownership by qualified shareholders for any tax year. In

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connection with the four vessel-owning subsidiaries referred to above, we note that qualification under Section 883 will depend in part upon the ownership, directly or under the applicable attribution rules, of preferred shares issued by such subsidiaries as to which we are not the direct or indirect owner of record.

If we or our subsidiaries are not entitled to the exemption under Section 883 for any taxable year, we or our subsidiaries would be subject for those years to a 4% U.S. federal income tax on our gross U.S. source shipping income. The imposition of this taxation could have a negative effect on our business and would result in decreased earnings available for distribution to our stockholders. A number of our charters contain provisions that obligate the charterers to reimburse us for the 4% gross basis tax on our U.S. source shipping income.

If we were treated as a "passive foreign investment company," certain adverse U.S. federal income tax consequences could result to U.S. stockholders.

A foreign corporation will be treated as a "passive foreign investment company," or PFIC, for U.S. federal income tax purposes if at least 75% of its gross income for any taxable year consists of certain types of "passive income," or at least 50% of the average value of the corporation's assets produce or are held for the production of those types of "passive income." For purposes of these tests, "passive income" includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties that are received from unrelated parties in connection with the active conduct of a trade or business. For purposes of these tests, income derived from the performance of services does not constitute "passive income." In general, U.S. stockholders of a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to the distributions they receive from the PFIC, and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC. If we are treated as a PFIC for any taxable year, we will provide information to U.S. stockholders to enable them to make certain elections to alleviate certain of the adverse U.S. federal income tax consequences that would arise as a result of holding an interest in a PFIC.

While there are legal uncertainties involved in this determination, including as a result of a recent decision of the United States Court of Appeals for the Fifth Circuit in *Tidewater Inc. and Subsidiaries v. United States*, 565 F.3d 299 (5th Cir. 2009) which held that income derived from certain time chartering activities should be treated as rental income rather than services income for purposes of the foreign sales corporation rules under the U.S. Internal Revenue Code, we believe we should not be treated as a PFIC for the taxable year ended December 31, 2009. However, if the principles of the Tidewater decision were applicable to our time charters, we would likely be treated as a PFIC. Moreover, there is no assurance that the nature of our assets, income and operations will not change or that we can avoid being treated as a PFIC for subsequent years.

The enactment of proposed legislation could affect whether dividends paid by us constitute qualified dividend income eligible for the preferential rate.

Legislation has been introduced that would deny the preferential rate of federal income tax currently imposed on qualified dividend income with respect to dividends received from a non-U.S. corporation, unless the non-U.S. corporation either is eligible for benefits of a comprehensive income tax treaty with the United States or is created or organized under the laws of a foreign country which has a comprehensive income tax system. Because the Marshall Islands has not entered into a comprehensive income tax treaty with the United States and imposes only limited taxes on corporations organized under its laws, it is unlikely that we could satisfy either of these requirements. It is not possible at this time to predict with certainty whether or in what form the proposed legislation will be enacted.

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If the regulations regarding the exemption from Liberian taxation for non-resident corporations issued by the Liberian Ministry of Finance were found to be invalid, the net income and cash flows of our Liberian subsidiaries and therefore our net income and cash flows, would be materially reduced.

A number of our subsidiaries are incorporated under the laws of the Republic of Liberia. The Republic of Liberia enacted a new income tax act effective as of January 1, 2001 (the "New Act") which does not distinguish between the taxation of "non-resident" Liberian corporations, such as our Liberian subsidiaries, which conduct no business in Liberia and were wholly exempt from taxation under the income tax law previously in effect since 1977, and "resident" Liberian corporations which conduct business in Liberia and are, and were under the prior law, subject to taxation.

In 2004, the Liberian Ministry of Finance issued regulations exempting non-resident corporations engaged in international shipping, such as our Liberian subsidiaries, from Liberian taxation under the New Act retroactive to January 1, 2001. It is unclear whether these regulations, which ostensibly conflict with the express terms of the New Act adopted by the Liberian legislature, are valid. However, the Liberian Ministry of Justice issued an opinion that the new regulations are a valid exercise of the regulatory authority of the Ministry of Finance. The Liberian Ministry of Finance has not at any time since January 1, 2001 sought to collect taxes from any of our Liberian subsidiaries.

If our Liberian subsidiaries were subject to Liberian income tax under the New Act, they would be subject to tax at a rate of 35% on their worldwide income. As a result, their, and subsequently our, net income and cash flows would be materially reduced. In addition, as the ultimate stockholder of the Liberian subsidiaries, we would be subject to Liberian withholding tax on dividends paid by our Liberian subsidiaries at rates ranging from 15% to 20%, which would limit our access to funds generated by the operations of our subsidiaries and further reduce our income and cash flows.

Item 4. Information on the Company

History and Development of the Company

Danaos Corporation is an international owner of containerships, chartering its vessels to many of the world's largest liner companies. We are a corporation domesticated in the Republic of The Marshall Islands on October 7, 2005, under the Marshall Islands Business Corporations Act, after having been incorporated as a Liberian company in 1998 in connection with the consolidation of our assets under Danaos Holdings Limited. In connection with our domestication in the Marshall Islands we changed our name from Danaos Holdings Limited to Danaos Corporation. Our manager, Danaos Shipping Company Limited, or Danaos Shipping, was founded by Dimitris Coustas in 1972 and since that time it has continuously provided seaborne transportation services under the management of the Coustas family. Dr. John Coustas, our chief executive officer, assumed responsibility for our management in 1987. Dr. Coustas has focused our business on chartering containerships to liner companies and has overseen the expansion of our fleet from three multi-purpose vessels in 1987 to the 45 containerships comprising our containership fleet as of May 31, 2010. In October 2006, we completed an initial public offering of our common stock in the United States and our common stock began trading on the New York Stock Exchange. Our principal executive offices are c/o Danaos Shipping Co. Ltd., 14 Akti Kondyli, 185 45 Piraeus, Greece. Our telephone number at that address is +30 210 419 6480.

Our company operates through a number of subsidiaries incorporated in Liberia and Cyprus, all of which are wholly-owned by us and either directly or indirectly own the vessels in our fleet. A list of our active subsidiaries as of May 31, 2010, and their jurisdictions of incorporation, is set forth in Exhibit 8 to this annual report on Form 20-F.

Business Overview

We are an international owner of containerships, chartering our vessels to many of the world's largest liner companies. As of May 31, 2010, we had a fleet of 45 containerships aggregating 193,629 TEUs, making us among the largest containership charter owners in the world, based on total TEU capacity. Our strategy is to charter our containerships under multi-year, fixed-rate period charters to a diverse group of liner companies, including many of the largest such companies globally, as measured by TEU capacity. As of May 31, 2010, these customers included China Shipping, CMA-CGM, Hanjin, Hyundai, Maersk, MISC, United Arab Shipping Company ("UASC"), Wan Hai, The Containership Company ("TCC"), Yang Ming and ZIM Israel Integrated Shipping Services. We believe our containerships provide us with contracted stable cash flows as they are deployed under multi-year, fixed-rate charters that range from less than one to 18 years for vessels in our current fleet and our contracted newbuilding vessels.

Our Fleet

General

We deploy our containership fleet principally under multi-year charters with major liner companies that operate regularly scheduled routes between large commercial ports. As of May 31, 2010, our containership fleet was comprised of 45 containerships deployed on time charters. The average age (weighted by TEU) of the 45 vessels in our containership fleet was approximately 9.0 years as of May 31, 2010 and, upon delivery of all of our contracted vessels as of the end of the second quarter of 2012, the average age (weighted by TEU) of the 65 vessels in our containership fleet (assuming no other acquisitions or dispositions) will be approximately 6.0 years. As of May 31, 2010, the average remaining duration of the charters for our containership fleet, including our 20 contracted newbuilding vessels for each of which we have arranged charters, was 11.2 years (weighted by aggregate contracted charter hire).

Characteristics

The table below provides additional information about our fleet of 45 cellular containerships as of May 31, 2010.

Vessel Name	Year Built	Vessel Size (TEU)	Time Charter Term(1)	Expiration of Charter(1)	Charterer
Post-Panamax					
CSCL Le Havre	2006	9,580	12 years	September 2018	China Shipping
CSCL Pusan	2006	9,580	12 years	July 2018	China Shipping
CSCL America (ex *MSC Baltic)(2)*	2004	8,468	12 years	September 2016	China Shipping
CSCL Europe	2004	8,468	12 years	June 2016	China Shipping
CMA CGM Moliere(3)	2009	6,500	12 years	August 2021	CMA-CGM
CMA CGM Musset(3)	2010	6,500	12 years	February 2022	CMA-CGM
CMA CGM Nerval(3)	2010	6,500	12 years	April 2022	CMA-CGM
Hyundai Commodore (ex MOL Affinity)(4)	1992	4,651	8 years	March 2011	Hyundai
Hyundai Duke	1992	4,651	8 years	February 2011	Hyundai
Hyundai Federal (ex *APL Confidence)(5)*	1994	4,651	6.5 years	September 2012	Hyundai
Panamax					
Marathonas (ex *MSC Marathon)(6)*	1991	4,814	5 years	September 2011	Maersk
Maersk Messologi	1991	4,814	5 years	September 2011	Maersk
Maersk Mytilini	1991	4,814	5 years	September 2011	Maersk
YM Colombo (ex *Norasia Integra)(7)*	2004	4,300	12 years	March 2019	Yang Ming

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Vessel Name	Year Built	Vessel Size (TEU)	Time Charter Term(1)	Expiration of Charter(1)	Charterer
YM Singapore (ex *Norasia Atria)(8)*	2004	4,300	12 years	October 2019	Yang Ming
YM Seattle	2007	4,253	12 years	July 2019	Yang Ming
YM Vancouver	2007	4,253	12 years	September 2019	Yang Ming
ZIM Rio Grande	2008	4,253	12 years	May 2020	ZIM
ZIM Sao Paolo	2008	4,253	12 years	August 2020	ZIM
ZIM Kingston	2008	4,253	12 years	September 2020	ZIM
ZIM Monaco	2009	4,253	12 years	November 2020	ZIM
ZIM Dalian	2009	4,253	12 years	February 2021	ZIM
ZIM Luanda	2009	4,253	12 years	May 2021	ZIM
Bunga Raya Tiga (ex *Maersk Derby)(9)*	2004	4,253	1 year	March 2011	MISC
Bunga Raya Tujuh (ex *Maersk Deva)(10)*	2004	4,253	7 years	February 2011	Maersk
Al Rayyan (ex *Norasia Hamburg)(11)*	1989	3,908	3 years	January 2011	United Arab Shipping Co.
YM Yantian	1989	3,908	5 years	July 2011	Yang Ming
Hanjin Buenos Aires	2010	3,400	10 years	March 2020	n/a(16)
YM Milano	1988	3,129	7.5 years	May 2011	Yang Ming
CMA CGM Lotus (ex *Victory I)(12)*	1988	3,098	3 years	July 2010	CMA-CGM
CMA CGM Vanille (ex *Independence)(13)*	1986	3,045	3 years	July 2010	CMA-CGM
Henry (ex *CMA CGM Passiflore)(14)*	1986	3,039	0.5 years	October 2010	Wan-Hai
CMA CGM Elbe	1991	2,917	1 year	June 2011	TCC
CMA CGM Kalamata	1991	2,917	1 year	June 2011	TCC
CMA CGM Komodo	1991	2,917	1 year	June 2011	TCC
Hyundai Advance	1997	2,200	10 years	June 2017	Hyundai
Hyundai Future	1997	2,200	10 years	August 2017	Hyundai
Hyundai Sprinter	1997	2,200	10 years	August 2017	Hyundai
Hyundai Stride	1997	2,200	10 years	July 2017	Hyundai
Hyundai Progress	1998	2,200	10 years	December 2017	Hyundai
Hyundai Bridge	1998	2,200	10 years	January 2018	Hyundai
Hyundai Highway	1998	2,200	10 years	January 2018	Hyundai
Hyundai Vladivostok	1997	2,200	10 years	May 2017	Hyundai
Hanjin Montreal (ex *Montreal Senator)(15)*	1984	2,130	2.5 years	November 2010	Hanjin
			Bareboat Charter Term(1)		
YM Mandate	2010	6,500	18 years	January 2028	n/a(16)

(1) Earliest date charters could expire. Most charters include options to extend their terms.

(2) On August 21, 2009, the *MSC Baltic* was renamed the *CSCL America* at the request of the charterer of this vessel.

(3) Vessel subject to charterer's option to purchase vessel after first eight years of time charter term for $78.0 million

(4) On April 2, 2009, the *MOL Affinity* was renamed the *Hyundai Commodore* at the request of the charterer of this vessel.

(5) On May 12, 2009, the *APL Confidence* was renamed the *Hyundai Federal* at the request of the charterer of this vessel.

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(6)
On January 21, 2010, the *MSC Marathon* was renamed the *Marathonas* at the request of the charterer of this vessel.

(7)
On May 8, 2007, the *Norasia Integra* was renamed the *YM Colombo* at the request of the charterer of this vessel.

(8)
On December 28, 2007, the *Norasia Atria* was renamed the *YM Singapore* at the request of the charterer of this vessel.

(9)
On April 29, 2009, the *Maersk Derby* was renamed the *Bunga Raya Tiga* at the request of the charterer of this vessel.

(10)
On October 12, 2009, the *Maersk Deva* was renamed the *Bunga Raya Tujuh* at the request of the charterer of this vessel.

(11)
On February 2, 2008, the *Norasia Hamburg* was renamed the *Al Rayyan* at the request of the charterer of this vessel.

(12)
On August 8, 2007, the *Victory I* was renamed the *CMA CGM Lotus* at the request of the charterer of this vessel.

(13)
On August 6, 2007, the *Independence* was renamed the *CMA CGM Vanille* at the request of the charterer of this vessel.

(14)
On May 13, 2010, the *CMA CGM Passiflore* was renamed the *Henry* at the request of the charterer of this vessel.

(15)
On May 14, 2009, the *Montreal Senator* was renamed the *Hanjin Montreal* at the request of the charterer of this vessel.

(16)
Vessel under charter, however, release of information currently restricted by confidentiality agreement with charterer.

Our contracted vessels are being built based upon designs from Hyundai Samho Heavy Industries Co. Limited ("Hyundai Samho"), Hanjin Heavy Industries & Construction Co., Ltd. ("Hanjin"), Shanghai Jiangnan Changxing Heavy Industry Company Limited ("Shanghai Jiangnan") and Sungdong Shipbuilding & Marine Engineering Co., Ltd. ("Sungdong"). In some cases designs are enhanced by us and our manager, Danaos Shipping, in consultation with the charterers of the vessels and two classification societies, Det Norske Veritas and the Lloyds Register of Shipping. These designs, which include certain technological advances and customized modifications, make the containerships efficient with respect to both voyage speed and loading capability when compared to many vessels operating in the containership sector.

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The specifications of our 20 contracted vessels under construction as of May 31, 2010 are as follows:

Name	Year Built	Vessel Size (TEU)	Shipyard	Expected Delivery Period	Time Charter Term(1)	Charterer
HN S4004(2)	2010	6,500	Sungdong	2nd Quarter 2010	12 years	CMA-CGM
HN N-220	2010	3,400	Hanjin	3rd Quarter 2010	10 years	n/a(3)
HN S4005(2)	2010	6,500	Sungdong	3rd Quarter 2010	12 years	CMA-CGM
HN N-221	2010	3,400	Hanjin	3rd Quarter 2010	10 years	n/a(3)
HN N-222	2010	3,400	Hanjin	4th Quarter 2010	10 years	n/a(3)
HN N-223	2010	3,400	Hanjin	4th Quarter 2010	10 years	n/a(3)
Hull No. S-461	2011	10,100	Hyundai Samho	1st Quarter 2011	12 years	n/a(3)
Hull No. S-462	2011	10,100	Hyundai Samho	1st Quarter 2011	12 years	n/a(3)
HN Z00001	2011	8,530	Shanghai Jiangnan	1st Quarter 2011	12 years	n/a(3)
Hull No. S-463	2011	10,100	Hyundai Samho	2nd Quarter 2011	12 years	n/a(3)
HN Z00002	2011	8,530	Shanghai Jiangnan	2nd Quarter 2011	12 years	n/a(3)
HN Z00003	2011	8,530	Shanghai Jiangnan	2nd Quarter 2011	12 years	n/a(3)
HN Z00004	2011	8,530	Shanghai Jiangnan	2nd Quarter 2011	12 years	n/a(3)
HULL 1022A	2011	8,530	Shanghai Jiangnan	3rd Quarter 2011	12 years	n/a(3)
Hull No. S-456	2012	12,600	Hyundai Samho	1st Quarter 2012	12 years	n/a(3)
Hull No. S-457	2012	12,600	Hyundai Samho	1st Quarter 2012	12 years	n/a(3)
Hull No. S-458	2012	12,600	Hyundai Samho	2nd Quarter 2012	12 years	n/a(3)
Hull No. S-459	2012	12,600	Hyundai Samho	2nd Quarter 2012	12 years	n/a(3)
Hull No. S-460	2012	12,600	Hyundai Samho	2nd Quarter 2012	12 years	n/a(3)
					Bareboat Charter Term(1)	
HN N-215	2010	6,500	Hanjin	3rd Quarter 2010	18 years	n/a(3)

(1) Most charters include options to extend their terms.

(2) Vessel subject to charterer's option to purchase vessel after first eight years of time charter term for $78.0 million.

(3) Vessel under charter, however, release of information currently restricted by confidentiality agreement with charterer.

Charterers

As the container shipping industry has grown, the major liner companies have increasingly contracted for containership capacity. As of May 31, 2010, our diverse group of customers in the containership sector included China Shipping, CMA-CGM, Hanjin, HMM, Maersk, MISC, TCC, Yang Ming, UASC, Wan Hai and ZIM Integrated Shipping Services. In addition, we have arranged time charters ranging from 10 to 12 years with CMA-CGM, Yang Ming and two other accredited charterers for 19 of our contracted vessels and an 18-year bareboat charter with an accredited charterer for our other contracted vessel.

The containerships in our combined containership fleet are or, upon their delivery to us, will be deployed under multi-year, fixed-rate time charters having initial terms that range from less than one to 18 years. These charters expire at staggered dates ranging from the third quarter of 2010 to the first quarter of 2028, with no more than 15 scheduled to expire in any 12-month period. The staggered expiration of the multi-year, fixed-rate charters for our vessels is both a strategy pursued by our management and a result of the growth in our fleet over the past several years. Under our time

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charters, the charterer pays voyage expenses such as port, canal and fuel costs, other than brokerage and address commissions paid by us, and we pay for vessel operating expenses, which include crew costs, provisions, deck and engine stores, lubricating oil, insurance, maintenance and repairs. We are also responsible for each vessel's intermediate and special survey costs.

Under the time charters, when a vessel is "off-hire" or not available for service, the charterer is generally not required to pay the hire rate, and we are responsible for all costs. A vessel generally will be deemed to be off-hire if there is an occurrence preventing the full working of the vessel due to, among other things, operational deficiencies, drydockings for repairs, maintenance or inspection, equipment breakdown, delays due to accidents, crewing strikes, labor boycotts, noncompliance with government water pollution regulations or alleged oil spills, arrests or seizures by creditors or our failure to maintain the vessel in compliance with required specifications and standards. In addition, under our time charters, if any vessel is off-hire for more than a certain amount of time (generally between 10-20 days), the charterer has a right to terminate the charter agreement for that vessel. Charterers also have the right to terminate the time charters in various other circumstances, including but not limited to, outbreaks of war or a change in ownership of the vessel's owner or manager without the charterer's approval.

Leasing Arrangements CSCL Europe, CSCL America (ex MSC Baltic), Bunga Raya Tiga (ex Maersk Derby), Bunga Raya Tujuh (ex Maersk Deva), CSCL Pusan (ex HN 1559) and CSCL Le Havre (ex HN 1561)

On March 7, 2008, we exercised our right to have our wholly-owned subsidiaries replace a subsidiary of Lloyds Bank as direct owners of the *CSCL Europe*, the *CSCL America* (ex *MSC Baltic*), the *Bunga Raya Tiga* (ex *Maersk Derby*), the *Bunga Raya Tujuh* (ex *Maersk Deva*), the *CSCL Pusan* (ex *HN 1559*) and the *CSCL Le Havre* (ex *HN 1561*) pursuant to the terms of the leasing arrangements, as restructured on October 5, 2007, we had in place with such subsidiaries of Lloyds Bank, Allco Finance Limited, a U.K.-based financing company, and Allco Finance UK Limited, a U.K.-based financing company. We had during the course of these leasing arrangements and continue to have full operational control over these vessels and we consider each of these vessels to be an asset for our financial reporting purposes and each vessel is reflected as such in our consolidated financial statements included elsewhere herein.

On July 19, 2006, legislation was enacted in the United Kingdom that would have resulted in a claw-back or recapture of certain of the benefits that were expected to be available to the counterparties to the original leasing transactions at their inception. Accordingly, the put option price that was part of the original leasing arrangements would have been increased to compensate the counterparties for the loss of these benefits. In 2006 we recognized an expense of $12.8 million, which is the amount by which we expected the increase in the put price to exceed the cash benefits we had expected to receive, and had expected to retain, from these transactions. The October 5, 2007 restructuring of these leasing arrangements eliminated this put option and the $12.8 million expense recorded in 2006, was reversed and recognized in earnings in the fourth quarter of 2007.

Purchase Options

The charters with respect to the *CMA CGM Moliere*, the *CMA CGM Musset*, the *CMA CGM Nerval*, the *HN S4004* and the *HN S4005* include an option for the charterer, CMA-CGM, to purchase the vessels eight years after the commencement of the respective charters, which, based on the respective expected delivery dates for these vessels, are expected to fall in September 2017, March 2018, May 2018, June 2018 and July 2018, respectively, each for $78.0 million. In each case, the option to purchase the vessel must be exercised 15 months prior to the acquisition dates described in the preceding sentence. The $78.0 million option prices reflect an estimate of the fair market value of the vessels at the time we would be required to sell the vessels upon exercise of the options. If CMA-CGM were to exercise these options with respect to any or all of these vessels, the expected size of our combined containership fleet would be reduced, and as a result our anticipated level of revenues after such sale would be reduced.

Pursuant to the exercises of similar options, contained in the respective charters, to purchase the *APL England,* the *APL Scotland*, the *APL Holland* and the *APL Belgium,* we delivered such vessels to their charterer, APL-NOL, on March 7, 2007, June 22, 2007, August 3, 2007 and January 15, 2008, respectively, each for $44.5 million.

Discontinued Drybulk Operations

In August 2006, we agreed to sell the six drybulk carriers in our fleet, with an aggregate capacity of 342,158 dwt, for an aggregate of $143.5 million. In the first quarter of 2007, we delivered five of these vessels to the purchaser, which is not affiliated with us, for an aggregate of $118.0 million and the remaining vessel to the purchaser for $25.5 million when its charter expired in the second quarter of 2007.

Management of Our Fleet

Our chief executive officer, chief operating officer and chief financial officer provide strategic management for our company while these officers also supervise, in conjunction with our board of directors, the management of these operations by Danaos Shipping, our manager. We have a management agreement pursuant to which our manager and its affiliates provide us and our subsidiaries with technical, administrative and certain commercial services for an initial term that expired on December 31, 2008, with automatic one year renewals for an additional 12 years at our option. On February 12, 2009, we signed an addendum to the management contract changing the management fees we pay, effective January 1, 2009 and, on February 8, 2010, we signed an addendum to the management contract adjusting the management fees, effective January 1, 2010. Our manager reports to us and our board of directors through our chief executive officer, chief operating officer and chief financial officer.

Our manager is regarded as an innovator in operational and technological aspects in the international shipping community. Danaos Shipping's strong technological capabilities derive from employing highly educated professionals, its participation and assumption of a leading role in European Community research projects related to shipping, and its close affiliation to Danaos Management Consultants, a leading ship-management software and services company. Danaos Management Consultants provides software services to two of our charterers, CMA-CGM and Maersk.

Danaos Shipping achieved early ISM certification of its container fleet in 1995, well ahead of the deadline, and was the first Greek company to receive such certification from Det Norske Veritas, a leading classification society. In 2004, Danaos Shipping received the Lloyd's List Technical Innovation Award for advances in internet-based telecommunication methods for vessels. Danaos Shipping maintains the quality of its service by controlling directly the selection and employment of seafarers through its crewing offices in Piraeus, Greece as well as in Odessa and Mariupol in the Ukraine. Investments in new facilities in Greece by Danaos Shipping enable enhanced training of seafarers and highly reliable infrastructure and services to the vessels.

Historically, Danaos Shipping only infrequently managed vessels other than those in our fleet and currently it does not actively manage any other company's vessels other than providing certain management services to Castella Shipping Inc., in which our chief executive officer has an investment. Danaos Shipping also does not arrange the employment of other vessels and has agreed that, during the term of our management agreement, it will not provide any management services to any other entity without our prior written approval, other than with respect to Castella Shipping Inc. and other entities controlled by Dr. Coustas, our chief executive officer, which do not operate within the containership (larger than 2,500 TEUs) or drybulk sectors of the shipping industry or in the circumstances described below. Other than Castella Shipping Inc., Dr. Coustas does not currently control any such vessel-owning entity. We believe we will derive significant benefits from our exclusive relationship with Danaos Shipping.

Dr. Coustas has also personally agreed to the same restrictions on the provision, directly or indirectly, of management services during the term of our management agreement. In addition, our chief executive officer (other than in his capacities with us) and our manager have separately agreed not, during the term of our management agreement and for one year thereafter, to engage, directly or indirectly, in (i) the ownership or operation of containerships of larger than 2,500 TEUs or (ii) the ownership or operation of any drybulk carriers or (iii) the acquisition of or investment in any business involved in the ownership or operation of containerships of larger than 2,500 TEUs or any drybulk carriers. Notwithstanding these restrictions, if our independent directors decline the opportunity to acquire any such containerships or to acquire or invest in any such business, our chief executive officer will have the right to make, directly or indirectly, any such acquisition or investment during the four-month period following such decision by our independent directors, so long as such acquisition or investment is made on terms no more favorable than those offered to us. In this case, our chief executive officer and our manager will be permitted to provide management services to such vessels.

Danaos Shipping manages our fleet under a management agreement whose initial term expired at the end of 2008. The management agreement automatically renews for a one-year periods if we do not provide 12 months' notice of termination. During the initial term of the management agreement, for providing its commercial, chartering and administrative services our manager received a fee of $500 per day and for its technical management of our ships, our manager received a management fee of $250 per vessel per day for vessels on bareboat charter and $500 per vessel per day for the remaining vessels in our fleet, each pro rated for the number of calendar days we own each vessel. These fees are now adjusted annually by agreement between us and our manager. For its chartering services rendered to us by its Hamburg-based office, our manager also receives a commission of 0.75% on all freight, charter hire, ballast bonus and demurrage for each vessel. Further, our manager receives a commission of 0.5% based on the contract price of any vessel bought or sold by it on our behalf, excluding newbuilding contracts. We also paid our manager a flat fee of $400,000 per newbuilding vessel, which we capitalized, for the on premises supervision of our newbuilding contracts by selected engineers and others of its staff.

On February 12, 2009, we signed an addendum to the management contract adjusting the management fees, effective January 1, 2009, to a fee of $575 per day for commercial, chartering and administrative services, a fee of $290 per vessel per day for vessels on bareboat charter and $575 per vessel per day for vessels on time charter and a flat fee of $725,000 per newbuilding vessel for the supervision of newbuilding contracts. All commissions to the manager remained unchanged.

On February 8, 2010, we signed an addendum to the management contract adjusting the management fees, effective January 1, 2010, to a fee of $675 per day for commercial, chartering and administrative services, a fee of $340 per vessel per day for vessels on bareboat charter and $675 per vessel per day for vessels on time charter. All commissions to the manager remained unchanged. The incremental amount of the management fees above the levels agreed for 2009 are payable by us, as accrued until the date of payment, at any time before the end of 2010.

Competition

We operate in markets that are highly competitive and based primarily on supply and demand. Generally, we compete for charters based upon price, customer relationships, operating expertise, professional reputation and size, age and condition of the vessel. Competition for providing containership services comes from a number of experienced shipping companies. In the containership sector, these companies include Zodiac Maritime, Seaspan Corporation and Costamare. A number of our competitors in the containership sector have been financed by the German KG (Kommanditgesellschaft) system, which was based on tax benefits provided to private investors. While the German tax law has been amended to significantly restrict the tax benefits available to taxpayers who invest after November 10, 2005, the tax benefits afforded to all investors in the KG-financed entities will continue to be significant and such entities will continue to be attractive investments. These tax benefits allow these KG-financed entities to be more flexible in offering lower charter rates to liner companies.

The containership sector of the international shipping industry is characterized by the significant time necessary to develop the operating expertise and professional reputation necessary to obtain and retain customers and, in the past a relative scarcity of secondhand containerships, which necessitated reliance on newbuildings which can take a number of years to complete. We focus on larger TEU capacity containerships, which we believe have fared better than smaller vessels during global downturns in the containership sector. We believe larger containerships, even older containerships if well maintained, provide us with increased flexibility and more stable cash flows than smaller TEU capacity containerships.

Crewing and Employees

We have four shore-based employees, our chief executive officer, our chief financial officer, our chief operating officer and our deputy chief financial officer. As of December 31, 2009, 822 people served on board the vessels in our fleet and Danaos Shipping, our manager, employed approximately 121 people, all of whom were shore-based. In addition, our manager is responsible for recruiting, either directly or through a crewing agent, the senior officers and all other crew members for our vessels and is reimbursed by us for all crew wages and other crew relating expenses We believe the streamlining of crewing arrangements through our manager ensures that all of our vessels will be crewed with experienced crews that have the qualifications and licenses required by international regulations and shipping conventions.

Permits and Authorizations

We are required by various governmental and other agencies to obtain certain permits, licenses and certificates with respect to our vessels. The kinds of permits, licenses and certificates required by governmental and other agencies depend upon several factors, including the commodity being transported, the waters in which the vessel operates, the nationality of the vessel's crew and the age of a vessel. All permits, licenses and certificates currently required to permit our vessels to operate have been obtained. Additional laws and regulations, environmental or otherwise, may be adopted which could limit our ability to do business or increase the cost of doing business.

Inspection by Classification Societies

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

The classification society also undertakes on request other surveys and checks that are required by regulations and requirements of the flag state. These surveys are subject to agreements made in each individual case and /or to the regulations of the country concerned.

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For maintenance of the class, regular and extraordinary surveys of hull and machinery, including the electrical plant, and any special equipment classed are required to be performed as follows:

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

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

Class Renewal Surveys. Class renewal surveys, also known as special surveys, are carried out on the ship's hull and machinery, including the electrical plant, and on any special equipment classed at the intervals indicated by the character of classification for the hull. During the special survey, the vessel is thoroughly examined, including audio-gauging to determine the thickness of the steel structures. Should the thickness be found to be less than class requirements, the classification society would prescribe steel renewals. The classification society may grant a one-year grace period for completion of the special survey. Substantial amounts of funds may have to be spent for steel renewals to pass a special survey if the vessel experiences excessive wear and tear. In lieu of the special survey every four or five years, depending on whether a grace period is granted, a shipowner has the option of arranging with the classification society for the vessel's hull or machinery to be on a continuous survey cycle, in which every part of the vessel would be surveyed within a five-year cycle. At an owner's application, the surveys required for class renewal may be split according to an agreed schedule to extend over the entire period of class. This process is referred to as continuous class renewal.

The following table lists the next drydockings and special surveys scheduled for the vessels in our current containership fleet:

Vessel Name	Next Survey	Next Drydocking
Maersk Mytilini	March 2011	January 2011
CMA CGM Lotus	January 2011	January 2011
Maersk Messologi	March 2011	March 2011
CMA CGM Kalamata	March 2010	March 2011
CMA CGM Vanille	March 2011	March 2011
Marathonas	June 2010	April 2011
Hanjin Montreal	September 2010	May 2011
Al Rayyan	November 2012	June 2011
Hyundai Commodore	September 2010	July 2011
CMA CGM Elbe	August 2011	August 2011
CMA CGM Komodo	August 2011	August 2011
CSCL Pusan	November 2011	September 2011
Henry	October 2011	October 2011
CSCL Le Havre	November 2011	November 2011
Hyundai Vladivostok	October 2010	July 2012
Hyundai Federal	October 2010	July 2012
Hyundai Advance	January 2011	July 2012
Hyundai Stride	December 2010	September 2012
YM Seattle	December 2010	September 2012
Hyundai Future	December 2010	September 2012
YM Vancouver	February 2011	November 2012
Hyundai Sprinter	March 2011	December 2012
Hyundai Progress	May 2011	March 2013

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Vessel Name	Next Survey	Next Drydocking
Hyundai Highway	June 2011	March 2013
Hyundai Bridge	June 2011	March 2013
YM Milano	November 2011	June 2013
Zim Rio Grande	October 2011	July 2013
Zim Sao Paolo	December 2011	September 2013
Hyundai Duke	January 2011	October 2013
Zim Kingston	February 2012	November 2013
Zim Monaco	April 2012	January 2014
YM Yantian	October 2012	February 2014
CSCL Europe	August 2011	February 2014
Bunga Raya Tujuh	June 2012	February 2014
Zim Dalian	June 2012	March 2014
YM Colombo	March 2012	March 2014
Bunga Raya Tiga	July 2012	April 2014
Zim Luanda	September 2012	June 2014
CSCL America	November 2011	August 2014
YM Singapore	September 2012	September 2014
CMA CGM Moliere	March 2012	September 2014
CMA CGM Musset	September 2012	March 2015
CMA CGM Nerval	November 2012	May 2015
Hanjin Buenos Aires	November 2012	May 2015

All areas subject to surveys as defined by the classification society are required to be surveyed at least once per class period, unless shorter intervals between surveys are otherwise prescribed. The period between two subsequent surveys of each area must not exceed five years. Vessels under bareboat charter, such as the *YM Mandate*, are drydocked by their charterers.

Most vessels are also drydocked every 30 to 36 months for inspection of their underwater parts and for repairs related to such inspections. If any defects are found, the classification surveyor will issue a "recommendation" which must be rectified by the ship-owner within prescribed time limits.

Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as "in class" by a classification society which is a member of the International Association of Classification Societies. All of our vessels are certified as being "in class" by Lloyds Register of Shipping, Bureau Veritas, NKK, Det Norske Veritas, the American Bureau of Shipping or RINA SpA.

Risk of Loss and Liability Insurance

General

The operation of any vessel includes risks such as mechanical failure, collision, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, hostilities and labor strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. The U.S. Oil Pollution Act of 1990, or OPA, which imposes virtually unlimited liability upon owners, operators and demise charterers of vessels trading in the United States exclusive economic zone for certain oil pollution accidents in the United States, has made liability insurance more expensive for shipowners and operators trading in the United States market.

While we maintain hull and machinery insurance, war risks insurance, protection and indemnity coverage for our containership fleet in amounts that we believe to be prudent to cover normal risks in our operations, we may not be able to maintain this level of coverage throughout a vessel's useful life. Furthermore, while we believe that our insurance coverage will be adequate, not all risks can be insured, and there can be no guarantee that any specific claim will be paid, or that we will always be able to obtain adequate insurance coverage at reasonable rates.

Dr. John Coustas, our chief executive officer, is a member of the Board of Directors of The Swedish Club, our primary provider of insurance, including a substantial portion of our hull & machinery, war risk and protection and indemnity insurance.

Hull & Machinery, Loss of Hire and War Risks Insurance

We maintain marine hull and machinery and war risks insurance, which covers the risk of particular average, general average, 4/4ths collision liability, contact with fixed and floating objects (FFO) and actual or constructive total loss in accordance with Swedish conditions for all of our vessels. Our vessels will each be covered up to at least their fair market value after meeting certain deductibles per incident per vessel.

We carry a minimum loss of hire coverage only with respect to the *CSCL America* (ex *MSC Baltic*), the *CSCL Europe*, the *CSCL Pusan* (ex *HN 1559*) and the *CSCL Le Havre* (ex *HN 1561*) to cover standard requirements of KEXIM, the bank providing financing for our acquisition of these vessels. We do not and will not obtain loss of hire insurance covering the loss of revenue during extended off-hire periods for the other vessels in our fleet because we believe that this type of coverage is not economical and is of limited value to us, in part because historically our fleet has had a very limited number of off-hire days.

Protection and Indemnity Insurance

Protection and indemnity ("P&I") insurance covers our third-party and crew liabilities in connection with our shipping activities. This includes third-party liability, crew liability and other related expenses resulting from the injury or death of crew, passengers and other third parties, the loss or damage to cargo, third-party claims arising from collisions with other vessels, damage to other third-party property, pollution arising from oil or other substances and salvage, towing and other related costs, including wreck removal. Our protection and indemnity insurance, other than our 4/4ths collision and FFO insurance (which is covered under our hull insurance policy), is provided by mutual protection and indemnity associations, or P&I associations. Insurance provided by P&I associations is a form of mutual indemnity insurance. Unless otherwise provided by the international conventions that limit the liability of shipowners and subject to the "capping" discussed below, our coverage under insurance provided by the P&I associations, except for pollution, will be unlimited.

Our protection and indemnity insurance coverage in accordance with the International Group of P&I Club Agreement for pollution will be $1.0 billion per vessel per incident. Our P&I war risk coverage is $500.0 million per vessel per incident, while for passenger and seaman risks the limit is $3.0 billion, with a sub-limit of $2.0 billion for passenger claims only. The fourteen P&I associations that comprise the International Group insure approximately 90% of the world's commercial blue-water tonnage and have entered into a pooling agreement to reinsure each association's liabilities. As a member of a P&I association that is a member of the International Group, we will be subject to calls payable to the associations based on the International Group's claim records as well as the claim records of all other members of the individual associations.

Environmental and Other Regulations

Government regulation significantly affects the ownership and operation of our vessels. They are subject to international conventions, national, state and local laws, regulations and standards in force in international waters and the countries in which our vessels may operate or are registered, including those governing the management and disposal of hazardous substances and wastes, the cleanup of oil spills and other contamination, air emissions, wastewater discharges and ballast water management.

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These laws and regulations include the U.S. Oil Pollution Act of 1990 (OPA), the U.S. Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), the U.S. Clean Water Act, the International Convention for Prevention of Pollution from Ships, regulations adopted by the IMO and the European Union, various volatile organic compound air emission requirements and various Safety of Life at Sea (SOLAS) amendments, as well as other regulations described below. Compliance with these laws, regulations and other requirements entails significant expense, including vessel modifications and implementation of certain operating procedures.

A variety of governmental and private entities subject our vessels to both scheduled and unscheduled inspections. These entities include the local port authorities (U.S. Coast Guard, harbor master or equivalent), classification societies, flag state administration (country of registry), charterers and, particularly, terminal operators. Certain of these entities require us to obtain permits, licenses, certificates and financial assurances for the operation of our vessels. Failure to maintain necessary permits or approvals could require us to incur substantial costs or result in the temporary suspension of operation of one or more of our vessels.

We believe that the heightened level of environmental and quality concerns among insurance underwriters, regulators and charterers is leading to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the industry. Increasing environmental concerns have created a demand for vessels that conform to the stricter environmental standards. We are required to maintain operating standards for all of our vessels that will emphasize operational safety, quality maintenance, continuous training of our officers and crews and compliance with U.S. and international regulations. We believe that the operation of our vessels is in substantial compliance with applicable environmental laws and regulations. However, because such laws and regulations are frequently changed and may impose increasingly stricter requirements, such future requirements may limit our ability to do business, increase our operating costs, force the early retirement of our vessels, and/or affect their resale value, all of which could have a material adverse effect on our financial condition and results of operations.

Environmental Regulation International Maritime Organization ("IMO")

Our vessels are subject to standards imposed by the IMO (the United Nations agency for maritime safety and the prevention of pollution by ships). The IMO has adopted regulations that are designed to reduce pollution in international waters, both from accidents and from routine operations. These regulations address oil discharges, ballasting and unloading operations, sewage, garbage, and air emissions. For example, Annex III of the International Convention for the Prevention of Pollution from Ships, or MARPOL, regulates the transportation of marine pollutants, and imposes standards on packing, marking, labeling, documentation, stowage, quantity limitations and pollution prevention. These requirements have been expanded by the International Maritime Dangerous Goods Code, which imposes additional standards for all aspects of the transportation of dangerous goods and marine pollutants by sea.

In September 1997, the IMO adopted Annex VI to the International Convention for the Prevention of Pollution from Ships to address air pollution from vessels. Annex VI, which came into effect on May 19, 2005, sets limits on sulfur oxide and nitrogen oxide emissions from vessel exhausts and prohibits deliberate emissions of ozone depleting substances, such as chlorofluorocarbons. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions. Annex VI has been ratified by some, but not all IMO member states, including the Marshall Islands. Pursuant to a Marine Notice issued by the Marshall Islands Maritime Administrator as revised in March 2005, vessels flagged by the Marshall Islands that are subject to Annex VI must, if built before the effective date, obtain an International Air Pollution Prevention Certificate evidencing compliance with Annex VI by the first dry docking after May 19, 2005, but no later than May 19, 2008. All vessels subject to Annex VI and built after May 19, 2005 must also have this Certificate. We have obtained International Air Pollution Prevention certificates for all of our vessels. In October 2008, the Marine Environment Protection Committee, or MEPC, of the IMO adopted amendments to Annex VI regarding particulate matter, nitrogen oxides and sulfur oxide emission standards that will enter into force in July 2010. The United States ratified the amendments in October 2008, and all vessels subject to Annex VI must comply with the amended requirements when entering U.S. ports or operating in U.S. waters. The new standards seek to reduce air pollution from vessels by establishing a series of progressive standards to further limit the sulfur content of fuel oil, which would be phased in through 2020, and by establishing new tiers of nitrogen oxide emission standards for new marine diesel engines, depending on their date of installation. Additionally, more stringent emission standards could apply in coastal areas designated as Emission Control Areas, such as the United States and Canadian coastal areas recently designated by IMO's Marine Environment Protection Committee (MEPC). We may incur costs to install control equipment on our engines in order to comply with the new requirements. Additional or new conventions, laws and regulations may be adopted that could adversely affect our ability to manage our vessels.

The operation of our vessels is also affected by the requirements set forth in the IMO's International Management Code for the Safe Operation of Ships and Pollution Prevention, or the ISM Code, which was adopted in July 1998. The ISM Code requires shipowners and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. The ISM Code requires that vessel operators obtain a Safety Management Certificate for each vessel they operate. This certificate evidences compliance by a vessel's management with code requirements for a Safety Management System. No vessel can obtain a certificate unless its operator has been awarded a document of compliance, issued by each flag state, under the ISM Code. The failure of a shipowner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, decrease available insurance coverage for the affected vessels and result in a denial of access to, or detention in, certain ports. Currently, each of the vessels in our fleet is ISM code-certified. However, there can be no assurance that such certifications will be maintained indefinitely.

In 2001, the IMO adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage, or the Bunker Convention, which imposes strict liability on ship owners for pollution damage in jurisdictional waters of ratifying states caused by discharges of bunker oil. The Bunker Convention also requires registered owners of ships over a certain size to maintain insurance for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime (but not exceeding the amount calculated in accordance with the Convention on Limitation of Liability for Maritime Claims of 1976, as amended). The Bunker Convention entered into force on November 21, 2008. Our entire fleet has been issued a certificate attesting that insurance is in force in accordance with the insurance provisions of the Convention.

Environmental Regulation The U.S. Oil Pollution Act of 1990 ("OPA")

OPA established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. It applies to discharges of any oil from a vessel, including discharges of fuel oil and lubricants. OPA affects all owners and operators whose vessels trade in the United States, its territories and possessions or whose vessels operate in U.S. waters, which include the United States' territorial sea and its two hundred nautical mile exclusive economic zone. While we do not carry oil as cargo, we do carry fuel oil (or bunkers) in our vessels, making our vessels subject to the OPA requirements.

Under OPA, vessel owners, operators and bareboat charterers are "responsible parties" and are jointly, severally and strictly liable (unless the discharge of pollutants results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or threatened discharges of pollutants from their vessels. OPA defines these other damages broadly to include:

- natural resources damage and the costs of assessment thereof;
- real and personal property damage;
- net loss of taxes, royalties, rents, fees and other lost revenues;
- lost profits or impairment of earning capacity due to property or natural resources damage; and
- net cost of public services necessitated by a spill response, such as protection from fire, safety or health hazards, and loss of subsistence use of natural resources.

OPA preserves the right to recover damages under existing law, including maritime tort law.

Effective July 31, 2009, the U.S. Coast Guard increased the limits of OPA liability to the greater of $1000 per ton or $854,400 for non-tank vessels and established a procedure for adjusting the limits for inflation every three years. These limits of liability do not apply if an incident was directly caused by violation of applicable U.S. federal safety, construction or operating regulations or by a responsible party's gross negligence or willful misconduct, or if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with oil removal activities.

OPA requires owners and operators of vessels to establish and maintain with the United States Coast Guard evidence of financial responsibility sufficient to meet their potential liabilities under the OPA. Under the regulations, vessel owners and operators may evidence their financial responsibility by showing proof of insurance, surety bond, self-insurance, or guaranty, and an owner or operator of a fleet of vessels is required only to demonstrate evidence of financial responsibility in an amount sufficient to cover the vessels in the fleet having the greatest maximum liability under OPA.

The U.S. Coast Guard's regulations concerning certificates of financial responsibility provide, in accordance with OPA, that claimants may bring suit directly against an insurer or guarantor that furnishes certificates of financial responsibility. In the event that such insurer or guarantor is sued directly, it is prohibited from asserting any contractual defense that it may have had against the responsible party and is limited to asserting those defenses available to the responsible party and the defense that the incident was caused by the willful misconduct of the responsible party. Certain organizations, which had typically provided certificates of financial responsibility under pre-OPA 90 laws, including the major protection and indemnity organizations have declined to furnish evidence of insurance for vessel owners and operators if they are subject to direct actions or required to waive insurance policy defenses. This requirement may have the effect of limiting the availability of the type of coverage required by the Coast Guard and could increase the costs of obtaining this insurance for us and our competitors.

The U.S. Coast Guard's financial responsibility regulations may also be satisfied by evidence of surety bond, guaranty or by self-insurance. Under the self-insurance provisions, the shipowner or operator must have a net worth and working capital, measured in assets located in the United States against liabilities located anywhere in the world, that exceeds the applicable amount of financial responsibility. We have complied with the U.S. Coast Guard regulations by providing a financial guaranty evidencing sufficient self-insurance.

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

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We currently maintain, for each of our vessels, oil pollution liability coverage insurance in the amount of $1 billion per incident. In addition, we carry hull and machinery and protection and indemnity insurance to cover the risks of fire and explosion. Given the relatively small amount of bunkers our vessels carry, we believe that a spill of oil from the vessels would not be catastrophic. However, under certain circumstances, fire and explosion could result in a catastrophic loss. While we believe that our present insurance coverage is adequate, not all risks can be insured, and there can be no guarantee that any specific claim will be paid, or that we will always be able to obtain adequate insurance coverage at reasonable rates. If the damages from a catastrophic spill exceeded our insurance coverage, it would have a severe effect on us and could possibly result in our insolvency.

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

Environmental Regulation CERCLA

CERCLA governs spills or releases of hazardous substances other than petroleum or petroleum products. The owner or operator of a ship, vehicle or facility from which there has been a release is liable without regard to fault for the release, and along with other specified parties may be jointly and severally liable for remedial costs. Costs recoverable under CERCLA include cleanup and removal costs, natural resource damages and governmental oversight costs. Liability under CERCLA is generally limited to the greater of $300 per gross ton or $0.5 million per vessel carrying non-hazardous substances ($5.0 million for vessels carrying hazardous substances), unless the incident is caused by gross negligence, willful misconduct or a violation of certain regulations, in which case liability is unlimited. The U.S. Coast Guard's financial responsibility regulations under OPA also require vessels to provide evidence of financial responsibility for CERCLA liability in the amount of $300 per gross ton.

Environmental Regulation The Clean Water Act

The U.S. Clean Water Act, or CWA, prohibits the discharge of oil or hazardous substances in navigable waters and imposes strict liability in the form of penalties for any unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under the more recent OPA and CERCLA, discussed above. Under U.S. Environmental Protection Agency, or EPA, regulations that took effect on February 6, 2009, we are required to obtain a CWA permit regulating and authorizing any discharges of ballast water or other wastewaters incidental to our normal vessel operations if we operate within the three-mile territorial waters or inland waters of the United States. The permit, which EPA has designated as the Vessel General Permit for Discharges Incidental to the Normal Operation of Vessels, or VGP, incorporates the current U.S. Coast Guard requirements for ballast water management, as well as supplemental ballast water requirements and limits for 26 other specific discharges. Regulated vessels cannot operate in U.S. waters after September 19, 2009 unless they are covered by the VGP. To do so, vessel owners must submit a Notice of Intent, or NOI, at least 30 days before the vessel operates in U.S. waters. To comply with the VGP vessel owners and operators may have to install equipment on their vessels to treat ballast water before it is discharged or implement port facility disposal arrangements or procedures at potentially substantial cost. The VGP also requires states to certify the permit, and certain states have imposed more stringent discharge standards as a condition of their certification. Many of the VGP requirements have already been addressed in our vessels' current ISM Code SMS Plan. We have submitted NOIs for all of our vessels that operate in U.S. waters.

Environmental Regulation The Clean Air Act

The Federal Clean Air Act (CAA) requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. Our vessels are subject to CAA vapor control and recovery standards for cleaning fuel tanks and conducting other operations in regulated port areas and emissions standards for so-called "Category 3 "marine diesel engines operating in U.S. waters. The marine diesel engine emission standards are currently limited to new engines beginning with the 2004 model year. However, on April 30, 2010, EPA adopted more stringent standards for emissions of particulate matter, sulfur oxides, and nitrogen oxides and other related provisions for new Category 3 marine diesel engines installed on vessels registered or flagged in the U.S. We may incur costs to install control equipment on our vessels to comply with the new standards. Several states regulate emissions from vessel vapor control and recovery operations under federally-approved State Implementation Plans. California has adopted limits on particulate matter, sulfur oxides, and nitrogen oxides emissions from the auxiliary diesel engines of ocean-going vessels in waters within approximately 24 miles of the California coast. Compliance is to be achieved through the use of marine diesel oil with a sulfur content not exceeding .1% by weight, or marine gas oil, or through alternative means of emission control, such as the use of shore-side electrical power or exhaust emission controls. These rules were struck down by the Ninth Circuit Court of Appeals in February 2008 on the grounds that they were preempted by the CAA, and in May 2008 California was permanently enjoined from enforcing the rules. However, the state has requested EPA to grant it a waiver under the CAA to enforce its invalidated vessel emission standards, and the Center for Biological Diversity has petitioned EPA to regulate black carbon emissions from vessels and other sources. The California Air Resources Board also adopted fuel content regulations effective July 1, 2009 that apply to all vessels sailing within 24 miles of the California coast and whose itineraries call for them to enter California ports, terminal facilities or estuarine waters. If new or more stringent requirements relating to emissions from marine diesel engines or port operations by vessels are adopted by EPA or the states, compliance with these regulations could entail significant capital expenditures or otherwise increase the costs of our operations.

Environmental Regulation Other Environmental Initiatives

The EU has also adopted legislation that: (1) requires member states to refuse access to their ports to certain sub-standard vessels, according to vessel type, flag and number of previous detentions; (2) creates an obligation on member states to inspect at least 25% of vessels using their ports annually and provides for increased surveillance of vessels posing a high risk to maritime safety or the marine environment; (3) provides the EU with greater authority and control over classification societies, including the ability to seek to suspend or revoke the authority of negligent societies, and (4) requires member states to impose criminal sanctions for certain pollution events, such as the unauthorized discharge of tank washings. The European Parliament recently endorsed a European Commission proposal to criminalize certain pollution discharges from ships. If it becomes formal EU law, it will affect the operation of vessels and the liability of owners for oil and other pollutional discharges. It is difficult to predict what legislation, if any, may be promulgated by the European Union or any other country or authority.

The U.S. National Invasive Species Act, or NISA, was enacted in 1996 in response to growing reports of harmful organisms being released into U.S. ports through ballast water taken on by ships in foreign ports. Under NISA, the U.S. Coast Guard adopted regulations in July 2004 imposing mandatory ballast water management practices for all vessels equipped with ballast water tanks entering U.S. waters. These requirements can be met by performing mid-ocean ballast exchange, by retaining

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ballast water on board the ship, or by using environmentally sound alternative ballast water management methods approved by the U.S. Coast Guard. (However, mid-ocean ballast exchange is mandatory for ships heading to the Great Lakes or Hudson Bay, or vessels engaged in the foreign export of Alaskan North Slope crude oil.) Mid-ocean ballast exchange is the primary method for compliance with the Coast Guard regulations, since holding ballast water can prevent ships from performing cargo operations upon arrival in the United States, and alternative methods are still under development. Vessels that are unable to conduct mid-ocean ballast exchange due to voyage or safety concerns may discharge minimum amounts of ballast water (in areas other than the Great Lakes and the Hudson River), provided that they comply with record keeping requirements and document the reasons they could not follow the required ballast water management requirements. In August 2009 the Coast Guard published proposed amendments to its ballast water management regulations that could ultimately set maximum acceptable discharge limits for various invasive species and/or lead to requirements for active treatment of ballast water.

A number of bills relating to ballast water management have been introduced in the U.S. Congress, but we cannot predict which bill, if any, will be enacted into law. In the absence of federal standards, states have enacted legislation or regulations to address invasive species through ballast water and hull cleaning management and permitting requirements. Michigan's ballast water management legislation was upheld by the Sixth Circuit Court of Appeals and California has recently enacted legislation extending its ballast water management program to regulate the management of "hull fouling" organisms attached to vessels and adopted regulations limiting the number of organisms in ballast water discharges. Other states may proceed with the enactment of similar requirements that could increase the costs of operating in state waters.

At the international level, the IMO adopted an International Convention for the Control and Management of Ships' Ballast Water and Sediments, or the BWM Convention, in February 2004. The Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements (beginning in 2009), to be replaced in time with mandatory concentration limits. The BWM Convention will not enter into force until 12 months after it has been adopted by 30 states, the combined merchant fleets of which represent not less than 35% of the gross tonnage of the world's merchant shipping. As of April 30, 2010, the BWM Convention has been ratified by 24 states, representing 23.29% of world tonnage.

If the mid-ocean ballast exchange is made mandatory throughout the United States or at the international level, or if water treatment requirements or options are instituted, the cost of compliance could increase for ocean carriers. Although we do not believe that the costs of compliance with a mandatory mid-ocean ballast exchange would be material, it is difficult to predict the overall impact of such a requirement on the business.

Although the Kyoto Protocol to the United Nations Framework Convention on Climate Change requires adopting countries to implement national programs to reduce emissions of greenhouse gases, emissions from international shipping are not subject to the Kyoto Protocol. Although there was some expectation that a new climate change treaty would be adopted at the December 2009 United Nations Copenhagen climate change conference, it did not result in any binding commitments. Instead, the participating countries developed an accord regarding a framework for negotiations in 2010 that includes emission reduction targets for developed countries and goals for limiting increases in atmospheric temperature. The implementation of the Copenhagen accord could lead to restrictions on the emissions of greenhouse gases from shipping. International or multi-national bodies or individual countries may adopt their own climate change regulatory initiatives. The EU intends to expand its emissions trading scheme to vessels, and the IMO's MEPC is developing technical and operational measures to limit emissions of greenhouse gases from international shipping for consideration by IMO this fall. The U.S. EPA Administrator issued a finding that greenhouse gases threaten the public health and safety and that emissions from new motor vehicles and motor vehicle engines contribute to concentrations of greenhouse gases in the atmosphere. In connection with these findings, EPA has adopted regulations relating to the control of greenhouse gas emissions from certain mobile and stationary sources. Although the EPA findings and regulations do not extend to vessels and vessel engines, the EPA is separately considering a petition from the California Attorney General and environmental groups to regulate greenhouse gas emissions from ocean-going vessels under the CAA. The U.S. Congress is also considering climate change initiatives. Any passage of climate control legislation or other regulatory initiatives by the IMO, the EU or individual countries in which we operate could require us to make significant financial expenditures or otherwise limit our operations that we cannot predict with certainty at this time.

Vessel Security Regulations

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

The ISPS Code is designed to protect ports and international shipping against terrorism. To trade internationally a vessel must obtain an International Ship Security Certificate, or ISSC, from a recognized security organization approved by the vessel's flag state. To obtain an ISSC a vessel must meet certain requirements, including:

- on-board installation of automatic identification systems to enhance vessel-to-vessel and vessel-to-shore communications;
- on-board installation of ship security alert systems that do not sound on the vessel but alert the authorities on shore;
- the development of vessel security plans;
- identification numbers to be permanently marked on a vessel's hull;
- a continuous synopsis record to be maintained on board showing the vessel's history, including the vessel ownership, flag state registration, and port registrations; and
- compliance with flag state security certification requirements.

In addition, as of January 1, 2009, every company and/or registered owner is required to have an identification number which conforms to the IMO Unique Company and Registered Owner Identification Number Scheme. Our Manager has also complied with this amendment to SOLAS XI-1/3-1.

The U.S. Coast Guard regulations are intended to align with international maritime security standards and exempt non-U.S. vessels that have a valid ISSC attesting to the vessel's compliance with SOLAS security requirements and the ISPS Code from the requirement to have a U.S. Coast Guard approved vessel security plan. We have implemented the various security measures addressed by the MTSA, SOLAS and the ISPS Code and have ensured that our vessels are compliant with all applicable security requirements. Our fleet, as part of our continuous improvement cycle, is reviewing vessels SSPs and is maintaining best Management practices during passage through security risk areas.

Seasonality

Our containerships operate under multi-year charters and therefore are not subject to the effect of seasonal variations in demand.

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Properties

We have no freehold or leasehold interest in any real property. We occupy office space at 14 Akti Kondyli, 185 45 Piraeus, Greece that is owned by our manager, Danaos Shipping, and which is provided to us as part of the services we receive under our management agreement.

Item 4A. Unresolved Staff Comments

Not applicable.

Item 5. Operating and Financial Review and Prospects

The following discussion of our financial condition and results of operations should be read in conjunction with the financial statements and the notes to those statements included elsewhere in this annual report. This discussion includes forward-looking statements that involve risks and uncertainties. As a result of many factors, such as those set forth under "Item 3. Key Information Risk Factors" and elsewhere in this annual report, our actual results may differ materially from those anticipated in these forward-looking statements.

Overview

Our business is to provide international seaborne transportation services by operating vessels in the containership sector of the shipping industry. Our fleet as of May 31, 2010 consisted of 45 containerships and, as described below, as of that date we had newbuilding contracts for an additional 20 containerships, which we currently expect will be delivered to us by the end of June 2012.

We deploy our containerships on multi-year, fixed-rate charters to take advantage of the stable cash flows and high utilization rates typically associated with multi-year charters. As of May 31, 2010, 44 containerships in our fleet were employed on time charters and one vessel was employed on a bareboat charter. Our containerships are generally deployed on multi-year charters to large liner companies that charter-in vessels on a multi-year basis as part of their business strategies.

The average number of containerships in our fleet for the years ended December 31, 2009, 2008 and 2007 was 40.5, 37.7 and 32.3, respectively.

As of May 31, 2010, we had newbuilding contracts with Hyundai Samho, Hanjin, Shanghai Jiangnan and Sungdong for an additional 20 containerships with an aggregate capacity of 169,050 TEUs, with scheduled deliveries to us from June 2010 through June 2012.

After delivery of these 20 containerships, our containership fleet of 65 vessels will have a total capacity of 362,679 TEUs, assuming we do not acquire any additional vessels or dispose of any of our vessels.

As of May 31, 2010, our diverse group of customers in the containership sector included China Shipping, CMA-CGM, Hanjin, HMM, Maersk, MISC, TCC, Yang Ming, UASC, Wan Hai and Zim Integrated Shipping Services. In addition, we have arranged time charters ranging from 10 to 12 years with CMA-CGM, Yang Ming and two other accredited charterers for 19 of our contracted vessels and an 18-year bareboat charter with an accredited charterer for our other contracted vessel.

As described below, we have reached an agreement in principle with our existing lenders to restructure our existing indebtedness, other than under our KEXIM and KEXIM-Fortis credit facilities, and agreements in principle for new financing arrangements. These agreements are non-binding and remain subject to the approval of the credit committees of the respective lenders, negotiation and execution of definitive documentation and other conditions, including our receipt of requisite proceeds from equity issuances.

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Purchase Options

We sold the *APL England,* the *APL Scotland*, the *APL Holland* and the *APL Belgium* for $44.5 million each to their charterer, APL-NOL, upon its exercise of the purchase options in the charters. We delivered these vessels to APL-NOL on March 7, 2007, on June 22, 2007, on August 3, 2007 and on January 15, 2008, respectively. The option exercise prices were below the fair market value of each of these vessels at the time the options were exercised.

The charters with respect to the *CMA CGM Moliere*, the *CMA CGM Musset*, the *CMA CGM Nerval*, the *HN S4004* and the *HN S4005* include an option for the charterer, CMA-CGM, to purchase the vessels eight years after the commencement of the respective charters, which, based on the respective expected delivery dates for these vessels, are expected to fall in September 2017, March 2018, May 2018, June 2018 and July 2018, respectively, each for $78.0 million. In each case, the option to purchase the vessel must be exercised 15 months prior to the acquisition dates described in the preceding sentence. The $78.0 million option prices reflect an estimate of the fair market value of the vessels at the time we would be required to sell the vessels upon exercise of the options. If CMA-CGM were to exercise these options with respect to any or all of these vessels, the expected size of our combined containership fleet would be reduced, and as a result our anticipated level of revenues would be reduced.

Our Manager

Our operations are managed by Danaos Shipping, our manager, under the supervision of our officers and our board of directors. We believe our manager has built a strong reputation in the shipping community by providing customized, high-quality operational services in an efficient manner for both new and older vessels. We have a management agreement pursuant to which our manager and its affiliates provide us and our subsidiaries with technical, administrative and certain commercial services. The initial term of this agreement expired on December 31, 2008, and the agreement now renews each year for a one-year term for the next 12 years unless we give a one-year notice of non-renewal (subject to certain termination rights described in "Item 7. Major Shareholders and Related Party Transactions"). Our manager is ultimately owned by Danaos Investments Limited as Trustee of the 883 Trust, which we refer to as the Coustas Family Trust. Danaos Investments Limited, a corporation wholly-owned by our chief executive officer, is the protector (which is analogous to a trustee) of the Coustas Family Trust, of which Dr. Coustas and other members of the Coustas family are beneficiaries. The Coustas Family Trust is also our largest stockholder.

Factors Affecting Our Results of Operations

Our financial results are largely driven by the following factors:

Number of Vessels in Our Fleet. The number of vessels in our fleet is the primary factor in determining the level of our revenues. Aggregate expenses also increase as the size of our fleet increases. Vessel acquisitions and dispositions will have a direct impact on the number of vessels in our fleet. We sold the *APL Belgium*, a 5,506 TEU containership, to APL-NOL pursuant to the terms of purchase option contained in the charter for this vessel in January 2008 and in addition, we sold the *Winterberg*, the *Maersk Constantia*, the *Asia Express* and the *Sederberg,* in January, May, October and December 2008, respectively, and the *MSC Eagle* in January 2010. Three of our vessels and two of our newbuildings, which have an aggregate capacity of 32,500 TEUs, are also subject to arrangements pursuant to which the charterer has options to purchase the vessels at stipulated prices on specified dates expected, based on the respective expected delivery dates for these vessels, to fall in September 2017, March 2018, May 2018, June 2018 and July 2018, respectively. If these purchase options were to be exercised, the expected size of our

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combined containership fleet would be reduced, and as a result our anticipated level of revenues would be reduced.

Charter Rates. Aside from the number of vessels in our fleet, the charter rates we obtain for these vessels are the principal drivers of our revenues. Charter rates are based primarily on demand for capacity as well as the available supply of containership capacity at the time we enter into the charters for our vessels. As a result of macroeconomic conditions affecting trade flow between ports served by liner companies and economic conditions in the industries which use liner shipping services, charter rates can fluctuate significantly. Although the multi-year charters on which we deploy our containerships make us less susceptible to cyclical containership charter rates than vessels operated on shorter-term charters, we are exposed to varying charter rate environments when our chartering arrangements expire and we seek to deploy our containerships under new charters. The staggered maturities of our containership charters also reduce our exposure to any stage in the shipping cycle.

Utilization of Our Fleet. Due to the multi-year charters under which they are operated, our containerships have consistently been deployed at or near full utilization. Nevertheless the amount of time our vessels spend in drydock undergoing repairs or undergoing maintenance and upgrade work affects our results of operations. Historically, our fleet has had a limited number of off-hire days. For example, there were 23 total off-hire days for our entire fleet during 2009 other than for scheduled drydockings and special surveys and 26 total off-hire days for our entire fleet during 2008, other than for scheduled drydockings and special surveys. However, an increase in annual off-hire days could reduce our utilization. The efficiency with which suitable employment is secured, the ability to minimize off-hire days and the amount of time spent positioning vessels also affects our results of operations. If the utilization patterns of our containership fleet changes our financial results would be affected.

Expenses. Our ability to control our fixed and variable expenses, including those for commission expenses, crew wages and related costs, the cost of insurance, expenses for repairs and maintenance, the cost of spares and consumable stores, tonnage taxes and other miscellaneous expenses also affects our financial results. In addition, factors beyond our control, such as developments relating to market premiums for insurance and the value of the U.S. dollar compared to currencies in which certain of our expenses, primarily crew wages, are denominated can cause our vessel operating expenses to increase.

Operating Revenues

Our operating revenues are driven primarily by the number of vessels in our fleet, the number of operating days during which our vessels generate revenues and the amount of daily charter hire that our vessels earn under time charters which, in turn, are affected by a number of factors, including our decisions relating to vessel acquisitions and dispositions, the amount of time that we spend positioning our vessels, the amount of time that our vessels spend in drydock undergoing repairs, maintenance and upgrade work, the age, condition and specifications of our vessels and the levels of supply and demand in the containership charter market. Vessels operating in the spot market generate revenues that are less predictable but can allow increased profit margins to be captured during periods of improving charter rates.

Revenues from multi-year period charters comprised substantially all of our revenues from continuing operations for the years ended December 31, 2009, 2008 and 2007. The revenues relating to our multi-year charters will be affected by the delivery dates of our contracted containerships and any additional vessels subject to multi-year charters we may acquire in the future, as well as by the disposition of any such vessel in our fleet. Our revenues will also be affected if any of our charterers cancel a multi-year charter. Each of our current vessel construction agreements has a contracted

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delivery date. A change in the date of delivery of a vessel will impact our revenues and results of operations. In 2009, we arranged, in cooperation with our charterers, delays in the delivery of most of our contracted vessels for periods ranging between two months and one year and, in the first half of 2010, agreed to cancel three of our newbuilding vessels, which delays and cancellations are factored into the below table. See "Item 3. Key Information Risk Factors Delays in deliveries of our additional 20 newbuilding containerships could harm our operating results". Our multi-year charter agreements have been contracted in varying rate environments and expire at different times. Generally, we do not employ our vessels under voyage charters under which a shipowner, in return for a fixed sum, agrees to transport cargo from one or more loading ports to one or more destinations and assumes all vessel operating costs and voyage expenses.

Our expected revenues as of December 31, 2009, based on contracted charter rates, from our charter arrangements for our containerships having initial terms of more than 12 months and giving effect to the cancellation of three newbuildings and their associated charters in the first half of 2010, is shown in the table below. Although these expected revenues are based on contracted charter rates, any contract is subject to performance by the counterparties. If the charterers are unable or unwilling to make charter payments to us, our results of operations and financial condition will be materially adversely affected. See "Item 3. Key Information Risk Factors We are dependent on the ability and willingness of our charterers to honor their commitments to us for all of our revenues and the failure of our counterparties to meet their obligations under our time charter agreements, or under our shipbuilding contracts, could cause us to suffer losses or otherwise adversely affect our business." In addition, our ability to obtain financing for 11 of our newbuildings is dependent upon our ability to enter into definitive agreements with existing lenders to restructure our existing indebtedness and provide additional financing for such newbuildings and other financing agreements for which we have reached agreements in principle.

Contracted Revenue from Multi-Year Charters as of December 31, 2009(1)
(amounts in millions of U.S. dollars)

Number of Vessels(2)	2010	2011 - 2012	2013 - 2014	2015 - 2019	2020 - 2028	Total
66.0(3)(4)	$ 352.5	$ 951.5	$ 1,102.2	$ 2,497.2(5)	$ 1,246.4(5)	$ 6,149.8

(1) Annual revenue calculations are based on an assumed 364 revenue days per annum representing contracted fees, based on contracted charter rates from our current charter agreements. Although these fees are based on contractual charter rates, any contract is subject to performance by the counter parties and us. Additionally, the fees above reflect an estimate of off-hire days to perform periodic maintenance. If actual off-hire days are greater than estimated, these would decrease the level of revenues above.

(2) Includes four containerships we have taken delivery of in 2010, the *CMA CGM Musset,* the *CMA CGM Nerval,* the *YM Mandate* and the *Hanjin Buenos Aires,* and 20 newbuilding containerships, the *HN S4004,* the *HN S4005,* the *HN N-215*, the *HN N-220*, the *HN N-221*, the *HN N-222*, the *HN N-223*, the *HN Z00001*, the *HN Z00002*, the *HN Z00003*, the *HN Z00004*, the *Hull 1022A*, the *Hull No. S-456*, the *Hull No. S-457*, the *Hull No. S-458*, the *Hull No. S-459,* the *Hull No. S-460,* the *Hull No. S-461*, the *Hull No. S-462* and the *Hull No. S-463,* expected to be delivered to us in 2010, 2011 and 2012. The contracted revenue shown in the above table from these newbuildings for the specified periods is as follows: $59.2 million in 2010, $526.1 million in 2011-2012, $719.6 million in 2013-2014, $1,767.4 million in 2015-2019, $1,183.5 million in 2020-2028. The table also includes one over 30-year old containership, the *MSC Eagle*, and revenue from its charter prior to its sale, which was sold by us on January 22, 2010. The table excludes three 6,500 TEU newbuilding vessels, the *HN N-216*, the *HN N-217* and the *HN N-218,* we agreed to cancel in the first half of 2010. See "Item 3. Key Information Risk Factors Although we have arranged charters for each of our 20

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newbuilding containerships, we are dependent on the ability and willingness of the charterers to honor their commitments under such charters as it would be difficult to redeploy such vessels at equivalent rates, or at all, if charter markets continue to experience weakness" and "Item 3. Key Information Risk Factors Obtaining financing for 11 of our newbuildings is dependent upon our ability to enter into definitive agreements with existing lenders to restructure our existing indebtedness and provide additional financing."

(3)

Includes the *CMA CGM Moliere* delivered to us in 2009, the *CMA CGM Musset* and the *CMA CGM Nerval* delivered to us during the first half of 2010, as well as two more vessels under construction, the *HN S4004* and the *HN S4005*, which are each subject to options for the charterer to purchase the vessels eight years after the commencement of the respective charters, which, based on the respective expected delivery dates for these vessels, are expected to fall in September 2017, March 2018, May 2018, June 2018 and July 2018, respectively, each for $78.0 million. The $78.0 million option prices reflect an estimate of the fair market value of the vessels at the time we would be required to sell the vessels upon exercise of the options.

(4)

As of May 31, 2010, we have agreed to cancel three 6,500 TEU newbuilding vessels and their associated charters and accordingly the table above excludes revenues of $553.1 million under such chartering arrangements.

(5)

An aggregate of $242.5 million ($48.5 million with respect to each newbuilding vessel) of revenue with respect to the *CMA CGM Moliere,* the *CMA CGM Musset*, the *CMA CGM Nerval*, the *HN S4004* and the *HN S4005*, following September 2017, March 2018, May 2018, June 2018 and July 2018, respectively, is included in the table because we cannot predict the likelihood of these options being exercised.

We generally do not charter our containerships in the spot market. Vessels operating in the spot market generate revenues that are less predictable than vessels on period charters, although this chartering strategy can enable vessel-owners to capture increased profit margins during periods of improvements in charter rates. Deployment of vessels in the spot market creates exposure, however, to the risk of declining charter rates, as spot rates may be higher or lower than those rates at which a vessel could have been time chartered for a longer period.

Voyage Expenses

Voyage expenses include port and canal charges, bunker (fuel) expenses, address commissions and brokerage commissions. Under multi-year time charters and bareboat charters, such as those on which we charter our containerships and under short-term time charters, the charterers bear the voyage expenses other than brokerage and address commissions. As such, voyage expenses represent a relatively small portion of our vessels' overall expenses.

From time to time, in accordance with industry practice and in respect of the charters for our containerships we pay brokerage commissions of approximately 0.5% to 2.5% of the total daily charter hire rate under the charters to unaffiliated ship brokers associated with the charterers, depending on the number of brokers involved with arranging the charter. We also pay address commissions of up to 2.5% to some of our charterers. Our manager will also receive a commission of 0.5% based on the contract price of any vessel bought or sold by it on our behalf, excluding newbuilding contracts. Since July 1, 2005, we have paid and will pay commissions to our manager of 0.75% on all freight, charter hire, ballast bonus and demurrage for each vessel.

Vessel Operating Expenses

Vessel operating expenses include crew wages and related costs, the cost of insurance, expenses for repairs and maintenance, the cost of spares and consumable stores, tonnage taxes and other miscellaneous expenses. Aggregate expenses increase as the size of our fleet increases. Factors beyond our control, some of which may affect the shipping industry in general, including, for instance, developments relating to market premiums for insurance, may also cause these expenses to increase. In addition, a substantial portion of our vessel operating expenses, primarily crew wages, are in currencies other than the U.S. dollar and any gain or loss we incur as a result of the U.S. dollar fluctuating in value against these currencies is included in vessel operating expenses. We fund our manager monthly in advance with amounts it will need to pay our fleet's vessel operating expenses.

Under multi-year time charters, such as those on which we charter the 45 containerships in our current fleet, and under short-term time charters, we pay for vessel operating expenses. Under bareboat charters, such as the one on which we chartered one of our containerships in our fleet that was sold in the second quarter of 2008, our charterers bear most vessel operating expenses, including the costs of crewing, insurance, surveys, drydockings, maintenance and repairs.

Amortization of Deferred Drydocking and Special Survey Costs

We follow the deferral method of accounting for special survey and drydocking costs, whereby actual costs incurred are deferred and are amortized on a straight-line basis over the period until the next scheduled survey, which is two and a half years. If special survey or drydocking is performed prior to the scheduled date, the remaining unamortized balances are immediately written off. We capitalize the total costs associated with drydockings, special surveys and intermediate surveys and amortize these costs on a straight-line basis over 30 months.

Major overhaul performed during drydocking is differentiated from normal operating repairs and maintenance. The related costs for inspections that are required for the vessel's certification under the requirement of the classification society are categorized as drydock costs. A vessel at drydock performs certain assessments, inspections, refurbishments, replacements and alterations within a safe non-operational environment that allows for complete shutdown of certain machinery and equipment, navigational, ballast (keep the vessel upright) and safety systems, access to major underwater components of vessel (rudder, propeller, thrusters and anti-corrosion systems), which are not accessible during vessel operations, as well as hull treatment and paints. In addition, specialized equipment is required to access and manoeuvre vessel components, which are not available at regular ports.

Repairs and maintenance normally performed during operation either at port or at sea have the purpose of minimizing wear and tear to the vessel caused by a particular incident or normal wear and tear. Repair and maintenance costs are expensed as incurred.

Depreciation

We depreciate our containerships on a straight-line basis over their estimated remaining useful economic lives. As of January 1, 2005, we determined the estimated useful lives of our containerships to be 30 years. Depreciation is based on cost, less the estimated scrap value of $300 per ton for all vessels.

General and Administrative Expenses

From July 1, 2005 to December 31, 2008, we paid our manager a fee of $500 per day for providing commercial, chartering and administrative services, a management fee of $250 per vessel per day for its technical management of vessels on bareboat charter and $500 per vessel per day for the remaining vessels in our fleet, pro rated for the calendar days we own each vessel. We also paid our manager a flat fee of $400,000 per newbuilding vessel for the on-premises supervision of our newbuilding contracts by selected engineers and others of its staff.

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On February 12, 2009, we signed an addendum to the management contract adjusting the management fees, effective January 1, 2009, to a fee of $575 per day for providing commercial, chartering and administrative services, a fee of $290 per vessel per day for vessels on bareboat charter and $575 per vessel per day for the remaining vessels in the fleet and a flat fee of $725,000 per newbuilding vessel for the supervision of newbuilding contracts. All commissions to the manager remained unchanged.

On February 8, 2010, we signed an addendum to the management contract adjusting the management fees, effective January 1, 2010, to a fee of $675 per day for commercial, chartering and administrative services, a fee of $340 per vessel per day for vessels on bareboat charter and $675 per vessel per day for vessels on time charter. All commissions to the manager remained unchanged. The incremental amount of the management fees shall be paid, as accrued until the date of payment, at any time before the end of 2010.

Furthermore, general and administrative expenses include audit fees, legal fees, board remuneration, executive officers compensation, directors & officers insurance, stock exchange fees and other general and administrative expenses.

Interest Expense, Interest Income and Other Finance Costs

We incur interest expense on outstanding indebtedness under our credit facilities which we include in interest expenses. We also incurred financing costs in connection with establishing those facilities, which is included in our finance costs. Further, we earn interest on cash deposits in interest bearing accounts and on interest bearing securities, which we include in interest income. We will incur additional interest expense in the future on our outstanding borrowings and under future borrowings.

(Loss)/Gain on Fair Value of Derivatives

The interest rate swap arrangements we enter into are generally based on the forecasted delivery of vessels we contract for and our debt financing needs associated therewith. A portion of these interest rate swap agreements were effective as hedges as of December 31, 2009 under the applicable accounting guidance, while a portion were not. If our estimates of the forecasted timing of the incurrence of such debt change, as they did as of December 31, 2009, due to the deferred delivery dates for certain of our newbuildings which we agreed in 2009 and as we expect will occur as a result of the modified variable amortization of our existing credit facilities under the terms of the bank agreement restructuring such facilities for which we reached an agreement in principle, as well as the cancellation of three newbuildings in 2010 resulting in reduced forecasted debt needs, our interest rate swap arrangements may cease to be effective as hedges. Any such resulting hedge ineffectiveness of our swap arrangements is recognized in our consolidated statement of income and may result in the reclassification of unrealized losses or gains from "Accumulated other comprehensive (gain) loss" in our consolidated balance sheet to our consolidated statement of income. As of December 31, 2009, the total notional amount of our interest rate swap arrangements was $4.1 billion.

Discontinued Drybulk Operations

While our focus is on the containership sector, in 2002 we made an investment in the drybulk sector, and from 2002 to 2007, we owned a number of drybulk carriers, chartering them to our customers (the "Drybulk Business") in the spot market, including through pooling arrangements. In the first quarter of 2007, we sold five of the six drybulk vessels in our fleet to an unaffiliated purchaser, for an aggregate of $118.0 million and sold the last drybulk carrier, the *MV Achilleas*, in our fleet to the same purchaser for $25.5 million, when its charter subsequently expired in 2007. As detailed in Note 25, Discontinued Operations, in the notes to our consolidated financial statements included elsewhere herein, we have determined that our Drybulk Business should be reflected as discontinued

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operations. We have included the financial results of the Drybulk Business in discontinued operations for all periods presented and discussed under " Results of Operations." In the future, we may reinvest in the drybulk sector with the acquisition of more recently built drybulk carriers with configurations better suited to employment in the current drybulk charter market, subject to market conditions, including the availability of suitable vessels to purchase.

Results of Operations

The following discussion solely reflects results from continuing operations (containerships), unless otherwise noted. As described in Note 25, Discontinued Operations, in the Notes to our Consolidated Financial Statements certain reclassifications have been made to reflect the discontinued operations treatment of our Drybulk Business.

Year ended December 31, 2009 compared to the year ended December 31, 2008

During the year ended December 31, 2009, we had an average of 40.5 containerships as compared to 37.7 containerships for 2008. During 2009, we took delivery of four vessels, the *Zim Monaco* on January 2, 2009, the *Zim Dalian* on March 31, 2009, the *Zim Luanda* on June 26, 2009 and the *CMA CGM Moliere* on September 28, 2009.

Operating Revenue

Operating revenue increased 6.9%, or $20.6 million, to $319.5 million in the year ended December 31, 2009, from $298.9 million in the year ended December 31, 2008. The increase was primarily attributed to the addition to our fleet of four vessels, which collectively contributed revenues of $22.0 million during the year ended December 31, 2009.

In addition, three 2,200 TEU containerships, the *Hyundai Progress*, the *Hyundai Highway* and the *Hyundai Bridge*, as well as, three 4,253 TEU containerships, the *Zim Rio Grande*, the *Zim Sao Paolo* and the *ZIM Kingston*, which were added to our fleet on February 11, 2008, March 18, 2008 and March 20, 2008, July 4, 2008, September 22, 2008 and November 3, 2008, contributed incremental revenues of $20.4 million during the year ended December 31, 2009 compared to 2008. These additional contributions to revenue were offset in part by our sale of five vessels in 2008, which vessels, as a result, contributed $12.4 million during the year ended December 31, 2008 compared to no revenues in the year ended December 31, 2009. The balance of $9.4 million is mainly attributable to revenue lost due to off-hire days, as well as re-chartering of two of our vessels at reduced charter rates.

Voyage Expenses

Voyage expenses decreased 2.7%, or $0.2 million, to $7.3 million in the year ended December 31, 2009, from $7.5 million for the year ended December 31, 2008. Voyage expenses mainly relate to address and brokerage commissions, as well as commissions on gross revenue paid to our manager.

Vessel Operating Expenses

Vessel operating expenses increased 3.5%, or $3.1 million, to $92.3 million in the year ended December 31, 2009, from $89.2 million in the year ended December 31, 2008. The increase was due to the increase in the average number of our vessels in our fleet during the year ended December 31, 2009 compared to the year ended December 31, 2008.

This overall increase was offset in part by the lower average daily operating cost per vessel of $6,241 for the year ended December 31, 2009 compared to $6,574 for the year ended December 31, 2008.

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Amortization of Deferred Drydocking and Special Survey Costs

Amortization of deferred dry-docking and special survey costs increased 13.7%, or $1.0 million, to $8.3 million in the year ended December 31, 2009, from $7.3 million in the year ended December 31, 2008. The increase reflects higher drydocking costs incurred, which were subject to amortization during the year ended December 31, 2009 compared to 2008.

Depreciation

Depreciation expense increased 19.4%, or $9.9 million, to $60.9 million in the year ended December 31, 2009, from $51.0 million in the year ended December 31, 2008. The increase in depreciation expense was due to the increased average number of vessels in our fleet during the year ended December 31, 2009, compared to 2008.

General and Administrative Expenses

General and administrative expenses increased 25.0%, or $2.9 million, to $14.5 million in the year ended December 31, 2009, from $11.6 million in the year ended December 31, 2008. The increase was mainly a result of increased fees of $1.7 million paid to our Manager in the year ended December 31, 2009 compared to the year ended December 31, 2008 due to the increase in the average number of our vessels in our fleet and an increase of the fees paid to our manager since January 1, 2009. Furthermore, various other general and administrative expenses related to legal and other advisory fees increased by $1.2 million in the year ended December 31, 2009 compared to 2008.

Gain/(Loss) on Sale of Vessels

For the year ended December 31, 2009, we did not sell any vessels. For the year ended December 31, 2008, the gain on sale of vessels reflects the sale of the *APL Belgium*, the *Winterberg*, the *Maersk Constantia*, the *Asia Express* and the *Sederberg* for $44.5 million, $11.2 million, $15.8 million, $10.2 million and $4.9 million, respectively, resulting in an aggregate net gain of $16.9 million during the year ended December 31, 2008.

Interest Expense, Interest Income, and Other Finance (Expenses) Income, Net

Interest expense increased 4.3%, or $1.5 million, to $36.2 million in the year ended December 31, 2009, from $34.7 million in the year ended December 31, 2008. The change in interest expense was due to the increase in our average debt by $511.2 million to $2,226.6 million in the year ended December 31, 2009 from $1,715.4 million in the year ended December 31, 2008, as well as, the increased margins over LIBOR on which our indebtedness is subject to, following our agreements with our lenders to waive certain covenant breaches as of December 31, 2008 and June 30, 2009, partially offset by decrease of LIBOR payable under our credit facilities in the year ended December 31, 2009 compared to the year ended December 31, 2008. The financing of our extensive newbuilding program resulted in interest capitalization, rather than such interest being recognized as an expense, of $33.1 million for the year ended December 31, 2009 compared to $36.9 million of capitalized interest for the year ended December 31, 2008.

Interest income decreased by $4.1 million, to $2.4 million in the year ended December 31, 2009, from $6.5 million in the year ended December 31, 2008. The decrease in interest income is mainly attributed to lower interest rates on which our cash balances were subject to, partially offset by higher average bank deposits during the year ended December 31, 2009 compared to the year ended December 31, 2008.

Other finance cost, net, increased by $0.3 million, to $2.3 million in the year ended December 31, 2009, from $2.0 million in the year ended December 31, 2008.

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Other Income/(Expenses), Net

Other income/(expenses), net, decreased by $0.8 million, to an expense of $0.3 million in the year ended December 31, 2009, from an expense of $1.1 million in the year ended December 31, 2008. The decrease in other income/(expenses) is mainly attributed to a non-recurring expense of $1.6 million recorded in the year ended December 31, 2008 in relation to insurance for the years of 2006 and 2007, reflecting the contribution of our insurer to the exposure of the International Group of Protection & Indemnity Clubs.

(Loss)/Gain on Fair Value of Derivatives

Loss on fair value of derivatives, increased by $63.0 million, to a loss of $63.6 million in the year ended December 31, 2009, from a loss of $0.6 million in the year ended December 31, 2008. The increase is attributable to non-cash losses due to changes in the fair value of interest rate swaps of $29.5 million recorded in our consolidated statement of income in 2009, due to hedge accounting ineffectiveness, compared to $2.4 million gain in 2008, as well as realized losses on interest rate swap hedges of $34.1 million recorded in our consolidated statement of income during the year ended December 31, 2009, mainly attributed to reduced LIBOR payable on our credit facilities against LIBOR fixed through our interest rate swaps, compared to a $3.0 million loss in the year ended December 31, 2008. In addition, realized losses on cash flow hedges of $36.3 million and $11.6 million in the years ended December 31, 2009 and 2008, respectively, were deferred and recorded in "Accumulated Other Comprehensive Loss", rather than such realized losses being recognized as an expense, and will be reclassified into earnings over the depreciable life of these vessels under construction, which are financed by loans for which their interest rate has been hedged by our interest rate swap contracts.

During 2009, we entered into agreements with the shipyards to defer the delivery of certain newbuildings, resulting in a reassessment of the forecasted debt required to build these vessels in relation to the timing of forecasted debt draw downs expected during the construction period of such vessels. The interest rate swaps entered by us in the past, which are accounted for as cash flow hedges, were based on the originally forecasted delivery of vessels and the respective debt needs. As of December 31, 2009, we revised our estimates of the forecasted debt timing, which resulted in hedge ineffectiveness of $(21.4) million recorded in the consolidated statement of income, reclassification of $(18.1) million of unrealized losses from "Accumulated other comprehensive loss" in our consolidated balance sheet to the consolidated statement of income and unrealized gains of $8.2 in relation to fair value changes of interest rate swaps for the fourth quarter of 2009, which were recorded in the consolidated statement of income due to the retrospective effectiveness testing failure of certain swaps. The total fair value change of the interest rate swaps for the period January 1, 2009 to December 31, 2009, amounted to $155.3 million.

Discontinued Operations

We had no net income/(loss) from discontinued operations in 2009 compared to a loss of $(1.8) million in the year ended December 31, 2008, primarily reflecting an expense of $(1.5) million recorded during 2008 following an unfavorable outcome of a lawsuit regarding the operation of one of the dry bulk vessels (sold in May 2007). As discussed in Note 25 to our Consolidated Financial Statements included elsewhere in this annual report, we have determined that our drybulk business should be reflected as discontinued operations.

Year ended December 31, 2008 compared to the year ended December 31, 2007

During the year ended December 31, 2008, we had an average of 37.7 containerships in our fleet. During the year ended December 31, 2007, we had an average of 32.3 containerships in our fleet. We took delivery of three 2,200 TEU containerships, on February 11, 2008, March 18, 2008 and March 20, 2008, and three 4,253 TEU containerships, on July 4, 2008, September 22, 2008 and November 3, 2008. We also sold one 5,506 TEU containership on January 15, 2008 and four 3,101 TEU containerships, on January 25, 2008, May 20, 3008, October 26, 2008 and December 10, 2008, respectively.

Operating Revenue

Operating revenue increased 15.5%, or $40.1 million, to $298.9 million in the year ended December 31, 2008, from $258.8 million in the year ended December 31, 2007. The increase was partly attributable to the addition to our fleet of six vessels, which collectively contributed revenues of $22.0 million in 2008. In addition, two 4,300 TEU containerships, the *YM Colombo* and the *YM Singapore*, which were added to our fleet on March 12, 2007 and October 9, 2007, five 2,200 TEU containerships, the *Hyundai Vladivostok*, the *Hyundai Advance*, the *Hyundai Stride*, the *Hyundai Future* and the *Hyundai Sprinter*, which were added to our fleet on July 23, 2007, on August 20, 2007, on September 5, 2007, on October 2, 2007 and on October 15, 2007, respectively, and two 4,253 TEU containerships, the *YM Seattle* and the *YM Vancouver*, which were added to our fleet on September 10, 2007 and November 27, 2007 respectively, contributed incremental revenues of $44.5 million in the year ended December 31, 2008 compared to the year ended December 31, 2007. These additional contributions to revenue were offset in part by our sale of eight vessels in 2008 and 2007, which vessels, as a result, contributed $23.6 million less revenue in the year ended December 31, 2008 than in the year ended December 31, 2007. We also had a further decrease in revenues of $2.8 million attributed to more off-hire days and re-chartering of certain vessels at lower charter rates during the year ended December 31, 2008 compared to the year ended December 31, 2007.

Voyage Expenses

Voyage expenses remained stable at $7.5 million in the year ended December 31, 2008 and December 31, 2007. Voyage expenses mainly relate to commissions paid to our manager on vessels acquired and sold in accordance with our management agreement and commissions on gross revenue, address and brokerage commissions.

Vessel Operating Expenses

Vessel operating expenses increased 35.8%, or $23.5 million, to $89.2 million in the year ended December 31, 2008, from $65.7 million in the year ended December 31, 2007. The increase was mainly due to the increase in the average number of our vessels in our fleet under time charter during the year ended December 31, 2008 compared to the year ended December 31, 2007.

Our daily operating expenses per vessel increased by 4.0% in the year ended December 31, 2008 compared to the year ended December 31, 2007. The increase was mainly due to higher crew wages and total repair and maintenance costs.

Amortization of Deferred Drydocking and Special Survey Costs

Amortization of deferred drydocking and special survey costs expense increased 19.7%, or $1.2 million, to $7.3 million in the year ended December 31, 2008, from $6.1 million in the year ended December 31, 2007. The increase reflects higher dry-docking costs incurred, which were subject to amortization during the year ended December 31, 2008 as compared to the same period of 2007.

Depreciation

Depreciation expense increased 25.6%, or $10.4 million, to $51.0 million in the year ended December 31, 2008, from $40.6 million in the year ended December 31, 2007. The increase in depreciation expense was due to the increased average number of vessels in our fleet during the year ended December 31, 2008 compared to the same period of 2007.

General and Administrative Expenses

General and administrative expenses increased 16.0%, or $1.6 million, to $11.6 million in the year ended December 31, 2008, from $10.0 million in the same period of 2007. The increase was principally a result of increased fees of $1.3 million paid to our Manager in the year ended December 31, 2008 compared to the same period of 2007, attributed to the increase in the average number of our vessels in our fleet. Moreover, other administrative expenses were higher by $0.3 million in the year ended December 31, 2008 compared with the year ended December 31, 2007.

Interest Expense, Interest Income, and Other Finance (Expenses) Income, Net

Interest expense increased 54.9%, or $12.3 million, to $34.7 million in the year ended December 31, 2008, from $22.4 million in the year ended December 31, 2007. The change in interest expense was due to the increase in our average debt by $882.8 million to $1,715.4 million in the year ended December 31, 2008 from $832.6 million in the year ended December 31, 2007. Our extensive newbuilding program resulted in interest capitalization, rather than such interest being recognized as an expense, of $36.9 million for the year ended December 31, 2008 as opposed to $22.9 million of capitalized interest for the year ended December 31, 2007.

Interest income increased 32.7%, or $1.6 million, to $6.5 million in the year ended December 31, 2008, from $4.9 million in the year ended December 31, 2007. The increase in interest income is mainly attributed to higher average cash deposits, partially offset by lower interest rates, during the year ended December 31, 2008, as opposed to the year ended December 31, 2007.

Restricted cash increased by $205.3 million, to $251.5 million as of December 31, 2008, from $46.2 million as of December 31, 2007. The restricted cash is mainly attributed to cash borrowed under our revolving credit facilities designated to finance certain of our new buildings and is gradually utilized to fund progress payments of these new buildings up to their deliveries through the third quarter of 2011.

Other finance income (expenses), net, decreased by $0.8 million, to an expense of $2.0 million in the year ended December 31, 2008, from an expense of $2.8 million in the year ended December 31, 2007. The change in other finance income (expenses), net, was mainly due to the first drawdown facility fees of $1.0 million expensed in 2007 in relation to the agreements with HSH Nordbank and The Royal Bank of Scotland, our revolving credit facilities of up to $700 million each.

Gain/(Loss) on Sale of Vessels

The gain on sale of vessels for the year ended December 31, 2008, reflects the sale of the *APL Belgium*, the *Winterberg*, the *Maersk Constantia*, the *Asia Express* and the *Sederberg* for $44.5 million, $11.2 million, $15.8 million, $10.2 million and $4.9 million, respectively, resulting in an aggregate net gain of $16.9 million during the year ended December 31, 2008. The loss on sale of vessels for the year ended December 31, 2007, reflects the sale of the *APL England*, *APL Scotland* and *APL Holland* to APL, following the exercise of the purchase options APL had for these vessels, for $44.5 million each, resulting in an aggregate net loss of $(0.3) million during the year ended December 31, 2007.

Other Income/(Expenses), Net

Other income/(expenses), net, decreased by $15.7 million, to an expense of $(1.1) million for the year ended December 31, 2008, from an income of $14.6 million in the year ended December 31, 2007. The decrease in other income/(expenses) is mainly attributed to a non-recurring net gain of

$15.9 million related to restructuring of our leasing arrangements for the *CSCL Europe*, the *MSC Baltic*, the *Bunga Raya Tiga* (ex *Maersk Derby)*, the *Bunga Raya Tujuh* (ex *Maersk Deva*), the *CSCL Pusan* and the *CSCL Le Havre* and their subsequent restructuring entered into in 2007, as detailed in Note 12(a) in the notes to the consolidated financial statements included in this annual report. In addition, during the fourth quarter of 2008, we recorded a non-recurring expense of $1.6 million in relation to insurance for the years of 2006 and 2007, reflecting the contribution of our insurer to the exposure of the International Group of Protection & Indemnity Clubs.

(Loss)/Gain on Fair Value Derivatives

(Loss)/gain on derivatives decreased by $0.8 million, to a $(0.6) million loss in the year ended December 31, 2008, from a $0.2 million gain in the year ended December 31, 2007. The decrease is attributable to unrealized gains on derivatives of $2.4 million recorded in our consolidated statement of income in 2008 compared to $(0.2) million loss in 2007. Furthermore, we realized losses on derivatives of $3.0 million recorded in our consolidated statement of income during the year ended December 31, 2008 compared to $0.4 million gain in 2007.

Discontinued Operations

Net income from discontinued operations decreased by $94.0 million, to a loss of $(1.8) million in the year ended December 31, 2008 from a gain of $92.2 million in the year ended December 31, 2007, primarily reflecting an expense of $(1.5) million recorded during 2008 following an unfavorable outcome of a lawsuit regarding the operation of one of the dry bulk vessels (sold in May 2007) compared to a gain of $88.6 million on the sale of six dry bulk carriers during 2007. As discussed in Note 25 to our Consolidated Financial Statements included elsewhere in this annual report, we have determined that our Drybulk Business should be reflected as discontinued operations.

Liquidity and Capital Resources

Historically, our principal source of funds has been equity provided by our stockholders, operating cash flows, including from vessel sales, and long-term bank borrowings, as well as proceeds from our initial public offering in October 2006. Our principal uses of funds have been capital expenditures to establish, grow and maintain our fleet, comply with international shipping standards, environmental laws and regulations and to fund working capital requirements.

Our primary short-term liquidity needs are to fund our vessel operating expenses, loan amortization and interest payments. Our medium-term liquidity needs primarily relate to the purchase of the 20 additional containerships as of May 31, 2010, for which we have contracted and for which we had scheduled future payments through the scheduled delivery of the final contracted vessel during 2012 aggregating $1.5 billion as of May 31, 2010. Our long-term liquidity needs primarily relate to debt repayment. We anticipate that our primary sources of funds will be cash from our existing credit facilities and additional credit facilities and financing arrangements for which we have reached agreements in principle as described below, cash from operations and equity and equity-linked financings. Specifically, we have reached agreements in principle for an agreement (the "Bank Agreement") in respect of our existing financing arrangements, other than our KEXIM and KEXIM-Fortis credit facilities, and for new credit facilities from certain of our current lenders aggregating approximately $426.4 million. In addition, we have reached an agreement in principle with Citibank and the Export-Import Bank of China for a new $203.4 million credit facility (the "Citi-CEXIM Credit Facility"), in respect of which the China Export & Credit Insurance Corporation (or Sinosure) would cover certain risks, as well as guarantee our obligations in certain circumstances, and an agreement in principle with Hyundai Samho Shipyard (the "Hyundai Samho Vendor Financing") to finance 15%, or $190.0 million, of the aggregate purchase price of eight of our newbuilding containerships. Our receipt of net proceeds from equity issuances of $200 million, including an investment by our Chief Executive

Officer, will be among the conditions to the Bank Agreement and new credit facilities. Any such equity offering is subject to, among other things, market conditions and there is no assurance that such an offering will be completed. We believe that, so long as we are able to enter into and comply with the terms of the definitive agreements for these arrangements, including raising the requisite net proceeds from equity issuances and the satisfaction of the other conditions thereto, we will be able to fund the remaining installment payments under our newbuilding contracts and satisfy our other liquidity needs.

In the first half of 2010, we agreed to cancel newbuilding contracts for three 6,500 TEU containerships which were scheduled to be delivered to us in 2012, in return for the shipyard retaining $64.35 million in previously paid deposits for such vessels and to write-off other capitalized expenses of $7.16 million, and we entered into agreements to cancel the charters for such vessels. As of May 31, 2010, after giving effect to these cancellations, the remaining capital expenditure installments for our 20 newbuilding vessels were approximately $480.6 million for the remainder of 2010, $540.7 million for 2011 and $448.6 million for 2012. As of May 31, 2010, we expect to fund the remaining installment payments of approximately $1.5 billion with undrawn borrowing capacity under our existing credit facilities of $334.9 million and with borrrowings under the new credit facilities with certain of our existing lenders, under the Citi-CEXIM Credit Facility, under the Hyundai Samho Vendor Financing for which we have reached agreements in principle, as well as up to $200 million of net proceeds from equity issuances and cash generated from our operations.

Under our existing multi-year charters as of December 31, 2009, giving effect to the cancellation of the charters for the three newbuildings we agreed to cancel in the first half of 2010, we had contracted revenues of $352.5 million for 2010, $427.2 million for 2011 and, thereafter, approximately $5.4 billion, of which amounts $59.2 million, $198.8 million and $4.0 billion, respectively, are associated with charters from our contracted newbuildings, some of which do not yet have committed financing arrangements in place. However, as described above, we have reached agreements in principle to partially finance such newbuildings, along with amounts we expect to fund with up to $200 million of net proceeds from equity issuances and with cash generated from our operations. Although these expected revenues are based on contracted charter rates, we are dependent on our charterers' ability and willingness to meet their obligations under these charters. See "Risk Factors."

On April 14, 2010, we entered into a supplemental agreement with the Royal Bank of Scotland for the release of the balance of our restricted cash with the bank of $169.9 million and the immediate application of such amount as a prepayment of our $700.0 million senior revolving credit facility. The amount prepaid pursuant to this agreement is available for re-drawing as progress payments to shipyards for specific newbuildings. As of May 31, 2010, we had approximately $334.9 million undrawn under our credit facilities, $21.2 million of restricted deposits designated for newbuilding progress payments, and cash and cash equivalents of $120.3 million. Our board of directors has determined to suspend the payment of further cash dividends as a result of market conditions in the international shipping industry and in particular the sharp decline in charter rates and vessel values in the containership sector. In addition, during the period covered by the waiver agreements entered with our lenders in relation to certain covenant breaches, we are not permitted to make dividend payments without the consent of our lenders and under the terms of our Bank Agreement will generally not be permitted to pay dividends.

As of December 31, 2009, we were newly in breach of the corporate leverage ratio in our $60 million credit facility with HSH Nordbank and the market value adjusted net worth covenant under our Deutsche Bank credit facility, for which, in each case for which we have not obtained waivers and in the view of one of our lenders we have not been in compliance with the conditions to the effectiveness of their waiver agreement. In addition, although we were in compliance with the covenants in our credit facility with the KEXIM, and have obtained waivers of non-compliance under our other credit facilities as described below, under the cross default provisions of our credit facilities the lenders could require immediate repayment of the related outstanding debt. Our lenders have

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agreed to waive and not to exercise their right to demand repayment of any amounts due under the respective loan agreements resulting from the December 31, 2008 and June 30, 2009 covenant breaches under certain of our loan agreements, and any future breaches of such covenants, through October 1, 2010. Under the terms of the Bank Agreement for which we have reached an agreement in principle, the lenders under our existing credit facilities, other than under our KEXIM and our KEXIM-Fortis credit facilities, would waive any existing covenant breaches or defaults under our existing credit facilities, and agree to amend the covenants under the existing credit facilities in accordance with the terms of the Bank Agreement. For additional information regarding our existing credit facilities, including the financial covenants contained therein and the waivers and amendments we have obtained in respect of our non-compliance therewith, see Note 13 to our consolidated financial statements included elsewhere in this annual report.

If we are not able to obtain waivers to these existing breaches, which due to the cross default provisions in our loan agreements result in breaches under our other credit facilities, by entering into definitive documentation for the Bank Agreement or otherwise and to reach separate agreements in respect of our KEXIM and KEXIM-Fortis credit facilities, our lenders could accelerate our outstanding indebtedness and foreclose upon the vessels in our fleet, adversely affecting our ability to conduct our business. In addition, if the current low charter rates in the containership market and low vessel values continue or decrease further, or our charterers were to fail to meet their payment obligations, our ability to comply with the covenants in our loan agreements, including the modified covenants that would be applicable to our existing credit facilities under the terms of the Bank Agreement and the covenants in the other new financing arrangements for which we have reached agreements in principle, may be adversely affected and we may not be able to draw down the full amount of certain of our credit facilities, which contain restrictions on the amount of cash that can be advanced to us under our credit facilities based on the market value of the vessel or vessels in respect of which the advance is being made.

Due to the uncertainties relating to our ability to comply with the financial covenants in our existing credit facilities and procure additional bank, equity or other financing to repay outstanding indebtedness under such credit facilities should our lenders accelerate such indebtedness due to such covenant non-compliance, our independent registered public accounting firm has issued its audit opinion with an explanatory paragraph in connection with our financial statements included elsewhere in this annual report that expresses substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of our inability to continue as a going concern. There is, however, a material uncertainty related to events or conditions which raise substantial doubt on our ability to continue as a going concern and, therefore, we may be unable to realize our assets and discharge our liabilities in the normal course of business. Our management has taken a number of steps to mitigate these concerns by seeking to conserve cash resources, reduce capital expenditure obligations and procure additional financing. Our management believes that such steps, which include seeking to restructure our existing debt, obtain additional bank financing, obtain vendor financing from shipyards, reduce our newbuilding capital expenditure obligations and raise equity capital as described above, will be sufficient to provide us with the ability to continue our operations, however, there can be no assurance that we will be able to negotiate and enter into definitive documentation for these arrangements for which we have reached agreements in principle or be able to satisfy the conditions thereto, including raising the requisite net proceeds from equity issuances.

We sold the *MSC Eagle*, on January 22, 2010, a 1,704 TEU containership, for net proceeds of $4.1 million. We sold the *APL Belgium*, a 5,506 TEU containership, to APL-NOL for $44.3 million net proceeds pursuant to the terms of purchase option contained in the charter of the vessel on January 15, 2008. In addition, we sold the *Winterberg*, on January 25, 2008, the *Maersk Constantia*, on May 20, 2008,

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the *Asia Express,* on October 26, 2008, and the *Sederberg*, on December 10, 2008, for net proceeds of $10.2 million, $14.6 million, $9.4 million and $4.5 million, respectively.

Cash Flows

The discussion of our cash flows below includes cash flows attributable to both our containership fleet and the discontinued operations of the drybulk carriers for all periods discussed, which is consistent with the presentation of our consolidated statement of cash flows included elsewhere in this annual report.

Working capital is equal to current assets minus current liabilities, including all of our outstanding debt which has been classified as current as of December 31, 2009. Our working capital deficit was $2.2 billion as of December 31, 2009 compared to working capital surplus of $128.0 million as of December 31, 2008. The deficit in 2009 is due to the reclassification of long-term debt to current liabilities.

We have reached agreements in principle for a Bank Agreement restructuring our existing financing arrangements, other than our KEXIM and KEXIM-Fortis credit facilities, and for new credit facilities and other financing arrangements. In addition, our receipt of net proceeds from equity issuances of $200 million, including an investment by our Chief Executive Officer, will be a condition to the Bank Agreement. Any such equity offering is subject to, among other things, prevailing market conditions and there is no assurance that such an offering will be completed. We believe that, so long as we are able to enter into and comply with the terms of the definitive agreements for these arrangements, including raising the requisite net proceeds from equity issuances, we will be able to fund the remaining installment payments under our newbuilding contracts and satisfy our other liquidity needs.

Net Cash Provided by Operating Activities

Net cash flows provided by operating activities decreased 31.2%, or $42.3 million, to $93.2 million in the year ended December 31, 2009 compared to $135.5 million in the year ended December 31, 2008. The decrease was primarily the result of increased interest cost of $57.2 million (including realized losses on our interest rate swaps), which was partially offset by a favorable change in the working capital position and increased cash from operations of $11.5 million, as well as reduced payments for drydocking of $3.4 million in the years ended December 31, 2009 compared to the years ended December 31, 2008.

Net cash flows provided by operating activities decreased 14.4%, or $22.8 million, to $135.5 million in the year ended December 31, 2008 compared to $158.3 million in the year ended December 31, 2007. The decrease was primarily the result of a one-time cash benefit of $15.4 million relating to lease arrangements that was recognized in 2007, as described in Note 12, Lease Arrangements, in the notes to our consolidated financial statements included elsewhere herein and the increase in the payments for drydockings in 2008 as opposed to 2007, partially offset by increased cash received from operations in 2008 compared to 2007 due to the increase in the average number of vessels in our fleet.

Net Cash Used in Investing Activities

Net cash flows used in investing activities decreased 27.2%, or $139.1 million, to $372.9 million in the year ended December 31, 2009 compared to $512.0 million in the year ended December 31, 2008. The difference between the years ended December 31, 2009 and 2008 primarily reflects the funds used to acquire secondhand vessels of $93.4 million in 2008 as opposed to nil in 2009, cash received of $16.9 million on March 7, 2008 in respect of certain lease arrangements as further described in Note 12, Lease Arrangements, in the notes to our consolidated financial statements included elsewhere herein that partially offset the cash used to acquire vessels, installment payments for newbuildings, as

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well as interest capitalized and other related capital expenditures of $374.9 million in 2009 as opposed to $518.5 million during the year ended December 31, 2008 and proceeds from sale of vessels of $83.0 million in 2008 as opposed to $2.3 million of advances received in 2009 in relation to the sale of *MSC Eagle* in January 2010.

Net cash flows used in investing activities decreased 25.5%, or $175.6 million, to $512.0 million in the year ended December 31, 2008 compared to $687.6 million in the year ended December 31, 2007. The difference between the years ended December 31, 2008 and 2007 primarily reflects the funds used to acquire secondhand vessels of $93.4 million in 2008 as opposed to $266.6 million in 2007, cash received of $16.9 million on March 7, 2008 in respect of certain lease arrangements (refer to Note 12, Lease Arrangements, in the notes to our consolidated financial statements included elsewhere herein) that partially offset the cash used to acquire vessels, installment payments for newbuildings of $518.5 million in 2008 as opposed to $696.8 million during the year ended December 31, 2007 and proceeds from sale of vessels of $83.0 million in 2008 as opposed to $275.8 million in 2007.

Net Cash Provided by Financing Activities

Net cash flows provided by financing activities decreased 35.2%, or $152.6 million, to $281.1 million in the year ended December 31, 2009 compared to $433.7 million in the year ended December 31, 2008. The decrease in 2009 is primarily due to the net proceeds from long-term debt of $234.8 million during the year ended December 31, 2009 as opposed to $745.1 million in the year ended December 31, 2008, and dividend payments of $101.5 million during the year ended December 31, 2008 as opposed to nil dividends during the year ended December 31, 2009 and $53.1 million decrease of restricted cash in 2009 as opposed to $205.4 million increase in 2008.

Net cash flows provided by financing activities decreased 21.1%, or $116.0 million, to $433.7 million in the year ended December 31, 2008 compared to $549.7 million in the year ended December 31, 2007. The decrease in 2008 is primarily due to the net proceeds from long-term debt of $745.1 million during the year ended December 31, 2008 as opposed to $691.7 million in the year ended December 31, 2007, dividend payments of $101.5 million during the year ended December 31, 2008 as opposed to $97.4 million during the year ended December 31, 2007 and $205.4 million of restricted cash in 2008 as opposed to $43.7 million in 2007.

Bank Agreement

We have reached an agreement in principle, subject to approval of the credit committees of the respective lenders, for an agreement, which we refer to as the Bank Agreement, that would supersede, amend and supplement the terms of each of our existing credit facilities (other than our credit facilities with KEXIM and KEXIM-Fortis which would not be covered thereby), and provide for, among other things, revised amortization schedules, interest rates, financial covenants, events of defaults, guarantee and security packages. Subject to the terms of the Bank Agreement and the intercreditor agreement (the "Intercreditor Agreement"), which we would enter into with each of the lenders participating under the Bank Agreement to govern the relationships between the lenders thereunder, under the New Credit Facilities (as described and defined below) and under the Hyundai Samho Vendor Financing described below, the lenders participating thereunder would continue to provide our existing credit facilities (which are described below under " Credit Facilities") and would waive any existing covenant breaches or defaults under our existing credit facilities and agree to amend the covenants under the existing credit facilities in accordance with the terms of the Bank Agreement. The Bank Agreement will be conditioned upon our entry into definitive documentation for such agreement and for the New Credit Facilities, the Intercreditor Agreement, the Hyundai Samho Vendor Financing and documentation evidencing our cancellation of three newbuilding agreements in 2010, as well as a commitment letter for the Citi-CEXIM Credit Facility and our receipt of $200 million in net proceeds from equity issuances, including an investment by our Chief Executive Officer. This agreement in principle also remains subject to approval by the credit committees of the respective lenders. Accordingly, the terms described are not final and remain subject to change.

We will also agree to use all reasonable efforts to ensure that as soon as reasonably practicable the principal terms, including the financial covenants, of the KEXIM and KEXIM-Fortis credit facilities are amended to be consistent with the terms of the Bank Agreement such that defaults would not generally be triggered under the KEXIM and KEXIM-Fortis credit facilities in circumstances that would not constitute a default under the Bank Agreement.

Interest and Fees

Under the terms of the Bank Agreement, borrowings under each of our existing credit facilities, other than the KEXIM and KEXIM-Fortis credit facilities which are not covered by the Bank Agreement, would bear interest at an annual interest rate of LIBOR plus a margin of 1.85%. We would also be required to make a margin adjustment and waiver adjustment payment such that each existing lender would receive interest payments at an average margin for the period from July 1, 2009 to the date of the Bank Agreement of 1.85% and cumulative waiver fees during the period preceding such date of 0.2% of its existing financing commitments. To the extent an existing lender has received interest and fees below such levels, we will make payments equal to such shortfall upon entering into the Bank Agreement. We would also be required to pay an amendment fee equal to 0.50% of the outstanding commitments under each existing financing arrangement, with 60% of such amount due upon entry into the Bank Agreement and the balance due on December 31, 2014. All reasonable expenses of the lenders, including the fees and expenses of their financial and legal advisors, will be payable by us.

Principal Payments

Under the terms of the Bank Agreement, we would not be required to repay any outstanding principal amounts under our existing credit facilities, other than the KEXIM and KEXIM-Fortis credit facilities which are not covered by the Bank Agreement, until December 31, 2012; thereafter until the earlier of (x) the date on which our consolidated net leverage is below 6:1 and (y) December 31, 2014 we would be required to make quarterly principal payments equal to (i) 75% of the forecasted Free Cash Flow for such quarter and (ii) 70% of the remaining Free Cash Flow over such amount (17.5% of the forecasted Free Cash Flow); and thereafter through maturity, which would be December 31, 2018 for each covered credit facility, we would be required to make quarterly principal payments equal to (i) 75% of the forecasted Free Cash Flow for such quarter and (ii) 58% of the remaining Free Cash Flow over such amount (14.5% of the forecasted Free Cash Flow). In addition, any additional amounts of cash and cash equivalents in excess of the greater of (1) $50 million of accumulated unrestricted cash and cash equivalents and (2) 2% of our consolidated debt would be applied first to the prepayment of the new credit facilities for which we have reached agreements in principle and after the new credit facilities are repaid, to the existing credit facilities. Under the Bank Agreement, "Free Cash Flow" with respect to each credit facility covered thereby would be equal to revenue from the vessels collateralizing such facility, less the sum of (a) interest expense under such credit facility, (b) pro-rata portion of payments under our interest rate swap arrangements, (c) interest expense and scheduled amortization under the Hyundai Samho Vendor Financing and (d) per vessel operating expenses and pro rata per vessel allocation of general and administrative expenses (which are not permitted to exceed the relevant budget by more than 20%), plus (e) the pro-rata share of operating cash flow of any Applicable Second Lien Vessel (which will mean, with respect to an existing facility, a vessel with respect to which the participating lenders under such facility have a second lien security interest and the first lien credit facility has been repaid in full).

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Under the terms of the Bank Agreement, we would continue to be required to make any mandatory prepayments provided for under our existing credit facilities and would be required to make additional prepayments as follows:

- 50% of the first $300 million of net equity proceeds (including convertible debt and hybrid instruments), excluding the $200 million of net equity proceeds which is a condition to the Bank Agreement, after entering into the Bank Agreement and 25% of any additional net equity proceeds; and

- any debt proceeds (after repayment of any underlying secured debt covered by vessels collateralizing the new borrowings) (excluding the New Credit Facilities, the Citi-CEXIM Credit Facility and the Hyundai Samho Vendor Financing),

which amounts would first be applied to repayment of amounts outstanding under the new credit facilities and then to the existing credit facilities. Any equity proceeds retained by us and not used within 12 months for certain specified purposes would be applied for prepayment of the new credit facilities and then to the existing credit facilities. We would also be required to prepay the portion of a credit facility attributable to a particular vessel upon the sale or total loss of such vessel; the termination or loss of an existing charter for a vessel, unless replaced within a specified period by a similar charter acceptable to the lenders; or the termination of a newbuilding contract. Our respective lenders under our existing credit facilities covered by the Bank Agreement and the New Credit Facilities may, at their option, require us to repay in full amounts outstanding under such respective credit facilities, upon a "Change of Control" of our company, which for these purposes is defined as (i) Dr. Coustas ceasing to be our Chief Executive Officer, (ii) our common stock ceasing to be listed on the NYSE (or Nasdaq or other recognized stock exchange), (iii) a change in the ultimate beneficial ownership of the capital stock of any of our subsidiaries or ultimate control of the voting rights of those shares, (iv) Dr. Coustas and members of his family ceasing to collectively own over one-third of the voting interest in our outstanding capital stock or (v) any other person or group controlling more than 20% of the voting power of our outstanding capital stock.

Covenants and Events of Default

Under the Bank Agreement, the financial covenants under each of our existing credit facilities, other than the KEXIM and KEXIM-Fortis credit facilities which are not covered thereby, would reset to require us to:

- maintain a ratio of (i) the market value of all of the vessels in our fleet, on a charter-inclusive basis, plus the net realizable value of any additional collateral to (ii) our consolidated total debt above specified minimum levels gradually increasing from 90% through December 31, 2011 to 130% from September 30, 2017 through September 30, 2018;

- maintain a minimum ratio of (i) the market value of the nine vessels (Hull Nos. S456, S457, S458, S459, S460, S461, S462, S463 and S4004) collateralizing the New Credit Facilities, calculated on a charter-free basis, to (ii) our aggregate debt outstanding under the New Credit Facilities of 100% from September 30, 2012 through September 30, 2018;

- maintain minimum free consolidated unrestricted cash and cash equivalents, less the amount of the aggregate variable principal amortization amounts, described above, through December 31, 2014, of $30.0 million at the end of each calendar quarter, other than during 2012 when we would be required to maintain a minimum amount of $20.0 million;

- ensure that our (i) consolidated total debt less unrestricted cash and cash equivalents to (ii) consolidated EBITDA (defined as earnings before interest expense (plus or minus gains or losses under any hedging arrangements), tax depreciation, amortization and any other non-cash items provided that non-recurring items excluded from this calculation shall not, after 2010,

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exceed 5% of EBITDA calculated in this manner) for the last twelve months does not exceed a maximum ratio gradually decreasing from 12:1 on September 30, 2010 to 4.75:1 on September 30, 2018;

ensure that the ratio of our (i) consolidated EBITDA for the last twelve months to (ii) net interest expense (defined as consolidated interest expense excluding consolidated capitalized interest less consolidated interest income and plus any realized losses or minus any realized gains on the fair value of derivatives as reflected in our income statement) exceeds a minimum level of 1.50:1 through September 30, 2013 and thereafter gradually increasing to 2.80:1 by September 30, 2018; and

maintain a consolidated market value adjusted net worth (defined as our total consolidated assets adjusted for the market value of our vessels less cash and cash equivalents in excess of our debt service requirements over our total consolidated liabilities and excluding changes in the fair value of derivatives as reflected in our balance sheet) of at least $400 million.

For the purpose of these covenants, the market value of our vessels would be calculated, except as otherwise indicated above, on a charter-inclusive basis (using the present value of the "bareboat-equivalent" time charter income from such charter) so long as a vessel's charter has a remaining duration at the time of valuation of more than 12 months plus the present value of the residual value of the relevant vessel (generally equivalent to the charter free value of such a vessel at the age such vessel would be at the expiration of the existing time charter). The market value for newbuilding vessels, all of which currently have multi-year charters, would equal the lesser of such amount and the newbuilding vessel's book value.

Under the terms of the Bank Agreement, the existing credit facilities would also contain customary events of default, including those relating to cross-defaults to other indebtedness, defaults under our swap agreements, non-compliance with security documents, material adverse changes to our business, a Change of Control as described above, a change in our Chief Executive Officer, our common stock ceasing to be listed on the NYSE (or Nasdaq or another recognized stock exchange), a change in, or breach of the management agreement by, the manager for the vessels securing the respective credit facilities and cancellation or amendment of the time charters (unless replaced with a similar time charter with a charterer acceptable to the lenders) for the vessels securing the respective credit facilities.

Under the terms of the Bank Agreement, we generally would not be permitted to incur any further financial indebtedness or provide any new liens or security interests, unless such security is provided for the equal and ratable benefit of each of the lenders party to the Intercreditor Agreement, other than security arising by operation of law or in connection with the refinancing of outstanding indebtedness, with the consent, not to be unreasonably withheld, of all lenders with a lien on the security pledged against such outstanding indebtedness. In addition, we would not be permitted to pay cash dividends or repurchase shares of our capital stock unless (i) our consolidated net leverage is below 6:1 for two consecutive quarters and (ii) the ratio of the aggregate market value of our vessels to our outstanding indebtedness exceeds 125% for four consecutive quarters and provided that an event of default has not occurred and we are not, and after giving effect to the payment of the dividend, in breach of any covenant.

Collateral and Guarantees

Each of our existing credit facilities and swap arrangements, to the extent applicable, would continue to be secured by their existing collateral on the same basis, and receive, to the extent not previously provided, pledges of the shares of our subsidiaries owning the vessels collateralizing the applicable facilities, cross-guarantees from each of each subsidiary owning the vessels collateralizing such facilities, assignment of the refund guarantees in relation to any newbuildings funded by such facilities and other customary shipping industry collateral.

New Credit Facilities (HSH Nordbank, RBS, Fortis Club facility, Club Facility and Citi-Eurobank)

We have also reached agreements in principle, subject to approval of the credit committees of the respective lenders, for the following new credit facilities: (i) a $125.0 million Tranche B credit facility provided by HSH, which would be secured by Hull No. S459, Hull No. S462 and Hull No. S4004 and customary shipping industry collateral related thereto (the $125.0 million amount includes remaining available principal commitment of $25.0 million under the Aegean Baltic Bank HSH Nordbank Piraeus Bank credit facility as of December 31, 2009, which will be transferred to the new facility upon finalization of the agreement); (ii) a $100.0 million Tranche B credit facility provided by RBS, which would be secured by Hull No. S458 and Hull No. S461 and customary shipping industry collateral related thereto; (iii) a $37.5 million credit facility with Fortis and lenders participating under the Bank Agreement which would be secured by Hull No. S463 and customary shipping industry collateral related thereto; (iv) a $83.9 million new club credit facility to be provided, on a pro rata basis, by the other existing lenders participating under the Bank Agreement, which would be secured by Hull No. S456 and Hull No. S457 and customary shipping industry collateral related thereto; and (v) a $80 million credit facility with Citibank and Eurobank, which would be secured by Hull No. S460 and customary shipping industry collateral related thereto ((i)-(v), collectively, the "New Credit Facilities"). The New Credit Facilities will be conditioned upon us entering into definitive documentation therefore and for the Bank Agreement, the Intercreditor Agreement, the Hyundai Samho Vendor Financing Agreement, the newbuilding cancellation agreement with Hanjin, the Citi-CEXIM Credit Facility (and the satisfaction of all conditions thereto) and our receipt of $200 million in net proceeds from equity issuances, including an investment by our Chief Executive Officer. An additional condition to each of the New Credit Facilities is our entry into amendments, or long-term waivers satisfactory to the lenders, in respect of the KEXIM and KEXIM-Fortis credit facilities such that defaults would not generally be triggered under the KEXIM and KEXIM-Fortis credit facilities in circumstances that would not constitute a default under the New Credit Facilities or the Bank Agreement. These agreements in principle also remain subject to approval by the credit committees of the respective lenders. Accordingly, the terms described are not final and remain subject to change.

Interest and Fees

Borrowings under each of the New Credit Facilities, which would be available for drawdown until the later of September 30, 2012 and delivery of our last contracted newbuilding vessel collateralizing such facility (so long as such delivery is no more than 240 days after the currently scheduled delivery date), would bear interest at an annual interest rate of LIBOR plus a margin of 1.85%, subject, on and after January 1, 2013, to increases in the applicable margin to: (i) 2.50% if the outstanding indebtedness thereunder exceeds $276 million, (ii) 3.00% if the outstanding indebtedness thereunder exceeds $326 million and (iii) 3.50% if the outstanding indebtedness thereunder exceeds $376 million. Upon entering into each of these credit facilities, we would be committed to pay an arrangement fee of 2.00% of the respective loan amount and a commitment fee of 0.75% per annum payable quarterly in arrears on the committed but undrawn portion of the respective loan. In addition we would be required to pay an aggregate exit fee of $15.0 million payable on the common maturity date of the New Credit Facilities of December 31, 2018 or such earlier date when all of the New Credit Facilities are repaid in full. We would be required to pay an additional $10.0 million if we do not repay at least $100.0 million in the aggregate under the New Credit Facilities by December 31, 2014. All reasonable expenses of the lenders, including the fees and expenses of their financial and legal advisors, would be payable by us.

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Principal Payments

We would not be required to repay any outstanding principal amounts under the New Credit Facilities until December 31, 2012; thereafter until the earlier of (x) the date on which our consolidated net leverage is below 6:1 and (y) December 31, 2014 we would be required to make quarterly principal payments equal to (i) 75% of the forecasted Free Cash Flow for such quarter and (ii) 70% of the remaining Free Cash Flow over such amount (17.5% of the forecasted Free Cash Flow); and thereafter through maturity, which would be December 31, 2018 for each New Credit Facility, we would be required to make quarterly principal payments equal to (i) 75% of the forecasted Free Cash Flow for such quarter and (ii) 58% of the remaining Free Cash Flow over such amount (14.5% of the forecasted Free Cash Flow). Free Cash Flow would, for these purposes, generally be defined as described above under " Bank Agreement Principal Payments." The New Credit Facilities would contain substantially the same mandatory prepayment provisions as applicable to our existing credit facilities under the Bank Agreement described above.

Covenants, Events of Default and Other Terms

The New Credit Facilities would contain substantially the same financial and operating covenants, events of default, dividend restrictions and other terms and conditions as applicable to our existing credit facilities as revised under the Bank Agreement described above.

Collateral and Guarantees

The collateral described above relating to the newbuildings being financed by the respective credit facilities, will be (other than in respect of Hull No. S4004 which will at all times be first priority) third priority until repayment of the related Hyundai Samho Vendor financing (described below) for such vessels, at which time the collateral will become second priority. In addition lenders who participate in the new $83.9 million club credit facility described above would receive a second lien on *Hull No. S456* and *Hull No. S457* as additional security in respect of the existing credit facilities we have with such lenders. The lenders under the other new credit facilities would also receive a second lien on the respective vessels securing such new credit facilities as additional collateral in respect of our existing credit facilities and interest rate swap arrangements with such lenders and Citibank and Eurobank would also receive a second lien on *Hull No. S460* as collateral in respect of our currently unsecured interest rate arrangements with them.

In addition, HSH Nordbank would also receive a second lien on the *Bunya Raya Tujuh*, the *CSCL Europe* and the *CSCL Pusan* as collateral in respect of all borrowings from HSH Nordbank, and RBS would also receive a second lien on the *Bunya Raya Tiga*, the *MSC Baltic* and the *CSCL Le Havre* as collateral in respect of all borrrowings from RBS.

Our obli