

Costamare Inc.  
Form 424B1  
November 04, 2010

Filed Pursuant to Rule 424(b)(1)  
Registration No. 333-170033

**PROSPECTUS**

**13,300,000 Shares**

**Costamare Inc.  
COMMON STOCK**

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Costamare Inc. is offering shares of its common stock. Prior to this offering no public market existed for our shares.

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Our common stock has been approved for listing on the New York Stock Exchange under the symbol **CMRE**.

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**Investing in our common stock involves risks. See Risk Factors beginning on page 12.**

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**PRICE \$12.00 PER SHARE**

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	<b>Price to Public</b>	<b>Underwriting Discounts and Commissions</b>	<b>Proceeds to Company</b>
Per Share	\$ 12.00	\$ 0.81	\$ 11.19
Total	\$ 159,600,000	\$ 10,773,000	\$ 148,827,000

Costamare Inc. has granted the underwriters the right to purchase up to an additional 1,995,000 shares to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares to purchasers on November 9, 2010.

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**Morgan Stanley    BofA Merrill Lynch**

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**Dahlman Rose & Company    RBS    Wells Fargo Securities**  
November 3, 2010

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Pursuant to our charter parties, the charterer has the right to place its name and logo on our containerships.

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## TABLE OF CONTENTS

	<b>Page</b>
<u>PROSPECTUS SUMMARY</u>	1
<u>RISK FACTORS</u>	12
<u>FORWARD-LOOKING STATEMENTS</u>	36
<u>DIVIDEND POLICY</u>	38
<u>USE OF PROCEEDS</u>	39
<u>CAPITALIZATION</u>	40
<u>DILUTION</u>	41
<u>SELECTED CONSOLIDATED FINANCIAL DATA</u>	42
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	44
<u>THE INTERNATIONAL CONTAINERSHIP INDUSTRY BUSINESS</u>	71
<u>BUSINESS</u>	85
<u>MANAGEMENT</u>	105
<u>PRINCIPAL STOCKHOLDERS</u>	109
<u>OUR MANAGERS AND MANAGEMENT-RELATED AGREEMENT</u>	110
<u>RELATED PARTY TRANSACTIONS</u>	113
<u>DESCRIPTION OF INDEBTEDNESS</u>	115
<u>DESCRIPTION OF CAPITAL STOCK</u>	121
<u>SHARES ELIGIBLE FOR FUTURE SALE</u>	127
<u>MARSHALL ISLANDS COMPANY CONSIDERATIONS</u>	129
<u>TAX CONSIDERATIONS</u>	133
<u>OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION</u>	140
<u>UNDERWRITING</u>	141
<u>LEGAL MATTERS</u>	146
<u>EXPERTS</u>	146
<u>WHERE YOU CAN FIND ADDITIONAL INFORMATION</u>	146
<u>ENFORCEABILITY OF CIVIL LIABILITIES</u>	147
<u>GLOSSARY OF SHIPPING TERMS</u>	148
<u>INDEX OF FINANCIAL STATEMENTS</u>	F-1

You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date. Information contained on our website does not constitute part of this prospectus.



## PROSPECTUS SUMMARY

*This section summarizes material information that appears later in this prospectus and is qualified in its entirety by the more detailed information and financial statements included elsewhere in this prospectus. This summary may not contain all of the information that may be important to you. As an investor or prospective investor, you should carefully review the entire prospectus, including the risk factors and the more detailed information that appears later.*

*Unless otherwise indicated, references in this prospectus to Costamare, the Company, we, our, us or similar terms when used in a historical context refer to Costamare Inc., or any one or more of its subsidiaries or their predecessors, or to such entities collectively.*

*We use the term twenty foot equivalent unit, or TEU, the international standard measure of containers, in describing the capacity of our containerships. For the definition of certain shipping terms used in this prospectus, see the Glossary of Shipping Terms at the end of the prospectus. Unless otherwise indicated, all references to currency amounts in this prospectus are in U.S. dollars and all share numbers give effect to the sale of 24,000,000 (pre-stock split) shares of Common Stock issued in a rights offering to stockholders of record on July 14, 2010, and a 1.88-for-1 stock split effected as a share dividend on October 19, 2010.*

### Business Overview

We are an international owner of containerships, chartering our vessels to many of the world's largest liner companies. We currently have a fleet of 41 containerships aggregating 211,882 TEUs, making us one of the largest privately owned containership companies in the world, based on total TEU capacity. We also have contracted to acquire four 3,351 TEU secondhand containerships and have entered into agreements, subject to certain conditions, to acquire three 9,000 TEU newbuilds. Our strategy is to time charter our containerships to a geographically diverse, financially strong and loyal group of leading liner companies. Over the last three years our largest customers by revenue were A.P. Moller-Maersk A/S (A.P. Moller-Maersk), MSC-Mediterranean Shipping Company S.A. (MSC) and Cosco Container Lines Co., Ltd. (COSCO). As of October 15, 2010, the average (weighted by TEU capacity) remaining time charter duration for our fleet of 41 containerships was 5.6 years, based on the remaining fixed terms and assuming the earliest redelivery dates possible under our containerships charters. As of June 30, 2010, our fixed-term charters represented an aggregate of \$1.7 billion of contracted revenue, assuming the earliest redelivery dates possible under our containerships charters and 365 revenue days per annum per containership.

Our company and its founders have a long history of operating and investing in the shipping industry. We are wholly-owned by Captain Vasileios Konstantakopoulos and his three sons Konstantinos Konstantakopoulos, Achillefs Konstantakopoulos and Christos Konstantakopoulos (collectively, the Konstantakopoulos family). Captain Vasileios Konstantakopoulos, the father of our chairman and chief executive officer, Konstantinos Konstantakopoulos, founded Costamare Shipping Company S.A. (Costamare Shipping) in 1975. We initially owned and operated drybulk carrier vessels, but in 1984 we became the first Greek owned company to enter the containership market and, since 1992, we have focused exclusively on containerships. After assuming management of our company in 1998, Konstantinos Konstantakopoulos has concentrated on building a large, modern and reliable containership fleet run and supported by highly-skilled, experienced and loyal personnel. He founded the management companies CIEL Shipmanagement S.A. (CIEL) and Shanghai Costamare Ship Management Co., Ltd. (Shanghai Costamare) in 2001 and 2005, respectively, and he founded the manning agency C-Man Maritime, Inc. (C-Man Maritime) in 2006. Under Konstantinos Konstantakopoulos's leadership, we have continued to foster a company culture focusing on excellent customer service, industry leadership and innovation.

Consistent with our strategy of actively managing the size of our fleet through timely acquisitions and dispositions, we grew our fleet from 21 containerships with an aggregate capacity of 43,735 TEUs in 2000 to a peak of 53 containerships of 227,778 TEUs in 2008, followed by a proactive decrease in response to market conditions to our current fleet of 41 containerships with a total capacity of 211,882 TEUs. We plan to use the proceeds of the offering to

further expand and renew our fleet. We believe

that the financial flexibility resulting from our strategic growth policy, together with our experience, reputation, quality of services and long-standing relationships with container shipping industry participants and major financial institutions, position us to renew and expand our fleet with further acquisitions of newbuild and high-quality secondhand vessels at prices that are currently below historical averages.

We believe that this is a favorable time to acquire newbuilds, as well as high-quality secondhand vessels. We also believe that vessel prices today remain at levels that are below their 10-year historical averages and that the charter market for containerships has shown improvement during 2010. As an established owner of containerships with a focus on reliability and balance sheet management, and with significant experience and relationships in the containership sector, we believe we will have ready access to additional vessel acquisition opportunities from shipyards, our liner company customers, shipowners, financial institutions and brokers, chartering opportunities with leading liner companies, and available financing alternatives that will facilitate the renewal and further expansion of our fleet at an opportune time.

### ***Recent Developments***

Consistent with our strategy of pursuing attractive growth opportunities, we recently entered into agreements to acquire a total of seven newbuild and secondhand containerships.

On September 21, 2010, we contracted with China Shipbuilding Trading Company Limited and Shanghai Jiangnan Changxing Heavy Industry Co., Ltd. for the construction and purchase of three newbuild containerships, each of 9,000 TEU capacity, for a price of approximately \$95.1 million per newbuild, to be paid in five equal installments. Each newbuild contract is subject to our completion of certain financing arrangements prior to November 30, 2010. These three newbuilds are scheduled to be delivered between November 2013 and January 2014, and we currently have agreements for the time charter of each newbuild to MSC for a period of 10 years from delivery by the shipyard at a daily rate of \$43,000. We have also obtained options to acquire three additional newbuild containerships, each of 9,000 TEU capacity, for a price of approximately \$96.1 million per newbuild. These options must be exercised by December 24, 2010, and the associated newbuild containerships would be delivered between March and June 2014.

On September 23, 2010, we contracted for four 3,351 TEU secondhand containerships at a purchase price of \$11.25 million per containership, two to be delivered by December 20, 2010 and two by February 28, 2011. These secondhand containerships were built between 1990 and 1992. We intend to finance the acquisition of these secondhand containerships with available cash or new debt financing. While we do not currently have time charters for these secondhand containerships, we are reviewing the charter market and intend to take advantage of available opportunities in line with our market outlook.

On September 16, 2010, we obtained a commitment letter from The Royal Bank of Scotland plc for a \$120.0 million term loan facility, which will be available for drawing for up to 18 months. We intend to use this term loan facility to finance the acquisition of additional newbuild or secondhand containerships, but we are also permitted to use it to refinance existing containerships in our fleet. Availability of the term loan facility is subject to execution of definitive documentation and is conditioned upon the closing of this offering.

We recently rechartered the *MSC Navarino*, and we also have extended by four years the current time charters to A.P. Moller-Maersk of eight of our containerships, such extensions resulting in an increase of approximately \$306 million in our contracted revenues. The details of the recharter and eight extensions, as well as certain other charter modifications, are shown in our fleet table, which appears in *Business Fleet Characteristics* .

### **Market Opportunity**

We believe that it is currently an attractive time in the container shipping cycle to invest, and that we are well-positioned to benefit from an industry recovery, for several key reasons, including:



**Initial Signs of Container Shipping Market Recovery.** As reported by Clarkson Research Services Limited ( Clarkson Research ), based on an index containing a range of containership sizes, time charter daily rates improved 99% during the first nine months of 2010 and there has been a reduction in the number of vessels in layup and an increase in transported container volumes over the low levels of 2009. Although current charter rates remain low compared to the high levels reached in 2005, we believe that the increases in charter rates and transported volumes in the first nine months of 2010 are a positive indicator of fundamental improvement in the economics of our industry.

**Our Ability to Exploit Acquisition Opportunities.** As a well-established containership owner with a reputation for reliability and financial soundness and with significant contracted revenues, we believe we will have access to financing and chartering opportunities that will enable us to acquire additional high- quality vessels at prices that are below their 10-year historical averages. Unlike many of our public company competitors, we are not burdened with acquisition and newbuild commitments that were incurred when vessel prices were relatively high or with significant restrictions on debt incurrence imposed by lenders that would impede growth.

### **Our Fleet**

We currently have a fleet of 41 containerships aggregating 211,882 TEUs, making us one of the largest privately owned containership companies in the world, based on total TEU capacity. Our containerships have a record of low unscheduled off-hire days, with fleet utilization levels of 99.7%, 99.3% and 99.9% in 2007, 2008 and 2009, respectively, and 99.8% for the first half of 2010. We believe our customers seek to charter our ships based upon, among other factors, our reputation for safety and reliability.

We deploy our containership fleet principally under multi-year time charters with leading liner companies that operate regularly scheduled routes between large commercial ports. As of October 15, 2010, the average (weighted by TEU capacity) remaining time charter duration for our fleet of 41 containerships was 5.6 years, based on the remaining fixed terms and assuming the earliest redelivery dates possible under our containerships charters.

The tables below provide additional information, as of October 15, 2010, about our fleet of 41 containerships and the three newbuilds we have contracted to purchase from China Shipbuilding Trading Company Limited and Shanghai Jiangnan Changxing Heavy Industry Co., Ltd., at a purchase price of approximately \$95.1 million per newbuild. The table below does not include the four secondhand containerships that we have agreed to purchase. For information about these secondhand containerships, see [Business Overview Recent Developments](#) . Each vessel is a cellular containership, meaning it is a dedicated container vessel. Please see additional vessel information in [Business Fleet](#) .

	Vessel Name	Charterer <sup>(1)</sup>	Year Built	Capacity (TEU)	Time Charter Term <sup>(2)</sup>	Current Daily Charter Hire (U.S. dollars)	Expiration of Charter <sup>(2)</sup>	Average Daily Charter Rate Until Earliest Expiry of Charter (U.S. dollars) <sup>(3)</sup>
1	COSCO GUANGZHOU	COSCO	2006	9,469	12 years	36,400	December 2017	36,400
2	COSCO NINGBO	COSCO	2006	9,469	12 years	36,400	January 2018	36,400
3	COSCO YANTIAN	COSCO	2006	9,469	12 years	36,400	February 2018	36,400
4	COSCO BEIJING	COSCO	2006	9,469	12 years	36,400	April 2018	36,400
5	COSCO HELLAS	COSCO	2006	9,469	12 years	32,400 <sup>(3)</sup>	May 2018	36,996
6	MSC NAVARINO <sup>(4)</sup>	MSC	2010	8,531	0.7 years	22,000	January 2011	22,000
7	MAERSK KAWASAKI	A.P. Moller-Maersk	1997	7,403	10 years	37,000	December 2017	37,000
8	MAERSK KURE	A.P. Moller-Maersk	1996	7,403	10 years	37,000	December 2017	37,000
9	MAERSK KOKURA	A.P. Moller-Maersk	1997	7,403	10 years	37,000	February 2018	37,000
10	SEALAND NEW YORK	A.P. Moller-Maersk	2000	6,648	11 years	30,375	March 2018	28,766
11	MAERSK KOBE	A.P. Moller-Maersk	2000	6,648	11 years	30,375	May 2018	31,855

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12	SEALAND WASHINGTON	A.P. Moller-Maersk	2000	6,648	11 years	30,375	June 2018	28,828
13	SEALAND MICHIGAN	A.P. Moller-Maersk	2000	6,648	11 years	25,375	August 2018	26,302
14	SEALAND ILLINOIS	A.P. Moller-Maersk	2000	6,648	11 years	30,375	October 2018	28,882
15	MAERSK KOLKATA	A.P. Moller-Maersk	2003	6,644	11 years	30,000	November 2019	33,168
16	MAERSK KINGSTON	A.P. Moller-Maersk	2003	6,644	11 years	30,375	February 2020	33,343
17	MAERSK KALAMATA	A.P. Moller-Maersk	2003	6,644	11 years	30,375	April 2020	33,385
18	ZIM NEW YORK	ZIM	2002	4,992	10 years	16,205	July 2012	28,332
19	ZIM SHANGHAI	ZIM	2002	4,992	10 years	16,100	August 2012	27,801
20	ZIM PIRAEUS	ZIM	2004	4,992	10 years	18,150	March 2014	24,145
21	OAKLAND EXPRESS	Hapag Lloyd	2000	4,890	8 years	31,297	September 2016	31,291
22	NEW YORK EXPRESS	Hapag Lloyd	2000	4,890	8 years	31,282	October 2016	31,274
23	SINGAPORE EXPRESS	Hapag Lloyd	2000	4,890	8 years	31,317	July 2016	31,312
24	MSC MANDRAKI <sup>(5)</sup>	MSC	1988	4,828	2.8 years	13,500	August 2012	20,201
25	MSC MYKONOS <sup>(6)</sup>	MSC	1988	4,828	3.2 years	13,500	September 2012	19,577
26		MSC	1993	3,883		17,250	April 2012	18,949

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	MSC ANTWERP <sup>(7)</sup>				3 years			
27	MSC WASHINGTON	MSC	1984	3,876	3.2 years	17,250	February 2013	18,344
28	MSC KYOTO	MSC	1981	3,876	3.1 years	17,250	June 2013	18,238
29	MSC AUSTRIA	MSC	1984	3,584	3.7 years	17,250	November 2012	19,103
30	AKRITAS	Hapag Lloyd	1987	3,152	1 year	11,000	August 2011	11,000
31	GARDEN	Evergreen Marine	1984	2,922	5 years	15,200	November 2012	15,200
32	GENIUS I	Evergreen Marine	1984	2,922	3.3 years	15,200	November 2012	15,200
33	GATHER	Evergreen Marine	1984	2,922	5 years	15,200	November 2012	15,200
34	GIFTED	Evergreen Marine	1984	2,922	2.4 years	15,700	December 2011	15,700
35	MSC CHALLENGER	MSC	1986	2,633	2 years	10,000	September 2012	10,000
36	MSC NAMIBIA	MSC	1977	1,654	4.8 years	11,500	July 2012	12,876
37	MSC SUDAN	MSC	1976	1,630	3 years	11,250	June 2011	13,019
38	MSC SIERRA	MSC	1977	1,630	3.7 years	11,250	May 2012	12,847
39	MSC TUSCANY	MSC	1978	1,468	1.9 years	12,000	August 2012	7,985
40	MSC FADO	MSC	1978	1,181	2 years	7,400	May 2012	7,400

<b>41</b>	HORIZON	OACL	1991	1,068	7.1 years	7,625	April 2012	7,625
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Set out below is certain information regarding the newbuilds that we have contracted to purchase, subject to our completion of certain financing arrangements prior to November 30, 2010.

Vessel Name	Charterer <sup>(1)</sup>	Year Built	Capacity (TEU)	Expected Delivery Date	Time Charter Term <sup>(2)</sup>	Current Daily Charter Hire (U.S. dollars)	Expiration of Charter <sup>(2)</sup>	Average Daily Charter Rate Until Earliest Expiry of Charter (U.S. dollars)	
<b>Newbuilds<sup>(8)</sup></b>									
1	H 1068A	MSC	2013	9,000	November 2013	10 years	43,000	November 2023	43,000
2	H 1069A	MSC	2013	9,000	December 2013	10 years	43,000	December 2023	43,000
3	H 1070A	MSC	2014	9,000	January 2014	10 years	43,000	January 2024	43,000

(1) Charterer trade names or acronyms not previously defined are defined in Our Competitive Strengths .

(2) Charter terms and expiration dates are based on the earliest date each charter could expire.

(3) This average rate is calculated based on contracted charter rates for the days remaining between October 15, 2010 and the earliest expiration of each charter. Certain of our charter

rates change until their earliest expiration dates. See the footnotes to the fleet table in

Business Fleet Characteristics .

- (4) The vessel will be re-delivered from current charterer MSC between January 24, 2011 and January 30, 2011, at which time it will be delivered to charterer HMM for a time charter until March 25, 2012 at the earliest at a rate of \$44,000 per day.
- (5) This charter includes a fixed rate until November 2, 2011, and the market rate for the remainder of the term. In order to calculate the average charter rate, we assumed that the charter expires on November 2, 2011.
- (6) This charter includes a fixed rate until July 14, 2011, and the market rate for the remainder of the term. In order to calculate the average charter rate, we assumed that the charter expires on July 14, 2011.
- (7) This charter includes a fixed rate until May 15, 2011, and the market rate for the remainder of the term. In order to calculate the average charter rate, we assumed that the charter expires on May 15, 2011.
- (8) Each newbuild contract is subject to our completion of certain financing arrangements prior to November 30, 2010.

### **Our Competitive Strengths**

We believe that we possess a number of competitive strengths that will allow us to capitalize on growth opportunities in the containership sector, including:

***History of Managing Growth Through Shipping Cycles.*** We grew our fleet from 21 containerships with an aggregate capacity of 43,735 TEUs in 2000 to a peak of 53 containerships of 227,778 TEUs in 2008, reflecting a compound annual growth rate of approximately 10.8% based on number of vessels or 20.1% based on TEUs. Thereafter, we decided, based on our market outlook, to reduce our fleet size to our current fleet of 41 containerships with a total capacity of 211,882 TEUs. Our senior management team has a history of strategically timing vessel acquisitions and dispositions in the containership sector and delivering positive financial returns through the shipping cycle, generating net income of \$45.6 million in the first of half 2010, \$116.9 million in 2009 and \$99.8 million in 2008.

***Base of Contracted Cash Flows Through Multi-Year Charter Coverage and Staggered Charter Expiration Dates.*** We believe that the multi-year fixed-rate nature of most of our charters, many of which were arranged at attractive points in the shipping cycle, will continue to provide us with a stable base of contracted future revenue. As of October 15, 2010, the average (weighted by TEU capacity) remaining time charter duration for our fleet of 41 containerships was 5.6 years, based on the remaining fixed terms and assuming the earliest redelivery dates possible under our containerships charters. Of the 41 containerships in our existing fleet, over 99% of the anticipated total available days for the fourth quarter of 2010 and the full year 2011 are under fixed-rate time charters. The staggered maturities of the charters for vessels that expire in the next few years will mean that we will likely conduct our rechartering activity in varying rate environments and we will seek to tailor our charter terms accordingly. As of June 30, 2010, our fixed-term charters represented an aggregate of \$1.7 billion of contracted revenue, assuming the earliest redelivery dates possible under our containerships charters and 365 revenue days per annum per containership.

***Experienced Management Team and Reputation for Operational Excellence Support Long-Standing Relationships with Leading Charterers.*** Our company and founders have a long history of operating and investing in the container shipping industry. Our managers' senior management teams have a combined average of approximately 34 years of experience in the shipping industry. We believe that we are able to secure multi-year charters with leading liner companies because of, among other things, our operating track record and our high level of service and support. We currently charter containerships to A.P. Moller- Maersk, COSCO, Evergreen Marine (Hong Kong) Ltd. ( Evergreen Marine ), Hapag Lloyd Aktiengesellschaft ( Hapag Lloyd ), Hyundai Merchant Marine Co., Ltd. ( HMM ), MSC, Ocean Africa Container Lines (Pty) Ltd. ( OACL ) and Zim Integrated Shipping Services ( ZIM ).

***Access to Capital to Pursue Our Growth Strategy.*** As of June 30, 2010, we had approximately \$59.9 million of available cash (including restricted cash), cash equivalents and investments, along with \$74.2 million of undrawn borrowing capacity. As of that date, we also had 10 containerships, aggregating 38,197 TEUs with an average age (weighted by TEU capacity) of 12.5 years, which were unencumbered. On September 16, 2010, we obtained a commitment letter for a \$120.0 million term loan facility, subject to execution of definitive documentation and conditioned upon the closing of this offering. We believe that our available liquidity and committed financing capacity will allow us to make additional near-term accretive acquisitions during a period when both newbuild and high-quality secondhand vessel values remain below their 10-year historical averages.

***Large, Diversified High-Quality Fleet.*** We have a fleet of 41 vessels as of October 15, 2010. Our fleet includes containerships of various sizes and has been assembled to meet our customers' needs and is able to operate on East-West, North-South and Intra-regional trade routes, giving us increased flexibility in rechartering our containerships. We believe our containerships were built to high standards by reputable shipyards and have been carefully maintained. We have had success in chartering and operating our older vessels beyond their depreciable lives.

### **Our Business Strategies**

Our primary objectives are to profitably grow our business, increase distributable cash flow per share and maximize value to our stockholders by pursuing the following strategies:

***Invest in Vessels at an Attractive Point in the Container Shipping Cycle.*** We believe we are well-positioned to take advantage of the significant opportunities created by the recent economic downturn and developments in the container shipping industry to acquire vessels at attractively low prices. We have recently contracted to acquire four 3,351 TEU secondhand containerships. We have also entered into agreements, subject to certain conditions, to acquire three 9,000 TEU newbuilds, and have agreed 10-year time charters for each newbuild. We intend to expand our fleet by acquiring additional containerships at relatively low prices using our cash from operations, the proceeds of this offering and undrawn borrowing capacity under our committed revolving credit facility and committed term loan, along with borrowings under new credit facilities for which we do not yet have commitments, but which we intend to obtain.

***Actively Manage Portfolio of Charters Through the Shipping Cycle.*** Our largest customers in 2009 were A.P. Moller-Maersk, MSC and COSCO, which we perceive to be among the more creditworthy liner companies. As the global economy improves, we will continue to charter our containerships to such high-quality charterers and expand the number of leading liner companies chartering our vessels in order to further diversify our portfolio of time charters from customer, geographic and maturity perspectives.

***Continue to Manage Our Balance Sheet.*** We believe that management of our balance sheet, including management of cash and capital commitments, will continue to give us financial flexibility. Consistent with that policy, we met all of our scheduled debt repayment obligations during the significant 2008-2009 economic downturn. We believe that our committed revolving credit facility, which gives us \$74.2 million of undrawn borrowing capacity as of June 30, 2010, and our committed term loan that provides \$120.0 million of undrawn borrowing capacity, along with cash from operations, and the proceeds of this offering will provide us with financial flexibility.



***Provide High-Quality Customer Service.*** Our managers' ship management approach is to tailor their services by vessel type and age, which we believe has helped to differentiate us with our charterers and extend our charters and the useful lives of our containerships. We believe that having three management companies allows us to have a deep pool of operational management in multiple locations with market-specific experience and relationships, as well as the geographic flexibility needed to manage and crew our large and diverse fleet so as to provide a high level of service, while remaining cost-effective. We also believe that our focus on customer service and reliability enhances our relationships with our charterers. In the past decade, we have had successful chartering relationships with the majority of the top 20 liner companies by TEU capacity.

### **Dividend Policy**

We intend to pay our stockholders quarterly dividends of \$0.25 per share, or \$1.00 per share per year. We expect to pay an initial dividend following completion of this offering of \$0.25 per share in February 2011.

Our board of directors may review and amend our dividend policy from time to time in light of our plans for future growth and other factors. We cannot assure you that we will be able to pay regular quarterly dividends in the amounts stated above or elsewhere in this prospectus, and our ability to pay dividends will be subject to the restrictions in our credit facilities and the provisions of the laws of the Republic of the Marshall Islands (the Marshall Islands) as well as the other limitations set forth in the sections of this prospectus entitled Dividend Policy and Risk Factors.

### **Corporate Information**

Costamare Inc. was incorporated on April 21, 2008, under the laws of the Marshall Islands and conducts its operations through various subsidiaries. Each of our containerships is owned by one of our subsidiaries. We maintain our principal executive offices at 60 Zephyrou Street & Syngrou Avenue, 17564 Athens, Greece. Our telephone number at that address is +30-210-949-0000. After completion of this offering, we will maintain a website at [www.costamare.com](http://www.costamare.com).

## The Offering

Common stock offered	13,300,000 shares.  15,295,000 shares, if the underwriters exercise their over allotment option in full.
Common stock outstanding immediately after offering	60,300,000 shares.  62,295,000 shares, if the underwriters exercise their overallotment option in full.
Use of proceeds	We estimate that the net proceeds to us from this offering will be approximately \$146.1 million after deducting underwriting discounts and commissions and estimated offering expenses payable by us, based on the initial public offering price of \$12.00 per share. We intend to use the net proceeds of this offering for general corporate purposes and potential future vessel acquisitions. We believe that it is currently an attractive time in the container shipping cycle to invest. We have no current specific plan for the net proceeds, although we may decide to use a portion of the net proceeds, together with debt financing, to fund our contracted containership acquisitions. Pending any definitive use, the proceeds may be applied to temporarily reduce outstanding indebtedness. See Use of Proceeds .
Dividends	We intend to pay quarterly dividends of \$0.25 per share, or \$1.00 per share per year, following the closing of this offering. We expect to pay the first dividend in February 2011. Declaration and payment of any dividend is subject to the discretion of our board of directors and the requirements of Marshall Islands law.
NYSE listing	Our common stock has been approved for listing on the New York Stock Exchange under the symbol CMRE .
Risk factors	Investment in our common stock involves a high degree of risk. You should carefully read and consider the information set forth under the heading Risk Factors and all other information set forth in this prospectus before investing in our common stock.

Each share of our common stock includes one right that, under certain circumstances, will entitle the holder to purchase from us a unit consisting of one-thousandth of a preferred share at a purchase price of \$25 per unit, subject to specified adjustments.

Unless we indicate otherwise or the context otherwise requires, all information in this prospectus assumes that the underwriters do not exercise their over allotment option.

**SUMMARY CONSOLIDATED FINANCIAL DATA**

The summary consolidated financial data set forth below as of December 31, 2007, 2008 and 2009 for each of the three years in the period ended December 31, 2009 have been derived from our audited consolidated financial statements. The summary consolidated financial data set forth below as of December 31, 2005 and 2006 and for the years then ended have been derived from our unaudited consolidated financial statements. The summary consolidated financial data as of June 30, 2010 and for the six months ended June 30, 2009 and 2010 are derived from our unaudited interim condensed consolidated financial statements. We refer you to the notes to our consolidated financial statements for a discussion of the basis on which our consolidated financial statements are presented. Results for the six months ended June 30, 2010 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2010 or any future period.

This information should be read together with, and is qualified in its entirety by, our consolidated financial statements and the notes thereto included elsewhere in this prospectus. You should also read Management's Discussion and Analysis of Financial Condition and Results of Operations .

	<b>Year Ended December 31,</b>				
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<b>(unaudited)</b>				
	<b>(Expressed in thousands of U.S. dollars, except for shares)</b>				
<b>STATEMENT OF INCOME</b>					
Revenues:					
Voyage revenue	\$ 294,160	\$ 349,997	\$ 370,121	\$ 426,348	\$ 390,000
Expenses:					
Voyage expenses	1,682	1,825	2,780	3,735	3,735
Vessels operating expenses	84,810	100,701	124,666	148,350	110,000
General and administrative expenses	125	212	466	2,608	2,608
Management fees	7,120	10,198	11,812	13,541	11,812
Amortization of dry-docking and special survey costs	2,718	2,767	3,095	6,722	6,722
Depreciation	57,494	67,134	50,710	72,256	72,256
Gain on sale of vessels				(95 )	(95 )
Foreign exchange gains / (losses)	(28 )	143	579	(235 )	(235 )

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Other income / (expenses)		910		301		(37 )				
Operating income	\$	140,239	\$	166,107	\$	175,712	\$	179,503	\$	19
Other Income (Expenses):										
Interest income	\$	7,180	\$	5,627	\$	3,589	\$	5,575	\$	
Interest and finance costs		(31,800 )		(54,211 )		(62,568 )		(68,420 )		(8
Other		1,192		63		188		109		
Gain (loss) on derivative instruments		1,524		5,820		(1,498 )		(16,988 )		
Total other income (expenses)	\$	(21,904 )	\$	(42,701 )	\$	(60,289 )	\$	(79,724 )	\$	(7
Net Income	\$	118,335	\$	123,406	\$	115,423	\$	99,779	\$	11
Earnings per common share, basic and diluted	\$	2.52	\$	2.63	\$	2.46	\$	2.12	\$	
Weighted average number of shares, basic and diluted		47,000,000		47,000,000		47,000,000		47,000,000		47,00

**Year Ended December 31,**

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<b>(unaudited)</b>				

**(Expressed in thousands of U.S. dollars)**

**OTHER  
FINANCIAL  
DATA**

Net cash provided by operating activities	N/A <sup>(1)</sup>	\$ 7,864	\$ 166,619	\$ 247,518	\$ 161,893
Net cash (used in) provided by investing activities	N/A <sup>(1)</sup>	(350,456)	(257,550)	(138,301)	12,811
Net cash (used in) provided by financing activities	N/A <sup>(1)</sup>	342,026	93,099	(22,529)	(252,684)
Net increase (decrease) in cash and cash equivalents	N/A <sup>(1)</sup>	(566)	2,168	86,688	(77,980)
Dividends and distributions paid	N/A <sup>(1)</sup>	(13,564)	(88,572)	(279,778)	(161,230)
EBITDA (unaudited) <sup>(2)</sup>	N/A <sup>(1)</sup>	\$ 241,891	\$ 228,207	\$ 241,602	\$ 280,208

**BALANCE SHEET DATA (at period end)**

Total current assets	\$ 11,888	\$ 117,540	\$ 120,274	\$ 121,495	\$ 48,305
Total assets	1,065,854	1,453,988	1,674,665	1,815,500	1,710,300
Total current liabilities	183,638	153,651	177,575	287,534	183,271
Total long term debt, including current portion	619,150	968,822	1,102,926	1,529,948	1,435,593
Total stockholders equity	330,010	446,452	521,453	(10,750)	155,222

	Average for the Year Ended December 31,					Average for the Six Months Ended June 30,	
	2005	2006	2007	2008	2009	2009	2010
<b>FLEET DATA</b>							
Number of vessels	39.8	43.6	46.2	52.8	47.3	49.7	42.9
TEU capacity	144,608	177,274	194,865	226,878	218,733	222,511	212,580

(1) N/A indicates that the data is not available for the specified period.

(2) EBITDA represents net income before interest, income tax expense, depreciation and amortization. However, EBITDA is not a recognized measurement under U.S. generally accepted accounting principles ( GAAP ). We believe that the presentation of EBITDA is useful to investors

because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. We also believe that EBITDA is useful in evaluating our ability to service additional debt and make capital expenditures. In addition, we believe that EBITDA is useful in evaluating our operating performance and liquidity position compared to that of other companies in our industry because the calculation of EBITDA generally eliminates the effects of financings, income taxes and the accounting effects of capital expenditures and acquisitions,

items which may vary for different companies for reasons unrelated to overall operating performance and liquidity.

EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;

EBITDA does not reflect the interest expense or the cash requirements necessary to service interest or principal payments on our debt;

EBITDA does not reflect changes in or cash requirements for our working capital needs; and

other companies in our industry may calculate EBITDA differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, EBITDA should not be considered a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results and using EBITDA only supplementally.

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The following table sets forth a reconciliation of net cash from operating activities and net income to EBITDA (unaudited) for the periods presented:

	2005 <sup>(1)</sup>	2006	Year Ended December 31,			Six Months				
	(unaudited)		2007	2008	2009	2009				
						(unaudited)				
	(Expressed in thousands of U.S. dollars)									
<b>Reconciliation of Net Cash from Operating Activities to EBITDA</b>										
Net cash provided by operating activities	\$	7,864	\$	166,619	\$	247,518	\$	161,893	\$	82,946
Net increase (decrease) in operating assets		104,226		(500 )		(92,787 )		15,864		338
Net (increase) decrease in operating liabilities		70,067		(11,590 )		16,213		1,066		4,833
Interest and finance costs net		48,584		58,979		62,845		84,145		47,230
Amortization of financing costs		(141 )		(190 )		(964 )		(746 )		(351 )
Gain on sale of vessels						95		2,854		3,864
Gain (loss) on derivative instruments		865		(1,501 )		(16,657 )		5,595		12,407
Payments for Drydockings and Special Surveys		401		10,095		23,362		6,051		5,392
Amortization and write-off of unearned revenue		6,871		6,295		1,636		3,378		732
Imputed interest		2,953								

Gain on sale of investments			341	108	108
Amortization of free lubricants	201				
<b>EBITDA</b>	\$ 241,891	\$ 228,207	\$ 241,602	\$ 280,208	\$ 157,499
<b>Reconciliation of Net income to EBITDA</b>					
Net income	\$ 123,406	\$ 115,423	\$ 99,779	\$ 116,929	\$ 70,269
Depreciation	67,134	50,710	72,256	71,148	36,109
Amortization of drydocking and special survey costs	2,767	3,095	6,722	7,986	3,891
Interest income	(5,627 )	(3,589 )	(5,575 )	(2,672 )	(1,578 )
Interest and finance costs	54,211	62,568	68,420	86,817	48,808
<b>EBITDA</b>	\$ 241,891	\$ 228,207	\$ 241,602	\$ 280,208	\$ 157,499

(1) EBITDA is not available for 2005.

## RISK FACTORS

*Any investment in our common stock involves a high degree of risk. You should consider carefully the following risk factors, as well as the other information contained in this prospectus, before making an investment in our common stock. Any of the risk factors described below could significantly and negatively affect our business, financial condition or operating results, which may reduce our ability to pay dividends and lower the trading price of our common stock. You may lose part or all of your investment.*

### **Risks Inherent in Our Business**

***Our growth depends upon continued increases in world and regional demand for chartering containerships, and the recent global economic slowdown may impede our ability to continue to grow our business.***

The ocean-going container shipping industry is both cyclical and volatile in terms of charter rates and profitability. Containership charter rates peaked in 2005 and generally stayed strong until the middle of 2008, when the effects of the recent economic crisis began to affect global container trade, driving rates to their 10-year lows. According to Clarkson Research, in the first nine months of 2010 containership charter rates began to register an upward trend, but rates remain well below long term averages, and that improvement may not be sustainable and rates could decline again.

Demand for containerships also declined significantly during 2008 and 2009. In late 2009 and up to October 1, 2010, however, there has been some improvement on Far East-to-Europe and trans-Pacific container trade lanes, alongside improvements also witnessed on other, non-mainlane, trade routes including certain intra-Asia and North-South trade routes. The decline in freight rates has affected the liner companies to which we seek to charter our containerships, some of which have announced efforts to obtain third party aid in restructuring their obligations. The economics of our business have also been affected negatively by the large number of containership newbuilds ordered prior to the onset of the downturn. Accordingly, weak conditions in the containership sector may affect our ability to generate cash flows and maintain liquidity, as well as adversely affect our ability to obtain financing.

The factors affecting the supply and demand for containerships are outside of our control, and the nature, timing and degree of changes in industry conditions are unpredictable. The factors that influence demand for containership capacity include:

supply and demand for products shipped in containers;

changes in global production of products transported by containerships;

global and regional economic and political

conditions;

developments  
in international  
trade;

environmental  
and other  
regulatory  
developments;

the distance  
container cargo  
products are to  
be moved by  
sea;

changes in  
seaborne and  
other  
transportation  
patterns;

port and canal  
congestion; and

currency  
exchange rates.

The factors that influence the supply of containership capacity include:

the availability  
of financing;

the price of  
steel and other  
raw materials;

the number of  
newbuild  
deliveries;

the availability  
of shipyard  
capacity;

the scrapping  
rate of older  
containerships;

the number of  
containerships  
that are out of  
service;

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

the price of  
fuel; and

the  
economics  
of slow  
steaming.

Consumer confidence and consumer spending deteriorated significantly in 2008 and 2009, and have recovered only modestly thus far in 2010. Our ability to recharter our containerships upon the expiration or termination of their current charters and the charter rates payable under any renewal options or replacement charters will depend upon, among other things, the prevailing state of the containership charter market, which can be affected by consumer demand for products shipped in containers. If the charter market is depressed when our containerships' charters expire, we may be forced to recharter our containerships at reduced or even unprofitable rates, or we may not be able to recharter them at all, which may reduce or eliminate our earnings or make our earnings volatile. The same issues will exist if we acquire additional vessels and attempt to obtain multi-year time charter arrangements as part of our acquisition and financing plan.

***Our liner company customers have been placed under significant financial pressure, thereby increasing our charter counterparty risk.***

The sharp decline in global economic activity in 2008 and 2009 resulted in a substantial decline in the demand for the seaborne transportation of products in containers, reaching significantly low levels, and has recovered only marginally in the year-to-date. Consequently, the cargo volumes and freight rates achieved by liner companies, with which we expect to charter most of the containerships in our fleet, 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, some liner companies may choose to redeploy their larger vessels to minor routes, attempting to fill capacity, reducing the number of smaller vessels used and causing a cascade down to minor trades. As a result, the number of vessels being chartered in by liner companies may decrease.

The reduced demand and resulting financial challenges faced by our liner company customers have significantly reduced demand for containership charters and may increase the likelihood of one or more of our customers being unable or unwilling to pay us contracted charter rates. We expect to generate most of our revenues from these charters and if our charterers fail to meet their obligations to us, we will sustain significant losses which could have a material adverse effect on our financial condition and results of operations.

***An oversupply of containership capacity may prolong or further depress the current low charter rates and adversely affect our ability to charter our contracted secondhand containerships or recharter our containerships at profitable rates or at all.***

The current size of the containership orderbook is large relative to historical levels and we believe that, despite a decline in orders recorded from 2008 to early 2010, the fulfillment of the containership orderbook will result in an increase in the size of the world containership fleet over the next few years. According to Clarkson Research, as of October 1, 2010, the aggregate capacity of containership newbuilds contracted for construction was 3.84 million TEU, representing approximately 28% of the total fleet by capacity.

On September 23, 2010, we contracted for four 3,351 TEU secondhand containerships, two to be delivered by December 20, 2010 and two by February 28, 2011, each of which currently does not have a time charter. An oversupply of newbuild and/or rechartered containership capacity, combined with a decline in the demand for containerships, may result in a further reduction of charter rates, which could impact the rate at which we are able to charter our contracted secondhand containerships. Moreover, a number of leading liner companies 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. If the current low charter rate environment persists and global fleet capacity increases due to newbuild deliveries or further redeployment of previously idle containerships, we may be unable to recharter our containerships other than for reduced rates or unprofitable rates or we may not be able to recharter our containerships at all.

***Weak economic conditions throughout the world, particularly the Asia Pacific region and recent EU 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 emerged in 2008 and continued into 2009, and economic conditions remain relatively weak. The current global recovery is proceeding at varying speeds across regions and is still subject to downside risks stemming from factors like fiscal fragility in advanced economies, highly accommodative macroeconomic policies and persistent difficulties in access to credit. In particular, recent concerns regarding the possibility of sovereign debt defaults by European Union member countries, including Greece, have significantly weakened the Euro, disrupted financial markets throughout the world, and may lead to weaker consumer demand in the European Union, the United States, and other parts of the world. The deterioration in the global economy has caused, and may continue to cause, a decrease in worldwide demand for certain goods shipped in containerized form.

We anticipate that a significant number of port calls made by our containerships will continue to involve the loading or unloading of container cargoes in ports in the Asia Pacific region. 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. In 2009, growth in China's gross domestic product was 8.7%. However, if China's growth in gross domestic product declines and other countries in the Asia Pacific region experience slowed or negative economic growth in the future, then this may exacerbate the effect of the significant downturns in the economies of the United States and the European Union, and thus, may negatively impact container shipping demand. For example, the possibility of sovereign debt defaults by European Union member countries, including Greece, and the possibility of market reforms to float the Chinese renminbi, either of which development could weaken the Euro against the Chinese renminbi, could adversely affect consumer demand in the European Union. Moreover, the revaluation of the renminbi may negatively impact the United States' demand for imported goods, many of which are shipped from China in containerized form. Such weak economic conditions could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends to our stockholders.

***Disruptions in world financial markets and the resulting governmental action in the United States and in other parts of the world could have a material adverse impact on our results of operations, financial condition and cash flows.***

The United States and other parts of the world exhibited weak economic trends and were in a recession in 2008 and 2009. For example, the credit markets in the United States have experienced significant contraction, deleveraging and reduced liquidity, and the United States federal government and state governments have implemented and are also 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 (SEC), other regulators, self-regulatory organizations and 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 were severely disrupted and volatile in 2008 and 2009 and, while generally stabilizing in 2010, remain subject to significant vulnerabilities, such as the deterioration of fiscal balances and the rapid accumulation of public debt, continued deleveraging in the banking sector and limited supply of credit. Credit markets and the debt and equity capital markets were exceedingly distressed in 2008 and 2009 and have only marginally rebounded in 2010. The credit crisis in Greece, for example, and concerns over debt levels of certain other European Union member states, has increased volatility in global credit and equity markets. These issues, along with the re-pricing of credit risk and the difficulties currently 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, 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), or refused to refinance existing debt 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. New banking regulations, including larger capital

requirements and the resulting policies adopted by lenders, could reduce lending activities. We may experience difficulties obtaining financing commitments or be unable to fully draw on the capacity under our committed revolving credit facility or our committed term loan in the future if our lenders are unwilling to extend financing to us or unable to meet their funding obligations due to their own liquidity, capital or solvency issues. 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 future obligations as they come due. Our failure to obtain the funds for these capital expenditures could have a material adverse effect on our business, results of operations and financial condition, as well as our cash flows. In the absence of available financing, we also may be unable to take advantage of business opportunities or respond to competitive pressures.

***We are dependent on our charterers fulfilling their obligations under agreements with us, and their inability or unwillingness to honor these obligations could significantly reduce our revenues and cash flow.***

We expect that our containerships will continue to be chartered to customers mainly under multi-year fixed rate time charters. Payments to us under those charters are and will be our sole source of operating cash flow. Many of our charterers finance their activities through cash from operations, the incurrence of debt or the issuance of equity. Since 2008, there has been a significant decline in the credit markets and the availability of credit. Additionally, the equity value of many of our charterers has substantially declined. The combination of a reduction of cash flow resulting from declines in world trade, a reduction in borrowing bases under reserve-based 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. Additionally, we could lose a time charter if the charterer exercises certain specified limited rights to terminate the charter.

If we lose a time charter because the charterer is unable to pay us or for any other reason, we may be unable to re-deploy the related vessel on similarly favorable terms or at all. Also, we will not receive any revenues from such a vessel while it is unchartered, but we will be required to pay expenses necessary to maintain and insure the vessel and service any indebtedness on it. The combination of the current surplus of containership capacity and the expected increase in the size of the world containership fleet over the next few years may make it difficult to secure substitute employment for any of our containerships if our counterparties fail to perform their obligations under the currently arranged time charters, and any new charter arrangements we are able to secure may be at lower rates given currently depressed charter rates. 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 our time charters, which in many cases provide for charter rates significantly above current market rates. Over the past two years the Company has been proactive in working with its charterers to make adjustments to charter agreements that address the needs of both parties. As a result, while we have agreed in certain cases to charter rate re-arrangements entailing reductions for specified periods, we have been compensated for these adjustments by, among other things, subsequent rate increases, so that the aggregate payments under the charters are not materially reduced, and in some cases we also have arranged for term extensions. However, there is no assurance that any future charter re-arrangements will be on similarly favorable terms.

The loss of any of our charterers, time charters or vessels, or a decline in payments under our charters, could have a material adverse effect on our business, results of operations and financial condition, revenues and cash flow and our ability to pay dividends to our stockholders.

***A limited number of customers operating in a consolidating industry comprise a large part of our revenues. The loss of these customers could adversely affect our results of operations, cash flows and competitive position.***

Our customers in the containership sector consist of a limited number of liner companies. A.P. Moller-Maersk, MSC and COSCO together represented 77.3%, 71.1% and 73.7% of our revenue in 2007, 2008 and 2009, respectively, and 73.9% in the first half of 2010. We expect that a limited number of leading liner companies will continue to generate a substantial portion of our revenues. Some of our liner company customers 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. In addition, in recent years there have been significant

examples of consolidation in the container shipping industry; at present, there are over 200 liner companies, but according to Clarkson Research, the top 10 and top 20 companies accounted for approximately 56% and 76% of global liner capacity, respectively, as of October 1, 2010. Also according to Clarkson Research, as of October 1, 2010, A.P. Moller-Maersk's deployed fleet accounted for approximately 13% of the global fleet liner capacity. Financial difficulties in the industry may accelerate the trend toward consolidation. The cessation of business with these liner companies or their failure to fulfill their obligations under the charters for our containerships could have a material adverse effect on our financial condition and results of operations, as well as our cash flows.

***A decrease in the level of China's export of goods or an increase in trade protectionism could have a material adverse impact on our charterers' business and, in turn, could cause a material adverse impact on our results of operations, financial condition and cash flows.***

China exports considerably more goods than it imports. Our containerships are deployed on routes involving containerized trade in and out of emerging markets, and our charterers' container shipping and business revenue may be derived from the shipment of goods from the Asia Pacific region to various overseas export markets including the United States and Europe. Any reduction in or hindrance to the output of China-based exporters could have a material adverse effect on the growth rate of China's exports and on our charterers' business. For instance, the government of China has recently implemented economic policies aimed at increasing domestic consumption of Chinese-made goods. This may have the effect of reducing the supply of goods available for export and may, in turn, result in a decrease of demand for container shipping. Additionally, though in China there is an increasing level of autonomy and a gradual shift in emphasis to a market economy and enterprise reform, many of the reforms, particularly some limited price reforms that result in the prices for certain commodities being principally determined by market forces, are unprecedented or experimental and may be subject to revision, change or abolition. The level of imports to and exports from China could be adversely affected by changes to these economic reforms by the Chinese government, as well as by changes in political, economic and social conditions or other relevant policies of the Chinese government.

Our operations expose us to the risk that increased trade protectionism will adversely affect our business. If the incipient global recovery is undermined by downside risks and the recent economic downturn is prolonged, governments may turn to trade barriers to protect their domestic industries against foreign imports, thereby depressing the demand for shipping. Specifically, increasing trade protectionism in the markets that our charterers serve has caused and may continue to cause an increase in: (i) the cost of goods exported from China, (ii) the length of time required to deliver goods from China and (iii) the risks associated with exporting goods from China, as well as a decrease in the quantity of goods to be shipped.

Any increased trade barriers or restrictions on trade, especially trade with China, would have an adverse impact on our charterers' business, operating results and financial condition and could thereby affect their ability to make timely charter hire payments to us and to renew and increase the number of their time charters with us. This could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends to our stockholders.

***We conduct a substantial amount of business in China, including through one of our local managers, Shanghai Costamare, a Chinese corporation, and our charter agreements with COSCO. The legal system in China is not fully developed and has inherent uncertainties that could limit the legal protections available to us.***

The Chinese legal system is based on written statutes and their legal interpretation by the Standing Committee of the National People's Congress. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the Chinese government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, and because of the limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve uncertainties. We do a substantial amount of

business in China, including through one of our managers, Shanghai Costamare, a Chinese corporation which operates vessels exclusively manned by Chinese crews under the Hong Kong flag, which exposes

us to potential litigation in China. Additionally, we have charters with COSCO, a Chinese corporation, and though these charters are governed by English law, we may have difficulties enforcing a judgment rendered by an English court (or other non-Chinese court) in China.

***Our contracts for three newbuild containerships that we entered into in September 2010 are conditioned on our obtaining certain financing prior to November 30, 2010.***

Our contracts for the acquisition of three new newbuild containerships will terminate, without further liability for us or the seller, if we do not complete certain debt financing arrangements by November 30, 2010. See

Business Fleet Characteristics and Business Overview Recent Developments . While we are actively working to complete the required financing arrangements prior to that deadline, there is no assurance that this will occur, or that we would be able to obtain satisfactory substitute financing.

***Our ability to obtain additional debt financing for future acquisitions of vessels may be dependent on the performance of our then existing charters and the creditworthiness of our charterers.***

We intend to borrow against unencumbered containerships in our existing fleet and vessels we may acquire in the future as part of our growth plan. The actual or perceived credit quality of our charterers, and any defaults by them, may materially affect our ability to obtain the additional capital resources that we will require to purchase additional vessels or may significantly increase our costs of obtaining such capital. Our inability to obtain additional financing or committing to financing on unattractive terms could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends to our stockholders.

***Our ability to pay dividends may be limited by the amount of cash we generate from operations following the payment of fees and expenses, by the establishment of any reserves, by restrictions in our debt instruments and by additional factors unrelated to our profitability.***

We intend to pay regular quarterly dividends. The declaration and payment of dividends, if any, is subject to the discretion of our board of directors and the requirements of Marshall Islands law. The timing and amount of any dividends declared will depend on, among other things: (a) our earnings, financial condition, cash flow and cash requirements, (b) our liquidity, including our ability to obtain debt and equity financing on acceptable terms as contemplated by our vessel acquisition strategy, (c) restrictive covenants in our existing and future debt instruments and (d) provisions of Marshall Islands law governing the payment of dividends.

The international containership industry is highly volatile, and we cannot predict with certainty the amount of cash, if any, that will be available for distribution as dividends in any period. Also, there may be a high degree of variability from period to period in the amount of cash, if any, that is available for the payment of dividends. The amount of cash we generate from operations and the actual amount of cash we will have available for dividends will vary based upon, among other things:

the charter hire payments we obtain from our charters as well as the rates obtained upon the expiration of our existing charters;

our fleet  
expansion  
strategy and  
associated uses  
of our cash and  
our financing  
requirements;

delays in the  
delivery of new  
vessels and the  
beginning of  
payments under  
charters  
relating to  
those vessels;

the level of our  
operating costs,  
such as the  
costs of crews,  
lubricants and  
insurance;

the number of  
unscheduled  
off-hire days  
for our fleet  
and the timing  
of, and number  
of days  
required for,  
scheduled  
drydocking of  
our  
containerships;

prevailing  
global and  
regional  
economic and  
political  
conditions;

changes in  
interest rates;

the effect of  
governmental  
regulations and  
maritime

self-regulatory  
organization  
standards on  
the conduct of  
our business;

changes in the  
basis of  
taxation of our  
activities in  
various  
jurisdictions;

modification or  
revocation of  
our dividend  
policy by our  
board of  
directors; and

the amount of  
any cash  
reserves  
established by  
our board of  
directors.

The amount of cash we generate from our operations may differ materially from our net income or loss for the period, which will be affected by non-cash items. We may incur other expenses or liabilities that could reduce or eliminate the cash available for distribution as dividends.

In addition, our credit facilities and other financing agreements prohibit the payment of dividends, if an event of default has occurred and is continuing or would occur as a result of the payment of such dividends.

For more information regarding our financing arrangements, please read Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources and Description of Indebtedness .

In addition, Marshall Islands law generally prohibits the payment of dividends other than from surplus (retained earnings and the excess of consideration received for the sale of shares above the par value of the shares), or while a company is insolvent or if it would be rendered insolvent by the payment of such a dividend. We may not have sufficient surplus or net profits in the future to pay dividends, and our subsidiaries may not have sufficient funds, surplus or net profits to make distributions to us. As a result of these and the other factors mentioned above, we may pay dividends during periods when we record losses and may not pay dividends during periods when we record net income. We can give no assurance that dividends will be paid in the future.

***We may have difficulty properly managing our growth through acquisitions of new or secondhand vessels and we may not realize expected benefits from these acquisitions, which may negatively impact our cash flows, liquidity and our ability to pay dividends to our stockholders.***

We intend to grow our business by ordering newbuilds and through selective acquisitions of high-quality secondhand vessels. Our future growth will primarily depend on:

the operations  
of the  
shipyards that  
build any  
newbuilds we  
may order;

locating and  
identifying  
suitable  
high-quality  
secondhand  
vessels;

obtaining  
required  
financing on  
acceptable  
terms;

consummating  
vessel  
acquisitions;

enlarging our  
customer  
base;

hiring  
additional  
shore-based  
employees  
and seafarers;  
and

managing  
joint ventures  
or significant  
acquisitions.

In addition, any vessel acquisition may not be profitable at or after the time of acquisition and may not generate cash flows sufficient to justify the investment. Other risks associated with vessel acquisitions that may harm our business, financial condition and operating results include the risks that we may:

fail to realize  
anticipated  
benefits, such  
as new  
customer  
relationships,  
cost-savings or  
cash flow  
enhancements;

be unable to  
hire, train or  
retain qualified  
shore and  
seafaring  
personnel to  
manage and  
operate our  
growing  
business and  
fleet;

decrease our  
liquidity by  
using a  
significant  
portion of  
available cash  
or borrowing  
capacity to  
finance

acquisitions;

significantly  
increase our  
interest  
expense or  
financial  
leverage if we  
incur  
additional debt  
to finance  
acquisitions;

incur or  
assume  
unanticipated  
liabilities,  
losses or costs  
associated with  
any vessels or  
businesses  
acquired; or

incur other  
significant  
charges, such  
as impairment  
of goodwill or  
other  
intangible  
assets, asset  
devaluation or  
restructuring  
charges.

Unlike newbuilds, secondhand vessels typically do not carry warranties as to their condition. While we generally inspect existing vessels prior to purchase, such an inspection would normally not provide us with as much knowledge of a vessel's condition as we would possess if it had been built for us and

operated by us during its life. Repairs and maintenance costs for secondhand vessels are difficult to predict and may be substantially higher than for vessels we have operated since they were built. These costs could decrease our cash flows, liquidity and our ability to pay dividends to our stockholders.

***Rising crew and other vessel operating costs may adversely affect our profits.***

Acquiring and renewing long-term time charters with leading liner companies depends on a number of factors, including our ability to man our containerships with suitably experienced, high-quality masters, officers and crews. In recent years, the limited supply of and increased demand for well-qualified crew, due to the increase in the size of the global shipping fleet, has created upward pressure on crewing costs, which we generally bear under our time charters. Increases in crew costs and other vessel operating costs such as insurance, repairs and maintenance, and lubricants may adversely affect our profitability. In addition, if we cannot retain sufficient numbers of quality on-board seafaring personnel, our fleet utilization will decrease, which could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends to our stockholders.

***Rising fuel prices may adversely affect our profits.***

The cost of fuel is a significant factor in negotiating charter rates and will be borne by us when our containerships are employed on voyage charters or contracts of affreightment. We currently have no voyage charters or contracts of affreightment, but we may enter into such arrangements in the future, and to the extent we do so, an increase in the price of fuel beyond our expectations may adversely affect our profitability. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geo-political developments, supply and demand for oil, actions by members of the OPEC and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns and regulations.

***We must make substantial capital expenditures to maintain the operating capacity of our fleet and acquire vessels, which may reduce or eliminate the amount of cash for dividends to our stockholders.***

We must make substantial capital expenditures to maintain the operating capacity of our fleet and we generally expect to finance these maintenance capital expenditures with cash balances or credit facilities. In addition, we will need to make substantial capital expenditures to acquire vessels in accordance with our growth strategy. Expenditures could increase as a result of, among other things, the cost of labor and materials, customer requirements and governmental regulations and maritime self-regulatory organization standards relating to safety, security or the environment. Significant capital expenditures, including to maintain the operating capacity of our fleet, may reduce or eliminate the amount of cash available for distribution to our stockholders.

***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 will incur increased costs. Older vessels may require longer drydockings, resulting in more off-hire days and reduced revenue. 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 may 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 containerships may engage. Our current fleet of 41 containerships as of October 15, 2010 had an average age (weighted by TEU capacity) of 12.5 years, five of which are over 30 years old. We cannot assure you that, as our vessels age, market conditions will justify such expenditures or will enable us to profitably operate our older vessels.

***Unless we set aside reserves or are able to borrow funds for vessel replacement, at the end of the useful lives of our vessels our revenue will decline, which would adversely affect our business, results of operations and financial condition.***

Our current fleet of 41 containerships as of October 15, 2010 had an average age (weighted by TEU capacity) of 12.5 years, five of which are over 30 years old. Unless we maintain reserves or are able to borrow or raise funds for vessel replacement we will be unable to replace the older vessels in

our fleet. Our cash flows and income are dependent on the revenues earned by the chartering of our containerships. The inability to replace the vessels in our fleet upon the expiration of their useful lives could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends to our stockholders. Any reserves set aside for vessel replacement will not be available for dividends.

***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.***

Containership values, which have recently decreased significantly, can fluctuate substantially over time due to a number of different factors, including:

prevailing  
economic  
conditions in  
the markets in  
which  
containerships  
operate;

a substantial or  
extended  
decline in  
world trade;

increases in  
the supply of  
containership  
capacity;

prevailing  
charter rates;  
and

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

If the market values of our vessels further deteriorate, we may be required to record an impairment charge in our financial statements, which could adversely affect our results of operations. In addition, any such deterioration in the market values of our vessels could trigger a breach under our credit facilities, which could adversely affect our operations. If a charter expires or is terminated, we may be unable to recharter the vessel at an acceptable rate and, rather than continue to incur costs to maintain 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.

***Our 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 new entrants and established companies with significant resources.***

One of our principal objectives is to acquire additional containerships in conjunction with entering into additional multi-year time charters for these vessels. The process of obtaining new multi-year time charters is highly competitive and generally involves an intensive screening process and competitive bids, and often extends for several months. Generally, we compete for charters based upon charter rate, customer relationships, operating expertise, professional reputation and containership specifications, including size, age and condition.

In addition, as vessels age, it can be more difficult to employ them on profitable time charters, particularly during periods of decreased demand in the charter market. Accordingly, we may find it difficult to continue to find profitable employment for our older vessels, including the five vessels in our fleet over 30 years of age as of October 15, 2010.

We face substantial competition from a number of experienced companies, including state-sponsored entities. 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 also anticipate that an increasing number of marine transportation companies will 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, as well as for the acquisition of high-quality secondhand vessels and newbuilds. 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 place downward pressure on rates throughout the charter market. As a result of these factors, we may be unable to expand our relationships with existing customers or to obtain new customers on a profitable basis, if at all, which could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends to our stockholders.

***Due to our lack of diversification, adverse developments in the containership transportation business could reduce our ability to service our debt obligations and pay dividends to our stockholders.***

We rely exclusively on the cash flow generated from charters for our containerships. Due to our lack of diversification, an adverse development in the container shipping industry, which has been experiencing weakness since the middle of 2008, would have a significantly greater impact on our financial condition and results of operations than if we maintained more diverse assets or lines of business. An adverse development could also impair our ability to service debt or pay dividends to our stockholders.

***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 time charters in both strong and weak charter rate environments, although in weaker charter rate environments we would generally expect to target somewhat shorter charter terms. If more containerships become available for the spot or short-term charter 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. As a result, we will then have to charter more of our containerships for shorter periods and our revenues, cash flows and profitability could then reflect, to some degree, fluctuations in the short-term charter market.

***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 and to make dividend payments.***

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 obligations and to make dividend payments depends entirely 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. If we are unable to obtain funds from our subsidiaries, our board of directors may exercise its discretion not to declare or pay dividends.

***We may be unable to draw down the full amount of our committed credit facilities if the market value of our vessels declines.***

As of June 30, 2010, we had \$74.2 million of undrawn borrowing capacity under our committed revolving credit facility. On September 16, 2010, we obtained a commitment letter for a \$120.0 million term facility, subject to execution of definitive documentation and conditioned upon the closing of this offering. If the market value of our fleet declines, we may default under our credit facilities, in which case we may not be able to draw down the full amount available to us, obtain additional financing, refinance our debt, or incur debt on terms that are acceptable to us.

***Our credit facilities or other financing arrangements contain payment obligations and restrictive covenants that may limit our liquidity and our ability to expand our fleet. A failure by us to meet our obligations under our credit facilities could result in an event of default under such credit facilities and foreclosure on our vessels.***

Our credit facilities impose certain operating and financial restrictions on us. These restrictions in our existing credit facilities generally limit Costamare Inc., and our subsidiaries' ability to, among other things:

pay  
dividends if  
an event of

default has occurred and is continuing or would occur as a result of the payment of such dividends;

purchase or otherwise acquire for value any shares of the subsidiaries capital;

make or repay loans or advances, other than repayment of the credit facilities;

make investments in other persons;

sell or transfer significant assets, including any vessel or vessels mortgaged under the credit facilities, to any person, including Costamare Inc. and our subsidiaries;

create liens on their assets; or



allow the  
Konstantakopoulos  
family's direct or  
indirect holding in  
Costamare Inc. to  
fall below 40% of  
the total issued  
share capital.

Our existing credit facilities also require Costamare Inc. and certain of our subsidiaries to maintain specified loan to value ratios as summarized below:

under our \$1  
billion credit  
facility, as  
amended by a  
supplemental  
agreement  
dated June  
22, 2010,  
Costamare  
Inc. may not  
allow the  
aggregate of  
(a) the  
aggregate  
market value,  
primarily on a  
charter  
inclusive  
basis, of the  
mortgaged  
vessels under  
this facility,  
(b) the market  
value of any  
additional  
security  
provided to  
the lender,  
and (c)  
(during the  
waiver period  
only, as  
described  
below) the  
aggregate  
minimum  
cash amount  
equal to 3%

of the loan  
outstanding  
to fall below  
80% during a  
waiver period  
extending  
through  
December 31,  
2011, and  
thereafter,  
125% of the  
aggregate of  
the term loan,  
the revolving  
advances and  
the swap  
exposure; or

under certain  
of our  
subsidiaries  
credit  
facilities,  
each with  
Costamare  
Inc. as  
guarantor, we  
may not  
allow the  
aggregate of  
(a) the  
aggregate  
market value,  
primarily on  
an inclusive  
charter basis,  
of the  
mortgaged  
vessel or  
vessels, and  
(b) the market  
value of any  
additional  
security  
provided to  
the lender to  
fall below a  
percentage  
ranging  
between  
110% to

125% of the then outstanding amount of the credit facility and any related swap exposure.

Costamare Inc. is required to maintain compliance with the following financial covenants:

the ratio of our total liabilities (after deducting all cash and cash equivalents) to market value adjusted total assets (after deducting all cash and cash equivalents) may not exceed 0.75:1;

the ratio of EBITDA over net interest expense must be equal to or higher than 2.5:1;

the aggregate amount of all cash and cash equivalents may not be less than the greater of (i)

\$30 million  
or (ii) 3% of  
the total  
debt,  
*provided,*  
*however,*  
that a  
minimum  
cash amount  
equal to 3%  
of the loan  
outstanding  
must be  
maintained  
in the  
accounts of  
the  
borrower;  
and

the market  
value  
adjusted net  
worth must  
at all times  
exceed \$500  
million.

See both Description of Indebtedness and Management's Discussion and Analysis of Financial Condition and Results of Operations Credit Facilities for more information about our credit facilities. A failure to meet our payment and other obligations could lead to defaults under our credit facilities. Our lenders could then accelerate our indebtedness and foreclose on the vessels in our fleet securing those credit facilities, which could result in the acceleration of other indebtedness that we may have at such time and the commencement of similar foreclosure proceedings by other lenders. The loss of these vessels would have a material adverse effect on our operating results and financial condition.

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

As of June 30, 2010, we had outstanding indebtedness of \$1.4 billion and we expect to incur additional indebtedness as we grow our fleet. This level of debt could have important consequences to us, including the following:

our ability to  
obtain  
additional  
financing for  
working  
capital,  
capital  
expenditures,  
acquisitions

or other purposes may be impaired or such financing may be unavailable on favorable terms;

we may need to use a substantial portion of our cash from operations to make principal and interest payments on our debt, reducing the funds that would otherwise be available for operations, future business opportunities and 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. If our operating income is not sufficient to service our current or future indebtedness, we will 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.

***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 approximately \$1.4 billion as of June 30, 2010, 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. We have also entered into certain currency hedges. There is no assurance that our derivative contracts will provide adequate protection against adverse changes in interest rates or currency exchange ratios or that our bank counterparties will be able to perform their obligations.

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 income statement. In addition, changes in the fair value of our derivative contracts are recognized in Accumulated Other Comprehensive Loss on our balance sheet, and can affect compliance with the net worth covenant requirements in our credit facilities. Changes in the fair value of our derivative contracts that do not qualify for treatment as hedges for accounting and financial reporting purposes affect, among other things, our net income, earnings per share and EBITDA coverage ratio. See Management's Discussion and Analysis of Financial Condition and Results of Operations Quantitative and Qualitative Disclosures About Market Risk Interest Rate Risk .

***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 a substantial portion of our vessels' operating 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 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. While we have hedged some of this exposure, our U.S. dollar denominated results of operations and financial condition and ability to pay dividends could suffer from adverse currency exchange rate movements. In October 2010, the United States dollar fell toward an eight-month low against the Euro. While we believe that we are adequately hedged against this exposure through 2011, future declines in the U.S. dollar versus the Euro could have a material effect on our operating expenses and net income.

***Increased competition in technology and innovation could reduce our charter hire income and the value of our vessels.***

The charter rates and the value and operational life of a vessel are determined by a number of factors, including the vessel's efficiency, operational flexibility and physical life. Efficiency includes speed and fuel economy. Flexibility includes the ability to enter harbors, utilize related docking facilities and pass through canals and straits. Physical life is related to the original design and construction, maintenance and the impact of the stress of operations. If new containerships are built that are more efficient or flexible or have longer physical lives than our vessels, competition from these more technologically advanced containerships could adversely affect the amount of charter hire payments that we receive for our containerships once their current charters expire and the resale value of our containerships. This could adversely affect our ability to service our debt or pay dividends to our stockholders.

***We are subject to regulation and liability under environmental and operational safety 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, treaties and standards in force in international waters and the jurisdictions in which our containerships 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, water discharges and ballast water management. Because such conventions, laws and regulations are often revised, it is difficult to predict the ultimate cost of compliance with such requirements or their impact on the resale value or useful lives of our containerships.

Environmental requirements can also affect the resale value or useful lives of our vessels, require a reduction in cargo capacity, vessel modifications or operational changes or restrictions, lead to decreased availability of, or more costly insurance coverage for, environmental matters or result in the denial of access to certain jurisdictional waters or ports. Under local, national and foreign laws, as well as international treaties and conventions, we could incur material liabilities, including cleanup obligations and claims for natural resource damages, personal injury and/or property damages in the event that there is a release of petroleum or other hazardous materials from our vessels or otherwise in connection with our operations. Violations of, or liabilities under, environmental requirements can result in substantial penalties, fines and other sanctions, including criminal sanctions, and, in certain instances, seizure or detention of our containerships. Events of this nature or additional environmental conventions, laws and regulations could have a material adverse effect on our financial condition, results of operations and ability to pay dividends to our stockholders.

The operation of vessels is also affected by the requirements set forth in the International Safety Management Code (the ISM Code ). The ISM Code requires vessel owners and managers 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 vessel operation and describing procedures for dealing with emergencies. Failure to comply with the ISM Code may subject us to increased liability, may decrease or suspend available insurance coverage for the affected vessels, and may result in a denial of access to, or detention in, certain ports. Each of the containerships in our fleet and each of our three managers are ISM Code-certified. However, there can be no assurance that such certifications can be maintained indefinitely.

Governmental regulation of the shipping industry, particularly in the areas of safety and environmental requirements, can be expected to become stricter in the future. In addition, we believe that the heightened environmental, quality and security concerns of insurance underwriters, regulators and charterers will lead to additional requirements, including enhanced risk assessment and security requirements and greater inspection and safety requirements for vessels. In complying with new environmental laws and regulations and other requirements that may be adopted, we may have to incur significant capital and operational expenditures to keep our containerships in compliance, or even to scrap or sell certain containerships altogether.

For additional information on these and other environmental requirements, you should carefully review the information contained in Business Environmental and Other Regulations .

***Increased inspection procedures, tighter import and export controls and new security regulations could increase costs and 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 and other penalties against us.

Since the events of September 11, 2001, United States 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 identification systems on board vessels.

It is unclear what additional changes, if any, to the existing inspection and security procedures may ultimately be proposed or implemented in the future, or how any such changes will affect the industry.

It is possible that such changes could impose additional financial and legal obligations on us. Furthermore, changes to inspection and security procedures could also impose additional costs and obligations on our customers and may, in certain cases, render the shipment of certain types of goods in containers uneconomical or impractical. Any such changes or developments could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends to our stockholders.

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

A government of the jurisdiction where one or more of our containerships are registered could requisition for title or seize our containerships. Requisition for title occurs when a government takes control of a vessel and becomes its owner. Also, a government could requisition our containerships for hire. Requisition for hire occurs when a government takes control of a ship and effectively becomes the charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency, although governments may elect to requisition vessels in other circumstances. Although we would expect to be entitled to compensation in the event of a requisition of one or more of our vessels, the amount and timing of payment, if any, would be uncertain. Government requisition of one or more of our containerships may cause us to breach covenants in certain of our credit facilities, and could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends to our stockholders.

***Terrorist attacks, international hostilities and piracy could adversely 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 current conflict in Afghanistan, and continuing hostilities in the Middle East, 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. In addition, political tensions or conflicts in the Asia Pacific Region may reduce the demand for our services. These uncertainties could also adversely affect our ability to obtain additional financing on terms acceptable to us, or at all.

In the past, political conflicts have also resulted in attacks on vessels, mining of waterways and other efforts to disrupt international shipping, particularly in the Arabian Gulf region. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea and the Gulf of Aden. Terrorist attacks targeted at 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 or globally, and could result in an economic recession affecting the United States or the entire world. Since 2008, the frequency of piracy incidents against commercial shipping vessels has increased significantly, particularly in the Gulf of Aden off the coast of Somalia. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on our results of operations, financial condition and ability to pay dividends. In addition, crew costs, including those due to employing onboard security guards, could increase in such circumstances. Any of these occurrences could have a material adverse effect on our financial condition, results of operations and ability to pay dividends to our stockholders.

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

***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 loss or  
damage;

business  
interruptions  
caused by  
mechanical  
failure, human  
error, war,  
terrorism,  
political action  
in various  
countries, or  
adverse  
weather  
conditions; and

work stoppages  
or other labor  
problems with  
crew members  
serving on our  
containerships,  
some of whom  
are unionized  
and covered by  
collective  
bargaining  
agreements.

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. Although we maintain hull and machinery and war risks insurance, as well as protection and indemnity insurance, which may cover certain risks of loss resulting from such occurrences, our insurance coverage may be subject to caps or not cover such losses, and any of these circumstances or events could increase our costs or lower our revenues. 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.***

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 of containerships in relation to risks commonly insured against by vessel owners and operators. Our current insurance includes (i) hull and machinery insurance covering damage to our and third-party vessels' hulls and machinery from, among other things, collisions and contact with fixed 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) covering, among other things, 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 and pollution arising from oil or other substances.

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 containership in the event of a loss of a containership. Under the terms of our credit facilities, we are 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. For example, more stringent environmental regulations have led to increased costs for, and in the future may result in the lack of availability of, insurance against risks of environmental damage or pollution. 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. Our insurance policies also contain deductibles, limitations and exclusions which, although we believe are standard in the shipping industry, may nevertheless increase our costs. A catastrophic oil spill or marine disaster could exceed our insurance coverage, which could harm our business, financial condition and operating results and our ability to pay dividends to our stockholders. Any uninsured or underinsured loss could harm our business and financial condition. In addition, the insurance may be voidable by the insurers as a result of certain actions, such as vessels failing to maintain required certification.

In addition, we do not carry loss of hire insurance. 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.

***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 a vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lienholder may enforce its lien by arresting a vessel. The arrest or attachment of one or more of our vessels, if such arrest or attachment is not timely discharged, could cause us to default on a charter, breach covenants in certain of our credit facilities, interrupt our cash flows and could require us to pay large sums of money to have the arrest or attachment 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 containership in our fleet for claims relating to another of our containerships.

***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. The classification society certifies that the vessel has been built and maintained in accordance with the applicable rules and regulation of the classification society. Moreover, every vessel must comply with any applicable international conventions and the regulations of the vessel's flag state as verified by a classification society. Finally, each vessel must successfully undergo periodic surveys, including annual, intermediate and special surveys.

If any vessel does not maintain its class, it will lose its insurance coverage and be unable to trade, and the vessel's owner will be in breach of relevant covenants under its financing arrangements. Failure to maintain the class of one or more of our containerships could have a material adverse effect on our financial condition and results of operations, as well as our cash flows.

***Our business depends upon certain members of our senior management who may not necessarily continue to work for us.***

Our future success depends to a significant extent upon our chairman and chief executive officer, Konstantinos Konstantakopoulos, certain members of our senior management and our managers. Mr. Konstantakopoulos has substantial experience in the container shipping industry and has worked with us and our managers for many years. He, our managers and certain of our senior management team are crucial to the execution of our business strategies and to the growth and development of our business. If these individuals were no longer to be affiliated with us or our managers, or if we were to otherwise cease to receive services from them, we may be unable to recruit other employees with equivalent talent and experience, which could have a material adverse effect on our financial condition and results of operations.

***Our arrangements with our chief executive officer restricting his ability to compete with us, like restrictive covenants generally, may be unenforceable.***

Konstantinos Konstantakopoulos, our chairman and chief executive officer, has entered into a restrictive covenant agreement with us, which is governed by English law, and under which, except for in certain limited circumstances, he is precluded during the term of his service and for six months thereafter from owning containerships and from acquiring or investing in a business that owns such vessels. English law generally does not favor the enforcement of such restrictions which are considered contrary to public policy and facially are void for being in restraint of trade.

Our ability to enforce these restrictions, should it ever become necessary, will depend upon us establishing that we have a legitimate proprietary interest that is appropriate to protect, and that the protection sought is no more than is reasonable, having regard to the interests of the parties and the public interest. We cannot give any assurance 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 agreement.

***We depend on our managers to operate our business, and if our managers fail to satisfactorily perform their management services, our results of operations, financial condition and ability to pay dividends may be harmed.***

Pursuant to the group management agreement and the individual ship management agreements, our managers and their affiliates may provide us with certain of our officers and will provide us with, among other things, certain commercial, technical and administrative services. See Business Management of the Company and Our Fleet . Our operational success will depend significantly upon our managers' satisfactory performance of these services.

Costamare Shipping, one of our managers, also owns the Costamare trademarks, which consist of the name COSTAMARE and the Costamare logo, and has agreed to license each trademark to us on a royalty free basis for the life of the group management agreement. 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 managers.

Our ability to compete for and enter into new time charters and to expand our relationships with our existing charterers will depend largely on our relationship with our managers and their reputation and relationships in the shipping industry. If our managers suffer material damage to their 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 and  
other  
contractual  
arrangements  
with third  
parties on  
commercially  
acceptable  
terms  
(therefore  
potentially  
increasing  
operating

expenditure  
for the fleet);

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 financial condition and results of operations, as well as our cash flows.

***Our managers are privately held companies and there is little or no publicly available information about them.***

The ability of our managers to continue providing services for our benefit will depend in part on their own financial strength. Circumstances beyond our control could impair our managers' financial strength, and because they are privately held companies, information about their financial strength is not available. As a result, an investor in our stock might have little advance warning of problems affecting any of our managers, 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 managers that has a material impact on us to the extent that we become aware of such information.

***Our chairman and chief executive officer has affiliations with our managers which could create conflicts of interest between us and our managers.***

The management agreement is between us and Costamare Shipping, which is controlled by our chairman and chief executive officer, Konstantinos Konstantakopoulos. While we believe that the terms of the management agreement are consistent with normal commercial practice of the industry, the agreement was not negotiated at arms-length by non-related parties. Accordingly, the terms may be less favorable to the Company than if such terms were obtained from a non-related third party. Additionally, Konstantinos Konstantakopoulos will continue to directly or indirectly control our managers after the offering and will continue to be our chairman and chief executive officer and the owner of approximately 25.7% of our common stock (assuming the underwriters' over-allotment option is not exercised), and this relationship could create conflicts of interest between us, on the one hand, and our managers, on the other hand. These conflicts, which are addressed in the management agreement, may arise in connection with the chartering, purchase, sale and operation of the vessels in our fleet versus vessels owned or chartered-in by other companies affiliated with our managers or our chairman and chief executive officer. These conflicts of interest may have an adverse effect on our

results of operations. See [Our Managers and Management - Related Agreement](#) and [Related Party Transactions](#) .

***CIEL and Shanghai Costamare, two of our managers, are not prohibited from providing management services to vessels owned by third parties.***

CIEL and Shanghai Costamare, two of our managers, will not be prohibited from providing management services to vessels owned by third parties, including related parties. CIEL and Shanghai Costamare have only provided services to third parties in a limited number of cases in the past and currently only CIEL provides services to two third party vessels (one vessel owned 51% by Konstantinos Konstantakopoulos and 49% by the family of the co-owner and chief executive officer of CIEL, and the second vessel wholly owned by the family of the co-owner and chief executive officer of CIEL). If either CIEL or Shanghai Costamare engages in this activity in the future, it could give rise to conflicts of interest or adversely affect the ability of these companies to provide the level of service that we require. Conflicts of interest with respect to certain services, including sale and purchase and chartering activities, among others, may have an adverse effect on our results of operations.

***Our vessels may call on ports located in countries that are subject to restrictions imposed by the United States government, which could negatively affect the trading price of our shares of common stock.***

From time to time on charterers' instructions, our vessels have called and may again call on ports located in countries subject to sanctions and embargoes imposed by the United States government and countries identified by the United States government as state sponsors of terrorism. The U.S. sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time. In 2010, the U.S. enacted the Comprehensive Iran Sanctions Accountability and Divestment Act ( CISADA ), which expanded the scope of the former Iran Sanctions Act. Among other things, CISADA expands the application of the prohibitions to non-U.S. companies, such as the Company, and introduces limits on the ability of companies and persons to do business or trade with Iran when such activities relate to the investment, supply or export of refined petroleum or petroleum products.

From January 2006 through June 2010, vessels in our fleet made a total of 109 calls to ports in Iran, Syria, Sudan and Cuba, representing approximately 0.6% of our 18,000 calls on worldwide ports. Although we believe that we are in compliance with all applicable sanctions and embargo laws and regulations, and intend to maintain such compliance, there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. Any such violation could result in fines or other penalties and could result in some investors deciding, or being required, to divest their interest, or not to invest, in the Company. Additionally, some investors may decide to divest their interest, or not to invest, in the Company simply because we do business with companies that do business in sanctioned countries. Moreover, our charterers may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve us or our vessels, and those violations could in turn negatively affect our reputation. Investor perception of the value of our common stock may also be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and surrounding countries.

***We are a Marshall Islands corporation, and the Marshall Islands does not have a well developed body of corporate law or a bankruptcy act, and, as a result, stockholders may have fewer rights and protections under Marshall Islands law than under the laws of a jurisdiction in the United States.***

Our corporate affairs are governed by our articles of incorporation and bylaws and by the Marshall Islands Business Corporations Act (the 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 Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors under the law 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. For more information with respect to how stockholder rights under Marshall Islands law compare with stockholder rights under Delaware law, please read [Marshall Islands Company Considerations](#) .

The Marshall Islands has no established bankruptcy act, and as a result, any bankruptcy action involving our company would have to be initiated outside the Marshall Islands, and our public stockholders may find it difficult or impossible to pursue their claims in such other jurisdictions.

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

We are a Marshall Islands corporation and all our subsidiaries are, and will likely be, incorporated in jurisdictions outside the United States. In addition, our executive offices are located outside of the United States in Athens, Greece. All of our directors and officers reside outside of the United States, and all or a substantial portion of our assets and the assets of most of our officers and directors are, and will likely be, located outside of the United States. As a result, it may be difficult or impossible for U.S. investors to serve legal process within the United States upon us or any of these persons or to enforce a judgment against us for civil liabilities in U.S. courts. In addition, you should not assume that courts in the countries in which we or our subsidiaries are incorporated or where our or our subsidiaries' assets are located (1) would enforce judgments of U.S. courts obtained in actions against us or our subsidiaries based upon the civil liability provisions of applicable U.S. Federal and state securities laws or (2) would enforce, in original actions, liabilities against us or our subsidiaries based on those laws. Please read [Enforceability of Civil Liabilities](#) .

There is also substantial doubt that the courts of the Marshall Islands or Greece would enter judgments in original actions brought in those courts predicated on U.S. Federal or state securities laws.

### **Risks Relating to the Offering**

***There is no guarantee that an active and liquid public market will develop for you to resell our common stock.***

Prior to this offering, there was no public market for our common stock. A liquid trading market for our common stock may not develop. If an active, liquid trading market does not develop, you may have difficulty selling any of our common stock you buy. The initial public offering price has been determined in negotiations between the representatives of the underwriters and us and may not be indicative of prices that will prevail in the trading market.

***The price of our common stock after this offering may be volatile.***

The price of our common stock after this offering may be volatile and may fluctuate due to factors including:

actual or  
anticipated  
fluctuations in  
quarterly and  
annual results;

fluctuations in  
the seaborne  
transportation  
industry,  
including

fluctuations in  
the  
containership  
market;

mergers and  
strategic  
alliances in the  
shipping  
industry;

market  
conditions in  
the shipping  
industry;

changes in  
government  
regulations;

shortfalls in  
our operating  
results from  
levels  
forecasted by  
securities  
analysts;

our payment of  
dividends;

announcements  
concerning us  
or our  
competitors;

the failure of  
securities  
analysts to  
publish  
research about  
us after this  
offering, or  
analysts  
making  
changes in  
their financial  
estimates;

general  
economic

conditions;

terrorist acts;

future sales of  
our stock or  
other  
securities;

investors  
perception of  
us and the  
containership  
transportation  
industry;

the general  
state of the  
securities  
market; and

other  
developments  
affecting us,  
our industry  
or our  
competitors.

The containership sector of the shipping industry has been highly unpredictable and volatile. Securities markets worldwide are experiencing significant price and volume fluctuations. The market price for our common stock may also be volatile. This market volatility, as well as general economic, market or political conditions, could reduce the market price of our common stock in spite of our operating performance. Consequently, you may not be able to sell our common stock at prices equal to or greater than those that you pay in this offering.

***Our costs will increase significantly as a result of operating as a public company, and our management will be required to devote substantial time to complying with public company regulations.***

We have never operated as a public company. As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act of 2002 ( Sarbanes-Oxley ) as well as rules subsequently adopted by the SEC and the New York Stock Exchange ( NYSE ), have imposed various requirements on public companies, including changes in corporate governance practices. Our management and other personnel will need to devote a substantial amount of time to comply with these requirements. Moreover, these rules and regulations relating to public companies will increase our legal and financial compliance costs and will make some activities more time-consuming and costly.

Sarbanes-Oxley requires, among other things, that we maintain and periodically evaluate our internal control over financial reporting and disclosure controls and procedures. In particular, we and our managers will have to perform system and process evaluation and testing of our and their internal control over financial reporting to allow management and our independent registered public accounting firm to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of Sarbanes-Oxley. Compliance with Section 404 will require a substantial accounting expense and significant management efforts. Neither we nor our managers currently has an internal audit group, and additional accounting and financial staff with appropriate public company experience and technical accounting knowledge will need to be hired to satisfy the ongoing requirements of Section 404. We may have significant difficulties in making such hires given the shortage of available experienced personnel.

***We will be a foreign private issuer and controlled company under the NYSE rules, and as such we are entitled to exemption from certain NYSE corporate governance standards, and you may not have the same protections afforded to stockholders of companies that are subject to all of the NYSE corporate governance requirements.***

After the consummation of this offering, we will be a foreign private issuer under the securities laws of the United States and the rules of the NYSE. Under the securities laws of the United States, foreign private issuers are subject to different disclosure requirements than U.S. domiciled registrants, as well as different financial reporting requirements. Under the NYSE rules, a foreign private issuer is subject to less stringent corporate governance requirements. Subject to certain exceptions, the rules of the NYSE permit a foreign private issuer to follow its home country practice in lieu of the listing requirements of the NYSE. In addition, after the consummation of this offering, our current stockholders will continue to control a majority of our outstanding common stock. As a result, we will be a controlled company within the meaning of the NYSE corporate governance standards. Under the NYSE 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 NYSE corporate governance requirements, including (1) the requirement that a majority of the board of directors consist of independent directors, (2) the 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. As permitted by these exemptions, as well as by our bylaws and the laws of the Marshall Islands, we currently intend to have a board of directors with a majority of non-independent directors, intend to have an audit committee comprised solely of two independent directors and intend to have a combined corporate governance, nominating and compensation committee with one or more non-independent directors serving as committee members. As a result, non-independent directors, including members of our management who also serve on our board of directors, may, among other things, fix the compensation of our management, make stock and option awards and resolve governance issues regarding our company. Accordingly, in the future you may not have the same protections afforded to stockholders of companies that are subject to all of the NYSE corporate governance requirements.

***If we do not implement all required accounting practices and policies, we may be unable to provide the required financial information in a timely and reliable manner.***

Prior to this offering, as a privately held company, we did not adopt the financial reporting practices and policies required of a publicly traded company. Implementation of these practices and policies could disrupt our business, distract our management and employees and increase our costs. If we fail to develop and maintain effective controls and procedures, we may be unable to provide the financial information that a publicly traded company is 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 growth 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 NYSE, which would adversely affect the liquidity of our common stock.

Under Section 404 of the Sarbanes-Oxley Act of 2002, we will be required to include in each of our future annual reports on Form 20-F a report containing our management's assessment of the effectiveness of our internal control over financial reporting and a related attestation of our independent auditors. This requirement for an attestation of our independent auditors will first apply to us with respect to our annual report on Form 20-F for the fiscal year ending December 31, 2011. After the completion of this offering, we will undertake a comprehensive effort in preparation for compliance with Section 404. This effort will include the documentation, testing and review of our internal controls under the direction of our management. We cannot be certain at this time that all our controls will be considered effective. Therefore, we can give no assurances that our internal control over financial reporting will satisfy the regulatory requirements when they become applicable to us.

***You will incur immediate and substantial dilution.***

The initial public offering price per share of our common stock is substantially higher than the pro forma net tangible book value per share of our outstanding common stock. As a result, you will incur immediate and substantial dilution of \$6.74 per share, representing the difference between the initial public offering price of \$12.00 per share and our pro forma as adjusted net tangible book value per share on June 30, 2010. In addition, purchasers of our common stock in this offering will have contributed approximately 29.9% of the aggregate price paid by all purchasers of our common stock, but will own only approximately 22.1% of the shares outstanding after this offering. Please read "Dilution" for a more detailed description of how dilution may affect you.

***Future sales of our common stock could cause the market price of our common stock to decline.***

Sales of a substantial number of shares of our common stock in the public market following this offering, or the perception that these sales could occur, may depress the market price for our common stock. These sales could also impair our ability to raise additional capital through the sale of our equity securities in the future.

Although we do not currently have any plans to sell additional shares of our common stock, subject to the rules of the NYSE, in the future, we may issue additional shares of common stock, and other equity securities of equal or senior rank, without stockholder approval, in a number of circumstances.

The issuance by us of additional shares of common stock or other equity securities of equal or senior rank would have the following effects:

our existing  
stockholders  
proportionate  
ownership  
interest in us  
will decrease;

the dividend amount payable per share on our common stock may be lower;

the relative voting strength of each previously outstanding share may be diminished; and

the market price of our common stock may decline.

Our stockholders also may elect to sell large numbers of shares held by them from time to time. The number of shares of common stock available for sale in the public market will be limited by restrictions applicable under securities laws and agreements that we and our executive officers, directors and existing stockholders have entered into with the underwriters of this offering. Subject to certain exceptions, these agreements generally restrict us and our executive officers, directors and existing stockholders from directly or indirectly offering, selling, pledging, hedging or otherwise disposing of our equity securities or any security that is convertible into or exercisable or exchangeable for our equity securities and from engaging in certain other transactions relating to such securities for a period of 180 days after the date of this prospectus without the prior written consent of Morgan Stanley & Co. Incorporated and Merrill Lynch, Pierce, Fenner & Smith Incorporated.

***Members of the Konstantakopoulos family are our principal existing stockholders and will control the outcome of matters on which our stockholders are entitled to vote following this offering; their interests may be different from yours.***

Members of the Konstantakopoulos family will own, directly or indirectly, approximately 77.9% of our outstanding common stock after this offering, assuming the underwriters do not exercise their overallotment option. These stockholders will be 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 these stockholders may be different from yours.

***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;

authorize the  
removal of  
directors only  
for cause and  
only upon the  
affirmative  
vote of the  
holders of a  
majority 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; and

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.

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.

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

In addition to the following risk factors, you should read *Tax Considerations Marshall Islands Tax Considerations* , *Tax Considerations Liberian Tax Considerations* and *Tax Considerations United States Federal Income Tax Considerations* for a more complete discussion of expected material Marshall Islands, Liberian and U.S. Federal income tax consequences of owning and disposing of our common stock.

### *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, 50% of the gross shipping income of a shipowning 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 gross 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.

We believe that we have qualified and currently intend to continue to qualify for this statutory tax exemption for the foreseeable future. However, no assurance can be given that this will be the case in the future. If we or our subsidiaries are not entitled to this 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 U.S. source gross 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. Many of our charterparty agreements contain provisions pursuant to which charterers undertake 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 . U.S. stockholders of a PFIC are subject to a disadvantageous U.S. Federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC, and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC. 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.

Based on our proposed method of operation, we do not believe that we will be a PFIC with respect to any taxable year. In this regard, we intend to treat the gross income we derive or are deemed to derive from our time chartering activities as services income, rather than rental income. Accordingly, we believe that our income from our time chartering activities does not constitute passive income , and the assets that we own and operate in connection with the production of that income do not constitute passive assets. Our counsel, Cravath, Swaine & Moore LLP, is of the opinion that we should not be a PFIC based on certain assumptions made by them as well as certain representations we made to them regarding the composition of our assets, the source of our income, and the nature of our operations following this offering.

There is, however, no legal authority under the PFIC rules addressing our proposed method of operation. Accordingly, no assurance can be given that the U.S. Internal Revenue Service (the IRS ) or a court of law will accept our position, and there is a risk that the IRS or a court of law could determine that we are a PFIC. Moreover, no assurance can be

given that we would not constitute a PFIC for any future taxable year if there were to be changes in the nature and extent of our operations.

If the IRS were to find that we are or have been a PFIC for any taxable year, U.S. stockholders will face adverse tax consequences. Under the PFIC rules, unless those stockholders make certain elections available under the U.S. Internal Revenue Code, such stockholders would be liable to pay U.S. Federal income tax at the then prevailing income tax rates on ordinary income plus interest upon excess distributions and upon any gain from the disposition of our common stock, as if the excess distribution or gain had been recognized ratably over the stockholder's holding period. Please read *Tax Considerations United States Federal Income Tax Considerations Taxation of United States Holders PFIC Status* for a more detailed discussion of the U.S. Federal income tax consequences to U.S. stockholders if we are treated as a PFIC.

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

Legislation was recently proposed in the United States Senate 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. Consequently, if this legislation were enacted in its current form the preferential rate of Federal income tax discussed at *Tax Considerations United States Federal Income Tax Considerations Taxation of United States Holders Distributions on Our Common Stock* may no longer be applicable to dividends received from us. As of the date of this prospectus, it is not possible to predict with certainty whether or in what form the proposed legislation will be enacted.

***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.

In June 2009, the Legislature, as well as the President, of the Republic of Liberia approved the Economic Stimulus Taxation Act of 2009 (the *ESTA*) which will amend the *New Act* to specifically exempt non-resident corporations engaged in international shipping, such as our Liberian subsidiaries, from taxation in Liberia. The *ESTA*, however, is not effective and will not become effective until it is officially published. To the best of our knowledge, such publication has yet to occur.

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.

## FORWARD-LOOKING STATEMENTS

The disclosure and analysis set forth in this prospectus includes assumptions, expectations, projections, intentions and beliefs about future events in a number of places, particularly in relation to our operations, cash flows, financial position, plans, strategies, business prospects, changes and trends in our business and the markets in which we operate. These statements are intended as forward-looking statements. In some cases, predictive, future-tense or forward-looking words such as believe , intend , anticipate , estimate , project , forecast , plan , potential , could and expect and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. In addition, we and our representatives may from time to time make other oral or written statements which are forward-looking statements, including in our periodic reports that we will file with the SEC, other information sent to our security holders, and other written materials.

Forward-looking statements include, but are not limited to, such matters as:

general market conditions and shipping industry trends, including charter rates, vessel values and factors affecting supply and demand;

our continued ability to enter into time charters with our customers;

our contracted revenue;

future operating or financial results and future revenues and expenses;

our financial condition and liquidity, including our ability to make required

payments under our credit facilities and obtain additional financing in the future to fund capital expenditures, acquisitions and other corporate activities, as well as our ability to refinance indebtedness;

future, pending or recent acquisitions of vessels or other assets, business strategy, areas of possible expansion and expected capital spending or operating expenses;

our expectations relating to dividend payments and our ability to make such payments;

our expectations about availability of existing vessels to acquire or newbuilds to

purchase, the time that it may take to construct and deliver new vessels or the useful lives of our vessels;

availability of crew, number of off-hire days, drydocking requirements and insurance costs;

our anticipated general and administrative expenses;

our ability to leverage to our advantage our managers relationships and reputation within the container shipping industry;

expected compliance with financing agreements and the expected effect of restrictive covenants in such agreements;

environmental and regulatory conditions, including changes in

laws and regulations or actions taken by regulatory authorities;

risks inherent in vessel operation, including discharge of pollutants;

potential liability from future litigation; and

other factors discussed in the section entitled Risk Factors .

Many of these statements are based on our assumptions about factors that are beyond our ability to control or predict and are subject to risks and uncertainties that are described more fully in the Risk Factors section of this prospectus. Any of these factors or a combination of these factors could materially affect future results of operations and the ultimate accuracy of the forward-looking statements. Factors that might cause future results to differ include, but are not limited to, the following:

changes in law, governmental rules and regulations, or actions taken by regulatory authorities;

changes in economic and competitive conditions affecting our business;

potential liability from future litigation;

length and  
number of  
off-hire  
periods and  
dependence  
on affiliated  
managers; and

other factors  
discussed in  
the Risk  
Factors  
section of this  
prospectus.

We caution that the forward-looking statements included in this prospectus represent our estimates and assumptions only as of the date of this prospectus and are not intended to give any assurance as to future results. Assumptions, expectations, projections, intentions and beliefs about future events may, and often do, vary from actual results and these differences can be material. The reasons for this include the risks, uncertainties and factors described under the section of this prospectus entitled "Risk Factors". As a result, the forward-looking events discussed in this prospectus might not occur and our actual results may differ materially from those anticipated in the forward-looking statements. Accordingly, you should not unduly rely on any forward-looking statements.

We undertake no obligation to update or revise any forward-looking statements contained in this prospectus, whether as a result of new information, future events, a change in our views or expectations or otherwise. New factors emerge from time to time, and it is not possible for us to predict all of these factors. Further, we cannot assess the impact of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement. We make no prediction or statement about the performance of our common stock.

**DIVIDEND POLICY**

We intend to pay our stockholders quarterly dividends of \$0.25 per share, or \$1.00 per share per year. We expect to pay an initial dividend following completion of this offering of \$0.25 per share in February 2011. There can be no assurance, however, that we will pay regular quarterly dividends in the future.

We currently intend to pay dividends in amounts that will allow us to retain a portion of our cash flows to fund vessel, fleet or company acquisitions that we expect to be accretive to earnings and cash flows and for debt repayment and drydocking costs, as determined by management and our board of directors. Declaration and payment of any dividend is subject to the discretion of our board of directors and the requirements of Marshall Islands law. The timing and amount of dividend payments will be dependent upon our earnings, financial condition, cash requirements and availability, fleet renewal and expansion, restrictions in our credit facilities, the provisions of Marshall Islands law affecting the payment of distributions to stockholders and other factors. We cannot assure you that we will be able to pay regular quarterly dividends in the amounts stated above or elsewhere in this prospectus, and dividends may be discontinued at any time at the discretion of our board of directors. Our ability to pay dividends may be limited by the amount of cash we can generate from operations following the payment of fees and expenses and the establishment of any reserves, as well as additional factors unrelated to our profitability. 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 and to make dividend payments. See **Risk Factors Risks Inherent in Our Business** for a discussion of the risks related to our ability to pay dividends.

Set out below is a table showing the dividends and distributions paid in 2007, 2008, 2009, and the first half of 2010. Investors in this offering are not entitled to receive any portion of these dividends or distributions.

	<b>Year ended December 31,</b>			<b>Six Months ended June 30,</b>	
<b>(Expressed in millions of U.S. dollars)</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>Total</b>
Dividends paid	\$ 88.6	\$ 10.8	\$ 30.2	\$ 10.0	\$ 139.6
Distributions paid	0.0	269.0	131.0	0.0	400.0
<b>Total</b>	\$ 88.6	\$ 279.8	\$ 161.2	\$ 10.0	\$ 539.6

**USE OF PROCEEDS**

We estimate that the net proceeds to us from this offering will be approximately \$146.1 million after deducting underwriting discounts and commissions and estimated offering expenses payable by us, based on the initial public offering price of \$12.00 per share. We intend to use the net proceeds of this offering for general corporate purposes and potential future vessel acquisitions. We believe that it is currently an attractive time in the container shipping cycle to invest. We have no current specific plan for the net proceeds, although we may decide to use a portion of the net proceeds, together with debt financing, to fund our contracted containership acquisitions. Pending any definitive use, the proceeds may be applied to temporarily reduce outstanding indebtedness.

**CAPITALIZATION**

The following table sets forth our (i) cash and cash equivalents, (ii) restricted cash, and (iii) consolidated capitalization at June 30, 2010, on an:

actual basis,  
giving effect  
to (a) the  
sale of  
24,000,000  
(pre-stock  
split) shares  
of common  
stock (or  
45,120,000  
post-split)  
pursuant to a  
rights  
offering  
where the  
Company  
offered all  
shareholders  
of record as  
of the close  
of business  
on July 14,  
2010, the  
right to  
subscribe for  
and purchase  
up to 32  
shares of  
common  
stock, par  
value  
\$0.0001 per  
share, for  
each share  
held, at a  
subscription  
price of  
\$0.10 per  
share, and  
(b) the  
1.88-for-1  
stock split  
effected  
October 19,  
2010; and

adjusted basis, giving effect to (a) our scheduled debt repayments totaling \$19.4 million until the the date of this prospectus and (b) the issuance and sale of the shares of common stock offered hereby at the initial public offering price of \$12.00 per share.

There has been no material change in our capitalization between June 30, 2010 and the date of this prospectus as adjusted as described above.

This information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, and our consolidated financial statements and the related notes thereto included elsewhere in this prospectus.

(Expressed in thousands of U.S. dollars)	As of June 30, 2010	
	Actual	As Adjusted
<b>Cash and cash equivalents</b>	\$ 2,454	\$ 129,181
<b>Restricted cash</b>	\$ 43,369	\$ 43,369
<b>Debt:</b>		
Total long-term debt <sup>(2)</sup>	\$ 1,391,533	\$ 1,372,133
<b>Stockholders' equity:</b>		
Common stock, par value \$0.0001 per share; 1,000,000,000 shares authorized on an actual basis and 1,000,000,000 shares authorized on an as adjusted basis; 47,000,000 shares issued and outstanding on an actual basis, 60,300,000 shares issued and outstanding on an as adjusted basis <sup>(3)</sup>	\$ 5	\$ 6

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Additional paid-in capital	\$	374,429	\$	520,555
Other comprehensive loss		(92,605 )		(92,605 )
Retained earnings (accumulated deficit)		(110,528 )		(110,528 )
Total stockholders' equity		171,301		317,428
Total capitalization	\$	1,562,834	\$	1,689,561

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- (1) We had \$74.2 million of undrawn borrowing capacity under our committed revolving credit facility as of June 30, 2010. On September 16, 2010, we obtained a commitment letter for a \$120.0 million term loan facility, subject to execution of definitive documentation and conditioned upon the closing of this offering. See Management's Discussion and Analysis of Financial Condition and Results of Operations, Liquidity and Capital Resources and Management's Discussion and Analysis of Financial Condition and Results of Operations, Credit Facilities.
- (2) All of our existing indebtedness is secured.

- (3) At inception, the Company had 2,000,000 shares authorized, which was increased to 1,000,000,000 shares on July 12, 2010 and is herein given retroactive effect.

**DILUTION**

As of June 30, 2010, we had net adjusted tangible book value of \$170.5 million, or \$3.63 per share, after giving effect to the sale of 24,000,000 (pre-stock split) shares of Common Stock issued in a rights offering to stockholders of record on July 14, 2010, and a 1.88-for-1 stock split effected on October 19, 2010. After giving effect to the sale of 13,300,000 shares of common stock at a price of \$12.00 per share, deducting the estimated underwriting discounts and commissions and estimated offering expenses, and assuming that the underwriters' overallotment option is not exercised, the pro forma net adjusted tangible book value as of June 30, 2010 would have been \$317.4 million or \$5.26 per share. This represents an immediate appreciation in net tangible book value of \$1.63 per share to existing stockholders and an immediate dilution of net adjusted tangible book value of \$6.74 per share to new investors. The following table illustrates the pro forma per share dilution and appreciation as of:

Initial public offering price per share	\$ 12.00
Net adjusted tangible book value per share as of June 30, 2010	\$ 3.63
Increase in net adjusted tangible book value per share attributable to new investors in this offering	\$ 1.63
Pro forma net adjusted tangible book value per share after giving effect to this offering	\$ 5.26
Dilution per share to new investors	\$ 6.74

Net tangible book value per share of our common stock is determined by dividing our tangible net worth, which consists of tangible assets less liabilities, by the number of shares of our common stock outstanding. Dilution is determined by subtracting the net tangible book value per share of common stock after this offering from the public offering price per share. Dilution per share to new investors would be \$6.55 if the underwriters exercised their overallotment option in full.

The following table summarizes, on a pro forma basis as of June 30, 2010, the differences between the number of shares of common stock acquired from us, the total amount paid and the average price per share paid by the existing holders of shares of common stock and by you in this offering, based upon the initial public offering price of \$12.00 per share.

	Pro Forma Shares Outstanding		Total Consideration		Average Price Per Share
	Number (Expressed in thousands of U.S. dollars, except percentages and per share data)	Percentage	Amount	Percentage	
Existing stockholders	47,000,000	77.9 %	\$ 374,434	70.1 %	\$ 7.97
New investors	13,300,000	22.1 %	\$ 159,600	29.9 %	\$ 12.00
Total	60,300,000	100.0 %	\$ 534,034	100.0 %	\$ 8.86

**SELECTED CONSOLIDATED FINANCIAL DATA**

The selected consolidated financial data set forth below as of December 31, 2007, 2008 and 2009 for each of the three years in the period ended December 31, 2009 have been derived from our audited consolidated financial statements. The selected consolidated financial data set forth below as of December 31, 2005 and 2006 and for the years then ended have been derived from our unaudited consolidated financial statements. The selected consolidated financial data as of June 30, 2010 and for the six months ended June 30, 2009 and 2010 are derived from our unaudited interim condensed consolidated financial statements. We refer you to the notes to our consolidated financial statements for a discussion of the basis on which our consolidated financial statements are presented. Results for the six months ended June 30, 2010 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2010 or any future period.

This information should be read together with, and is qualified in its entirety by, our consolidated financial statements and the notes thereto included elsewhere in this prospectus. You should also read Management's Discussion and Analysis of Financial Condition and Results of Operations .

	<b>Year Ended December 31,</b>				
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<b>(unaudited)</b>		<b>(Expressed in thousands of U.S. dollars, except for shares)</b>		
<b>STATEMENT OF INCOME</b>					
Revenues:					
Voyage revenue	\$ 294,160	\$ 349,997	\$ 370,121	\$ 426,348	\$ 390,000
Expenses:					
Voyage expenses	1,682	1,825	2,780	3,735	3,735
Vessels operating expenses	84,810	100,701	124,666	148,350	110,000
General and administrative expenses	125	212	466	2,608	2,608
Management fees	7,120	10,198	11,812	13,541	11,812
Amortization of drydocking and special survey costs	2,718	2,767	3,095	6,722	6,722
Depreciation	57,494	67,134	50,710	72,256	72,256
Gain on sale of vessels				(95 )	(95 )
Foreign exchange gains / (losses)	(28 )	143	579	(235 )	(235 )

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Other income / (expenses)		910		301		(37 )				
Operating income	\$	140,239	\$	166,107	\$	175,712	\$	179,503	\$	19
Other Income (Expenses):										
Interest income	\$	7,180	\$	5,627	\$	3,589	\$	5,575	\$	
Interest and finance costs		(31,800 )		(54,211 )		(62,568 )		(68,420 )		(8
Other		1,192		63		188		109		
Gain (loss) on derivative instruments		1,524		5,820		(1,498 )		(16,988 )		
Total other income (expenses)	\$	(21,904 )	\$	(42,701 )	\$	(60,289 )	\$	(79,724 )	\$	(7
Net Income	\$	118,335	\$	123,406	\$	115,423	\$	99,779	\$	11
Earnings per common share, basic and diluted	\$	2.52	\$	2.63	\$	2.46	\$	2.12	\$	
Weighted average number of shares, basic and diluted		47,000,000		47,000,000		47,000,000		47,000,000		47,00

**Year Ended December 31,**

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
--	-------------	-------------	-------------	-------------	-------------

(unaudited)

(Expressed in thousands of U.S. dollars, except for share data)

**OTHER  
FINANCIAL  
DATA**

Net cash  
provided by  
operating  
activities

	N/A <sup>(1)</sup>	\$ 7,864	\$ 166,619	\$ 247,518	\$ 161,893
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Net cash (used  
in) provided  
by investing  
activities

	N/A <sup>(1)</sup>	(350,456)	(257,550)	(138,301)	12,811
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Net cash (used  
in) provided  
by financing  
activities

	N/A <sup>(1)</sup>	342,026	93,099	(22,529)	(252,684)
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Net increase  
(decrease) in  
cash and cash  
equivalents

	N/A <sup>(1)</sup>	(566)	2,168	86,688	(77,980)
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Dividends and  
distributions  
paid

	N/A <sup>(1)</sup>	(13,564)	(88,572)	(279,778)	(161,230)
--	--------------------	----------	----------	-----------	-----------

**BALANCE  
SHEET  
DATA (at  
period end)**

Total current  
assets

	\$ 11,888	\$ 117,540	\$ 120,274	\$ 121,495	\$ 48,305
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Total assets

	1,065,854	1,453,988	1,674,665	1,815,500	1,710,300
--	-----------	-----------	-----------	-----------	-----------

Total current  
liabilities

	183,638	153,651	177,575	287,534	183,271
--	---------	---------	---------	---------	---------

Total long  
term debt,  
including  
current portion

	619,150	968,822	1,102,926	1,529,948	1,435,593
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Total  
stockholders  
equity

	330,010	446,452	521,453	(10,750)	155,222
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Average for the Year Ended December 31,

Six Months Ended June  
30,

	2005	2006	2007	2008	2009	2009	2010
<b>FLEET DATA</b>							
Number of vessels	39.8	43.6	46.2	52.8	47.3	49.7	42.9
TEU capacity	144,608	177,274	194,865	226,878	218,733	222,511	212,580

(1) N/A indicates that the data is not available for the specified period.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes and the financial and other information included elsewhere in this prospectus. Among other things, those financial statements include more detailed information regarding the basis of presentation for the following information. The financial statements have been prepared in accordance with U.S. generally accepted accounting principles ( GAAP ), and are presented in U.S. dollars.

This discussion contains forward-looking statements based on assumptions about our future business. Our actual results may differ from those contained in the forward-looking statements and such differences may be material. Please read [Forward-Looking Statements](#) .

### Overview

We are an international owner of containerships, chartering our vessels to many of the world's largest liner companies. We currently have a fleet of 41 containerships aggregating 211,882 TEUs, making us one of the largest privately owned containership companies in the world, based on total TEU capacity.

We principally deploy our containerships on multi-year, fixed-rate time charters to take advantage of the stable cash flows and high utilization rates typically associated with multi-year time charters. Time-chartered containerships are generally employed on multi-year charters to liner companies that charter-in vessels on a multi-year basis as part of their business strategies.

As of October 15, 2010, the average (weighted by TEU capacity) remaining time charter duration for our fleet of 41 containerships was 5.6 years, based on the remaining fixed terms and assuming the earliest redelivery dates possible under our containerships' charters. As of June 30, 2010, our fixed-term charters represented an aggregate of \$1.7 billion of contracted revenue, assuming the earliest redelivery dates possible under our containerships' charters and 365 revenue days per annum per containership. See the table entitled [Contracted Revenue and Days From Time Charters as of June 30, 2010](#) in [Factors Affecting Our Results of Operations - Voyage Revenue](#) .

The table below provides additional information about the charter coverage for our fleet of 42 containerships as of June 30, 2010. Except as indicated in the footnotes, it does not reflect events occurring after that date. In particular it does not reflect, (i) our contracts to acquire three newbuilds and four secondhand containerships and (ii) the recent agreements we have obtained for the re-chartering of *MSC Navarino* and the extension of the duration of the charters of eight other containerships, such extensions resulting in an increase in our future contracted days and contracted revenues. See [Business Overview - Recent Developments](#) . The table assumes the earliest redelivery dates possible under our containerships' charters. See [Business - Fleet Characteristics](#) .

	2010 <sup>(1)</sup>	2011	2012	2013	2014	2015
<b>No. of Vessels whose Charters Expire</b>	1	3	16	2	6	1
<b>TEUs of Expiring</b>	1,466	7,704	54,000	7,752	38,232	6,644

**Charters**

<b>Contracted Days</b>	7,604	14,636	11,512	7,511	6,204	5,078
<b>Available Days</b>	32	142	2,380	5,416	4,381	5,507
<b>Contracted/Total Days<sup>(2)</sup></b>	99.6 %	99.0 %	82.9 %	58.1 %	58.6 %	47.9 %

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(1) Fleet information for 2010 is as of June 30, 2010 and describes our fleet from July 1, 2010 to December 31, 2010, adjusted only to reflect redelivery of *MSC Sicily* from its charterer on September 18, 2010 and delivery to its buyer on September 23, 2010.

(2) Total days are calculated on the assumption that the vessels will continue

trading until  
the age of  
30 years  
old, unless  
the vessel  
will exceed  
30 years of  
age at the  
expiry of its  
current  
charter  
party, in  
which case  
we assume  
that the  
vessel  
continues  
trading until  
that expiry  
date.

Our containership fleet is currently under time charters with eight different charterers. For the three years ended December 31, 2009, our three largest customers by revenue were A.P. Moller-Maersk, MSC and COSCO; together these three customers represented 77.3%, 71.1% and 73.7% of our

revenue in 2007, 2008 and 2009, respectively, and these same three companies represented 73.9% of our revenue in the first half of 2010.

We drydock our vessels when the next survey (drydock survey or special survey) is scheduled to become due, ranging from 30 to 60 months. Our current fleet averages 18 days of drydock time per containership, at which time we perform class renewal surveys and make any necessary repairs or retrofittings. We have drydocked 31 vessels over the past 3 years, and we plan to drydock 10 vessels in 2010 and 4 vessels in 2011. Information about our fleet drydocking schedule through 2014 is set forth in a table in [Business Inspection by Classification Societies Drydocking](#) .

## **Our Manager**

The operations of our fleet of containerships are managed by Costamare Shipping, CIEL and Shanghai Costamare, our managers, under the supervision of our chairman and chief executive officer and our chief financial officer, in conjunction with our board of directors. With effect from the consummation of this offering, Costamare Shipping will receive a fee of \$850 per day (\$425 per day in the case of a containership subject to a bareboat charter) for each containership, pro rated for the calendar days we own each containership, for providing us with general administrative services, certain commercial services, director and officer related insurance services and the services of our officers (but not for payment of such officer's compensation) and for providing the relevant containership owning subsidiaries with technical, commercial, insurance, accounting, provisions, sale and purchase, crewing and bunkering services. In the event that Costamare Shipping decides to delegate certain or all of the services it has agreed to perform, either through subcontracting to CIEL or Shanghai Costamare or by directing CIEL or Shanghai Costamare to enter into a direct shipmanagement agreement with the relevant containership owning subsidiary, then, in the case of subcontracting, Costamare Shipping will be responsible for paying the management fee charged by the relevant submanager for providing such services and, in the case of a direct shipmanagement agreement, the fee received by Costamare Shipping will be reduced by the fee payable to CIEL or, as the case may be, Shanghai Costamare under the relevant direct shipmanagement agreement. In addition to such fees, we pay for any capital expenditures, financial costs, operating expenses and any general and administrative expenses, including the salaries of our officers and employees and payments to third parties in accordance with the group management agreement and the relevant separate shipmanagement agreements or supervision agreements. We also pay to Costamare Shipping a flat fee of \$700,000 per newbuild vessel for the supervision of the construction of any newbuild vessel for which we may contract. Costamare Shipping also receives a commission of 0.75% on all gross freight, demurrage, charter hire, ballast bonus or other income earned with respect to each containership in our fleet.

The initial term of the group management agreement with Costamare Shipping expires on December 31, 2015. The group management agreement automatically renews for a one-year period and will be extended in one-year increments until December 31, 2020, at which point the group management agreement will expire. The management fee of \$850 per day for each containership is fixed until December 31, 2012 and will thereafter be annually adjusted upwards by 4%, with further annual increases permitted to reflect the strengthening of the Euro against the U.S. dollar and/or material unforeseen cost increases. After the initial term expires on December 31, 2015, we will be able to terminate the group management agreement, subject to a termination fee, by providing written notice to Costamare Shipping at least 12 months before the end of the subsequent one-year term. The termination fee is equal to (a) the lesser of (i) five and (ii) the number of full years remaining prior to December 31, 2020, times (b) the aggregate fees due and payable to Costamare Shipping during the 12-month period ending on the date of termination (without taking into account any reduction in fees to reflect that certain obligations have been delegated to a submanager), *provided* that the termination fee will always be at least two times the aggregate fees over the 12-month period described above. Information about other termination events under the group management agreement is set forth in [Our Managers and Management-Related Agreements Term and Termination Rights](#) .

Pursuant to the terms of our group management agreement and separate shipmanagement agreements and supervision agreements, liability of our managers to us is limited to instances of gross negligence or willful misconduct on the part of the managers. Further, we are required to indemnify the



managers for liabilities incurred by the managers in performance of the group management agreement and separate shipmanagement agreements and supervision agreements, except in instances of gross negligence or willful misconduct on the part of the managers.

## **2008 Reorganization**

Costamare Inc. was incorporated on April 21, 2008 for the purpose of completing a reorganization of 53 ship-owning companies then owned by our chief executive officer and other members of the Konstantakopoulos family under a single corporate holding company. Under the Master Sales Agreement (the MSA ) relating to the reorganization, the Konstantakopoulos family agreed to sell shares or vessels of each of the predecessor companies to the Company or to newly formed subsidiaries of the Company. As a result, subsidiaries of the Company acquired 28 vessels and part of their related assets from 28 of the predecessor companies and assumed or repaid related bank debt and other liabilities, and the Company acquired the shares of each of 25 predecessor companies. In return, the Company made distributions to the shareholders of the predecessor companies totaling \$400.0 million (\$269.0 million of which was paid as of December 31, 2008 and \$131.0 million during the period from January 1, 2009 to April 23, 2009). In addition the Company agreed to assume certain guarantees of Costamare Shipping. For more detail please refer to Note 1 of our consolidated financial statements included in this prospectus.

As members of the Konstantakopoulos family are the sole shareholders of Costamare Inc., and previously owned 100% of the predecessor companies, there was no change in ownership or control of the business, and therefore the transaction constituted a reorganization of companies under common control, and was accounted for in a manner similar to a pooling of interests. For more details please refer to Note 1 of our consolidated financial statements included in this prospectus.

## **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 a key factor in determining the level of our revenues. Aggregate expenses also increase as the size of our fleet increases. Vessel acquisitions and dispositions give rise to gains and losses and

other one-time items. During 2007 and 2008, we increased the number of vessels in our fleet so that on October 31, 2008 our fleet consisted of 53 containerships. Thereafter, in response to the global economic recession, we reduced our fleet through dispositions. At December 31, 2009, our fleet consisted of 44 containerships.

*Charter Rates.*

The charter rates we obtain for our vessels also drive our revenues.

Charter rates are based primarily on demand and supply of containership capacity at the time we enter into the charters for our vessels.

Demand and supply can fluctuate significantly over time as a result of changing economic conditions affecting trade

flow between  
ports served by  
liner companies  
and the  
industries  
which use liner  
shipping  
services.

Although our  
multi-year  
charters make  
us less  
susceptible to  
cyclical  
containership  
charter rates  
than vessels  
operated on  
shorter-term  
charters, such  
as spot  
charters, we are  
exposed to  
varying charter  
rate  
environments  
when our  
chartering  
arrangements  
expire and we  
seek to deploy  
our  
containerships  
under new  
charters. As  
illustrated in  
the table above  
under

Overview , the  
staggered  
maturities of  
our  
containership  
charters reduce  
our exposure to  
any one  
particular rate  
environment  
and point in the  
shipping cycle.  
Over the past

two years the Company has been proactive in working with its charterers to make adjustments to charter agreements that address the needs of both parties. See Voyage Revenue .

*Utilization of Our Fleet.* Due to the multi-year time charters under which they generally operate, our containerships have consistently been deployed at high utilization. Nevertheless, the amount of time our vessels spend in drydock undergoing repairs, maintenance or upgrade work affects our results of operations. Historically, our fleet has had a limited number of unscheduled off-hire days. In 2007, 2008 and 2009 our fleet utilization

based on  
unscheduled  
off-hire days as  
a percentage of  
total operating  
days for each  
year was  
99.7%, 99.3%  
and 99.9%,  
respectively,  
and

99.8% for the first half of 2010. 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 pattern of our containership fleet changes, our financial results would be affected.

*Expenses and Other Costs.* Our ability to control our fixed and variable expenses is critical to our ability to maintain acceptable profit margins. These expenses include commission expenses, crew wages and related costs, the cost of insurance, expenses for repairs and maintenance, the cost of spares and consumable stores, lubricating oil costs, tonnage taxes and other miscellaneous expenses. 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 paid, can cause our vessel operating expenses to increase. We proactively manage our foreign currency exposure by entering into Euro/dollar forward contracts covering our Euro-denominated operating expenses.

***Voyage Revenue***

Our operating revenues are driven primarily by the number of vessels in our fleet, the amount of daily charter hire that our vessels earn under time charters and the number of operating days during which our vessels generate revenues. These factors are, in turn, affected by 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.

Charter revenues are generated from fixed-rate time charters and are recorded on a straight-line basis over the term of each charter agreement (excluding the effect of any options to extend the term). Revenues derived from time charters with escalating rates are accounted for as operating leases and thus are recognized on a straight-line basis as the average revenue over the rental periods of such agreements, as service is performed, by dividing (i) the aggregate contracted revenues until the earliest expiration date of the time charter by (ii) the total contracted days until the earliest expiration date of the time charter. Some of our charters provide that the charter rate will be adjusted to a market rate for the final months of their respective terms. For purposes of determining the straight line revenue amount, we exclude these periods and treat the charter as expiring at the end of the last fixed rate period. Our revenues will be affected by the acquisition of any additional vessels in the future subject to time charters, as well as by the disposition of any existing vessel in our fleet. Our revenues will also be affected if any of our charterers cancel a time charter or if we agree to renegotiate charter terms during the term of a charter resulting in aggregate revenue reduction. Our time charter arrangements 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.

After rising during 2007 and the first half of 2008, charter rates for containerships fell dramatically to 10-year lows during the second half of 2008 and 2009. While rates have improved during the first half of 2010, they have not recovered to rate levels similar to those seen in late 2005. While charter rates and the level of demand for containerships are historically volatile, and there can be no assurance that either will improve, we believe that any continued improvement in the global economy and demand for containerships will lead to an improvement in charter rates over time.

Over the past two years the Company has been proactive in working with its charterers to make adjustments to charter agreements that address the needs of both parties. As a result, we have agreed in certain cases to charter rate re-arrangements entailing reductions for specified periods, combined with, among other things, subsequent rate increases, so that the aggregate payments under the charters are not materially reduced. In some cases we also have arranged for term extensions. In particular, we have made charter rate rearrangements for 28 out of our current fleet of 41 vessels, with reductions ranging from \$2,125 to \$5,655 per day for periods of less than one year (360 days) to approximately nine years.

We have been compensated for these reductions with subsequent hire increases ranging from \$780 to \$8,490 per day, for periods of approximately one to 6.5 years. Pursuant to the straight-line method used for the recognition of charter revenues, the amounts recognized as charter revenues during 2009 and the first half of 2010 have not been materially reduced, although the amount of cash received in these periods in respect of those charters has been reduced. As discussed under *Business Overview Recent Developments*, we recently completed agreements for the rechartering of certain containerships and the extension of the maturity of certain other containerships, which will increase our contracted revenues. These agreements are reflected in the fleet table under *Business Our Fleet Characteristics*.

The table below provides additional information about our expected revenues based on contracted charter rates as of June 30, 2010. Except as indicated in the footnotes, it does not reflect events occurring after that date. In particular it does not reflect (i) our contracts to acquire three newbuilds and four secondhand containerships, (ii) early redelivery of the MSC Navarino in return for our payment of \$9.5 million, in order to charter the MSC Navarino at a significantly increased rate, and (iii) the four-year extensions to the time charters of eight of our containerships, such extensions resulting in an increase in our future contracted days and contracted revenues. See

*Business Overview Recent Developments*. Although these expected revenues are based on contracted charter rates, any contract is subject to various risks, including performance by the counterparties or an early termination of the contract pursuant to its terms. If the charterers are unable to make charter payments to us, if we agree to renegotiate charter terms at the request of a charterer or if contracts are prematurely terminated for any reason, our results of operations and financial condition may be materially adversely affected. Historically, we have had no defaults or early terminations by charterers, although in certain cases we have agreed to changes in charter terms.

**Contracted Revenue and Days From Time Charters as of June 30, 2010**  
(Expressed in thousands of U.S. dollars, except days and percentages)

	<b>On and After July 1,</b>			<b>On and After January 1,</b>	
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Contracted Revenues <sup>(1)(2)(3)(4)</sup>	\$ 179,124	\$ 343,595	\$ 298,503	\$ 246,539	\$ 211,580
Fleet Contracted Days <sup>(3)(4)</sup>	7,604	14,636	11,512	7,511	6,204
Percentage of fleet contracted days/Total days <sup>(3)(4)</sup>	99.6 %	99.0 %	82.9 %	58.1 %	58.6 %

(1) Annual revenue calculations are based on:  
(a) an assumed 365 revenue

days per vessel per annum, (b) the earliest redelivery dates possible under our containerships charters, and (c) no exercise of any option to extend the terms of those charters.

- (2) Includes the contracted revenues and days for the vessel *Akritas* whose new charters start in August 2010 and September 2010. See Prospectus Summary Our Fleet and Business Our Fleet .
- (3) Includes contracted revenue for *MSC Sicily* until her redelivery on September 18, 2010.
- (4) Some of our charters provide that the charter rate will be adjusted to a market rate for the final months of their respective terms. For

purposes of determining contracted revenues and the number of days, we exclude these periods and treat the charter as expiring at the end of the last fixed rate period. Total days are calculated on the assumption that the vessels will continue trading until the age of 30 years old, unless the vessel will exceed 30 years of age at the expiry of its current charter party, in which case we assume that the vessel continues trading until that expiry date.

***Voyage Expenses***

Voyage expenses include port and canal charges, bunker (fuel) expenses, address commissions and brokerage commissions. Under our time charter arrangements, charterers bear the voyage expenses other than address and brokerage commissions. As such, voyage expenses represent a relatively small portion of our vessels' overall expenses.

From time to time, in accordance with industry practice, we pay commissions ranging between 0.5% to 1.25% of the total daily charter rate under the charters to unaffiliated ship brokers, depending on the number of brokers involved with arranging the charter. In one case we also pay an address

commission of 2.50%. These commissions do not include the fees we pay to our manager, which are described below under *Management Fees* .

### ***Vessels Operating Expenses***

Vessels operating expenses include crew wages and related costs, the cost of insurance, expenses for repairs and maintenance, the cost of spares and consumable stores, lubricant costs, statutory and classification expenses and other miscellaneous expenses. Aggregate expenses increase as the size of our fleet increases. We expect that insurance costs, drydocking and maintenance costs will increase as our vessels age. Factors beyond our control, some of which may affect the shipping industry in general for instance, developments relating to market premiums for insurance and changes in the market price of lubricants due to increases in oil prices may also cause vessel operating 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 (mainly in Euro), 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. As of December 31, 2009, approximately 24% of our outstanding accounts payable were denominated in currencies other than the U.S. dollar (mainly in Euro). We fund our managers with the amounts they will need to pay our fleet's vessel operating expenses. Under our time charter arrangements, we generally pay for vessel operating expenses.

### ***General and Administrative Expenses***

General and administrative expenses mainly include legal, accounting and advisory fees. After the completion of this offering, we expect to incur additional general and administrative expenses going forward as a public company. We expect that the primary components of general and administrative expenses will consist of the expenses associated with being a public company, which include the preparation of disclosure documents, legal and accounting costs, investor relation costs, incremental director and officer liability insurance costs, director and executive compensation and costs related to compliance with the Sarbanes-Oxley Act of 2002.

### ***Management Fees***

Historically, while we were a privately owned company, we paid our managers Costamare Shipping, CIEL and Shanghai Costamare (through payments to Costamare Shipping) a daily management fee per vessel for their services. The total management fees paid by us to our managers during the years ended December 31, 2007, 2008 and 2009 amounted to \$11.8 million, \$13.5 million and \$12.2 million, respectively, which is equivalent to a daily management fee per vessel per day of \$700 for each of those periods.

As discussed above under *Our Manager* , our group management agreement will take effect upon the consummation of this offering. If that agreement had been in effect for the full year 2009, we estimate that the aggregate amount of additional payments to the manager would have been approximately \$5.5 million higher, and net income would have been \$5.5 million lower, in 2009 than the amount recorded with respect to our existing management agreement. If that agreement had been in effect since January 1, 2010, we estimate that the aggregate amount of additional payments to the manager would have been approximately \$2.5 million higher, and net income would have been \$2.5 million lower, in the first half of 2010, than the amount recorded with respect to our existing management agreement.

### ***Amortization of Dry-docking and Special Survey Costs***

We follow the deferral method of accounting for special survey and drydocking costs whereby actual costs incurred (mainly shipyard costs, paints and class renewal expenses) are deferred and amortized on a straight-line basis over the period through the date the next survey is scheduled to become due. If a survey is performed prior to the scheduled date, the remaining unamortized balances are immediately written off. Unamortized balances of vessels that are sold are written off and included in the calculation of the resulting gain or loss in the period of the vessel's sale.



### ***Depreciation***

We depreciate our containerships on a straight-line basis over their estimated remaining useful economic lives. For years prior to January 1, 2007, we estimated this to be 25 years. As of January 1, 2007, we determined the estimated useful lives of our containerships to be 30 years from their initial delivery from the shipyard. This change was made to reflect our experience, market conditions and the current practice in the containership industry. Depreciation is based on cost, less the estimated scrap value of the vessels. As of June 30, 2010, seven of our vessels, with TEU capacity of 12,950, were fully depreciated.

### ***Gain on Sale of Vessels***

The gain or loss on the sale of a vessel is presented in a separate line item in our consolidated statements of income. In 2008, 2009 and first half of 2010 we sold 1, 10 and 3 vessels, respectively. No vessels were sold in 2007.

### ***Foreign Exchange Gains / (Losses)***

Our functional currency is the U.S. dollar because our vessels operate in international shipping markets, and therefore transact business mainly in U.S. dollars. Our books of accounts are maintained in U.S. dollars. Transactions involving other currencies are converted into U.S. dollars using the exchange rates in effect at the time of the transactions. The gain or loss derives from the different foreign currency exchange rates between the time that a cost is recorded in our books and the time that the cost is paid. At the balance sheet dates, monetary assets and liabilities, which are denominated in other currencies, are translated into U.S. dollars at the year-end exchange rates. Resulting gains or losses are reflected as foreign exchange gains / (losses) in our consolidated statement of income.

### ***Other Income / (Expenses)***

Other expenses represent primarily non-recurring items that are not classified under the other categories of our consolidated income statement. Such expenses may, for instance, result from various potential claims against our company, or from payments we are effecting on behalf of charterers that cannot meet their obligations.

### ***Interest Income, Interest and Finance Costs***

We incur interest expense on outstanding indebtedness under our existing credit facilities which we include in interest expense. We also incur financing and legal 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. For a description of our existing credit facilities and our new committed term loan please read [Description of Indebtedness](#) .

### ***Other***

Other primarily represents vessels hull and machinery and vessels guarantee claims recoveries and gains resulting from free lubricants agreements that we have entered into for our vessels with lubricant suppliers. Free lubricants agreements with lubricant suppliers provide for the initial supply of lubricants at no charge to us upon the acquisition of a vessel. Following the initial supply at no charge, we are obliged under these agreements to purchase required lubricants for the vessel from the relevant supplier for a contracted period of time. If we terminate such an agreement before it expires we have to pay the supplier for the initial lubricant fill cost. We amortize the initial lubricant fill benefit through the term of the agreement.

***Gain (Loss) on Derivative Instruments***

We enter into interest rate swap contracts to manage our exposure to fluctuations of interest rate risks associated with specific borrowings. All derivatives are recognized in the consolidated financial statements at their fair value. On the inception date of the derivative contract, we designate the derivative as a hedge of a forecasted transaction or the variability of cash flow to be paid ( cash flow hedge). Changes in the fair value of a derivative that is qualified, designated and highly effective as a cash flow hedge are recorded in other comprehensive income until earnings are affected by the forecasted transaction or the variability of cash flow and are then reported in earnings. Changes in the fair value of undesignated derivative instruments and the ineffective portion of designated derivative instruments are reported in earnings in the period in which those fair value changes have occurred. As at December 31, 2009, we were engaged in 11 interest rate derivative instruments in order to partially hedge the exposure of interest rate fluctuations associated with our variable rate borrowings and at this date 10 out of 11 of these agreements met hedge accounting criteria and the effective portion in change in their fair value is recognized in Other Comprehensive Loss in stockholders' equity on our balance sheet. We recognize in our statement of income the change in fair value of the one interest rate swap that does not meet hedge accounting criteria. For a description of our existing interest rate swaps, please read Interest Rate Risk .

**Results of Operations*****Six-month period ended June 30, 2010 compared to the six-month period ended June 30, 2009***

During the six-month period ended June 30, 2010, we had an average of 42.9 vessels in our fleet. During the six-month period ended June 30, 2009, we had an average of 49.7 vessels in our fleet. In the six-month period ended June 30, 2010, we acquired the vessel *MSC Navarino* with a TEU capacity of 8,531, and we sold three vessels with an aggregate TEU capacity of 9,300. In the six-month period ended June 30, 2009, we sold five vessels with an aggregate TEU capacity of 9,223. In the six-month period ended June 30, 2010 our fleet operating days totaled 7,767 days. In the six-month period ended June 30, 2009 our fleet operating days totaled 8,997 days. Operating days are the primary driver of voyage revenue and vessels operating expenses.

(Expressed in millions of U.S. dollars, except percentages)	Six-month period ended June 30,		Change	Percentage Change
	2009	2010		
Voyage revenue	\$ 207.9	\$ 178.8	\$ (29.1 )	(14.0 %)
Voyage expenses	(2.4 )	(1.0 )	1.4	58.3 %
Vessels operating expenses	(61.3 )	(51.8 )	9.5	15.5 %
General and administrative expenses	(0.3 )	(0.7 )	(0.4 )	(133.3 %)
Management fees	(6.4 )	(5.5 )	0.9	14.1 %
Amortization of dry-docking and special survey costs	(3.9 )	(4.1 )	(0.2 )	(5.1 %)
Depreciation	(36.1 )	(34.4 )	1.7	4.7 %
Gain on sale of vessels	3.9	7.9	4.0	102.6 %
Foreign exchange gains / (losses)	(0.5 )	(0.1 )	0.4	80.0 %
Interest income	1.6	0.6	(1.0 )	(62.5 %)
Interest and finance costs	(48.8 )	(34.2 )	14.6	29.9 %
Other	4.3	0.3	(4.0 )	(93.0 %)
Gain (loss) on derivative instruments	12.4	(10.2 )	(22.6 )	

<b>Net Income</b>	\$	70.4	\$	45.6	\$	(24.8 )	(35.2 %)
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	Six-month period ended June 30,		Change	Percentage Change
	2009	2010		
<b>Fleet operational data</b>				
Average number of vessels	49.7	42.9	(6.8 )	(13.7 %)
Operating days	8,997	7,767	(1,230 )	(13.7 %)
Number of vessels drydocked	5	7	2	
<i>Voyage Revenue</i>				

Voyage revenue decreased by 14.0%, or \$29.1 million, to \$178.8 million during the six-month period ended June 30, 2010, from \$207.9 million during the six-month period ended June 30, 2009. The decrease was primarily attributable to the decrease in operating days of our fleet during the period, resulting from the lower average number of vessels in our fleet during the six-month period ended June 30, 2010 compared to the six-month period ended June 30, 2009.

#### *Voyage Expenses*

Voyage expenses decreased by 58.3%, or \$1.4 million, to \$1.0 million during the six-month period ended June 30, 2010 from \$2.4 million during the six-month period ended June 30, 2009. The decrease was primarily attributable to the decrease in operating days of our fleet for the period ended June 30, 2010, resulting from the lower average number of vessels in our fleet during the six-month period ended June 30, 2010 compared to the six-month period ended June 30, 2009. The decrease is also attributable to decreased commissions charged by third parties as well as to lower port charges and fuel consumption due to decreased off-hire days.

#### *Vessels Operating Expenses*

Vessels operating expenses decreased by 15.5%, or \$9.5 million, to \$51.8 million during the six-month period ended June 30, 2010, from \$61.3 million during the six-month period ended June 30, 2009. The decrease was mainly attributable to the decreased fleet operating days during the six-month period ended June 30, 2010 compared to the six-month period ended June 30, 2009.

#### *General and Administrative Expenses*

General and administrative expenses increased by 133.3%, or \$0.4 million, to \$0.7 million during the six-month period ended June 30, 2010, from \$0.3 million during the six-month period ended June 30, 2009. The increase in the six-month period ended June 30, 2010 is mainly attributable to the increase in legal, accounting and advisory fees charged to us.

#### *Management Fees*

Management fees paid to our managers decreased by 14.1%, or \$0.9 million, to \$5.5 million during the six-month period ended June 30, 2010, from \$6.4 million during the six-month period ended June 30, 2009. The decrease was attributable to the decrease in operating days of our fleet for the period ended June 30, 2010, resulting from the lower average number of vessels in our fleet in the six-month period ended June 30, 2010 compared to the six-month period ended June 30, 2009.

#### *Amortization of Dry-docking and Special Survey Costs*

Amortization of deferred drydocking and special survey costs expense increased by 5.1%, or \$0.2 million, to \$4.1 million during the six-month period ended June 30, 2010, from \$3.9 million during the six-month period ended June 30, 2009. During the six-months period ended June 30, 2009 and 2010, five vessels and seven vessels, respectively, underwent their special survey. The increase is attributable to the amortization expense charged for the six out of seven of our vessels that were drydocked (for one vessel the drydocking was in progress as at June 30, 2010) during the six-month period ended June 30,

2010, partly offset by the amortization expense that was not charged relating to the vessels that were sold during the period.

#### *Depreciation*

Depreciation expense decreased by 4.7%, or \$1.7 million, to \$34.4 million during the six-month period ended June 30, 2010, from \$36.1 million during the six-month period ended June 30, 2009. The decrease is attributable to the sale of three vessels during the period ended June 30, 2010, partly offset by the depreciation expense charged for the vessel MSC Navarino that was delivered to us by the shipyard in May 2010. Two of the three vessels sold in the six-month period ended June 30, 2010 were fully depreciated as of the dates they were sold.

#### *Gain on Sale of Vessels*

In the six-month period ended June 30, 2010 we recorded a gain of \$7.9 million from the sale of three vessels, while in the six-month period ended June 30, 2009 we recorded a gain of \$3.9 million from the sale of five vessels.

#### *Foreign Exchange Gains / (Losses)*

Foreign exchange losses were \$0.1 million during the six-month period ended June 30, 2010, compared to losses of \$0.5 million during the six-month period ended June 30, 2009, representing a change of \$0.4 million resulting from favorable currency translation between the U.S. dollar and the Euro.

#### *Interest Income*

During the six-month period ended June 30, 2010 interest income decreased by 62.5%, or \$1.0 million, to \$0.6 million, from \$1.6 million during the six-month period ended June 30, 2009. The change in interest income is mainly due to the decreased average cash balance held by us during the six-months period ended June 30, 2010 compared to the six-month period ended June 30, 2009.

#### *Interest and Finance Costs*

Interest and finance costs decreased by 29.9%, or \$14.6 million, to \$34.2 million during the six-month period ended June 30, 2010, from \$48.8 million during the six-month period ended June 30, 2009. The decrease is mainly attributable to lower average debt balance during the six-month period ended June 30, 2010 compared to six-month period ended June 30, 2009. The interest expense decreased to \$9.0 million during the six-month period ended June 30, 2010, from \$32.2 million during the six-month period ended June 30, 2009 due to decreased base rates. The costs relating to our interest rate swap agreements increased to \$26.2 million during the six-month period ended June 30, 2010, from \$14.5 million during the six-month period ended June 30, 2009, due to the increased difference between market rates and fixed rates.

#### *Other*

Other decreased to \$0.3 million during the six-month period ended June 30, 2010, from \$4.3 million during the six-month period ended June 30, 2009. The decrease is primarily attributable to the decreased income resulting from our vessels hull and machinery as well as guarantee claims recoveries.

#### *Gain (Loss) on Derivative Instruments*

The fair value of our 11 derivative instruments that were outstanding as of June 30, 2010 equates to the amount that would be paid by us should those instruments be terminated. As of June 30, 2010, the fair value of these 11 interest rate swaps in aggregate amounted to a liability of \$118.5 million. Ten of the 11 interest rate derivative instruments

that were outstanding as at June 30, 2010 qualified for hedge accounting and the effective portion in the change of their fair value is recorded in Other

comprehensive loss in stockholders' equity. For the six-month period ended June 30, 2010, a loss of \$31.7 million has been recorded in Other comprehensive loss in stockholders' equity and a loss of \$5.6 million has been recorded in Gain (loss) on derivative instruments in the consolidated statement of income.

***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 47.3 vessels in our fleet. During the year ended December 31, 2008, we had an average of 52.8 vessels in our fleet. In 2009, we acquired the vessels *Gifted* and *Genius* with an aggregate TEU capacity of 5,844, and we sold 10 vessels with an aggregate TEU capacity of 18,333. During 2008, we acquired the vessels *Gem* and *Maersk Kokura* with an aggregate TEU capacity of 10,325, and we sold one vessel with a TEU capacity of 978. During 2009 our fleet operating days totaled 17,279 days. During 2008 our fleet operating days totaled 19,316 days. Operating days are the primary driver of voyage revenue and vessels operating expenses.

(Expressed in millions of U.S. dollars, except percentages)	Year ended December 31,		Change	Percentage Change
	2008	2009		
Voyage revenue	\$ 426.3	\$ 399.9	\$ (26.4)	(6.2 %)
Voyage expenses	(3.7)	(3.1)	0.6	16.2 %
Vessels operating expenses	(148.4)	(114.5)	33.9	22.8 %
General and administrative expenses	(2.6)	(1.7)	0.9	34.6 %
Management fees	(13.5)	(12.2)	1.3	9.6 %
Amortization of dry-docking and special survey costs	(6.7)	(8.0)	(1.3)	(19.4 %)
Depreciation	(72.3)	(71.1)	1.2	1.7 %
Gain on sale of vessels	0.1	2.9	2.8	
Foreign exchange gains / (losses)	0.2	(0.5)	(0.7)	(350.0 %)
Interest income	5.6	2.7	(2.9)	(51.8 %)
Interest and finance costs	(68.4)	(86.8)	(18.4)	(26.9 %)
Other	0.1	3.9	3.8	
Gain (loss) on derivative instruments	(17.0)	5.6	22.6	(132.9 %)
<b>Net Income</b>	<b>\$ 99.7</b>	<b>\$ 117.1</b>	<b>\$ 17.4</b>	<b>17.5 %</b>

	Year ended December 31,		Change	Percentage Change
	2008	2009		
<b>Fleet operational data</b>				
Average number of vessels	52.8	47.3	(5.5)	(10.4 %)
Operating days	19,316	17,279	(2,037)	(10.5 %)
Number of vessels drydocked	15	6	(9)	
<i>Voyage Revenue</i>				

Voyage revenue decreased by 6.2%, or \$26.4 million, to \$399.9 million during the year ended December 31, 2009, from \$426.3 million during the year ended December 31, 2008. The decrease was primarily attributable to the

decrease in operating days of our fleet for the year, resulting from the lower average number of vessels in our fleet in 2009 compared to 2008.

*Voyage Expenses*

Voyage expenses decreased by 16.2%, or \$0.6 million, to \$3.1 million during the year ended December 31, 2009 from \$3.7 million during the year ended December 31, 2008. The decrease was primarily attributable to the decrease in operating days of our fleet for the year, resulting from the lower average number of vessels in our fleet in 2009 compared to 2008. Furthermore, the decrease is attributable to off-hire related lower port and fuel consumption expenses as well as to decreased commissions charged by third parties. The main reason for the decrease in off-hire related expenses in

2009 is the decreased fleet off-hire days in 2009 compared to 2008, resulting from six of our vessels being drydocked in 2009 compared to 15 vessels in 2008.

#### *Vessels Operating Expenses*

Vessels operating expenses decreased by 22.8%, or \$33.9 million, to \$114.5 million during the year ended December 31, 2009, from \$148.4 million during the year ended December 31, 2008. The decrease was mainly attributable to decreased fleet operating days for the year, resulting from the sale of 10 vessels in 2009.

#### *General and Administrative Expenses*

General and administrative expenses decreased by 34.6%, or \$0.9 million, to \$1.7 million during the year ended December 31, 2009, from \$2.6 million during the year ended December 31, 2008. The decrease in 2009 is mainly attributable to the increase in legal, accounting and advisory fees charged to us for the corporate structure reorganization process we underwent in 2008.

#### *Management Fees*

Management fees paid to our managers decreased by 9.6%, or \$1.3 million, to \$12.2 million during the year ended December 31, 2009, from \$13.5 million during the year ended December 31, 2008. The decrease was attributable to the decrease in operating days of our fleet for the year, resulting from the lower average number of vessels in our fleet in 2009 compared to 2008.

#### *Amortization of Dry-docking and Special Survey Costs*

Amortization of deferred drydocking and special survey costs expense increased by 19.4%, or \$1.3 million, to \$8.0 million in 2009, from \$6.7 million in 2008. The increase is attributable to the amortization expense charged for the six of our vessels that were drydocked in 2009 and to the amortization expense charged for the whole year for 15 of our vessels that were drydocked in 2008.

#### *Depreciation*

Depreciation expense decreased by 1.7%, or \$1.2 million, to \$71.1 million during the year ended December 31, 2009, from \$72.3 million during the year ended December 31, 2008. The decrease is attributable to the sale of 10 of our vessels in 2009. Seven of the 10 vessels sold in 2009 were fully depreciated as of the dates they were sold.

#### *Gain on Sale of Vessels*

In 2009 we recorded a gain of \$2.9 million from the sale of 10 vessels, while in 2008 we recorded a gain of \$0.1 million from the sale of one vessel.

#### *Foreign Exchange Gains / (Losses)*

Foreign exchange losses were \$0.5 million during the year ended December 31, 2009, compared to gains of \$0.2 million during the year ended December 31, 2008, representing a change of \$0.7 million resulting primarily from more unfavorable currency translation between the U.S. dollar and the Euro.

#### *Interest Income*

During the year ended December 31, 2009 interest income decreased by 51.8%, or \$2.9 million, to \$2.7 million, from \$5.6 million during the year ended December 31, 2008. The change in interest income is mainly due to the aggregate

gain of \$2.1 million that we recorded in 2008, which resulted from the termination of two interest rate swap agreements we had entered into in 2008.

*Interest and Finance Costs*

Interest and finance costs increased by 26.9%, or \$18.4 million, to \$86.8 million during the year ended December 31, 2009, from \$68.4 million during the year ended December 31, 2008. The interest expense decreased to \$47.5 million during the year ended December 31, 2009, from \$60.9 million during the year ended December 31, 2008, due to the decreased base rates. The costs relating to our interest rate swap agreements increased to \$34.6 million during the year ended December 31, 2009, from \$2.8 million during the year ended December 31, 2008. The change in interest and finance costs was primarily due to the increased indebtedness during the year.

*Other*

Other increased to \$3.9 million during the year ended December 31, 2009, from \$0.1 million during the year ended December 31, 2008. The increase is primarily attributable to the increased income resulting from our vessels' hull and machinery as well as guarantee claims recoveries.

*Gain (Loss) on Derivative Instruments*

The fair value of the 11 derivative instruments that were outstanding as at December 31, 2009, equates to the amount that would be paid by us should those instruments be terminated. As at December 31, 2009, the fair value of these 11 interest rate swaps in aggregate amounted to a liability of \$81.2 million. On December 31, 2008, 12 interest rate derivative instruments that were outstanding and their fair value amounted to a liability of \$132.3 million. Ten of the 11 interest rate derivative instruments that were outstanding as at December 31, 2009 qualified for hedge accounting and the effective portion in the change of their fair value is recorded in *Other comprehensive loss* in stockholders' equity. For the year ended December 31, 2009, a gain of \$42.7 million has been recorded in *Other comprehensive loss* in stockholders' equity and a gain of \$8.1 million has been recorded in *Gain (loss) on derivative instruments* in the consolidated statement of income.

*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 52.8 vessels in our fleet. During the year ended December 31, 2007, we had an average of 46.2 vessels in our fleet. During 2008, we acquired the vessels Gem and Maersk Kokura with an aggregate TEU capacity of 10,325 and we sold one vessel with a TEU capacity of 978. During 2007 we acquired five vessels with an aggregate TEU capacity of 18,897. During 2008, our fleet operating days totaled 19,316 days. During 2007, our fleet operating days totaled 16,875 days. Operating days are the primary driver of voyage revenue and vessels operating expenses.

(Expressed in millions of U.S. dollars, except percentages)	Year ended December 31,		Change	Percentage Change
	2007	2008		
Voyage revenue	\$ 370.1	\$ 426.3	\$ 56.2	15.2 %
Voyage expenses	(2.8 )	(3.7 )	(0.9 )	(32.1 %)
Vessels operating expenses	(124.7 )	(148.4 )	(23.7 )	(19.0 %)
General and administrative expenses	(0.5 )	(2.6 )	(2.1 )	(420.0 %)
Management fees	(11.8 )	(13.5 )	(1.7 )	(14.4 %)
Amortization of dry-docking and special survey costs	(3.1 )	(6.7 )	(3.6 )	(116.1 %)
Depreciation	(50.7 )	(72.3 )	(21.6 )	(42.6 %)
Gain on sale of vessels	0.0	0.1	0.1	

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Foreign exchange gains / (losses)	(0.6 )	0.2	0.8	133.3 %
Other income / (expenses)	(0.3 )	0.0	0.3	100.0 %
Interest income	3.6	5.6	2.0	55.6 %
Interest and finance costs	(62.6 )	(68.4 )	(5.8 )	9.3 %
Other	0.2	0.1	(0.1 )	(50.0 %)
Gain (loss) on derivative instruments	(1.5 )	(17.0 )	(15.5 )	
<b>Net Income</b>	<b>\$ 115.3</b>	<b>\$ 99.7</b>	<b>\$ (15.6 )</b>	<b>(13.5 %)</b>

	Year ended December 31,		Change	Percentage Change
	2007	2008		
<b>Fleet operational data</b>				
Average number of vessels	46.2	52.8	6.6	14.3 %
Operating days	16,875	19,316	2,441	14.5 %
Number of vessels drydocked	10	15	5	
<i>Voyage Revenue</i>				

Voyage revenues increased by 15.2%, or \$56.2 million, to \$426.3 million during the year ended December 31, 2008, from \$370.1 million during the year ended December 31, 2007. The increase was attributable to the increase in operating days of our fleet for the year, resulting from the higher average number of vessels in our fleet in 2008 compared to 2007.

#### *Voyage Expenses*

Voyage expenses increased by 32.1%, or \$0.9 million, to \$3.7 million during the year ended December 31, 2008, from \$2.8 million during the year ended December 31, 2007. The increase was primarily attributable to the increase in operating days of our fleet for the year, resulting from the higher average number of vessels in our fleet in 2008 compared to 2007. Furthermore the increase is attributable to off-hire related port and fuel consumption expenses as well to increased commissions charged by third parties. The main reason for the increase in off-hire related expenses in 2008 is the increased fleet off-hire days in 2008 compared to 2007, resulting from 15 of our vessels being drydocked in 2008 compared to 10 vessels in 2007.

#### *Vessels Operating Expenses*

Vessels operating expenses increased by 19.0%, or \$23.7 million, to \$148.4 million during the year ended December 31, 2008, from \$124.7 million during the year ended December 31, 2007. The increase was mainly attributable to increased fleet operating days for the year, resulting from the acquisition of two new vessels in 2008, along with the five vessels acquired in 2007 that operated for the entire year in 2008.

#### *General and Administrative Expenses*

General and administrative expenses increased to \$2.6 million during the year ended December 31, 2008, from \$0.5 million during the year ended December 31, 2007. The increase is mainly attributable to the increased legal, accounting and advisory fees charged to us for the corporate structure reorganization process we underwent in 2008.

#### *Management Fees*

Management fees paid to our managers increased by 14.4%, or \$1.7 million, to \$13.5 million during the year ended December 31, 2008, from \$11.8 million during the year ended December 31, 2007. The increase is attributable to the increased vessel operating days in 2008 with the acquisition of two vessels along with the five vessels acquired in 2007 that operated for the entire year in 2008.

#### *Amortization of Dry-docking and Special Survey Costs*

Amortization of deferred drydocking and special survey costs increased by 116.1%, or \$3.6 million, to \$6.7 million in 2008, from \$3.1 million in 2007. The increase is attributable to the amortization expense charged for the 15 of our vessels that were drydocked in 2008 along with the amortization expense charged for the whole year for the 10 vessels

that were drydocked in 2007.

### *Depreciation*

Depreciation expense increased by 42.6%, or \$21.6 million, to \$72.3 million during the year ended December 31, 2008, from \$50.7 million during the year ended December 31, 2007. The increase in depreciation expense was primarily due to the two vessels acquired in 2008 along with the depreciation expense charged for the whole year for the five vessels that were acquired in 2007.

### *Gain on Sale of Vessels*

In 2008 we recorded a gain of \$0.1 million from the sale of one vessel. In 2007 we did not sell any vessels.

### *Foreign Exchange Gains / (Losses)*

Foreign exchange gains were \$0.2 million during the year ended December 31, 2008, compared to losses of \$0.6 million during the year ended December 31, 2007, representing a change of \$0.8 million resulting primarily from more favorable currency translation between the U.S. dollar and the Euro.

### *Interest Income*

During the year ended December 31, 2008, interest income increased by 55.6%, or \$2.0 million, to \$5.6 million, from \$3.6 million during the year ended December 31, 2007. The change in interest income is primarily due to the aggregate gain of \$2.1 million that we recorded in 2008 which resulted from the termination of two interest rate swap agreements we had entered into in 2008.

### *Interest and Finance Costs*

Interest and finance costs increased by 9.3%, or \$5.8 million, to \$68.4 million during the year ended December 31, 2008, from \$62.6 million during the year ended December 31, 2007. The change in interest expense was primarily due to the increased indebtedness during the year.

### *Other*

Other decreased by 50.0%, or \$0.1 million, to \$0.1 million during the year ended December 31, 2008, from \$0.2 million during the year ended December 31, 2007. The decrease is primarily attributable to the expiry of free lubricant agreements in 2007.

### *Gain (Loss) on Derivative Instruments*

The fair value of the 12 interest rate derivative instruments that were outstanding as at December 31, 2008 equates to the amount that would be paid by us should those instruments be terminated. As at December 31, 2008, the fair value of these 12 interest rate swaps in aggregate amounted to a liability of \$132.3 million. On December 31, 2007, one interest rate derivative instrument was outstanding and its fair value amounted to a liability of \$1.5 million. Ten of the 12 interest rate derivative instruments that were outstanding as at December 31, 2008, qualified for hedge accounting and the effective portion in the change of their fair value is recorded in *Other comprehensive loss* in stockholders equity. For the year ended December 31, 2008, a loss of \$103.7 million has been recorded in *Other comprehensive loss* in stockholders equity and a loss of \$19.3 million has been recorded in *Gain (loss) on derivative instruments* in the consolidated statement of income.

### **Seasonality**

Our containerships mainly operate under multi-year charters and therefore are not subject to the effect of seasonal variations in demand. Additionally, our business is not subject to seasonal borrowing requirements.

## Liquidity and Capital Resources

In the past, our principal sources of funds have been operating cash flows and long-term bank borrowings. 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, fund working capital requirements and pay dividends. In monitoring our working capital needs, we project our charter hire income and vessels' maintenance and running expenses, as well as debt service obligations, and seek to maintain adequate cash reserves in order to address any budget overruns.

Our primary short-term liquidity need is to fund our vessel operating expenses. Our long-term liquidity needs primarily relate to additional vessel acquisitions in the containership sectors and debt repayment. We anticipate that our primary sources of funds will be cash from operations, the proceeds of this offering and undrawn borrowing capacity under our committed revolving credit facility and our new committed term loan, along with borrowings under new credit facilities that we intend to obtain from time to time in connection with vessel acquisitions. Other than this offering we do not currently have any specific plans with respect to any future equity financing. We believe that these sources of funds will be sufficient to meet our short-term and long-term liquidity needs, including our contracts to purchase secondhand containerships and our agreements, subject to certain conditions, to acquire newbuilds, although there can be no assurance that we will be able to obtain future debt financing on terms acceptable to us.

As at June 30, 2010 we had \$45.8 million of cash and cash equivalents, including \$43.4 million of restricted cash. In addition we had investments comprised of U.S. Government securities and Province of Ontario securities totaling \$14.1 million.

As at June 30, 2010, we had an aggregate of \$1.4 billion of indebtedness outstanding under various credit agreements, of which \$49.8 million is repayable in the second half of 2010. As at the same date we had \$74.2 million of an undrawn credit line and the vessels shown in the table below were free of debt. On September 16, 2010, we obtained a commitment letter for a \$120.0 million term loan facility, subject to execution of definitive documentation and conditioned upon the closing of this offering. See [Credit Facilities](#) .

Vessel Name	Year Built	TEU Capacity
COSCO HELLAS	2006	9,469
MSC NAVARINO	2010	8,531
SEALAND MICHIGAN	2000	6,648
MSC AUSTRIA	1984	3,584
AKRITAS	1987	3,152
MSC SUDAN	1976	1,630
MSC TUSCANY	1978	1,468
MSC SICILY <sup>(1)</sup>	1978	1,466
MSC FADO	1978	1,181
HORIZON	1991	1,068

<sup>(1)</sup> *MSC Sicily*  
was sold  
and was

delivered  
to its  
buyers on  
September  
23, 2010.

In the first half of 2010 we did not declare any dividends. In 2009 we declared dividends from our retained earnings to our existing stockholders of \$40.2 million, of which \$30.2 million were paid in 2009 and \$10.0 million were paid on January 14, 2010. In 2008 we declared and paid dividends from our retained earnings to our existing stockholders of \$10.8 million.

Furthermore, in 2008 in relation to our reorganization process we paid out distributions to our existing stockholders of \$400.0 million (\$269.0 million of which was paid in 2008 and \$131.0 million in 2009). As discussed under 2008 Reorganization, the \$400.0 million in distributions were paid pursuant to the MSA in connection with the sale by the Konstantakopoulos family of the shares or assets of 53 ship-owning companies to the Company or newly formed subsidiaries of the Company. No distributions were paid in the first half of 2010.

The dividends and distributions paid during 2008, 2009 and the first half of 2010, were funded in part by borrowings and in part by cash from operations. On a cumulative basis for the entire period,

cash flow from operating activities exceeded the aggregate amount of dividends and distributions. The Company does not intend to use the proceeds of the offering to repay the borrowing noted above, although the Company may from time to time in the future apply available cash to the temporary or permanent reduction of its indebtedness.

Following this offering, we intend to pay a quarterly dividend of \$0.25 per share, or \$1.00 per share per year. Although our dividend policy will depend upon our future liquidity needs, we currently intend to pay dividends in amounts that will allow us to fund vessel, fleet or company acquisitions that we expect to be accretive to earnings and cash flows, and for debt repayment and drydocking costs, as determined by management and our board of directors. See Dividend Policy .

### Working Capital Position

As of June 30, 2010, our current assets totaled \$53.2 million while current liabilities totaled \$173.2 million, resulting in a negative working capital position of \$120.0 million. Based on our fixed-rate charters, we believe we will generate sufficient cash during the following 12 months to make the required principal and interest payments on our indebtedness, provide for the normal working capital requirements and remain in a positive cash position.

### Cash Flows

#### *Six-month periods ended June 30, 2010 and June 30, 2009*

(Expressed in millions of U.S. dollars)	Six-month period ended June 30,	
	2010	2009
<b>Condensed cash flows</b>		
Net Cash Provided by Operating Activities	\$ 56.0	\$ 83.0
Net Cash Provided by (Used in) Investing Activities	(9.2 )	32.7
Net Cash Provided by (Used in) Financing Activities	(56.7 )	(182.2 )
<b><i>Net Cash Provided by Operating Activities</i></b>		

Net cash flows provided by operating activities for the six-month period ended June 30, 2010 decreased \$27.0 million to \$56.0 million, compared to \$83.0 million for the six-month period ended June 30, 2009. The decrease was primarily attributable to (a) decreased cash from operations of \$45.1 million resulting from the decreased average number of vessels in 2010 compared to 2009 and to the increased Accrued charter revenue of \$18.4 million deriving from escalating charter rates under which certain of our vessels operate; the Accrued charter revenue is attributed to the time difference between the revenue recognition and the cash collection, and (b) increased payments for drydockings of \$3.4 million, partly offset by reduced payments for interest (including swap payments) of \$14.7 million in the six-month period ended June 30, 2010 compared to the six-month period ended June 30, 2009.

#### ***Net Cash Provided by (Used in) Investing Activities***

Net cash used in investing activities was \$9.2 million in the six-month period ended June 30, 2010, which consists of (a) \$28.3 million in payments to the shipyard for the construction cost of MSC Navarino and (b) \$19.1 million we received from the sale of three vessels.

Net cash provided by investing activities was \$32.7 million in the six-month period ended June 30, 2009, which consists of (a) \$17.3 million we received from the sale of government securities and (b) \$15.5 million we received from the sale of five vessels and a 15% advance payment for the sale of MSC Togo, which was delivered to its new owners in July 2009.

***Net Cash Provided by (Used in) Financing Activities***

Net cash used in financing activities was \$56.7 million in the six-month period ended June 30, 2010, which mainly consists of \$44.1 million of indebtedness that we repaid and \$10.0 million in dividends we paid to our shareholders.

Net cash used in financing activities amounted to \$182.2 million in the six-month period ended June 30, 2009, and mainly consists of \$49.8 million of indebtedness that we repaid, \$131.0 million in distributions we paid to our shareholders in connection with our Company's 2008 corporate reorganization and \$3.0 million in dividends we paid to our shareholders.

*Years ended December 31, 2007, 2008 and 2009*

(Expressed in millions of U.S. dollars)	Year ended December 31,		
	2007	2008	2009
<b>Condensed cash flows</b>			
Net Cash Provided by Operating Activities	\$ 166.6	\$ 247.5	\$ 161.9
Net Cash Provided by (Used in) Investing Activities	(257.6)	(138.3)	12.8
Net Cash Provided by (Used in) Financing Activities	93.1	(22.5)	(252.7)
<b><i>Net Cash Provided by Operating Activities</i></b>			

Net cash flows provided by operating activities for the year ended December 31, 2009 decreased \$85.6 million to \$161.9 million, compared to \$247.5 million for the year ended December 31, 2008. The decrease was primarily attributable to (a) decreased cash from operations of \$49.9 million resulting from the decreased average number of vessels in 2009 compared to 2008 and to the increased Accrued charter revenue of \$22.4 million deriving from escalating charter rates under which certain of our vessels operate (Accrued charter revenue is attributed to the time difference between the revenue recognition and the cash collection) (b) increased interest payments (including swap payments) of \$17.2 million and (c) unfavorable change in the working capital position, excluding the current portion of long term debt and the accrued charter revenue of \$70.0 million, partly offset by a reduction in drydocking payments of \$17.3 million in 2009 compared to 2008.

Net cash flows provided by operating activities increased by \$80.9 million to \$247.5 million for 2008, from \$166.6 million for 2007. The increase in 2008 was primarily attributable to (a) increased cash from operations of \$55.3 million resulting from the increased average number of vessels in 2008 compared to 2007 and (b) favorable change in the working capital position, excluding the current portion of long term debt and the accrued charter revenue of \$65.4 million, partly offset by increased interest payments (including swap payments) of \$6.8 million, and increased drydocking payments of \$13.3 million in 2008 compared to 2007.

***Net Cash Provided by (Used in) Investing Activities***

Net cash provided by investing activities was \$12.8 million in 2009, which consists of (a) \$8.9 million in payments for the acquisition of the vessels Genius and Gifted, (b) \$47.9 million in payments for the construction cost of MSC Navarino, (c) \$21.4 million we received from the sale of government securities and (d) \$48.2 million we received from the sale of 10 vessels.

Net cash used in investing activities was \$138.3 million for 2008, which consists of (a) \$104.2 million in payments for the acquisition of the vessels Gem and Maersk Kokura, (b) \$56.9 million in payments for the purchase of government securities, (c) \$21.7 million we received from the sale of government securities and (d) \$1.1 million we received from the sale of the vessel Windward.

Net cash used in investing activities was \$257.6 million for 2007, which consists of the 10% advance payment for the acquisition of the vessels Gem and Maersk Kokura, amounting to \$11.5 million, and \$246.0 million paid for the acquisition of the vessels Gather, Garden, Maersk Kawasaki, Gentle and Maersk Kure.

***Net Cash Provided by (Used in) Financing Activities***

Net cash used in financing activities was \$252.7 million in 2009, which mainly consists of \$30.0 million of proceeds drawn under our loan facility, \$124.4 million of indebtedness that we repaid and \$161.2 million in dividends we paid to our shareholders.

Net cash used in financing activities in 2008 amounted to \$22.5 million and mainly consists of \$1,161.4 million of proceeds drawn under our credit facilities, \$875.3 million of indebtedness that we repaid, net of assets acquired in connection with our company's corporate structure reorganization, \$269.0 million we paid to our shareholders in connection with our company's corporate structure reorganization and \$47.6 million reflecting the increase in restricted cash.

Net cash provided by financing activities in 2007 amounted to \$93.1 million and consisted of \$246.1 million of proceeds drawn under our credit facilities in order to partially finance the acquisition cost for the vessels acquired, \$112.0 million of indebtedness that we repaid under our credit facilities and \$88.6 million in dividends we paid to our shareholders.

### Credit Facilities

We, either as guarantor or direct borrower, and certain of our subsidiaries as borrowers or guarantors, have entered into a number of credit facilities secured by containerships in our fleet. All of these facilities are denominated in U.S. dollars. The following summarizes certain terms of our existing credit facilities as at June 30, 2010:

Lender	Outstanding Principal Amount (in thousands)	Available Borrowing Capacity	Interest Rate <sup>(1)</sup>	Maturity	Repayment profile <sup>(3)</sup>
Bank Syndicate <sup>(4)</sup>	\$ 863,758	\$ 74,242	LIBOR + ) Margin <sup>(2)</sup>	2018	Fixed payments through June 2011, thereafter determined based on the TEU weighted age of the ships used as collateral
Emporiki	132,000	0	LIBOR + ) Margin <sup>(2)</sup>	2018	Straight line amortization with balloon in 2018
HSBC	70,000	0	LIBOR + ) Margin <sup>(2)</sup>	2018	Variable installments with balloon in 2018
Calyon	72,500	0	LIBOR + ) Margin <sup>(2)</sup>	2018	Straight line amortization with balloon in 2018
RBS	70,000	0	LIBOR + ) Margin <sup>(2)</sup>	2018	Straight line amortization with balloon in 2018
Alpha	130,000	0	LIBOR + ) Margin <sup>(2)</sup>	2017	Variable installments with balloon in 2017
Calyon	8,000	0	LIBOR + ) Margin <sup>(2)</sup>	2013	Fixed payments until 2013
Calyon	11,400	0	)	2013	Fixed payments until 2013

			LIBOR + Margin <sup>(2)</sup>		
NBG	26,190	0	LIBOR + ) Margin <sup>(2)</sup>	2012	Fixed payments until 2012
Alpha	4,900	0	LIBOR + ) Margin <sup>(2)</sup>	2010	One payment of \$4.9 million due in November 2010
RBS	2,785	0	LIBOR + ) Margin <sup>(2)</sup>	2010	Total amount due of \$2.79 million in 2010

(1) The interest rates of long-term debt at June 30, 2010 ranged from 1.13% to 6.75%, and the weighted average interest rate as at June 30, 2010 was 4.38%.

(2) The interest rate margin at June 30, 2010 ranged from 0.70% to 1.75%, and the weighted average interest rate margin as at June 30, 2010 was 1.01%.

(3) To see the detailed repayment profile of our loans, please read Note 8 of our consolidated financial statements included in this prospectus.

(4) Bank Syndicate:  
Deutsche  
Schiffsbank  
Aktiengesellschaft,

Unicredit Bank  
AG, Credit Suisse,  
HSH Nordbank AG  
and Fortis Bank  
S.A./N.V.

On September 16, 2010, we obtained a commitment letter for a \$120.0 million term loan facility, subject to execution of definitive documentation and conditioned upon the closing of this offering. We are also in negotiations for a term loan facility that would provide up to \$210 million to finance part of the pre-delivery and the delivery payments for three 9,000 TEU newbuilds for which we have executed contracts, each newbuild contract being subject to a financing condition. The \$210 million term loan facility is expected to have a repayment period of 10 years from delivery of each newbuild, with lenders reserving the right to request prepayment of the facility on the seventh year.

The credit facilities impose certain operating and financial restrictions on us. These restrictions in our existing credit facilities generally limit Costamare Inc. and our subsidiaries' ability to, among other things:

pay dividends if an event of default has occurred and is continuing or would occur as a result of the payment of such dividends;

purchase or otherwise acquire for value any shares of the subsidiaries' capital;

make or repay loans or advances, other than repayment of the credit facilities;

make investments in other persons;

sell or transfer significant assets, including any vessel or vessels mortgaged under the credit facilities, to any person, including Costamare Inc. and our subsidiaries;

create liens on their assets; or

allow the Konstantakopoulos family's direct or indirect holding in Costamare Inc. to fall below 40% of the total issued share capital.

Our existing credit facilities also require Costamare Inc. and certain of our subsidiaries to maintain specified loan to value ratios as summarized below:

under our \$1 billion credit facility, as amended by a supplemental agreement dated June 22, 2010, Costamare Inc. may not allow the aggregate of (a) the aggregate market value, primarily on a charter inclusive basis, of the mortgaged vessels under this facility, (b) the market value of any additional security provided to the lender, and (c) (during the waiver period only, as described below) the aggregate minimum cash amount equal to 3% of the loan outstanding to fall below 80% during a waiver period extending through December 31, 2011, and

thereafter,  
125% of the  
aggregate of  
the term loan,  
the revolving  
advances and  
the swap  
exposure; or

under certain  
of our  
subsidiaries  
credit  
facilities,  
each with  
Costamare  
Inc. as  
guarantor, we  
may not  
allow the  
aggregate of  
(a) the  
aggregate  
market value,  
primarily on  
an inclusive  
charter basis,  
of the  
mortgaged  
vessel or  
vessels, and  
(b) the market  
value of any  
additional  
security  
provided to  
the lender to  
fall below a  
percentage  
ranging  
between  
110% to  
125% of the  
then  
outstanding  
amount of the  
credit facility  
and any  
related swap  
exposure.

Costamare Inc. is required to maintain compliance with the following financial covenants:

the ratio of  
our total  
liabilities  
(after  
deducting all  
cash and  
cash  
equivalents)  
to market  
value  
adjusted  
total assets  
(after  
deducting all  
cash and  
cash  
equivalents)  
may not  
exceed  
0.75:1;

the ratio of  
EBITDA  
over net  
interest  
expense  
must be  
equal to or  
higher than  
2.5:1;

the  
aggregate  
amount of  
all cash and  
cash  
equivalents  
may not be  
less than the  
greater of (i)  
\$30 million  
or (ii) 3% of  
the total  
debt,  
*provided,*  
*however,*  
that a  
minimum  
cash amount  
equal to 3%

of the loan  
outstanding  
must be  
maintained  
in the  
accounts of  
the  
borrower;  
and

the market  
value  
adjusted net  
worth must  
at all times  
exceed \$500  
million.

Our credit facilities contain customary events of default, including nonpayment of principal or interest, breach of covenants or material inaccuracy of representations, default under other material indebtedness and bankruptcy.

We expect our committed term loan facility with the Royal Bank of Scotland plc to contain similar covenants and events of default.

See [Description of Indebtedness](#) for more information about our credit facilities.

**Contractual Obligations**

Our contractual obligations as of December 31, 2009, were adjusted to reflect changes in expected management fees resulting from changes in charter arrangements occurring after that date:

	<b>Payments Due by Period</b>				
	<b>Total</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>More than 5 years</b>
	<b>(Expressed in thousands of U.S. dollars)</b>				
Long-term debt obligations	\$ 1,435,593	\$ 93,856	\$ 263,609	\$ 262,481	\$ 815,647
Interest on long-term debt obligations <sup>(1)</sup>	387,784	72,632	119,898	88,963	106,292
Payments to our manager <sup>(2)</sup>	104,228	12,408	42,462	31,693	17,664
Payments for newbuild contracts <sup>(3)</sup>	24,000	24,000	0	0	0
<b>Total</b>	<b>\$ 1,951,605</b>	<b>\$ 202,896</b>	<b>\$ 425,969</b>	<b>\$ 383,137</b>	<b>\$ 939,603</b>

(1) We expect to be obligated to make the interest payments set forth in the above table with respect to our long-term debt obligations. The interest payments are based on annual assumed all-in rates calculated for the unhedged portion of our debt

obligations based on the forward yield curve and on the average yearly debt outstanding. See Credit Facilities and Description of Indebtedness .

- (2) This amount assumes that we will cease paying our managers any fees in connection with the management of a vessel once the vessel exceeds 30 years of age, unless the vessel will exceed 30 years of age at the expiry of its current charter party, in which case we assume that we will pay the manager a fee for the management of that vessel until its charter expires. Additionally, management fees for 2010 are calculated on the assumption that the current \$700 fee per vessel per day fee is applied

until  
September 1,  
2010.  
Thereafter, the  
new  
management  
fee  
arrangement  
will be in  
effect, which  
includes (a) a  
daily fee of  
\$850 per day  
per vessel, (b)  
a 0.75%  
chartering  
commission on  
charter  
revenues  
earned and (c)  
a newbuild  
supervision fee  
of \$700,000  
per newbuild.  
Pursuant to the  
terms of the  
management  
agreement, the  
amount  
assumes an  
annual  
escalation of  
the daily fee  
by 4%  
beginning  
January 1,  
2013. This  
amount does  
not reflect the  
newbuild  
supervision  
fees associated  
with our  
agreements,  
subject to  
certain  
conditions, to  
acquire three  
newbuilds or  
the daily per  
vessel

management fees and chartering commissions payable with respect to such vessels, or the four secondhand vessels we have contracted to acquire.

- (3) The amount was paid to the shipyard on May 3, 2010 and we took delivery of the newbuild vessel MSC Navarino. This amount does not reflect our contractual commitments to acquire four secondhand vessels at an aggregate price of \$45.0 million, or our agreements, subject to us obtaining financing, to acquire three newbuilds at an aggregate price of approximately \$285 million.

### **Quantitative and Qualitative Disclosures About Market Risk**

#### *Interest Rate Risk*

The shipping industry is a capital intensive industry, requiring significant amounts of investment. Much of this investment is provided in the form of long-term debt. Our debt usually contains interest rates that fluctuate with the financial markets. Increasing interest rates could adversely impact future earnings.

Our interest expense is affected by changes in the general level of interest rates, particularly LIBOR. As an indication of the extent of our sensitivity to interest rate changes, an increase of 100 basis points would have decreased our net income and cash flows during the year ended December 31, 2009 by approximately \$0.6 million based upon our debt level during 2009.

The following table sets forth the sensitivity of our long-term debt including the effect of our derivative contracts to a 100 basis points increase in LIBOR during the next five years on the same basis.

**Net Difference in Earnings and Cash Flows (in millions of U.S. dollars):**

<b>Year</b>	<b>Amount</b>
2010	\$ 1.5
2011	1.0
2012	1.7
2013	2.7
2014	4.4

**Interest Rate Swaps**

In connection with certain of our credit facilities under which we pay a floating base rate of interest, we entered into interest rate swap agreements designed to decrease the fluctuation in our financing cash outflows by taking advantage of the relatively lower interest rate environment in recent years. We have recognized these derivative instruments on the balance sheet at their fair value. Pursuant to the adoption of our Risk Management Accounting Policy, and after putting in place the formal documentation required by ASC 815 (formerly SFAS 133) in order to designate these swaps, as of and after January 1, 2008, as hedging instruments, 10 of the 11 interest rate swaps to which we were a party as at December 31, 2009, qualified for hedge accounting, and, accordingly, since that time, only hedge ineffectiveness amounts arising from the differences in the change in fair value of the hedging instrument and the hedged item are recognized in our earnings. Assessment and measurement of prospective and retrospective effectiveness for these interest rate swaps will be performed on a quarterly basis, on the financial statement and earnings reporting dates. Prior to January 1, 2008, we recognized changes in the fair value of the interest rate swaps in current period earnings as these interest rate swap agreements did not qualify as hedging instruments under the requirements in the accounting literature described below because we had not adopted a hedging policy. These changes would occur due to changes in market interest rates for debt with substantially similar credit risk, payment profile and terms. We have not held or issued derivative financial instruments for trading or other speculative purposes.

Set forth below is a table of our interest rate swap arrangements as of December 31, 2009.

**(a) Interest rate swaps that meet the criteria for hedge accounting**

Counterparty	Effective date	Termination date	Notional amount on effective date	Fixed rate (Costamare pays)	Floating rate (Costamare receives)	Fair value Dec. 31, 2009
(Amounts in thousands of U.S. dollars)						
HYP0	06/30/2008	06/30/2015	\$ 425,000	4.03% p.a.	USD LIBOR 3M BBA	\$ (24,277 )
HYP0	06/30/2008	06/30/2015	75,000	4.03% p.a.	USD LIBOR 3M BBA	(4,284 )
HSH	09/30/2008	06/30/2015	100,000	4.09% p.a.	USD LIBOR 3M BBA	(5,929 )
DEUTSCHE SCHIFFSBANK	09/30/2008	06/30/2015	250,000	4.02% p.a.	USD LIBOR 3M BBA	(13,726 )
EMPORIKI BANK	05/16/2008	05/16/2014	75,000	3.88% p.a.	USD LIBOR 6M BBA	(3,678 )

EMPORIKI BANK	05/16/2008	05/16/2014	75,000	3.88% p.a.	USD LIBOR 6M BBA	(3,678 )	
ALPHA BANK	06/17/2008	06/17/2013	73,000	3.57% p.a.	USD LIBOR 6M BBA	(3,076 )	
ALPHA BANK	06/17/2008	06/17/2013	73,000	3.57% p.a.	USD LIBOR 6M BBA	(3,076 )	
RBS	02/21/2007	02/21/2017	85,000	Zero cost Interest rate Collar*		(7,685 )	
HSBC	08/04/2008	08/05/2013	74,000	3.595% p.a.	USD LIBOR 6M BBA	(3,637 )	
						<b>Total fair value</b>	<b>\$ (73,046 )</b>
			<b>\$ 1,305,000</b>				

\* Notional amount \$85 million amortizing zero-cost collar (2.23% 6.00%) with knock-in floor sold at 2.23% and struck at 6.00%, as a 10-year forward hedge, covering the period from February

2007 to February 2017. The agreement guarantees that the interest rate payable on the Company's loans throughout the 10-year period will always remain between 2.23% and 6.00% excluding margin.

**(b) Interest rate swaps that do not meet the criteria for hedge accounting**

As of December 31, 2009 and 2008, the Company had outstanding one and two interest rate swap agreements, respectively, for the purpose of managing risks associated with the variability of changing LIBOR-related interest rates. More specifically:

- (i) Notional amount \$100 million non-amortizing interest rate swap agreement concluded on November 21, 2008 (with effective date on November 25, 2008) for a period of 10 years through November 26, 2018. Under the agreement we pay fixed rate at 3.33% and receive floating rate at six-months LIBOR. At

December 31, 2008, the fair value of this interest rate swap was a liability of \$4.8 million. On February 12, 2009, we unwound this interest rate cap and floor agreement and realized a loss of \$1.5 million.

- (ii) Notional amount \$100 million non-amortizing zero-cost collar (1.37% 6.00%) with a knock-in floor sold at 1.37% and struck at 6.00%, as a nine-year forward hedge, covering the period from September 2008 to March 2017. At December 31, 2009, the fair value of this swap was a liability of \$8.1 million.

ASC 815, Derivatives and Hedging, established accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. All derivatives are recognized in the consolidated financial statements at their fair value. On the inception date of the derivative contract, and on an ongoing basis, and after putting in place the formal documentation required by ASC 815 in order to designate these derivatives as hedging instruments, we designate the derivative as a hedge of a forecasted transaction or the variability of cash flow to be paid (cash flow hedge). Changes in the fair value of a derivative that is qualified, designated and highly effective as a cash flow hedge are recorded in other comprehensive income until earnings are affected by the forecasted transaction or the variability of cash flow and are then reported in earnings. Changes in the fair value of undesignated derivative instruments and the ineffective portion of designated derivative instruments are reported in earnings in the period in which those fair value changes have occurred.

### ***Foreign Currency Exchange Risk***

We generate all of our revenue in U.S. dollars, but a substantial portion of our vessel operating expenses, primarily crew wages, are in currencies other than U.S. dollars (mainly in Euro), and any gain or loss we incur as a result of the U.S. dollar fluctuating in value against those currencies is included in vessel operating expenses. As of December 31, 2009, approximately 24% of our outstanding accounts payable were denominated in currencies other than the U.S. dollar (mainly in Euro). We hold cash and cash equivalents mainly in U.S. dollars.

As of December 31, 2009, we were engaged in six foreign currency Euro/U.S. dollar forward contracts totaling \$12.0 million at an average forward rate of Euro/U.S. dollar 1.4348 expiring in monthly intervals in 2010.

As of December 31, 2008, we were engaged in 30 foreign currency Euro/U.S. dollar forward contracts totaling \$81.0 million at an average forward rate of Euro/U.S. dollar 1.3225 expiring in monthly intervals in 2009. In 24 of our 30 forward Euro/U.S. dollar contracts, the Company has the sell position (notional amount \$54.0 million) and in the remaining 6 contracts, the Company has the buy position (notional amount \$27.0 million).

As of December 31, 2008, the fair market value of the 30 forward Euro/U.S. dollar contracts was a gain of \$2.6 million. For the period from January 1, 2009 to December 31, 2009, the total change of forward contracts fair value amounted to a loss of \$2.6 million.

Furthermore, in 2010 we were engaged in 40 Euro/U.S. dollar contracts totaling \$64.0 million at an average forward rate of Euro/U.S. dollar 1.3643 expiring in monthly intervals from February 2010 up to December 2011.

We recognize these financial instruments on our balance sheet at their fair value. These foreign currency forward contracts do not qualify as hedging instruments, and thus we recognize changes in their fair value in our earnings.

### ***Inflation***

We do not consider inflation to be a significant risk to our business in the current environment and foreseeable future.

### **Capital Expenditures**

On September 21, 2010, we contracted for the construction and purchase of three newbuild containerships, each of 9,000 TEU capacity, for a price of approximately \$95.1 million per newbuild, to be paid in five equal installments. Each newbuild contract is subject to our completion of certain financing arrangements prior to November 30, 2010. These three newbuilds are scheduled to be delivered between November 2013 and January 2014. We have also obtained options to acquire three additional newbuild containerships, each of 9,000 TEU capacity, for a price of approximately \$96.1 million per newbuild. These options must be exercised by December 24, 2010, and the associated newbuild containerships would be delivered between March and June 2014. On September 23, 2010, we



contracted for four 3,351 TEU secondhand containerships at a purchase price of \$11.25 million per containership, two to be delivered by December 20, 2010 and two by February 28, 2011. In addition, we estimate drydocking expenses will total approximately \$11.7 million in 2010, excluding off-hire costs.

### **Off-Balance Sheet Arrangements**

We do not have any other transactions, obligations or relationships that could be considered material off-balance sheet arrangements.

### **Critical Accounting Policies**

The discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of those financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosure at the date of our financial statements. Actual results may differ from these estimates under different assumptions and conditions. Critical accounting policies are those that reflect significant judgments of uncertainties and potentially result in materially different results under different assumptions and conditions. We have described below what we believe are our most critical accounting policies, because they generally involve a comparatively higher degree of judgment in their application. For a description of all our significant accounting policies, see Note 2 to our consolidated financial statements included elsewhere in this prospectus.

### ***Vessel Impairment***

We evaluate the carrying amounts of our vessels to determine if events have occurred that would require modification to their carrying values or useful lives. In evaluating useful lives and carrying values of long-lived assets, we review certain indicators of potential impairment, such as undiscounted projected operating cash flows, vessel sales and purchases, business plans and overall market conditions.

The economic and market conditions as at December 31, 2009, including the significant disruptions in the global credit markets, had broad effects on participants in a wide variety of industries. Since mid-August 2008, the charter rates in the containership charter market have declined significantly, and container vessel values have also declined both as a result of a slowdown in the availability of global credit and the significant deterioration in charter rates, conditions that we consider indicators of impairment.

In developing estimates of future undiscounted cash flows, we make assumptions and estimates about the vessels future performance, with the significant assumptions being related to time charter rates, vessels operating expenses, vessels capital expenditures, vessels residual value, fleet utilization, and the estimated remaining useful life of each vessel. The assumptions used to develop estimates of future undiscounted cash flows are based on historical trends as well as future expectations and taking into consideration growth rates.

We determine undiscounted projected net operating cash flows for each vessel and compare it to the vessel's carrying value. Consistent with prior years and to the extent impairment indicators were present, the projected net operating cash flows are determined by considering the charter revenues from existing time charters for the fixed fleet days and an estimated daily time charter rate for the unfixed days (based on the most recent ten year historical average rates, inflated annually by a 4% growth rate being the historical and forecasted average world GDP nominal growth rate) over the remaining estimated life of the vessel assumed to be 30 years from the delivery of the vessel from the shipyard, expected outflows for vessels operating expenses assuming an annual inflation rate of 2.7% (in line with the average world Consumer Price Index forecasted), planned drydocking and special survey expenditures, management fees expenditures which are adjusted every four years by an inflation rate of 2.7% and fleet utilization of 99.2% (excluding the scheduled off-hire days for planned drydockings and special surveys which are determined separately

ranging from 8 to 20 days depending on size and age of each vessel) based on historical experience. The salvage value used in the impairment test is estimated

to be in the range from \$150 to \$250 per light weight ton in accordance with our vessels' depreciation policy.

Based on our analysis, the undiscounted projected net operating cash flows for each vessel were in excess by no less than 33%, compared to each vessel's carrying value, and accordingly, step two of the impairment analysis was not required and no impairment of vessels existed as of December 31, 2009.

An internal analysis, which used a discounted cash flow model utilizing inputs and assumptions based on market observations as of June 30, 2010, suggests that seven of our 41 vessels may have current market values below their carrying values. However, we believe that, with respect to these seven vessels, each of which is currently under time charter, we will recover their carrying values through the end of their useful lives, based on their undiscounted cash flows. We currently do not expect to sell any of these vessels, or otherwise dispose of them, significantly before the end of their estimated useful life.

Although we believe that the assumptions used to evaluate potential impairment are reasonable and appropriate, such assumptions are highly subjective. There can be no assurance as to how long charter rates and vessel values will remain at their current low levels or whether they will improve by any significant degree. Charter rates may remain at depressed levels for some time which could adversely affect our revenue and profitability, and future assessments of vessel impairment.

### ***Vessel Lives and Depreciation***

We depreciate our vessels based on a straight line basis over the expected useful life of each vessel, which is 30 years from the date of their initial delivery from the shipyard, which we believe is within industry standards and represents the most reasonable useful life for each of our vessels. Depreciation is based on the cost of the vessel less its estimated residual value. Secondhand vessels are depreciated from the date of their acquisition through their remaining estimated useful lives. A decrease in the useful life of a vessel or in its residual value would have the effect of increasing the annual depreciation charge. When regulations place limitations over the ability of a vessel to trade on a worldwide basis, its useful life is adjusted to end at the date such regulations become effective.

### ***Special Survey and Drydocking Costs***

Within the shipping industry, there are two methods that are used to account for special survey and drydocking costs: (1) capitalize special survey and drydocking costs as incurred (deferral method) and amortize such costs over the period to the next scheduled survey, and (2) expense special survey and drydocking costs as incurred. Since special survey and drydocking cycles typically extend over a period of 30 to 60 months, management believes that the deferral method provides a better matching of revenues and expenses than the expense-as-incurred method. Costs deferred are limited to actual costs incurred at the shipyard and parts used in the drydocking or special survey. If a survey is performed prior to the scheduled date, the remaining unamortized balances are immediately written off. Unamortized balances of vessels that are sold are written off and included in the calculation of the resulting gain or loss in the period of the vessel's sale. Furthermore, unamortized drydocking and special survey balances of vessels that are classified as assets held for sale and are not recoverable, as of the date of such classification, are immediately written off to the income statement.

### ***Vessel, Cost***

Vessels are stated at cost, which consists of the contract price and any material expenses incurred upon acquisition (initial repairs, improvements and delivery expenses, interest and on-site supervision costs incurred during the construction periods). Subsequent expenditures for conversions and major improvements are also capitalized when they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of the vessels; otherwise these amounts are charged to expenses as incurred.



***Voyage Revenue Recognition***

Revenues are generated from time charter agreements and are usually paid 15 days in advance. Time charter agreements with the same charterer are accounted for as separate agreements according to the terms and conditions of each agreement. Time charter revenues over the term of the charter are recorded as service is provided, when they become fixed and determinable. Revenues from time charter agreements providing for varying annual rates are accounted for as operating leases and thus recognized on a straight line basis as the average revenue over the rental periods of such agreements, as service is performed. Some of our charters provide that the charter rate will be adjusted to a market rate for the final months of their respective terms. For purposes of determining the straight line revenue amount, we exclude these periods and treat the charter as expiring at the end of the last fixed rate period. A voyage is deemed to commence upon the completion of discharge of the vessel's previous cargo and is deemed to end upon the completion of discharge of the current cargo. Unearned revenue includes cash received prior to the balance sheet date for which all criteria to recognize as revenue have not been met, including any unearned revenue resulting from charter agreements providing for varying annual rates, which are accounted for on a straight line basis. Unearned revenue also includes the unamortized balance of the liability associated with the acquisition of secondhand vessels with time charters attached that were acquired at values below fair market value at the date the acquisition agreement is consummated.

***Accrued / Unearned Charter Revenue***

We record identified assets or liabilities associated with the acquisition of a vessel at fair value, determined by reference to market data. The Company values any asset or liability arising from the market value of the time charters assumed when a vessel is acquired from entities that are not under common control. This policy does not apply when a vessel is acquired from entities that are under common control. The amount to be recorded as an asset or liability at the date of vessel delivery is based on the difference between the current fair market value of the charter and the net present value of future contractual cash flows. When the present value of the contractual cash flows of the time charter assumed is greater than its current fair value, the difference is recorded as accrued prepaid charter revenue. When the opposite situation occurs, any difference, capped to the vessel's fair value on a charter free basis, is recorded as deferred revenue. Such assets and liabilities, respectively, are amortized as a reduction of, or an increase in, revenue over the period of the time charter assumed. In developing estimates of the net present value of contractual cash flows of the time charters assumed, we must make assumptions about the discount rate that reflect the risks associated with the assumed time charter and the fair value of the assumed time charter at the time the vessel is acquired. Although management believes that the assumptions used to evaluate present and fair values discussed above will be reasonable and appropriate, such assumptions are highly subjective.

***Receivables***

Revenue is based on contracted charter parties and although our business is with customers who are believed to be of the highest standard, there is always the possibility of dispute. In such circumstances, we will assess the recoverability of amounts outstanding and a provision will be estimated if there is a possibility of non-recoverability. Although we may believe that our provisions are based on fair judgment at the time of their creation, it is possible that an amount under dispute will not be recovered and the estimated provision of doubtful accounts would be inadequate. If any of our revenues become uncollectible, these amounts would be written-off at that time.

***Derivative Financial Instruments***

We enter into interest rate swap contracts to manage our exposure to fluctuations of interest rate risks associated with specific borrowings. Interest rate differentials paid or received under these swap agreements are recognized as part of interest expense related to the hedged debt. All derivatives are recognized in the consolidated financial statements at their fair value. On the inception date of the derivative contract, we designate the derivative as a hedge of a forecasted transaction or the variability of cash flow to be paid ( cash flow hedge). Changes in the fair value of a derivative that is

qualified,

designated and highly effective as a cash flow hedge are recorded in other comprehensive income until earnings are affected by the forecasted transaction or the variability of cash flow and are then reported in earnings. Changes in the fair value of undesignated derivative instruments and the ineffective portion of designated derivative instruments are reported in earnings in the period in which those fair value changes have occurred. Realized gains or losses on early termination of the derivative instruments are also classified in earnings in the period of termination of the respective derivative instrument. We may redesignate an undesignated hedge after its inception as a hedge but then will consider its non-zero value at redesignation in its assessment of effectiveness of the cash flow hedge.

We formally document all relationships between hedging instruments and hedged terms, as well as the risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as cash flow hedges to specific forecasted transactions or variability of cash flow.

We also formally assess, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items. We consider a hedge to be highly effective if the change in fair value of the derivative hedging instrument is within 80% to 125% of the opposite change in the fair value of the hedged item attributable to the hedged risk. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, we discontinue hedge accounting prospectively, in accordance with ASC 815 - Derivatives and Hedging (formerly FAS133).

We also enter forward exchange rate contracts to manage our exposure to currency exchange risk on certain foreign currency liabilities. We have not designated these forward exchange rate contracts for hedge accounting.

## THE INTERNATIONAL CONTAINERSHIP INDUSTRY

*The information and data contained in this prospectus relating to the containership industry has been provided by Clarkson Research, and is taken from Clarkson Research's database and other sources. Clarkson Research has advised that: (i) some information in Clarkson Research's database is derived from estimates or subjective judgments; and (ii) the information in the databases of other maritime data collection agencies may differ from the information in Clarkson Research's database; and (iii) whilst Clarkson Research has taken reasonable care in the compilation of the statistical and graphical information and believes it to be accurate and correct, data compilation is subject to limited audit and validation.*

### Overview of the Container Shipping Market

Container shipping is responsible for the movement of a wide range of goods between different parts of the world in a unitized form and, since its beginnings in the late 1960s, containerization has become an integral part of the global economy. The use of containers in global trade has resulted in considerable production and efficiency gains and has become important to the process of globalization. A wide range of cargoes are transported by container but most notably container transportation is responsible for the shipment of a diverse selection of manufactured and consumer goods. These cargoes are transported by container to end users in all regions of the world, and in particular from key producing and manufacturing regions to end users in the world's largest consumer economies. Participants in the container shipping industry include liner shipping companies, who operate container shipping services and own containerships, containership owners, often known as charter owners, who own containerships and charter them out to liner companies, and shippers, who require the seaborne movement of containerized goods.

The expansion of global container trade is heavily influenced by global economic growth, increases in economic consumption at a global and regional level, and the process of globalization. In 2008, global container trade peaked at 136 million TEU, following an average annual increase in trade of 9.6% in the period 1999-2008. In 2009, global container trade was an estimated 124 million TEU following a contraction due to the economic slowdown. Recent trade figures in early 2010 show improved container volumes on many of the world's largest trade lanes. For example, in the first six months of 2010 container volumes on the eastbound Asia-U.S. trade were up by 16.5% year-on-year, whilst in the first eight months of 2010 volumes on the westbound Far East-Europe trade were up by 21.8% year-on-year. As of October 1, 2010, the global container capable fleet had capacity of 16.1 million TEU, with the majority consisting of fully cellular<sup>(1)</sup> containerships, with a total standing slot capacity<sup>(2)</sup> of 13.9 million TEU across 4,945 ships.

### Types of Containership

The most significant portion of the global container capable fleet is comprised of fully cellular containerships which as of October 1, 2010, represented 4,945 vessels and 86% of globally available TEU capacity. The remainder of the fleet is made up of a range of non-fully cellular vessel types, including multi-purpose vessels (MPPs) capable of carrying container and breakbulk cargo, roll-on roll-off cargo vessels (Ro-Ros) and general cargo vessels, which often have container carrying capacity. Unless noted otherwise, the remainder of the discussion in this section focuses on fully cellular containerships. The fully cellular containership fleet is made up of vessels from below 500 TEU in capacity to 8,000 TEU and above. Vessels can be separated broadly into three categories:

*Deep Sea Containerships* Primarily responsible for servicing mainlane east-west trades

and designated as Panamax or Post-Panamax according to their capability to transit the Panama Canal given their physical dimensions. Increasingly, smaller Post-Panamax and Panamax containerships are also being deployed on north-south trades, non-mainlane east-west trades and, in some cases, intra-regional trade lanes.

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- (1) Equipped with fixed cell guides for containers throughout.
- (2) Nominal static ship container capacity.

*Intermediate Containerships* Sub-Panamax or Handy vessels between 1,000 TEU and 2,999 TEU in capacity, which generally serve north-south, intra-regional and in some cases non-mainlane east-west trades.

*Feeder / Feedermax Containerships* Below 1,000 TEU in capacity, these vessels are generally operated on an intra-regional basis, often relaying or feeding cargo within a region from or to main port hubs served by mainlane trades / larger ships.

**World Containership Fleet By Vessel Size**

<b>Category</b>	<b>Typical Deployment</b>	<b>Class</b>	<b>Fleet Size (TEU)</b>	<b>Number</b>	<b>000 TEU</b>
Deep Sea	Deployed largely on the deep sea mainlane east- west trades as well as on other high volume trades.	Post-Panamax	8,000 & above	285	2,659
		Post-Panamax	3,000-7,999	506	3,045
		Panamax	3,000 & above	950	3,900

Intermediate	Suitable for deployment on many trades, nonmainlane East-West trades, North-South trades and intra-regional trades in Asia and Europe.	Sub-Panamax	2,000-2,999	706	1,795
		Handy	1,000-1,999	1,270	1,801
Feeder	On the smaller intra-regional and feeder trades.	Feeder/Max	100-999	1,228	736
<b>Total</b>				<b>4,945</b>	<b>13,935</b>

Source: Clarkson Research, October 2010.

The following graph shows the development of the fleet in the different vessel segments within the containership fleet since 1999. Containership deployment patterns are continually subject to change, and in recent years it has been evident that on the intra-regional trade routes, within which volumes have risen substantially compared to 5 or 10 years earlier, larger vessels, especially in the 1,000-2,999 TEU bracket, have been increasingly deployed. There has also been an expansion in the number of vessels of 3,000 TEU and above finding deployment alongside capacity in the 1,000-2,999 TEU range on north-south and other non-mainlane trades.

### Containership Demand

Growth in global container trade has been driven by growth in world merchandise trade, and the growing share in the containerized part thereof, along with the expansion in containerization of new commodities and the trend towards globalization. In terms of loaded containers moved from origin to destination, estimated global container trade rose from 59.9 million TEU in 1999 to 124.2 million TEU in 2009, a compound average annual growth rate of 7.6%. In the period from 2002 to 2007, driven by an upswing in the global economy, demand for container shipping accelerated strongly, with estimated annual growth in world container trade reaching a high of 13.4% in 2004. During this period rapid growth in exports from China were driving a significant part of the increase in container trade, along with growth in container trade volumes in and out of Russia and the Baltic, and out of other emerging markets such as Brazil. Intra-Asian container trade volumes were also growing rapidly during this period. However, following the onset of the global economic downturn, container trade expansion

slowed significantly. After growing by just 4.2% in 2008, a 9.0% contraction is now estimated to have taken place in 2009.

*Trade Routes and Growth Trends*

Global container trade is spread over a range of long-haul, regional, and intra-regional routes, which can be separated into four categories:

*Mainlane*

*East-West:* The individual mainlane container trades on the major east-west routes are the world's largest in volume terms, with the Transpacific trade route forming the world's largest container trade with 15% of the total container volume in 2009, followed by the Far East-Europe trade route and the Transatlantic trade route. Due to the higher cargo volumes on these routes, they are generally served by very large Post-Panamax ships with capacity 8,000 TEU and above, and by other large

Post-Panamax and Panamax containerships, generally with capacity from 8,000 TEU down to around 4,500 TEU. There are also some 3,000-4,500 TEU containerships which continue to serve these trades.

*Non-Mainlane*

*East-West:*

These routes include trade lanes between the Indian Sub-Continent or the Middle East and North America, Europe or the Far East, and are generally served by a range of ship sizes, from smaller Post-Panamax containerships below 8,000 TEU to vessels of Panamax size and below.

*North-South:*

These trade routes form the second layer of the global liner network, connecting the northern hemisphere with South

America,  
Africa and  
Oceania, and  
are generally  
served by  
vessels  
1,000-5,000  
TEU.

*Intra-Regional:*

These routes  
include both  
intra-Asian and  
intra-European  
trades, where  
containerships  
below 4,000  
TEU in size  
generally  
provide the  
majority of  
transportation.

Intra-Asian  
container trades  
collectively  
constitute the  
largest portion  
of global  
containership  
volumes. Ports  
involved in  
these trades  
often impose  
infrastructural  
and other  
limitations on  
the vessel types  
that can be  
utilized, such  
as draft  
restrictions or  
the lack of  
availability of  
handling  
equipment.

## World Seaborne Container Trade

estimated, million TEU	2006	% share	2007	% share	2008	% share	2009(e)	% share
<b>Mainlane</b>								
<b>East-West</b>	40.9	34.8 %	44.5	34.0 %	43.6	32.0 %	38.6	31.0 %
<i>growth</i>	12%		9%		-2%		-12%	
<b>Non-Mainlane</b>								
<b>East-West</b>	11.7	10.0 %	12.8	9.7 %	14.2	10.4 %	14.4	11.6 %
<i>growth</i>	8%		9%		12%		1%	
<b>North-South</b>	20.1	17.1 %	20.6	15.7 %	21.6	15.8 %	20.7	16.6 %
<i>growth</i>	6%		2%		5%		-4%	
<b>Intra-Regional</b>	44.9	38.2 %	53.1	40.5 %	57.0	41.8 %	50.6	40.7 %
<i>growth</i>	14%		18%		7%		-11%	
<b>GLOBAL TOTAL</b>	117.6		131.0		136.5		124.2	
<i>growth</i>	11%		11%		4%		-9%	

Source: Clarkson Research, October 2010. 2009 numbers subject to revision.

After a slowdown in global containerized trade in 2009, the beginning of 2010 has seen several trends supporting an increase in containership demand, along with an increase in global economic growth. The IMF revised upwards its world GDP growth forecast for 2010 from 3.1% in October 2009 to 4.8% in October 2010, although this remains subject to a degree of uncertainty and the risk of a return to a slowdown in global economic activity. There has been a generally increasing trend in volumes across many trades; by December 2009, volumes on many trade lanes had started to return to positive year-over-year growth, which has continued through early 2010. Whilst strong growth in year-over-year comparisons are mainly a reflection of the significant declines that occurred in early 2009, early 2010 container trade data suggests that increased volumes of containers in early 2010 have been supporting increased containership demand.

As a result of the slowdown in demand through 2009, the portion of the fleet not in operation (or idle) grew from 0.42 million TEU at the end of 2008 to peak at an estimated 1.52 million TEU of capacity in December 2009, representing approximately 570 vessels, according to AXS-Alphaliner, equal to 11.8% of the global fleet by capacity, according to Clarkson Research. However, the proportion of idle capacity has declined in recent months, as carriers have reintroduced capacity on reactivated or newly implemented services, and in some cases upgraded capacity on existing services, to meet the apparent rise in volumes reported in early 2010. As of the start of October 2010 it was reported that around 132 containerships were idle with a total of 0.24 million TEU of capacity, according to AXS-Alphaliner, equivalent to around 1.7% of the global fleet by capacity, according to Clarkson Research.

### Containership Supply

Overall fully cellular containership standing slot capacity expanded at an average annual growth rate of 11.3% in the period 1999-2009, more than doubling in capacity during the same period of time. Fully cellular containership

capacity is estimated to have increased by 13.8% in 2007, and by 12.7% in 2008. In 2009, the fully cellular fleet is estimated to have expanded by 6.1%. In comparison, expansion

in world container trade is estimated to have reached 11.4% in 2007, but just 4.2% in 2008, and it is estimated that global container trade contracted by 9.0% in 2009.

As of October 1, 2010, the containership orderbook was 628 vessels and 3.84 million TEU, representing 28% of the existing fleet in terms of capacity. The size of orderbook, however, differed widely across containership size segments, as demonstrated below, with the most significant orderbook compared to existing fleet capacity being in the larger vessel sizes.

Class of Containership	Size (TEU)	Containership Orderbook by Year of Delivery							
		Total Order Book			2010		2011		2009
		Number	000 TEU	% of fleet	000 TEU	% of flt	000 TEU	% of flt	000 TEU
<b>Post-Panamax</b>	<b>8,000 &amp; above</b>	235	2,587.5	97.3%	123.8	4.7%	1,116.9	42.0%	804.7
<b>Post-Panamax</b>	<b>3,000-7,999</b>	108	613.0	20.1%	44.9	1.5%	309.0	10.1%	231.4
<b>Panamax</b>	<b>3,000 &amp; above</b>	83	341.9	8.8%	61.0	1.6%	112.5	2.9%	139.7
<b>Sub-Panamax</b>	<b>2,000-2,999</b>	45	116.0	6.5%	24.2	1.3%	38.6	2.2%	37.0
<b>Handy</b>	<b>1,000-1,999</b>	108	146.0	8.1%	42.1	2.3%	68.6	3.8%	17.1
<b>Feeder/Max</b>	<b>100-999</b>	49	38.5	5.2%	21.2	2.9%	17.2	2.3%	0.0
<b>Total</b>	<b>100+ TEU</b>	628	3,842.8	27.6%	317.3	2.3%	1,662.9	11.9%	1,229.7

Source: Clarkson Research, October 2010.

Note: The orderbook as at October 1, 2010. These figures are subject to change as a result of delay, cancellation and further ordering. Going forward, the orderbook will be influenced by delays, cancellations and the re-negotiation of contracts. Due to these technical and contractual issues, there is currently considerable uncertainty surrounding the orderbook. The figures quoted above relate to the orderbook as at October 1, 2010 and do not take into account potential delivery problems. The orderbook includes some orders originally scheduled for 2009 delivery.

Although establishing accurate data is difficult, approximately 45% of scheduled deliveries in terms of TEU capacity expected to enter the fleet in 2009 at the start of that year have been confirmed as

non-delivered during 2009. This figure was 68% for containerships below 1,000 TEU in size, 51% for containerships between 1,000 TEU and 2,999 TEU, 36% for Panamax containerships and 46% for Post-Panamax containerships. This is partly due to statistical reporting delays but also because of delays in construction and cancellations of orders. The tables above and below illustrate the difference between scheduled start year and actual containership deliveries in 2009. It is estimated that in the first nine months of 2010 non-delivery has remained a feature of the containership sector. Around 1.2 million TEU of containership capacity has been confirmed as delivered in the first nine months of the year.

Delivering the orderbook presents a number of challenges, with factors both technical and financial contributing to delays in and cancellations of the containership scheduled deliveries:

*Difficulties securing finance:* Ship owners with vessels on order are experiencing financing problems as a result of the reduced charter markets, declines in asset values and limited availability of bank financing. In the final quarter of 2008 and much of 2009, containership asset values were generally in decline. The current estimated resale value of nearly all of the vessels comprising the orderbook is significantly

lower than the value at which they were contracted, adding to the difficulties of securing finance.

*Technical or financial problems at shipyards:* At the start of October 2010, 4.1% of containership capacity on order was contracted at shipyards which are either currently under construction ( Greenfield Shipyards ) or have delivered their first vessels in the past two years. Some of these projects are reported to be experiencing technical and financial problems and it is therefore expected that construction of some of the shipyards, and therefore vessels, may be delayed.

A large number of the containership vessels contracted in recent years have been financed by the German KG system, which allows tax benefits to private investors in certain shipowning companies. Typically these are companies set up to invest in one or a small number of vessels, financed mainly by private investors and bank financing. Funds from private investors are typically raised after the vessels have been ordered. In 2009, in a much weaker economic and investment environment, there were severe risks to the ability of KG funds to collect the equity planned for investment in ships which are currently on order, and also, in an environment of lower vessel earnings, to their ability to generate planned returns to investors on existing projects.

Additionally, the placement of new orders for containership capacity has slowed dramatically. In 2007 a historical high level of 3.2 million TEU of containership capacity was ordered. In 2008 the volume of ordering slowed to 1.1 million TEU, while containership contracting activity in 2009 was negligible. Contracting activity appears to have picked up in the second half of 2010.

*Fleet Age and Scrapping*

Levels of containership scrapping are driven by demand for steel scrap and scrap price levels as well as the age profile of the containership fleet, movements in containership earnings and supply of and demand for different sizes of containership.

A substantial volume of aging containership capacity was sold for scrap in 2009, with the full year seeing 200 containerships with a combined capacity of 0.38 million TEU sold for demolition, significantly higher than historical levels. In the period from 1996 to 2008 an average of 30 containerships were scrapped each year.

Class	Size (TEU)	Containership Demolition							
		2002	2003	2004	2005	2006	2007	2008	
Post-Panamax	8,000 & above	No. of ships	0	0	0	0	0	0	
		000 TEU	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Post-Panamax	3,000-7,999	No. of ships	0	0	0	0	0	0	
		000 TEU	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Panamax	3,000 & above	No. of ships	1	0	0	0	2	1	
		000 TEU	3.19	0.00	0.00	0.00	6.25	3.01	12.4
Sub-Panamax	2,000-2,999	No. of ships	9	4	0	0	4	2	1
		000 TEU	22.76	9.30	0.00	0.00	8.72	4.31	46.2
Handy	1,000-1,999	No. of ships	22	6	4	0	4	6	2
		000 TEU	28.22	7.83	4.85	0.00	5.71	7.89	32.0
Feeder/Max	100-999	No. of	25	16	6	4	6	12	1

	<b>ships</b>							
	<b>000</b>							
	<b>TEU</b>	13.90	8.59	2.98	1.90	3.11	5.72	9.3
	<b>No.</b>							
	<b>of</b>							
<b>Total</b>	<b>ships</b>	57	26	10	4	16	21	6
	<b>000</b>							
	<b>TEU</b>	68.06	25.73	7.83	1.90	23.79	20.93	100.0

Source: Clarkson Research, October 2010.

As of October 1, 2010, the average age of a vessel in the containership fleet was 10.3 years. The majority of ageing containership capacity is at the smaller end of the fleet below 4,000 TEU, where some capacity may be more at risk to becoming outdated by increased trade volumes over time being more efficiently served by larger ships. Overall, 6% of containership fleet capacity is currently aged 20 years or more.

## The Containership Markets

### *Containership Timecharter Rates*

Containership charter rates depend on the supply of, and demand for, containership capacity, and can vary significantly from year to year. Containership economies of scale mean that the daily time charter rate per TEU for a larger containership is less than for a ship with lower TEU capacity. Pricing of containership transportation services occurs against a background of a highly competitive global containership charter market. The containership charter market experienced significant upward movement in time charter rates in the period between the start of 2002 and the middle of 2005. The market recovered from the falls in charter rates seen in 2001 to levels beyond previous market highs before falling again mid-way through 2005, stabilizing in the first half of 2006, and then slipping further during the second half of 2006. The first half of 2007 saw the containership charter market recover to rate levels similar those seen in late 2005 and early 2006, while early 2008 saw rates rise further. However, the onset of the global economic downturn and the resulting slowdown in container trade growth created a relative oversupply of capacity, leading to a rapid fall in containership earnings in the latter half of 2008, which continued in the first half of 2009, with earnings remaining depressed during the rest of the year. In the first nine months of 2010 containership charter rates began to register an upward trend, although rates remain well below long term averages. Based on an index covering a range of containership sizes, time charter daily rates improved 99% during the first nine months of 2010. Among other factors, there has been a reduction in the number of vessels in lay-up and an increase in transported container volumes over the low levels of 2009.

There are, of course, limitations and risks to future scenarios, dependent on developments in the world economy and global trade patterns, and the development of ordering, deliveries and demolitions

in the future. With the growth in container volumes having turned very negative in 2009, supply far outweighed demand for the global movement of containers, causing significant downwards pressure on the entire container shipping sector. The impact of the differential between growth in demand and supply on the containership charter market was sharply negative, pushing rates acutely downwards. In the first nine months of 2010 in general containership timecharter rates exhibited an upward trend, although the re-deployment of idle capacity may put downward pressure on charter rates, and there are still a considerable number of vessels to be delivered within the next few years and there is a risk that this may also put downward pressure on charter rates.

<b>Containership Timecharter Rates, 6-12 months, annual averages of monthly assessments</b>							
<b>US\$/day</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>Dec-09</b>	<b>Sep-10</b>
<b>1,000 TEU geared</b>	8,579	14,475	17,700	12,350	12,500	3,900	7,350
<b>1,700 TEU geared</b>	13,817	23,108	27,146	17,079	16,613	4,200	8,750
<b>2,750 TEU gearless</b>	22,125	33,850	34,813	22,646	26,292	4,500	14,000
<b>3,500 TEU gearless</b>	25,667	35,621	38,427	26,583	29,958	5,450	19,000
<b>4,400 TEU gearless</b>	30,125	43,375	43,000	32,417	34,375	6,400	23,500

Source: Clarkson Research, October 2010.

Estimates based on monthly market assessments for theoretical fully cellular ships by H. Clarkson & Co. Ltd. brokers. These estimates are based on a given point in time and are no guide to or guarantee of future rates. Geared vessels have their own cranes for the purpose of loading and unloading and unloading containers.

The estimated one year timecharter rate for a 3,500 TEU containership at the end of January 2010 was \$5,500 per day. At the end of September 2010 it stood at \$19,000 per day, compared to an average of \$26,902 per day in the period 2000-2009.

With respect to the 6,000-6,999 TEU containership size range, \$8,500 per day represents the lowest rate at which a vessel of this size was chartered since the start of 2000 according to reported market fixtures for 6,000-6,999 TEU containerships recorded by Clarkson Research; note that reported fixtures recorded by Clarkson Research do not constitute a comprehensive record of charter market fixtures, charter market transaction activity in this containership size range is relatively low, and not all fixture activity is necessarily reported to the market. \$31,585 per day is the historical average rate since the start of 2000 according to reported market fixtures for 6,000-6,999 TEU containerships recorded by Clarkson Research.

#### *Containership Fixture Activity*

Along with movements in containership charter rates, the market has also seen changes in the number of fixtures (new charters) and average charter periods. During 2003 and 2004 the volume of reported fixtures was relatively high, but as demand continued to grow, and a greater number of vessels were committed for longer periods than previously, the lack of availability caused the volume of fixtures to slow in 2005 and 2006. The average number of monthly fixtures

fell from 159 in 2003 to 60 in 2005, and increased gradually back to an average of 124 fixtures reported per month in 2009. The average

period of reported fixtures moved from 19.2 months in 2006 to just 4.7 months in 2009, with container shipping lines less willing to commit to longer periods and owners keen to avoid longer periods at prevailing rates. The graph below shows illustrates containership fixture activity by size range.

*Vessel Values: The Newbuild & Secondhand Containership Market*

*Newbuild Prices:* The development of containership newbuild prices reflects both the demand for vessels as well as the cost of acquisition of new containerships by owners from shipyards, which is influenced by the cost of materials and labor, availability of shipbuilding capacity, and the impact of demand from other shipping sectors on shipyards. Economies of scale in containership building mean that the cost per TEU involved in building larger containerships is less than for vessels with smaller TEU capacity.

The total newbuild price for a theoretical 6,200 TEU containership increased from \$60.0 million at the start of 2003 to peak at \$108.0 million in the period June to September 2008. However, since the onset of the downturn, this figure has fallen to \$77.5 million at the end of September 2010. The graph below shows the historical development of containership newbuild prices. The average price for a 6,200 TEU containership newbuild since March 2001 is estimated at \$83.8 million.

*Secondhand Prices:* As the containership charter market is playing an increasingly important role in the container shipping industry as a whole, the market for the sale and purchase of secondhand containerships has also expanded. Secondhand vessel prices are influenced by newbuild prices and also by vessel charter rates or earnings, although there is sometimes a lag in the relationship. For example, in 2001, when containership charter rates dropped significantly, containership secondhand prices also moved downwards.

Activity on the secondhand market for containerships has grown steadily in recent years from relatively low volumes of activity previously. A portion of this activity has been constituted by the sale of containerships by liner companies to charter owners. These sales have commonly been accompanied by time charter back arrangements whereby the liner company sells the vessel, removing the asset from its balance sheet, then, as part of the transaction, arranges a time charter of the vessel from the party to which it has sold the ship. The liquidity of the secondhand sales market is much greater for small and medium- sized containerships than for large vessels. Only 201 of the 1,275 secondhand containership sales recorded in the period 1999-2009 involved ships with 3,000 TEU or more in capacity. Large containerships are generally newer, and more likely to remain owned by their original owner either for their own end use or on an initial relatively long-term charter.

Secondhand containership sales volumes show some volatility and full year 2009 saw 123 secondhand vessels with a combined capacity of 180,133 TEU sold. The following graph shows the development of secondhand prices for five-year old containerships. Trends in secondhand prices for older containerships typically move according to similar cycles. The graph shows the development of five-year old 3,500 TEU, 1,700 TEU and 1,000 TEU ship prices. The five-year old 1,700 TEU prices as at end September 2010 are estimated to be approximately \$23.0 million, compared to a 10-year average of \$24.6 million. The price for a theoretical five year old 1,700 TEU containership decreased from \$37.5 million at the start of June 2008 to just \$14.0 million at the end of 2009. However, the first nine months of 2010 saw an upward trend in containership secondhand prices.

## Containership Market Competition

There are two types of companies that own containerships: liner shipping companies, who operate container shipping services and own and charter-in containerships; and containership owners, often known as charter owners, who own containerships and charter them out to liner companies. Liner companies include charterers such as A.P. Moller-Maersk, MSC, CMA-CGM and Evergreen Marine, who own container carrying vessels for the services that they operate. This differs somewhat from the traditional tanker and bulkcarrier shipping sectors where owners provide tonnage to charterers who are mainly cargo interests or operators which are less inclined to own their own vessels. Liner companies also are responsible for providing the containers themselves, either owned or leased, arranging terminal handling either at dedicated or third-party terminals and often inland transportation between ports and cargo origins and destinations. There are over 200 liner companies, but the top 10 and top 20 companies deployed a total of 56% and 76% of global total liner capacity as of October 1, 2010. A.P. Moller-Maersk's deployed fleet accounted for approximately 13% of the global fleet liner capacity. During 2009, with container trade volumes in decline, and freight rates under severe pressure on many trades, liner companies faced an extremely difficult financial environment.

Charter owners are also numerous, with over 400 owning containerships as of October 1, 2010. The largest share of the charter owner containership fleet is owned by German shipowners, which accounted for 62.3% of the fully cellular containerships in the charter owner fleet as of October 1 2010 and 60.2% of the containerships on order to charter owners. The top 10 charter owners account for 42% of charter owner global capacity as of October 1, 2010.

Historically, a significant share of the world's containership capacity has been owned by the liner companies, but since the 1990s there has been an increasing trend for the liner companies to charter-in a larger proportion of the capacity that they operate as a way of retaining some degree of flexibility with regard to capital spending levels over time given the significant costs associated with purchasing vessels. The share of total liner capacity<sup>(3)</sup> operated by the top 10 liner companies that was chartered in increased from approximately 15% at the start of 1993 to 48% at the start of 2010 (although this percentage is marginally reduced compared with 2007).

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(3) Includes all container capable liner capacity on liner ship types.

**Top Containership Charter Owners by TEU Capacity**

<b>as of October 1, 2010 Owner</b>	<b>Country</b>	<b>No. of vessels</b>	<b>TEU</b>	<b>Avg. Size</b>
Reederei C.-P. Offen	Germany	95	430,681	4,533
NSB Niederelbe	Germany	82	348,072	4,245
NVA Norddeutsche	Germany	77	336,639	4,372
Peter Dohle Schiff.	Germany	100	298,140	2,981
E.R. Schiffahrts	Germany	64	296,857	4,638
Zodiac Maritime Agy.	United Kingdom	62	279,627	4,510
Seaspan Container	Canada	55	268,295	4,878
Rickmers Reederei	Germany	86	264,736	3,078
Danaos Shpg.	Greece	49	216,532	4,419
Costamare Inc.	Greece	41	211,882	5,168
Komrowski Befracht.	Germany	47	190,272	4,048
Shoei Kisen K.K.	Japan	48	169,304	3,527
NSC Schiffahrt	Germany	37	124,010	3,352
Schulte Group	Germany	45	117,931	2,621
Hermann Buss	Germany	73	112,975	1,548
Gebab	Germany	35	108,436	3,098
Hansa Treuhand	Germany	29	96,237	3,319
F. Laeisz	Germany	28	94,501	3,375
Thomas Schulte	Germany	35	92,253	2,636
Synergy Marine Ltd.	Cyprus	18	85,408	4,745
Leonhardt & Blumberg	Germany	48	84,745	1,766
Kaisho Shipping Co.	Japan	14	82,416	5,887
Hanseatic Lloyd	Germany	24	81,340	3,389
Conti Reederei	Germany	11	79,275	7,207
Dr. Peters	Germany	27	63,002	2,333

Source: Clarkson Research, October 2010.

As of October 1, 2010, it was estimated that 2,823 containerships in the 4,945 strong fully cellular containership fleet were owned by charter owners, representing 57% of the global containership fleet in terms of ship numbers and 50% in terms of TEU capacity.

At the start of October 2010, the 2,823 containerships owned by charter owners had a total TEU capacity of 7.0 million. Of these vessels, 724 were sized below 1,000 TEU and had a total capacity of 0.47 million TEU (64% of the total fleet in that size range) and 1,309 were sized between 1,000 and 2,999 TEU and had a total capacity of 2.43 million TEU (68% of the total). The remaining 790 vessels were sized 3,000 TEU and above, with a total capacity of 4.09 million TEU (43% of the total). Of these, 98 ships were sized 8,000 TEU and above. Charter owners have in general increased their share of the worldwide containership fleet in recent years, and have been responsible for a

substantial share of containership capacity contracted, and investment in containerships.

The majority of the containership charter market is focused on containerships of 4,500 TEU or less, and the large majority of charter market activity in this sector is time charter business, with charter periods ranging from less than one month to three years or more. However, in other instances, and generally in the case of larger Panamax and Post-Panamax containerships, the charter owner will contract a containership newbuild at a shipyard, which is then chartered out to one of the major container shipping lines on a long-term time charter ranging up to 10 or 12 years in duration. Within the substantial part of the containership charter market focused on containerships of 4,500 TEU or less, both the number of vessels and the number of fixtures are more numerous than in the larger size ranges. In addition, the number of liner companies utilizing 1,000-4,500 TEU containerships, for example, is much higher than the number operating ships 4,500 TEU and above in size. Below 4,500 TEU containership operation is more highly fragmented, with global liner companies competing with regional liner companies who have less requirement for the deployment of larger containerships.

## BUSINESS

### Overview

We are an international owner of containerships, chartering our vessels to many of the world's largest liner companies. We currently have a fleet of 41 containerships aggregating 211,882 TEUs, making us one of the largest privately owned containership companies in the world, based on total TEU capacity. We also have contracted to acquire four 3,351 TEU secondhand containerships and have entered into agreements, subject to certain conditions, to acquire three 9,000 TEU newbuilds. Our strategy is to time charter our containerships to a geographically diverse, financially strong and loyal group of leading liner companies. Our containerships operate primarily under multi-year charters and therefore are not subject to the effect of seasonal variations in demand. Over the last three years our largest customers by revenue were A.P. Moller-Maersk, MSC and COSCO. As of October 15, 2010, the average (weighted by TEU capacity) remaining time charter duration for our fleet of 41 containerships was 5.6 years, based on the remaining fixed terms and assuming the earliest redelivery dates possible under our containerships' charters. As of June 30, 2010, our fixed-term charters represented an aggregate of \$1.7 billion of contracted revenue, assuming the earliest redelivery dates possible under our containerships' charters and 365 revenue days per annum per containership.

Our company and its founders have a long history of operating and investing in the shipping industry. We are wholly-owned by the Konstantakopoulos family. Captain Vasileios Konstantakopoulos, the father of our chairman and chief executive officer, Konstantinos Konstantakopoulos, founded Costamare Shipping in 1975. We initially owned and operated drybulk carrier vessels, but in 1984 we became the first Greek owned company to enter the containership market and, since 1992, we have focused exclusively on containerships. After assuming management of our company in 1998, Konstantinos Konstantakopoulos has concentrated on building a large, modern and reliable containership fleet run and supported by highly-skilled, experienced and loyal personnel. He founded the management companies CIEL and Shanghai Costamare in 2001 and 2005, respectively, and he founded the manning agency C-Man Maritime in 2006. Today, Konstantinos Konstantakopoulos remains focused on continuing to develop the scope and capabilities of our management companies and related manning agency. Under Konstantinos Konstantakopoulos's leadership, we have continued to foster a company culture focusing on excellent customer service, industry leadership and innovation.

Consistent with our strategy of actively managing the size of our fleet through timely acquisitions and dispositions, we grew our fleet from 21 containerships with an aggregate capacity of 43,735 TEUs in 2000 to a peak of 53 containerships of 227,778 TEUs in 2008, followed by a proactive decrease in response to market conditions to our current fleet of 41 containerships with a total capacity of 211,882 TEUs. We plan to use the proceeds of the offering to further expand and renew our fleet. We believe that the financial flexibility resulting from our strategic growth policy, together with our experience, reputation, quality of services and long-standing relationships with container shipping industry participants and major financial institutions, position us to renew and expand our fleet with further acquisitions of newbuild and high-quality secondhand vessels at prices that are currently below historical averages.

We believe that this is a favorable time to acquire newbuilds, as well as high-quality secondhand vessels. We also believe that vessel prices today remain at levels that are below their 10-year historical averages and that the charter market for containerships has shown improvement during 2010. As an established owner of containerships with a focus on reliability and balance sheet management, and with significant experience and relationships in the containership sector, we believe we will have ready access to additional vessel acquisition opportunities from shipyards, our liner company customers, shipowners, financial institutions and brokers, chartering opportunities with leading liner companies, and available financing alternatives that will facilitate the renewal and further expansion of our fleet at an opportune time.

We believe that it is currently an attractive time in the container shipping cycle to invest, and that we are well-positioned to benefit from an industry recovery. Although current charter rates remain low compared to the high levels reached in the middle of 2005, we believe that the recent signs of improvement are a positive indicator of

fundamental improvements in the economics of our industry. See Market Opportunity .

Our company operates through a number of wholly-owned vessel-owning subsidiaries incorporated in the Republic of Liberia. Each of our vessels is managed by one of our three managers: Costamare Shipping, CIEL and Shanghai Costamare, all of which are controlled by our chairman and chief executive officer. We believe that having three management companies allows us to have a deep pool of operational management in multiple locations with market-specific experience and relationships, as well as the geographic flexibility needed to manage and crew our large and diverse fleet so as to provide a high level of service, while remaining cost-effective.

### ***Recent Developments***

Consistent with our strategy of pursuing attractive growth opportunities, we recently entered into agreements to acquire a total of seven newbuild and secondhand containerships.

On September 21, 2010, we contracted with China Shipbuilding Trading Company Limited and Shanghai Jiangnan Changxing Heavy Industry Co., Ltd. for the construction and purchase of three newbuild containerships, each of 9,000 TEU capacity, for a price of approximately \$95.1 million per newbuild, to be paid in five equal installments. Each newbuild contract is subject to our completion of certain financing arrangements prior to November 30, 2010. These three newbuilds are scheduled to be delivered between November 2013 and January 2014, and we currently have agreements for the time charter of each newbuild to MSC for a period of 10 years from delivery by the shipyard at a daily rate of \$43,000. We have also obtained options to acquire three additional newbuild containerships, each of 9,000 TEU capacity, for a price of approximately \$96.1 million per newbuild. These options must be exercised by December 24, 2010, and the associated newbuild containerships would be delivered between March and June 2014.

On September 23, 2010, we contracted for four 3,351 TEU secondhand containerships at a purchase price of \$11.25 million per containership, two to be delivered by December 20, 2010 and two by February 28, 2011. These secondhand containerships were built between 1990 and 1992. We intend to finance the acquisition of these secondhand containerships with available cash or new debt financing. While we do not currently have time charters for these secondhand containerships, we are reviewing the charter market and intend to take advantage of available opportunities in line with our market outlook.

On September 16, 2010, we obtained a commitment letter from The Royal Bank of Scotland plc for a \$120.0 million term loan facility, which will be available for drawing for up to 18 months. We intend to use this term loan facility to finance the acquisition of additional newbuild or secondhand containerships, but we are also permitted to use it to refinance existing containerships in our fleet. Availability of the term loan facility is subject to execution of definitive documentation and is conditioned upon the closing of this offering.

We recently rechartered the *MSC Navarino*, and we also have extended by four years the current time charters to A.P. Moller-Maersk of eight of our containerships, such extensions resulting in an increase of approximately \$306 million in our contracted revenues. The details of the recharter and eight extensions, as well as certain other charter modifications, are shown in our fleet table, which appears in Business Fleet Characteristics .

### **Our Competitive Strengths**

We believe that we possess a number of competitive strengths that will allow us to capitalize on growth opportunities in the containership sector, including:

***History of Managing Growth Through Shipping Cycles.*** We grew our fleet from 21 containerships with an aggregate capacity of 43,735 TEUs in 2000 to a peak of 53 containerships of 227,778 TEUs in 2008, reflecting a compound annual growth rate of approximately 10.8% based on number of vessels or 20.1% based on TEUs, by, among other things, contracting newbuilds and negotiating private purchases from our liner company customers. Thereafter, we decided, based on our market outlook, to reduce our fleet size to our current fleet of 41 containerships with a total capacity of 211,882 TEUs. Unlike many of our public company competitors, we are not burdened with acquisition and

newbuild commitments that were incurred when vessel prices were relatively high. Our senior management team has a history of strategically timing vessel acquisitions and dispositions in the containership sector and delivering

positive financial returns through the shipping cycle, generating net income of \$45.6 million in the first half of 2010, \$116.9 million in 2009 and \$99.8 million in 2008. We plan to use the proceeds of the offering to expand and renew our fleet. We believe that the financial flexibility resulting from our strategic growth policy, together with our experience, reputation, quality of services and long-standing relationships with container shipping industry participants and major financial institutions, position us to renew and expand our fleet with further acquisitions of newbuild and high-quality secondhand vessels at prices that are currently below historical averages.

***Base of Contracted Cash Flows Through Multi-Year Charter Coverage and Staggered Charter Expiration Dates.***

We believe that the multi-year fixed-rate nature of most of our charters, many of which were arranged at attractive points in the shipping cycle, will continue to provide us with a stable base of contracted future revenue. The containerships in our existing fleet are all subject to charters having initial terms ranging from less than one to 12 years. As of October 15, 2010, the average (weighted by TEU capacity) remaining time charter duration for our fleet of 41 containerships was 5.6 years, based on the remaining fixed terms and assuming the earliest redelivery dates possible under our containerships charters. Of the 41 containerships in our existing fleet, over 99% of the anticipated total available days for the fourth quarter of 2010 and the full year 2011 are under fixed-rate time charters and only three vessels of 7,706 TEU aggregate capacity are scheduled to be up for rechartering prior to the second quarter of 2012. The staggered maturities of the charters for vessels that expire between 2011 and 2012 (19 vessels), between 2013 and 2015 (3 vessels) and between 2016 and 2020 (19 vessels), will mean that we will likely conduct our rechartering activity in varying rate environments and we will seek to tailor our charter terms accordingly. As of June 30, 2010, our fixed-term charters represented an aggregate of \$1.7 billion of contracted revenue, assuming the earliest redelivery dates possible under our containerships charters and 365 revenue days per annum per containership.

***Experienced Management Team and Reputation for Operational Excellence Support Long-Standing Relationships with Leading Charterers.***

Our company and founders have a long history of operating and investing in the container shipping industry beginning in 1984. Our managers senior management teams have a combined average of approximately 34 years of experience in the shipping industry. We believe that we are able to secure multi-year charters with leading liner companies because of, among other things, our operating track record and our high level of service and support. Though our business is affected by changes in global and regional economic activity, we believe that by chartering our containerships to leading liner companies, including those we perceive to be most financially and operationally sound, we have reduced our potential charter counterparty risk. We currently charter containerships to A.P. Moller- Maersk, COSCO, Evergreen Marine, Hapag Lloyd, HMM, MSC, OACL and ZIM. Our containerships are manned by experienced and loyal personnel, which reflects our commitment to employee training and development, with our Masters having an average of 8.8 years of service with Costamare Shipping, as of June 30, 2010, and nearly 70% of our current Masters having been promoted from within our managers organizations. From 2007 through 2009, vessels in our fleet had an average of only 1.4 unscheduled off-hire days, or 0.38%, per vessel per year. We believe that our high level of operational performance, and the customer relationships we derive therefrom, result in large part from our focus on the welfare and training of our employees, particularly that of the seafarers manning our containerships.

***Access to Capital to Pursue Our Growth Strategy.*** As of June 30, 2010, we had approximately \$59.9 million of available cash (including restricted cash), cash equivalents and investments, along with \$74.2 million of undrawn borrowing capacity. As of that date, we also had 10 containerships, aggregating 38,197 TEUs with an average age (weighted by TEU capacity) of 12.5 years, which were unencumbered. On September 16, 2010, we obtained a commitment letter for a \$120.0 million term loan facility, subject to execution of definitive documentation and conditioned upon the closing of this offering. Consistent with our policy of managing our balance sheet, we met all of our scheduled debt repayment obligations during the significant 2008-2009 economic downturn. We believe that our available liquidity and committed financing capacity will allow us to make additional near-term accretive acquisitions during a period when both newbuild and high-quality secondhand vessel values remain below their 10-year historical averages.

***Large, Diversified High-Quality Fleet.*** We have a fleet of 41 vessels as of October 15, 2010. Our fleet includes containerships of various sizes and has been assembled to meet our customers' needs and

is able to operate on East-West, North-South and Intra-regional trade routes, giving us increased flexibility in rechartering our containerships. We believe our containerships were built to high standards by reputable shipyards and have been carefully maintained. We also believe that the reliability of our fleet has been a critical factor in retaining our active and long-standing relationships with the leading liner companies. We have also had success in chartering and operating our older vessels beyond their depreciable lives, and we recently secured charters with leading liner companies for a number of our older containerships. We believe that owning a large, high-quality and diverse fleet provides us with a competitive advantage in securing future employment for our containerships.

## **Our Business Strategies**

Our primary objectives are to profitably grow our business, increase distributable cash flow per share and maximize value to our stockholders by pursuing the following strategies:

***Invest in Vessels at an Attractive Point in the Container Shipping Cycle.*** Given our broad and established customer relationships and financial flexibility, we believe we are well-positioned to take advantage of the significant opportunities created by the recent economic downturn and developments in the container shipping industry to acquire vessels at attractively low prices. As an established owner of containerships with significant experience and relationships in the containership sector, we believe we will have ready access to vessel acquisition opportunities from shipyards, our liner company customers, shipowners, financial institutions and brokers; chartering opportunities with leading liner companies; and available financing alternatives that will facilitate the renewal and expansion of our fleet at an opportune time. We have recently contracted to acquire four 3,351 TEU secondhand containerships. We have also entered into agreements, subject to certain conditions, to acquire three 9,000 TEU newbuilds, and have agreed 10-year time charters for each newbuild. We intend to expand our fleet by acquiring additional containerships at relatively low prices using our cash from operations, the proceeds of this offering and undrawn borrowing capacity under our committed revolving credit facility and committed term loan, along with borrowings under new credit facilities for which we do not yet have commitments, but which we intend to obtain.

***Actively Manage Portfolio of Charters Through the Shipping Cycle.*** We believe that a focus on high-quality charterers and a carefully-managed charter expiry profile are critical to our business strategy. Our largest customers in 2009 were A.P. Moller-Maersk, MSC and COSCO, which we perceive to be among the more creditworthy liner companies. As the global economy improves, we will continue to charter our containerships to high-quality charterers and expand the number of leading liner companies chartering our vessels in order to further diversify our portfolio of time charters from customer, geographic and maturity perspectives. We believe our strategy will reduce our revenue concentration, moderate our exposure to any one customer and allow us to recharter our containerships during various points in the charter market cycle.

***Continue to Manage Our Balance Sheet.*** We believe that management of our balance sheet, including management of cash and capital commitments, will continue to give us financial flexibility. Consistent with that policy, we met all of our scheduled debt repayment obligations during the significant 2008-2009 economic downturn. Unlike many of our public company competitors, we are not burdened with acquisition and newbuild commitments that were incurred when vessel prices were relatively high, and we believe that we are well-positioned to take advantage of opportunities in the current point of the container shipping cycle. We believe that our committed revolving credit facility, which gives us \$74.2 million of undrawn borrowing capacity as of June 30, 2010, and our committed term loan that provides \$120.0 million of undrawn borrowing capacity, along with cash from operations, the proceeds of this offering and borrowings under new credit facilities that we intend to obtain, will provide us with the flexibility to act quickly to acquire additional vessels at attractive prices at opportune times.

***Provide High-Quality Customer Service.*** We seek to provide high-quality customer service that allows our customers to implement integrated logistics solutions in the marketplace. Our managers' ship management approach is to tailor their services by vessel type and age, which we believe has helped to differentiate us with our charterers and extend our charters and the useful lives of our containerships. We believe that having three management companies allows us

to have a deep pool of operational

management in multiple locations with market-specific experience and relationships, as well as the geographic flexibility needed to manage and crew our large and diverse fleet so as to provide a high level of service, while remaining cost-effective. We also believe that our focus on customer service and reliability enhances our relationships with our charterers. In the past decade, we have had successful chartering relationships with the majority of the top 20 liner companies by TEU capacity. We also believe that we can continue to leverage the presence in China of one of our management companies, Shanghai Costamare, to grow and establish local relationships with Chinese shipyards, charterers, shipowners, financial institutions and containership service providers.

## **Market Opportunity**

We believe that it is currently an attractive time in the container shipping cycle to invest, and that we are well-positioned to benefit from an industry recovery, for several key reasons, including:

***Initial Signs of Container Shipping Market Recovery.*** During 2010, the container shipping industry has exhibited recovering charter rates driven by improvements in the supply/demand equation. As reported by Clarkson Research, based on an index containing a range of containership sizes, time charter daily rates improved 99% during the first nine months of 2010 and there has been a reduction in the number of vessels in layup and an increase in transported container volumes over the low levels of 2009. Although current charter rates remain low compared to the high levels reached in 2005, we believe that the increases in charter rates and transported volumes in the first nine months are a positive indicator of fundamental improvement in the economics of our industry.

***Our Ability to Exploit Acquisition Opportunities.*** As a well-established containership owner with a reputation for reliability and financial soundness and with significant contracted revenues, we believe we will have access to financing and chartering opportunities that will enable us to acquire additional high-quality vessels at prices that are below their 10-year historical averages. Unlike many of our public company competitors, we are not burdened with acquisition and newbuild commitments that were incurred when vessel prices were relatively high or with significant restrictions on debt incurrence imposed by lenders that would impede growth.

## **Fleet**

### ***General***

We currently have a fleet of 41 containerships aggregating 211,882 TEUs, making us one of the largest privately owned containership companies in the world, based on total TEU capacity. Our containerships have a record of low unscheduled off-hire days, with fleet utilization levels of 99.7%, 99.3% and 99.9% in 2007, 2008 and 2009, respectively, and 99.8% for the first half of 2010. We believe our customers seek to charter our ships based upon, among other factors, our reputation for safety and reliability.

We deploy our containership fleet principally under multi-year time charters with leading liner companies that operate regularly scheduled routes between large commercial ports. As of October 15, 2010, the average (weighted by TEU capacity) remaining time charter duration for our fleet of 41 containerships was 5.6 years, based on the remaining fixed terms and assuming the earliest redelivery dates possible under our containerships charters.

### ***Characteristics***

The tables below provide additional information, as of October 15, 2010, about our fleet of 41 containerships and the three newbuilds we have contracted to purchase from China Shipbuilding Trading Company Limited and Shanghai Jiangnan Changxing Heavy Industry Co., Ltd., at a purchase price of approximately \$95.1 million per newbuild. The table below does not include the four secondhand containerships that we have agreed to purchase. See

Overview Recent Developments. Each vessel is a cellular containership, meaning it is a dedicated container vessel.



	Vessel Name	Charterer	Year Built	Capacity (TEU)	Time Charter Term <sup>(1)</sup>	Current Daily Charter Hire (U.S. dollars)	Expiration of Charter <sup>(1)</sup>	Average Daily Charter Rate Until Earliest Expiry of Charter (U.S. dollars) <sup>(2)</sup>
1	COSCO GUANGZHOU	COSCO	2006	9,469	12 years	36,400	December 2017	36,400
2	COSCO NINGBO	COSCO	2006	9,469	12 years	36,400	January 2018	36,400
3	COSCO YANTIAN	COSCO	2006	9,469	12 years	36,400	February 2018	36,400
4	COSCO BEIJING	COSCO	2006	9,469	12 years	36,400	April 2018	36,400
5	COSCO HELLAS	COSCO	2006	9,469	12 years	32,400 <sup>(3)</sup>	May 2018	36,996
6	MSC NAVARINO <sup>(4)</sup>	MSC	2010	8,531	0.7 years	22,000	January 2011	22,000
7	MAERSK KAWASAKI <sup>(i)</sup>	A.P. Moller-Maersk	1997	7,403	10 years	37,000	December 2017	37,000
8	MAERSK KURE <sup>(i)</sup>	A.P. Moller-Maersk	1996	7,403	10 years	37,000	December 2017	37,000
9	MAERSK KOKURA <sup>(i)</sup>	A.P. Moller-Maersk	1997	7,403	10 years	37,000	February 2018	37,000
10	SEALAND NEW YORK	A.P. Moller-Maersk	2000	6,648	11 years	30,375 <sup>(5)</sup>	March 2018	28,766
11	MAERSK KOBE	A.P. Moller-Maersk	2000	6,648	11 years	30,375 <sup>(6)</sup>	May 2018	31,855

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<b>12</b>	SEALAND WASHINGTON	A.P. Moller-Maersk	2000	6,648	11 years	30,375 <sup>(7)</sup>	June 2018	28,828
<b>13</b>	SEALAND MICHIGAN	A.P. Moller-Maersk	2000	6,648	11 years	25,375 <sup>(8)</sup>	August 2018	26,302
<b>14</b>	SEALAND ILLINOIS	A.P. Moller-Maersk	2000	6,648	11 years	30,375 <sup>(9)</sup>	October 2018	28,882
<b>15</b>	MAERSK KOLKATA	A.P. Moller-Maersk	2003	6,644	11 years	30,000 <sup>(10)</sup>	November 2019	33,168
<b>16</b>	MAERSK KINGSTON	A.P. Moller-Maersk	2003	6,644	11 years	30,375 <sup>(11)</sup>	February 2020	33,343
<b>17</b>	MAERSK KALAMATA	A.P. Moller-Maersk	2003	6,644	11 years	30,375 <sup>(12)</sup>	April 2020	33,385
<b>18</b>	ZIM NEW YORK	ZIM	2002	4,992	10 years	16,205 <sup>(13)</sup>	July 2012	28,332
<b>19</b>	ZIM SHANGHAI	ZIM	2002	4,992	10 years	16,100 <sup>(14)</sup>	August 2012	27,801
<b>20</b>	ZIM PIRAEUS <sup>(ii)</sup>	ZIM	2004	4,992	10 years	18,150 <sup>(15)</sup>	March 2014	24,145
<b>21</b>	OAKLAND EXPRESS	Hapag Lloyd	2000	4,890	8 years	31,297 <sup>(16)</sup>	September 2016	31,291
<b>22</b>	NEW YORK EXPRESS	Hapag Lloyd	2000	4,890	8 years	31,282 <sup>(16)</sup>	October 2016	31,274
<b>23</b>	SINGAPORE EXPRESS	Hapag Lloyd	2000	4,890	8 years	31,317 <sup>(16)</sup>	July 2016	31,312
<b>24</b>	MSC MANDRAKI	MSC	1988	4,828	2.8 years	13,500 <sup>(17)</sup>	August 2012	20,201
<b>25</b>	MSC MYKONOS	MSC	1988	4,828	3.2 years	13,500 <sup>(18)</sup>	September 2012	19,577
<b>26</b>		MSC	1993	3,883		17,250 <sup>(19)</sup>	April 2012	18,949

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	MSC ANTWERP				3 years			
<b>27</b>	MSC WASHINGTON	MSC	1984	3,876	3.2 years	17,250 <sup>(20)</sup>	February 2013	18,344
<b>28</b>	MSC KYOTO	MSC	1981	3,876	3.1 years	17,250 <sup>(21)</sup>	June 2013	18,238
<b>29</b>	MSC AUSTRIA	MSC	1984	3,584	3.7 years	17,250 <sup>(22)</sup>	November 2012	19,103
<b>30</b>	AKRITAS	Hapag Lloyd	1987	3,152	1 year	11,000	August 2011	11,000
<b>31</b>	GARDEN <sup>(iii)</sup>	Evergreen Marine	1984	2,922	5 years	15,200	November 2012	15,200
<b>32</b>	GENIUS I <sup>(iii)</sup>	Evergreen Marine	1984	2,922	3.3 years	15,200	November 2012	15,200
<b>33</b>	GATHER <sup>(iii)</sup>	Evergreen Marine	1984	2,922	5 years	15,200	November 2012	15,200
<b>34</b>	GIFTED <sup>(iv)</sup>	Evergreen Marine	1984	2,922	2.4 years	15,700	December 2011	15,700