DANAOS CORP

FORM 20-F

(Annual and Transition Report (foreign private issuer))

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 20-F

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

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

OR

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

For the transition period from _____to _____

OR

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

Date of event requiring this shell company report……

Commission file number 001-33060

DANAOS CORPORATION

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

Republic of The Marshall Islands

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

Dimitri J. Andritsoyiannis

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14 Akti Kondyli
185 45 Piraeus
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Telephone: +30 210 419 6480
Facsimile: +30 210 419 6489

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

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

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

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

None.

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

None.

As of December 31, 2008, there were 54,542,500 shares of the registrant's common stock outstanding.

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

Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934.

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☐ No ☐

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

☐ Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer

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

☒ U.S. GAAP ☐ International Financial Reporting Standards ☐ Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

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FORWARD-LOOKING INFORMATION

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

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

The words "anticipate," "believe," "estimate," "expect," "forecast," "intend," "potential," "may," "plan," "project," "predict," and "should" and similar expressions as they relate to us are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. We may also from time to time make forward-looking statements in our periodic reports that we file with the U.S. Securities and Exchange Commission ("SEC") other information sent to our security holders, and other written materials. Such statements reflect our current views and assumptions and all forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. The factors that could affect our future financial results are discussed more fully in "Item 3. Key Information—Risk Factors" and in our other filings with the SEC. We caution readers of this annual report not to place undue reliance on these forward-looking statements, which speak only as of their dates. We undertake no obligation to publicly update or revise any forward-looking statements.

PART I

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

We use the term "Panamax" to refer to vessels capable of transiting the Panama Canal and "Post-Panamax" to refer to vessels with a beam of more than 32.31 meters that cannot transit the Panama Canal. We use the term "twenty foot equivalent unit," or "TEU," the international standard measure of containers, in describing the capacity of our containerships. Unless otherwise indicated, all references to currency amounts in this annual report are in U.S. dollars.

Item 1. Identity of Directors, Senior Management and Advisers

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information

Selected Financial Data

The following table presents selected consolidated financial and other data of Danaos Corporation and its consolidated subsidiaries for each of the five years in the five year period ended December 31, 2008, reflecting the drybulk carriers owned by subsidiaries of Danaos Corporation between 2002 and the 2007 as discontinued operations. The table should be read together with "Item 5. Operating and Financial Review and Prospects." The selected consolidated financial data of Danaos Corporation is a summary of, is derived from, and is qualified by reference to, our consolidated financial statements and notes thereto, which have been prepared in accordance with U.S. generally accepted accounting principles, or "U.S. GAAP", and have been audited for the years ended December 31, 2008, 2007, 2006, 2005 and 2004 by PricewaterhouseCoopers S.A., an independent registered public accounting firm.

Our audited consolidated statements of income, stockholders' equity and cash flows for the years ended December 31, 2008, 2007 and 2006, and the consolidated balance sheets at December 31, 2008 and 2007, together with the notes thereto, are included in "Item 18. Financial Statements" and should be read in their entirety.

	Year Ended December 31,				
	2008	2007	2006	2005	2004
	In thousands, except per share amounts				
STATEMENT OF INCOME					
Operating revenues	$ 298,905	$ 258,845	$ 205,177	$ 175,886	$ 148,718
Voyage expenses	(7,476)	(7,498)	(5,423)	(3,883)	(3,194)
Vessel operating expenses	(89,246)	(65,676)	(52,991)	(45,741)	(38,395)
Depreciation	(51,025)	(40,622)	(27,304)	(22,940)	(27,520)
Amortization of deferred drydocking and special survey costs	(7,301)	(6,113)	(4,127)	(2,638)	(1,747)
Bad debt expense	(181)	(1)	(145)	(36)	(422)
General and administrative expenses	(11,617)	(9,955)	(6,413)	(3,914)	(3,028)
Gain/(loss) on sale of vessels	16,901	(286)	—	—	7,667
Income from operations	148,960	128,694	108,774	96,734	82,079
Interest income	6,544	4,861	3,605	6,345	2,638
Interest expense	(37,734)	(21,929)	(24,465)	(19,190)	(10,423)
Other finance (expenses)/income, net	(2,047)	(2,779)	2,049	(6,961)	1,424
Other (expenses)/income, net	(1,060)	14,560	(18,476)	(270)	813
Gain/(loss) on fair value of derivatives	2,397	(309)	(6,068)	2,831	(2,225)
Total other expenses, net	(31,900)	(5,596)	(43,355)	(17,245)	(7,773)
Net income from continuing operations	$ 117,060	$ 123,098	$ 65,419	$ 79,489	$ 74,306
Net (loss)/income from discontinued operations	$ (1,822)	$ 92,166	$ 35,663	$ 43,361	$ 42,153
Net income	$ 115,238	$ 215,264	$ 101,082	$ 122,850	$ 116,459
PER SHARE DATA (i)(ii)					
Basic and diluted net income per share of common stock from continuing operations	$ 2.15	$ 2.26	$ 1.40	$ 1.79	$ 1.68
Basic and diluted net (loss)/income per share of common stock from discontinued operations	$ (0.04)	$ 1.69	$ 0.76	$ 0.98	$ 0.95
Basic and diluted net income per share of common stock	$ 2.11	$ 3.95	$ 2.16	$ 2.77	$ 2.63
Basic and diluted weighted average number of shares	54,557	54,558	46,751	44,308	44,308
CASH FLOW DATA					
Net cash provided by operating activities	$ 135,489	$ 158,270	$ 151,578	$ 162,235	$ 129,056
Net cash used in investing activities	(511,986)	(687,592)	(330,099)	(40,538)	(154,747)
Net cash provided by/(used in) financing activities	433,722	549,742	183,596	(180,705)	45,133
Net increase/(decrease) in cash and cash equivalents	57,225	20,420	5,075	(59,008)	19,442

	Year Ended December 31,				
	2008	2007	2006	2005	2004
	In thousands, except per share amounts				
BALANCE SHEET DATA (at period end)					
Total current assets	$ 250,194	$ 92,038	$ 59,700	$ 64,012	$ 129,540
Total assets	2,828,464	2,071,791	1,297,190	945,758	1,005,981
Total current liabilities	122,215	51,113	45,714	70,484	77,602
Total long-term debt, including current portion	2,107,678	1,356,546	662,316	666,738	601,400
Total stockholders' equity	219,034	624,904	565,852	262,725	384,468
Common stock(i)(ii)	54,543	54,558	54,558	44,308	44,308
Share capital(i)	546	546	546	443	443

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

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

As a privately held company, we paid aggregate dividends of $12.4 million and $244.6 million in 2004 and 2005, respectively. We paid no dividends in 2006. We paid our first quarterly dividend since becoming a public company in October 2006, of $0.44 per share, on February 14, 2007, and subsequent dividends of $0.44 per share, $0.44 per share, $0.465 per share and $0.465 per share on May 18, 2007, August 17, 2007, November 16, 2007 and February 14, 2008. In addition, we paid a dividend of $0.465 per share on May 14, 2008, August 20, 2008 and November 19, 2008, respectively. Our board of directors has determined to suspend the payment of further cash dividends as a result of market conditions in the international shipping industry. Our payment of dividends is subject to the discretion of our Board of Directors. Our loan agreements and the provisions of Marshall Islands law also contain restrictions that could affect our ability to pay dividends. See "Item 3. Key Information—Risk Factors—Risks Inherent in Our Business—Our board of directors has recently determined to suspend the payment of cash dividends as a result of market conditions in the shipping industry, and until such market conditions significantly improve, it is unlikely that we will reinstate the payment of dividends and, if reinstated, it is likely that any dividend payments would be at reduced levels" and "Item 8. Financial Information—Dividend Policy."

Capitalization and Indebtedness

Not Applicable.

Reasons for the Offer and Use of Proceeds

Not Applicable.

Risk Factors

Risks Inherent in Our Business

Our business, and an investment in our common stock, involves a high degree of risk, including risks relating to the downturn in the container shipping market, which has had and may continue to have an adverse effect on our earnings, affect our compliance with our loan covenants and adversely affect the containership charter market.

The abrupt and dramatic downturn in the containership charter market, from which we derive substantially all of our revenues, has severely affected the container shipping industry and has adversely affected our business. The average daily charter rate of a 4,400 TEU containership, which represents the approximate average TEU capacity of our vessels, decreased from $36,000 in May 2008 to $6,900 in May 2009. The decline in charter rates is due to various factors, including the reduced availability of

trade financing for purchases of containerized cargo carried by sea, which has resulted in a significant decline in the volume of cargo shipments, and the level of global trade, including exports from China to Europe and the United States. The decline in charter rates in the containership market also affects the value of our vessels, which follow the trends of freight rates and containership charter rates, and earnings on our charters, and similarly, affects our cash flows, liquidity and compliance with the covenants contained in our loan agreements. The decline in the containership charter market has had and may continue to have additional adverse consequences for our industry including an absence of financing for vessel acquisitions, the absence of an active secondhand market for the sale of vessels, charterers seeking to renegotiate the rates for existing time charters and widespread loan covenant defaults in the container shipping industry.

The current low containership charter rates and containership vessel values and any future declines in these rates and values will affect our ability to comply with various covenants in our credit facilities.

Our credit facilities, which are secured by mortgages on our vessels, require us to maintain specified ratios and satisfy financial covenants, including requirements based on the market value of our containerships and our net worth. The market value of containerships is sensitive to, among other things, changes in the charter markets with vessel values deteriorating in times when charter rates are falling and improving when charter rates are anticipated to rise. The current low in charter rates in the containership market coupled with the prevailing difficulty in obtaining financing for vessel purchases have adversely affected containership values. These conditions have led to a significant decline in the fair market values of our vessels and the extremely low prevailing interest rates have led to significant declines in the fair value of our interest rate swap agreements.

In 2009, we entered into waivers and amendments to certain of our credit facilities to waive the prior breaches, as of December 31, 2008, resulting from the decrease in the market value of our vessels and the decline in the fair value of our interest rate swaps, of covenants to maintain minimum ratios of the fair market value of our vessels securing a particular credit facility to the aggregate outstanding indebtedness under such credit facility, a maximum ratio of total liabilities to market value adjusted total assets and minimum net worth, including on a market adjusted basis, requirements contained in our applicable credit facilities, as well any subsequent breaches of these covenants, through January 31, 2010 (other than with respect to our KEXIM-Fortis credit facility, for which covenant compliance will be evaluated within 180 days of December 31, 2009), or in one instance reducing the collateral coverage ratio covenant requirement during such period. Such waivers and covenants do not, however, cover other covenants contained in our credit facilities. If the current low charter rates in the containership charter market and low vessel values continue, including beyond the period covered by the waivers we obtained in 2009, we may not be in compliance with these covenants or other covenants not covered by waivers and would have to seek additional waivers of compliance from our lenders and/or raise additional funds through asset sales, equity infusions or similar transactions. Our amended loan agreements contain additional restrictions, including the requirement that we obtain prior written consent of certain of our lenders before paying any dividends and caps on the per share and aggregate dividend that we may pay with respect to 2009 pursuant to the terms of certain of our other credit facilities.

If we fail to comply with our covenants and are not able to obtain covenant waivers or modifications, our lenders could require us to make prepayments or provide additional collateral sufficient to bring us into compliance with such covenants, and if we fail to do so, our lenders could accelerate our indebtedness and foreclose on the vessels in our fleet, which would impair our ability to continue to conduct our business. In addition, if we were unable to obtain waivers, we could be required to reclassify all of our affected indebtedness as current liabilities and our auditors may give either an unqualified opinion with an explanatory paragraph relating to the disclosure in the notes to our financial statements as to the substantial doubt of our ability to continue as a going concern, or a qualified, adverse or disclaimer of opinion. Certain of these events could in turn lead to additional

defaults under our loan agreements, and the consequent acceleration of the indebtedness thereunder and the commencement of similar foreclosure proceedings by other lenders. If our indebtedness were accelerated in full or in part, it would be very difficult in the current financing environment for us to refinance our debt or obtain additional financing and we could lose our vessels if our lenders foreclose their liens, which would adversely affect our ability to continue our business. Any default by or the failure of our charterers to honor their obligations to us under our charter agreements would reduce the likelihood that our lenders would be willing to provide waivers or covenant modifications or other accommodations.

Moreover, in connection with any waivers and/or amendments to our loan agreements, our lenders may impose additional operating and financial restrictions on us and/or modify the terms of our existing loan agreements. These restrictions may limit our ability to, among other things, pay dividends, make capital expenditures and/or incur additional indebtedness, including through the issuance of guarantees. In addition, our lenders may require the payment of additional fees, require prepayment of a portion of our indebtedness to them, accelerate the amortization schedule for our indebtedness and increase the interest rates they charge us on our outstanding indebtedness, all of which could adversely affect our profitability and cash flows.

Although we have arranged charters for each of our 28 newbuilding containerships, we are dependent on the ability and willingness of the charterers to honor their commitments under such charters as it would be difficult to redeploy such vessels at equivalent rates, or at all, if charter markets continue to experience weakness.

We are dependent on the ability and willingness of the charterers to honor their commitments under the multi-year time charters we have arranged for each of our 28 newbuilding containerships. The combination of a reduction of cash flow resulting from declines in world trade, a reduction in borrowing bases under credit facilities and the lack of availability of debt or equity financing may result in a significant reduction in the ability of our charterers to make charter payments to us. Furthermore, the surplus of containerships available at lower charter rates and lack of demand for our customers' liner services could negatively affect our charterers' willingness to perform their obligations under the time charters for our newbuildings, which provide for charter rates significantly above current market rates. The combination of the current surplus of containership capacity, and the expected significant increase in the size of the world containership fleet over the next few years as the high volume of containerships currently being constructed are delivered, would make it difficult to secure substitute employment for any of our newbuildings if our counterparties failed to perform their obligations under the currently arranged time charters, and any new charter arrangements we were able to secure would be at lower rates given currently depressed charter rates. As a result, we could sustain significant losses which would have a material adverse effect on our business, financial condition, results of operations and cash flows, as well as our ability to pay dividends, if any, in the future, and comply with the covenants in our credit facilities.

No financing has been arranged for the acquisition of 12 of our 28 newbuilding containerships under construction, which 12 containerships are expected to be delivered to us in 2010, 2011 and 2012, and the current state of global financial markets and current economic conditions may adversely impact our ability to obtain financing on acceptable terms which may hinder or prevent us from fulfilling our obligations under our agreements to complete the construction of these newbuilding containerships.

We currently have contracts for the construction of 28 newbuilding containerships, with aggregate remaining installment payments of $2.1 billion as of June 30, 2009. Our obligation to purchase the 28 vessels, with 4, 12, 7 and 5 vessels expected to be delivered to us in the remainder of 2009, in 2010, in 2011 and in 2012, respectively, is not conditional upon our ability to obtain financing for such purchases. In addition to our available borrowing capacity under committed credit facilities as of June 30, 2009, we would be required to procure additional financing of approximately $1.4 billion in

order to fund these remaining installment payments, to the extent such installment payments are not funded with cash generated by our operations. Accordingly, we have no financing arranged for the acquisition of 12 of the newbuilding containerships expected to be delivered to us in 2010, 2011 and 2012. Our ability to obtain financing in the current economic environment, particularly for the acquisition of containerships, which are experiencing low charter rates and depressed vessel values, may be limited and unless we are successful in obtaining debt financing, and our cash flow from operations remains stable or increases, we may not be able to complete these transactions. In such a case, we could lose our deposit money, which amounted to $1.1 billion as of June 30, 2009, and we may incur additional liability and costs. In addition, prevailing conditions in the global financial markets may preclude us from raising equity capital or issuing equity at prices which would not be dilutive to existing stockholders.

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

Demand for our vessels depends on demand for the shipment of cargoes in containers and, in turn, containerships. The ocean-going container shipping industry is both cyclical and volatile in terms of charter hire rates and profitability. In the second half of 2008 and the first half of 2009, the ocean-going container shipping industry has experienced severe declines, with charter rates at significantly lower levels than the historical highs of the past few years. Variations in containership charter rates result from changes in the supply and demand for ship capacity and changes in the supply and demand for the major products transported by containerships. The factors affecting the supply and demand for containerships and supply and demand for products shipped in containers are outside of our control, and the nature, timing and degree of changes in industry conditions are unpredictable. The recent global economic slowdown and disruptions in the credit markets have significantly reduced demand for products shipped in containers and, in turn, containership capacity.

Factors that influence demand for containership capacity include:

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

Factors that influence the supply of containership capacity include:

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

- the number of containerships that are out of service; and
- port congestion.

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

Our ability to recharter our containerships upon the expiration or termination of their current charters and the charter rates payable under any renewal or replacement charters will depend upon, among other things, the prevailing state of the charter market for containerships. If the charter market is depressed, as it has been in the second half of 2008 and the first half of 2009, when our vessels' charters expire, we may be forced to recharter the containerships at reduced rates or even possibly a rate whereby we incur a loss, which may reduce our earnings or make our earnings volatile. The same issues will exist if we acquire additional containerships and attempt to obtain multi-year charter arrangements as part of an acquisition and financing plan.

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

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

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

respond to competitive pressures any of which could have a material adverse effect on our revenues and results of operations.

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

Weak economic conditions throughout the world, and particularly in the Asia Pacific region, could have a material adverse effect on our business, financial condition and results of operations.

Negative trends in the global economy that emerged in 2008 have continued in 2009. The deterioration in the global economy has caused, and may continue to cause, a decrease in worldwide demand for certain goods and, thus, container shipping. Continuing economic instability could have a material adverse effect on our financial condition and results of operations.

In particular, as we anticipate a significant number of the port calls made by our vessels will continue to involve the loading or unloading of containers in ports in the Asia Pacific region. As a result, negative change in economic conditions in any Asia Pacific country, but particularly in China, may exacerbate the effect of the significant downturns in the economies of the United States and the European Union and may have a material adverse effect on our business, financial position and results of operations, as well as our future prospects. In recent years, China has been one of the world's fastest growing economies in terms of gross domestic product, which has had a significant impact on shipping demand. In 2008, growth in China's gross domestic product declined from its 2007 growth rate, and it is likely that China and other countries in the Asia Pacific region will continue to experience slowed or even negative economic growth in the near future. Moreover, the current economic slowdown in the economies of the United States, the European Union and other Asian countries may further adversely affect economic growth in China and elsewhere. Our business, financial condition, results of operations, ability to pay dividends as well as our future prospects, will likely be materially and adversely affected by a further economic downturn in any of these countries.

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

The sharp decline in global economic activity in the second half of 2008 and in 2009 has resulted in a substantial decline in the demand for the seaborne transportation of products in containers, reaching the lowest levels in decades. Consequently, the cargo volumes and freight rates achieved by liner companies, with which all of the existing and contracted vessels in our fleet are chartered, have declined sharply, reducing liner company profitability and, at times, failing to cover the costs of liner companies operating vessels on their shipping lines. In response to such reduced cargo volume and freight rates, the number of vessels being actively deployed by liner companies has decreased, with over 10% of the world containership fleet estimated to be out of service as of May 2009. Moreover, newbuilding containerships with an aggregate capacity of 6.31 million TEUs, representing approximately 53% of the world's fleet capacity as of December 31, 2008, were under construction, which may exacerbate the surplus of containership capacity further reducing charterhire rates.

The reduced demand and resulting financial challenges faced by our liner company customers has significantly reduced demand for containerships and may increase the likelihood of one or more of our

customers being unable or unwilling to pay us the contracted charterhire rates, which are generally significantly above currently prevailing charter rates, under the charters for our vessels. We generate all of our revenues from these charters and if our charterers fail to meet their obligations to us, we would sustain significant losses which could materially adversely affect our business and results of operations, as well as our ability to comply with covenants in our credit facilities.

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

We derive all of our revenues from the payment of charter hire by our charterers. Our 41 containerships are currently employed under time charters with 10 customers, with 74% of our revenues in 2008 generated from four customers, and we have arranged long-term time charters for each of our 28 contracted newbuilding containerships. We could lose a charterer or the benefits of a time charter if:

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

If we lose a time charter, we may be unable to re-deploy the related vessel on terms as favorable to us. We would not receive any revenues from such a vessel while it remained unchartered, but we may be required to pay expenses necessary to maintain the vessel in proper operating condition, insure it and service any indebtedness secured by such vessel.

The time charters on which we deploy our containerships generally provide for charter rates that are significantly above current market rates. The ability and willingness of each of our counterparties to perform its obligations under their time charters with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the container shipping industry, which has experienced severe declines in the second half of 2008 and the first half of 2009, and the overall financial condition of the counterparty. Furthermore, the combination of a reduction of cash flow resulting from declines in world trade, a reduction in borrowing bases under credit facilities and the lack of availability of debt or equity financing may result in a significant reduction in the ability of our charterers to make charter payments to us. For example, Senator Lines, the charterer of one of our vessels defaulted on its charter due to its insolvency in the first quarter of 2009 and the replacement charter we were able to arrange was at a reduced rate. In addition, the likelihood of a charterer seeking to renegotiate or defaulting on its charter with us may be heightened to the extent such customers are not able to utilize the vessels under charter from us, and instead leave such chartered vessels idle. Should a counterparty fail to honor its obligations under agreements with us, it may be difficult to secure substitute employment for such vessel, and any new charter arrangements we secure would be at lower rates given currently depressed charter rates. If our charterers fail to meet their obligations to us or attempt to renegotiate our charter agreements, we could sustain significant losses which would have a material adverse effect on our business, financial condition, results of operations and cash flows, as well as our ability to pay dividends, if any, in the future, and comply with the covenants in our credit facilities.

We depend upon a limited number of customers for a large part of our revenues. The loss of these customers could adversely affect our financial performance.

Our customers in the containership sector consist of a limited number of liner operators. The percentage of our revenues derived from these customers has varied in past years. In the past several years APL-NOL, Hanjin Shipping, CMA-CGM, Yang Ming and HMM Korea have represented substantial amounts of our revenue. In 2008, approximately 74% of our revenues from continuing operations were generated by four customers, China Shipping, CMA-CGM, HMM Korea and Yang Ming, and in 2007 these customers generated approximately 55% of our revenues from continuing operations. We expect that a limited number of liner companies may continue to generate a substantial portion of our revenues. If these liner operators cease doing business or do not fulfill their obligations under their charters for our vessels, due to the increasing financial pressure on these liner companies from the significant decreases in demand for the seaborne transport of containerized cargo or otherwise, our results of operations and cash flows could be adversely affected. Further, if we encounter any difficulties in our relationships with these charterers, our results of operations, cash flows and financial condition could be adversely affected.

An over-supply of containership capacity may prolong or further depress the current low charter rates and, in turn, reduce our profitability.

While the size of the containership order book has declined from historic highs over the last 12 months, newbuilding containerships with an aggregate capacity of 6.31 million TEUs, representing approximately 53% of the total fleet capacity as of December 31, 2008, were under construction. The size of the orderbook is large relative to historic levels and, although some orders will likely be cancelled or delayed, will result in a significant increase in the size of the world containership fleet over the next few years. An over-supply of containership capacity, particularly in conjunction with the currently low level of demand for the seaborne transport of containers, could exacerbate the recent decrease in charter rates or prolong the period during which low charter rates prevail. We do not hedge against our exposure to changes in charter rates, due to increased supply of containerships or otherwise. As such, if the current low charter rate environment persists, or a further reduction occurs, during a period when the current charters for our containerships expire or are terminated, with the next vessels up for rechartering being eight containerships in 2010, we may only be able to recharter those containerships at reduced or unprofitable rates or we may not be able to charter our vessels at all.

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

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

- shipping industry relationships and reputation for customer service and safety;

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

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

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

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

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

One of our principal strategies is to enter into multi-year, fixed-rate containership time charters particularly in strong charter rate environments, although in weaker charter rate environments, such as in the first half of 2009, we would generally expect to target somewhat shorter charter terms of three to six years or even shorter periods. As more vessels become available for the spot or short-term market, we may have difficulty entering into additional multi-year, fixed-rate time charters for our containerships due to the increased supply of containerships and the possibility of lower rates in the spot market and, as a result, our cash flows may be subject to instability in the long-term. A more active short-term or spot market may require us to enter into charters based on changing market rates, as opposed to contracts based on a fixed rate, which could result in a decrease in our cash flows and net income in periods when the market for container shipping is depressed, as it is currently, or insufficient funds are available to cover our financing costs for related containerships.

Delays in deliveries of our additional 28 newbuilding containerships could harm our operating results.

The additional 28 newbuilding containerships are expected to be delivered to us at various times between the third quarter of 2009 and June 2012, with 4, 12, 7 and 5 vessels expected to be delivered to us in the remainder of 2009, in 2010, in 2011 and in 2012, respectively. Delays in the delivery of these vessels, or any other newbuildings we may order or any secondhand vessels we may agree to acquire, would delay our receipt of revenues under the arranged time charters and could possibly result in the cancellation of those time charters, and therefore adversely affect our anticipated results of operations. In the first quarter of 2009, we came to an agreement with China Shipbuilding Trading Company to delay the delivery date of the five 8,530 TEU containerships under construction by approximately two hundred days each on average. In addition, we have come to an agreement with Hanjin Heavy Industries & Construction Company to delay the delivery date of the five 6,500 TEU and the five 3,400 TEU containerships under construction by approximately one quarter each. In the second quarter of 2009, we came to an agreement with Hyundai Samho Heavy Industries Co. Ltd. to delay the delivery date of the five 12,600 TEU containerships under construction by approximately one year each. Finally, we have come to an agreement with Sungdong Shipping and Marine Engineering Co. Ltd. to delay the delivery of five 6,500 TEU containerships under construction for a period ranging from two to six months. As of June 30, 2009, we expect to take delivery of four vessels during the remainder of 2009, twelve in 2010, seven in 2011 and five in 2012. The remaining capital expenditure installments are approximately $332 million for the remainder of 2009, $909 million for 2010, $374 million for 2011 and $449 million for 2012. Although this will delay our funding requirements for the installment payments to purchase these vessels, it will also delay our receipt of contracted revenues under the charters for such vessels.

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

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

In particular, the shipbuilders with which we have contracted for our 28 newbuildings may be affected by the ongoing instability of the financial markets and other market conditions, including with respect to the fluctuating price of commodities and currency exchange rates. In addition, the refund guarantors under our newbuilding contracts, which are banks, financial institutions and other credit agencies, may also be affected by financial market conditions in the same manner as our lenders and, as a result, may be unable or unwilling to meet their obligations under their refund guarantees. If our shipbuilders or refund guarantors are unable or unwilling to meet their obligations to us, this will impact our acquisition of vessels and may materially and adversely affect our operations and our obligations under our credit facilities.

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

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

The chartering arrangements with respect to the *HN S4001* , the *HN* S4 *0* 02, the *HN S4003* , the *HN S4004* and the *HN S4005* include options for the charterer, CMA-CGM, to purchase the vessels eight years after the commencement of their respective charters, which, based on the respective expected delivery dates for these vessels, is expected to fall in September 2017, December 2017, December 2017, January 2018 and February 2018, respectively, each for $78.0 million. The option exercise prices with respect to these vessels reflect an estimate of market prices, which are in excess of the vessels' book values net of depreciation, at the time the options become exercisable. If CMA-CGM were to exercise these options with respect to any or all of these vessels, the expected size of our combined containership fleet would be reduced and, if there were a scarcity of secondhand containerships available for acquisition at such time and the delay in delivery associated with commissioning newbuildings, we could be unable to replace these vessels with other comparable vessels, or any other vessels, quickly or, if containership values were higher than currently anticipated at the time we were required to sell these vessels, at a cost equal to the purchase price paid by CMA-CGM. Consequently, if these purchase options were to be exercised, the expected size of our combined containership fleet would be reduced, and as a result our anticipated level of revenues would be reduced.

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

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

- prevailing economic conditions in the markets in which containerships operate;
- changes in and the level of world trade;
- the supply of containership capacity;
- prevailing charter rates; and
- the cost of retrofitting or modifying existing ships, as a result of technological advances in vessel design or equipment, changes in applicable environmental or other regulations or standards, or otherwise.

In the future, if the market values of our vessels experience further deterioration, we may be required to record an impairment charge in our financial statements, which could adversely affect our results of operations. If a charter expires or is terminated, we may be unable to re-charter the vessel at an acceptable rate and, rather than continue to incur costs to maintain and finance the vessel, may seek to dispose of it. Our inability to dispose of the containership at a reasonable price could result in a loss on its sale and adversely affect our results of operations and financial condition.

Our board of directors has recently determined to suspend the payment of cash dividends as a result of market conditions in the shipping industry, and until such market conditions significantly improve, it is unlikely that we will reinstate the payment of dividends and, if reinstated, it is likely that any dividend payments would be at reduced levels.

We previously paid regular cash dividends on a quarterly basis. Our board of directors has recently determined to suspend the payment of cash dividends as a result of market conditions in the international shipping industry and in particular the sharp decline in charter rates and vessel values in the containership sector. Until such market conditions significantly improve, it is unlikely that we will reinstate the payment of dividends and if reinstated, it is likely that any dividend payments would be at reduced levels. In connection with the waivers and amendments to our credit facilities, we will need to obtain the consent of certain of our lenders to make future dividend payments, if any, during periods covered by such waivers.

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, if reinstated, to make dividend payments in the future.

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

Our credit facilities impose operating and financial restrictions on us, and if we receive waivers and/or amendments to our loan agreements, our lenders may impose additional operating and financial restrictions on us and/or modify the terms of our existing loan agreements.

Our credit facilities and current covenant waivers impose, and our future financing arrangements as well as any future waivers, which may need to be obtained may impose, operating and financial restrictions on us. These restrictions may limit our ability to:

- incur additional indebtedness;
- create liens on our assets;
- sell capital stock of our subsidiaries;
- make investments;
- engage in mergers or acquisitions;
- pay dividends; or
- make capital expenditures.

Certain of our credit facilities require us to maintain specified financial ratios and satisfy financial covenants. These financial ratios and covenants include requirements that we:

- maintain a market value adjusted net worth of at least $400.0 million and stockholders' equity of at least $250.0 million;
- ensure that the aggregate market value of the vessels in our fleet securing the applicable loan exceeds 145.0% (125% and 115% under certain of our credit facilities) of our outstanding debt under such loan at all times;
- maintain adjusted stockholders' equity in excess of 30.0% of our total market value adjusted assets;
- ensure that our total liabilities (after deducting cash and cash equivalents), at all times, will be no more than 70.0% (75% under one of our credit facilities) of the market value of our adjusted total assets;
- maintain aggregate cash and cash equivalents of no less than the higher of (a) $30 million and (b) 3% of our total indebtedness until November 14, 2011 and 4% of our total indebtedness at all times thereafter; and
- maintain a ratio of EBITDA to net interest expense of no less than 2.5 to 1.0.

In 2009, we have obtained waivers that cover prior breaches of the collateral coverage ratio, corporate leverage ratio and the minimum net worth requirements contained in certain of our credit facilities, as well as subsequent breaches of such covenants in those credit facilities, for 2008 and up to January 31, 2010 (other than with respect to our KEXIM-Fortis credit facility, for which covenant compliance will be evaluated within 180 days of December 31, 2009 (upon delivery of our audited financial statements for the year ended December 31, 2009)). Such waivers do not, however, cover any covenants not previously breached. A failure to meet our payment or covenant compliance obligations under our secured credit facilities, either with respect to those covenants not covered by waivers or any covenants after their applicable waiver periods expire, 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 cross-defaults under our other credit facilities, and the consequent acceleration of the indebtedness thereunder and the commencement of similar foreclosure proceedings by other lenders. The loss of these vessels would have a material adverse effect on our operating results and financial condition.

We may be unable to draw down the full amount of our credit facilities if the market values of our vessels further decline.

There are restrictions on the amount of cash that can be advanced to us under our credit facilities based on the market value of the vessel or vessels in respect of which the advance is being made. If the market value of our fleet, which has experienced substantial recent declines, declines further, we may not be able to draw down the full amount of certain of our committed credit facilities, obtain other financing or incur debt on terms that are acceptable to us, or at all. We may also not be able to refinance our debt or obtain additional financing.

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

As of June 30, 2009, we had outstanding indebtedness of $2.3 billion and we expect to incur substantial additional indebtedness as we finance the $2.1 billion aggregate remaining purchase price

for our 28 newbuildings and, as market conditions warrant over the medium to long-term, further grow our fleet. This level of debt could have important consequences to us, including the following:

- our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired or such financing may be unavailable on favorable terms;
- we 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, if reinstated, dividends to our stockholders;
- our debt level could make us more vulnerable than our competitors with less debt to competitive pressures or a downturn in our business or the economy generally; and
- our debt level may limit our flexibility in responding to changing business and economic conditions.

Our ability to service our debt will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. 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. In addition, a lack of liquidity in the debt and equity markets could hinder our ability to refinance our debt or obtain additional financing on favorable terms in the future.

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

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

To the extent our existing interest rate swaps do not, and future derivative contracts may not, qualify for treatment as hedges for accounting purposes we would recognize fluctuations in the fair value of such contracts in our income statement. In addition, changes in the fair value of our derivative contracts, even those that qualify for treatment as hedges for accounting and financial reporting purposes, are recognized in "Accumulated Other Comprehensive Loss" on our balance sheet, and can affect compliance with the net worth covenant requirements in our credit facilities. For example, due to the decline in interest rates, the fair value of our cash flow hedge interest rate swaps at December 31, 2008 amounted to an unrealized loss of approximately $408.0 million resulting in our failure to comply with the net worth requirements of our credit facility covenants as of December 31, 2008.

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

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

We generate all of our revenues in United States dollars and for the year ended December 31, 2008, we incurred approximately 56% of our vessels' expenses in currencies other than United States dollars. This difference could lead to fluctuations in net income due to changes in the value of the United States dollar relative to the other currencies, in particular the Euro. Expenses incurred in foreign currencies against which the United States dollar falls in value could increase, thereby decreasing our net income. We have not hedged our currency exposure and, as a result, our U.S. dollar-denominated results of operations and financial condition could suffer.

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

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

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

To the extent market conditions warrant, we intend to grow our business over the medium to long-term by ordering newbuildings and through selective acquisitions of additional vessels. Future growth will primarily depend on:

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

Although charter rates and vessel values have recently declined significantly, along with the availability of debt to finance vessel acquisitions, during periods in which charter rates are high, vessel values generally are high as well, and it may be difficult to acquire vessels at favorable prices. In addition, growing any business by acquisition presents numerous risks, such as managing relationships with customers and integrating newly acquired assets into existing infrastructure. We cannot give any assurance that we will be successful in executing our growth plans or that we will not incur significant expenses and losses in connection with our future growth efforts.

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

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

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

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

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

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

In addition, in complying with existing environmental laws and regulations and those that may be adopted, we may incur significant costs in meeting new maintenance and inspection requirements and new restrictions on air emissions from our containerships, in developing contingency arrangements for potential spills and in obtaining insurance coverage. Government regulation of vessels, particularly in the areas of safety and environmental requirements, can be expected to become stricter in the future and could require us to incur significant capital expenditures to keep our vessels in compliance, or even to scrap or sell certain vessels altogether. As a result of accidents such as the November 2002 oil spill relating to the loss of the m.t. Prestige, a 26-year old single-hull product tanker unrelated to us, we believe that regulation of the shipping industry will continue to become more stringent and more expensive for us and our competitors. Substantial violations of applicable requirements or a catastrophic release of bunker fuel from one of our vessels could have a material adverse impact on our financial condition, results of operations and our ability to pay dividends to our stockholders.

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

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

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

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

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

A government of a ship's registry could requisition for title or seize our vessels. Requisition for title occurs when a government takes control of a ship and becomes the owner. Also, a government could requisition our containerships for hire. Requisition for hire occurs when a government takes control of a ship and effectively becomes the charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency. Government requisition of one or more of our vessels may negatively impact our revenues and results of operations.

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

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

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

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

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

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea and in the Gulf of Aden off the coast of Somalia. In 2008 and 2009, the frequency of piracy incidents has increased significantly, particularly in the Gulf of Aden off the coast of Somalia. For example, in November 2008, the M/V Sirius Star, a tanker vessel not affiliated with us, was captured by pirates in the Indian Ocean while carrying crude oil estimated to be worth $100 million, and was released in January 2009 upon a ransom payment of $3 million. In addition, crew costs, including due to employing onboard security guards, could increase in such circumstances. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, any detention hijacking as a result of an act of piracy against our

vessels, or an increase in cost, or unavailability, of insurance for our vessels, could have a material adverse impact on our business, financial condition, results of operations and ability to pay dividends.

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

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

- marine disaster;
- environmental accidents;
- grounding, fire, explosions and collisions;
- cargo and property losses or damage;
- business interruptions caused by mechanical failure, human error, war, terrorism, political action in various countries, or adverse weather conditions;
- work stoppages or other labor problems with crew members serving on our vessels, substantially all of whom are unionized and covered by collective bargaining agreements; and
- piracy.

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

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

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

We can give no assurance that we are adequately insured against all risks or that our insurers will pay a particular claim. Even if our insurance coverage is adequate to cover our losses, we may not be able to obtain a timely replacement vessel in the event of a loss. Under the terms of our credit facilities, we will be subject to restrictions on the use of any proceeds we may receive from claims under our insurance policies. Furthermore, in the future, we may not be able to obtain adequate insurance coverage at reasonable rates for our fleet. We may also be subject to calls, or premiums, in amounts based not only on our own claim records but also the claim records of all other members of

the protection and indemnity associations through which we receive indemnity insurance coverage for tort liability. Our insurance policies also contain deductibles, limitations and exclusions which, although we believe are standard in the shipping industry, may nevertheless increase our costs.

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

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

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

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

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

In general, the cost of maintaining a vessel in good operating condition increases with the age of the vessel. As our fleet ages, we may incur increased costs. Older vessels are typically less fuel efficient and more costly to maintain than more recently constructed vessels due to improvements in engine technology. Cargo insurance rates also increase with the age of a vessel, making older vessels less desirable to charterers. Governmental regulations and safety or other equipment standards related to the age of a vessel may also require expenditures for alterations or the addition of new equipment to our vessels, and may restrict the type of activities in which our vessels may engage. Although our current fleet of 41 containerships had an average age (weighted by TEU capacity) of approximately 9.9 years as of June 30, 2009, we cannot assure you that, as our vessels age, market conditions will justify such expenditures or will enable us to profitably operate our vessels during the remainder of their expected useful lives.

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

The hull and machinery of every commercial vessel must be classed by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and the Safety of Life at Sea Convention, and all vessels must be awarded ISM certification.

A vessel must undergo annual surveys, intermediate surveys and special surveys. In lieu of a special survey, a vessel's machinery may be on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. Each of the vessels in our fleet is on a special survey cycle for hull inspection and a continuous survey cycle for machinery inspection.

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

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

Our future success depends to a significant extent upon our chief executive officer, Dr. John Coustas, and certain members of our senior management and that of our manager. Dr. Coustas has substantial experience in the container shipping industry and has worked with us and our manager for many years. He and others employed by us and our manager are crucial to the execution of our business strategies and to the growth and development of our business. If the individuals were no longer to be affiliated with us or our manager, or if we were to otherwise cease to receive advisory services from them, we may be unable to recruit other employees with equivalent talent and experience, and our business and financial condition may suffer as a result.

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

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

We depend on our manager to operate our business.

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

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

- renew existing charters upon their expiration;
- obtain new charters;
- successfully interact with shipyards during periods of shipyard construction constraints;

- obtain financing on commercially acceptable terms or at all;
- maintain satisfactory relationships with our charterers and suppliers; or
- successfully execute our business strategies.

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

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

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

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

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

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

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

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

Risks Relating to Our Common Stock

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

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

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

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

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, or the perception that these sales could occur, may depress the market price for our common stock. Such sales could also impair our ability to raise additional capital through the sale of our equity securities in the future. We may issue additional shares of our common stock in the future, which if made at prevailing prices would be significantly dilutive of existing stockholders, and our stockholders may elect to sell large numbers of shares held by them from time to time.

We filed with the SEC a shelf registration statement on Form F-3 registering under the Securities Act 44,318,500 shares of our common stock for resale on behalf of selling stockholders, including our executive officers, in addition to securities issuable by us. In the aggregate these 44,318,500 shares represent approximately 81% of our outstanding common stock as of June 30, 2009. These shares may be sold in registered transactions and may also be resold subject to the holding period, volume, manner of sale and notice requirements of Rule 144 under the Securities Act. Sales or the possibility of sales of substantial amounts of our common stock by these shareholders in the public markets could adversely affect the market price of our common stock.

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

The Coustas Family Trust, under which our chief executive officer is both a beneficiary, together with other members of the Coustas Family, and the protector (which is analogous to a trustee), through Danaos Investments Limited, a corporation wholly-owned by Dr. Coustas, owns, directly or indirectly, approximately 80% of our outstanding common stock. This stockholder is able to control the outcome of matters on which our stockholders are entitled to vote, including the election of our entire board of

directors and other significant corporate actions. The interests of this stockholder may be different from yours.

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

We are a "controlled company" within the meaning of the New York Stock Exchange corporate governance standards. Under the New York Stock Exchange rules, a company of which more than 50% of the voting power is held by another company or group is a "controlled company" and may elect not to comply with certain New York Stock Exchange corporate governance requirements, including (1) the requirement that a majority of the board of directors consist of independent directors, (2) the requirement that the nominating committee be composed entirely of independent directors and have a written charter addressing the committee's purpose and responsibilities, (3) the requirement that the compensation committee be composed entirely of independent directors and have a written charter addressing the committee's purpose and responsibilities and (4) the requirement of an annual performance evaluation of the nominating and corporate governance and compensation committees. We may utilize these exemptions. As a result, non-independent directors, including members of our management who also serve on our board of directors, may serve on the compensation or the nominating and corporate governance committees of our board of directors which, among other things, fix the compensation of our management, make stock and option awards and resolve governance issues regarding us. Accordingly, you may not have the same protections afforded to stockholders of companies that are subject to all of the New York Stock Exchange corporate governance requirements.

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

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

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

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

Several provisions of our articles of incorporation and bylaws could make it difficult for our stockholders to change the composition of our board of directors in any one year, preventing them

from changing the composition of our management. In addition, the same provisions may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable.

These provisions:

- authorize our board of directors to issue "blank check" preferred stock without stockholder approval;
- provide for a classified board of directors with staggered, three-year terms;
- prohibit cumulative voting in the election of directors;
- authorize the removal of directors only for cause and only upon the affirmative vote of the holders of at least 66 $^{2}/_{3}$% of the outstanding stock entitled to vote for those directors;
- prohibit stockholder action by written consent unless the written consent is signed by all stockholders entitled to vote on the action;
- establish advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings; and
- restrict business combinations with interested stockholders.

We have adopted a stockholder rights plan pursuant to which our board of directors may cause the substantial dilution of the holdings of any person that attempts to acquire us without the approval of our board of directors.

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

Tax Risks

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

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

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

shares in the closely-held block that are not so owned could not constitute 50% or more of our shares for more than half of the days in the relevant tax year or (ii) that qualified shareholders owned more than 50% of our shares for at least half of the days in the relevant taxable year. There can be no assurance that we will be able to establish such ownership by qualified shareholders for any tax year. In connection with the four vessel-owning subsidiaries referred to above, we note that qualification under Section 883 will depend in part upon the ownership, directly or under the applicable attribution rules, of preferred shares issued by such subsidiaries as to which we are not the direct or indirect owner of record.

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

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

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

While there are legal uncertainties involved in this determination, including as a result of a recent decision of the United States Court of Appeals for the Fifth Circuit in Tidewater Inc. and Subsidiaries; Tidewater Foreign Sales Corporation v. United States, No. 08-30268 (5th Cir., April 13, 2009) which held that income derived from certain time chartering activities should be treated as rental income rather than services income for purposes of the foreign sales corporation rules under the U.S. Internal Revenue Code, we believe we should not be treated as a PFIC for the taxable year ended December 31, 2008. However, if the principles of the Tidewater decision were applicable to our time charters, we would likely be treated as a PFIC. Moreover, there is no assurance that the nature of our assets, income and operations will not change or that we can avoid being treated as a PFIC for subsequent years.

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

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

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

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

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

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

Item 4. Information on the Company

History and Development of the Company

Danaos Corporation is an international owner of containerships, chartering its vessels to many of the world's largest liner companies. We are a corporation domesticated in the Republic of The Marshall Islands on October 7, 2005, under the Marshall Islands Business Corporations Act, after having been incorporated as a Liberian company in 1998 in connection with the consolidation of our assets under Danaos Holdings Limited. In connection with our domestication in the Marshall Islands we changed our name from Danaos Holdings Limited to Danaos Corporation. Our manager, Danaos Shipping Company Limited, or Danaos Shipping, was founded by Dimitris Coustas in 1972 and since that time it has continuously provided seaborne transportation services under the management of the Coustas family. Dr. John Coustas, our chief executive officer, assumed responsibility for our management in 1987. Dr. Coustas has focused our business on chartering containerships to liner companies and has overseen the expansion of our fleet from three multi-purpose vessels in 1987 to the 41 containerships comprising our containership fleet as of June 30, 2009. In October 2006, we

completed an initial public offering of our common stock in the United States and our common stock began trading on the New York Stock Exchange. Our principal executive offices are c/o Danaos Shipping Co. Ltd., 14 Akti Kondyli, 185 45 Piraeus, Greece. Our telephone number at that address is +30 210 419 6480.

Our company operates through a number of subsidiaries incorporated in Liberia and Cyprus, all of which are wholly-owned by us and either directly or indirectly own the vessels in our fleet. A list of our active subsidiaries as of June 30, 2009, and their jurisdictions of incorporation, is set forth in Exhibit 8 to this annual report on Form 20-F.

Business Overview

We are an international owner of containerships, chartering our vessels to many of the world's largest liner companies. As of June 30, 2009, we had a fleet of 41 containerships aggregating 165,933 TEUs, making us among the largest containership charter owners in the world, based on total TEU capacity. Our strategy is to charter our containerships under multi-year, fixed-rate period charters to a diverse group of liner companies, including many of the largest such companies globally, as measured by TEU capacity. As of June 30, 2009, these customers included China Shipping, CMA-CGM, Hanjin, Hyundai, Maersk, MISC, MSC, United Arab Shipping Corporation ("UASC"), Yang Ming and ZIM Israel Integrated Shipping Services. We believe our containerships provide us with contracted stable cash flows as they are deployed under multi-year, fixed-rate charters that range from one to 12 years for vessels in our current fleet and up to 18 years for our contracted vessels.

Our Fleet

General

We deploy our containership fleet principally under multi-year charters with major liner companies that operate regularly scheduled routes between large commercial ports. As of June 30, 2009, our containership fleet was comprised of 41 containerships deployed on time charters. The average age (weighted by TEU) of the 41 vessels in our containership fleet was approximately 9.9 years as of June 30, 2009 and, upon delivery of all of our contracted vessels as of the end of the second quarter of 2012, the average age (weighted by TEU) of the 68 vessels in our containership fleet (assuming no other acquisitions or dispositions other than the scrapping of one vessel that is over 30 years of age at the end of its current charter) will be approximately 6.2 years. As of June 30, 2009, the average remaining duration of the charters for our containership fleet, including our 28 contracted vessels for each of which we have arranged charters, was 11.5 years (weighted by aggregate contracted charter hire).

Characteristics

The table below provides additional information about our fleet of 41 cellular containerships as of June 30, 2009.

Vessel Name	Year Built	Vessel Size (TEU)	Time Charter Term(1)	Expiration of Charter(1)	Daily Charter Rate (in thousands)	Charterer
Post-Panamax						
CSCL Le Havre	2006	9,580	12 years	September 2018	$ 34.0(2)	China Shipping
CSCL Pusan	2006	9,580	12 years	July 2018	34.0(2)	China Shipping
MSC Baltic (ex *CSCL America)(3)*	2004	8,468	12 years	September 2016	29.5(4)	China Shipping
CSCL Europe(4)	2004	8,468	12 years	June 2016	29.5(4)	China Shipping
Hyundai Commodore (ex MOL Affinity)(5)	1992	4,651	8 years	March 2011	20.0	Hyundai
Hyundai Duke	1992	4,651	8 years	February 2011	20.0	Hyundai

Vessel Name	Year Built	Vessel Size (TEU)	Time Charter Term(1)	Expiration of Charter(1)	Daily Charter Rate (in thousands)	Charterer
Hyundai Federal (ex *APL Confidence)(6)*	1994	4,651	6.5 years	September 2012	20.8	Hyundai
Panamax						
MSC Marathon (ex *Maersk Marathon)(7)*	1991	4,814	5 years	September 2011	23.5	Maersk
Maersk Messologi	1991	4,814	5 years	September 2011	23.5	Maersk
Maersk Mytilini	1991	4,814	5 years	September 2011	23.5	Maersk
YM Colombo (ex *Norasia Integra)(8)*	2004	4,300	12 years	March 2019	27.8(9)	Yang Ming
YM Singapore (ex *Norasia Atria)(11)*	2004	4,300	12 years	October 2019	27.8(10)	Yang Ming
YM Seattle	2007	4,253	12 years	July 2019	26.1	Yang Ming
YM Vancouver	2007	4,253	12 years	September 2019	26.1	Yang Ming
ZIM Rio Grande	2008	4,253	12 years	May 2020	22.8	ZIM
ZIM Sao Paolo	2008	4,253	12 years	August 2020	22.8	ZIM
ZIM Kingston	2008	4,253	12 years	September 2020	22.8	ZIM
ZIM Monaco	2009	4,253	12 years	November 2020	22.8	ZIM
ZIM Dalian	2009	4,253	12 years	February 2021	22.8	ZIM
ZIM Luanda	2009	4,253	12 years	May 2021	22.8	ZIM
Bunga Raya Tiga (ex *Maersk Derby)(12)*	2004	4,253	1 year	March 2010	n/a(20)	MISC
Maersk Deva (ex *Vancouver Express)(13)*	2004	4,253	7 years	February 2011	21.8	Maersk
Al Rayyan (ex *Norasia Hamburg*)(14)	1989	3,908	3 years	January 2011	n/a(20)	United Arab Shipping Corp.
YM Yantian	1989	3,908	5 years	July 2011	30.5	Yang Ming
YM Milano	1988	3,129	7.5 years	May 2011	25.0	Yang Ming
CMA CGM Lotus (ex *Victory I)(15)*	1988	3,098	3 years	July 2010	23.0	CMA-CGM
CMA CGM Vanille (ex *Independence)(16)*	1986	3,045	3 years	July 2010	23.0	CMA-CGM
CMA CGM Passiflore (ex *Henry)(17)*	1986	3,039	3 years	May 2010	23.0	CMA-CGM
CMA CGM Elbe	1991	2,917	5 years	June 2010	20.4	CMA-CGM
CMA CGM Kalamata	1991	2,917	5 years	June 2010	20.4	CMA-CGM
CMA CGM Komodo	1991	2,917	5 years	June 2010	20.4	CMA-CGM
Hyundai Advance	1997	2,200	10 years	June 2017	n/a(20)	Hyundai
Hyundai Future	1997	2,200	10 years	August 2017	n/a(20)	Hyundai
Hyundai Sprinter	1997	2,200	10 years	August 2017	n/a(20)	Hyundai
Hyundai Stride	1997	2,200	10 years	July 2017	n/a(20)	Hyundai
Hyundai Progress	1998	2,200	10 years	December 2017	n/a(20)	Hyundai
Hyundai Bridge	1998	2,200	10 years	January 2018	n/a(20)	Hyundai
Hyundai Highway	1998	2,200	10 years	January 2018	n/a(20)	Hyundai
Hyundai Vladivostok	1997	2,200	10 years	May 2017	n/a(20)	Hyundai
Hanjin Montreal (ex *Montreal Senator)(18)*	1984	2,130	2 years	May 2010	n/a(20)	Hanjin

Vessel Name	Year Built	Vessel Size (TEU)	Time Charter Term(1)	Expiration of Charter(1)	Daily Charter Rate (in thousands)	Charterer
MSC Eagle (ex *Eagle Express)(19)*	1978	1,704	2 years	January 2010	n/a(20)	MSC

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

(2) Daily charter rate for the first six years of the charter. The daily charter rate for the seventh through twelfth years of the charter is $34,500.

(3) On September 15, 2007, the *CSCL America* was renamed the *MSC Baltic* at the request of the charterer of this vessel.

(4) Daily charter rate for the first six years of the charter. The daily charter rate for seventh through twelfth years of the charter is $29,800.

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

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

(7) On August 22, 2008, the *Maersk Marathon* was renamed the *MSC Marathon* at the request of the charterer of this vessel.

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

(9) The daily charter rate set forth in the table is for the first four years of the charter. The daily charter rate is $26,300 for the fifth through twelfth years of the charter.

(10) The daily charter rate set forth in the table is for the first four years of the charter. The daily charter rate is $26,300 for the fifth through twelfth years of the charter.

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

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

(13) On November 15, 2007, the *Vancouver Express* was renamed the *Maersk Deva* at the request of the charterer of this vessel.

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

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

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

(17) On June 8, 2007, the *Henry* was renamed the *CMA CGM Passiflore* at the request of the charterer of this vessel.

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

(19) On February 19, 2008, the *Eagle Express* was renamed the *MSC Eagle* at the request of the charterer of this vessel.

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

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

The specifications of our 28 contracted vessels under construction as of June 30, 2009 are as follows:

Name	Year Built	Vessel Size (TEU)	Shipyard	Expected Delivery Period	Time Charter Term(1)	Daily Charter Rate (in thousands)	Charterer
HN S4001(2)	2009	6,500	Sungdong	3rd Quarter 2009	12 years	34.4	CMA-CGM
HN S4002(2)	2009	6,500	Sungdong	4th Quarter 2009	12 years	34.4	CMA-CGM
HN S4003(2)	2009	6,500	Sungdong	4th Quarter 2009	12 years	34.4	CMA-CGM
HN N-219	2009	3,400	Hanjin	4th Quarter 2009	10 years	n/a(3)	n/a(3)
HN S4004(2)	2010	6,500	Sungdong	1st Quarter 2010	12 years	34.4	CMA-CGM
HN S4005(2)	2010	6,500	Sundong	1st Quarter 2010	12 years	34.4	CMA-CGM
HN N-220	2010	3,400	Hanjin	2nd Quarter 2010	10 years	n/a(3)	n/a(3)
HN N-216	2010	6,500	Hanjin	2nd Quarter 2010	15 years	34.7	Yang Ming
HN N-217	2010	6,500	Hanjin	3rd Quarter 2010	15 years	34.7	Yang Ming
HN N-221	2010	3,400	Hanjin	3rd Quarter 2010	10 years	n/a(3)	n/a(3)
HN N-218	2010	6,500	Hanjin	4th Quarter 2010	15 years	34.7	Yang Ming
HN N-222	2010	3,400	Hanjin	4th Quarter 2010	10 years	n/a(3)	n/a(3)
HN N-223	2010	3,400	Hanjin	4th Quarter 2010	10 years	n/a(3)	n/a(3)
Hull No. S-461	2010	10,100	Hyundai Samho	4th Quarter 2010	12 years	n/a(3)	n/a(3)
Hull No. S-462	2011	10,100	Hyundai Samho	1st Quarter 2011	12 years	n/a(3)	n/a(3)
HN Z00001	2011	8,530	Shanghai Jiangnan	1st Quarter 2011	12 years	n/a(3)	n/a(3)
Hull No. S-463	2011	10,100	Hyundai Samho	1st Quarter 2011	12 years	n/a(3)	n/a(3)
HN Z00002	2011	8,530	Shanghai Jiangnan	2nd Quarter 2011	12 years	n/a(3)	n/a(3)
HN Z00003	2011	8,530	Shanghai Jiangnan	2nd Quarter 2011	12 years	n/a(3)	n/a(3)
HN Z00004	2011	8,530	Shanghai Jiangnan	2nd Quarter 2011	12 years	n/a(3)	n/a(3)
HULL 1022A	2011	8,530	Shanghai Jiangnan	3rd Quarter 2011	12 years	n/a(3)	n/a(3)
Hull No. S-456	2012	12,600	Hyundai Samho	1st Quarter 2012	12 years	n/a(3)	n/a(3)
Hull No. S-457	2012	12,600	Hyundai Samho	1st Quarter 2012	12 years	n/a(3)	n/a(3)
Hull No. S-458	2012	12,600	Hyundai Samho	2nd Quarter 2012	12 years	n/a(3)	n/a(3)
Hull No. S-459	2012	12,600	Hyundai Samho	2nd Quarter 2012	12 years	n/a(3)	n/a(3)
Hull No. S-460	2012	12,600	Hyundai Samho	2nd Quarter 2012	12 years	n/a(3)	n/a(3)

					Bareboat Charter Term(1)		
HN N-214	2010	6,500	Hanjin	1st Quarter 2010	18 years	n/a(3)	n/a(3)
HN N-215	2010	6,500	Hanjin	1st Quarter 2010	18 years	n/a(3)	n/a(3)

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

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

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

Charterers

As the container shipping industry has grown, the major liner companies increasingly contracted for containership capacity. As of June 30, 2009, our diverse group of customers in the containership sector included China Shipping, CMA-CGM, Hanjin, HMM, Maersk, MISC, MSC, Yang Ming, UASC, and Zim Integrated Shipping Services. In addition, we have arranged time charters ranging from 10 to 15 years with CMA-CGM, Yang Ming and two other accredited charterers for 27 of our contracted vessels and 18-year bareboat charters with an accredited charterer for our other two contracted vessels.

The containerships in our combined containership fleet are or, upon their delivery to us, will be deployed under multi-year, fixed-rate time charters having initial terms that range from one to 18 years. These charters expire at staggered dates ranging from the first quarter of 2010 to the fourth quarter of 2027, with no more than 11 scheduled to expire in any 12-month period. The staggered expiration of the multi-year, fixed-rate charters for our vessels is both a strategy pursued by our management and a result of the growth in our fleet over the past several years. Under our time charters, the charterer pays voyage expenses such as port, canal and fuel costs, other than brokerage and address commissions paid by us, and we pay for vessel operating expenses, which include crew costs, provisions, deck and engine stores, lubricating oil, insurance, maintenance and repairs. We are also responsible for each vessel's intermediate and special survey costs.

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

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

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

On July 19, 2006, legislation was enacted in the United Kingdom that was expected to result in a claw-back or recapture of certain of the benefits that were expected to be available to the counterparties to the original leasing transactions at their inception. Accordingly, the put option price that was part of the original leasing arrangements was expected to be increased to compensate the counterparties for the loss of these benefits. In 2006 we recognized an expense of $12.8 million, which

is the amount by which we expected the increase in the put price to exceed the cash benefits we had expected to receive, and had expected to retain, from these transactions. The October 5, 2007 restructuring of these leasing arrangements eliminated this put option and the $12.8 million expense recorded in 2006, was reversed and recognized in earnings in the fourth quarter of 2007.

Purchase Options

The charters with respect to the *HN S4001* , the *HN S4002* , the *HN S4003* , the *HN S4004* and the *HN S4005* include an option for the charterer, CMA-CGM, to purchase the vessels eight years after the commencement of the respective charters, which, based on the respective expected delivery dates for these vessels, are expected to fall in September 2017, December 2017, December 2017, January 2018 and February 2018, respectively, each for $78.0 million. In each case, the option to purchase the vessel must be exercised 15 months prior to the acquisition dates described in the preceding sentence. The $78.0 million option prices reflect an estimate of the fair market value of the vessels at the time we would be required to sell the vessels upon exercise of the options. If CMA-CGM were to exercise these options with respect to any or all of these vessels, the expected size of our combined containership fleet would be reduced, and as a result our anticipated level of revenues after such sale would be reduced.

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

Discontinued Drybulk Operations

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

Management of Our Fleet

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

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

Danaos Shipping achieved early ISM certification of its container fleet in 1995, well ahead of the deadline, and was the first Greek company to receive such certification from Det Norske Veritas, a leading classification society. In 2004, Danaos Shipping received the Lloyd's List Technical Innovation Award for advances in internet-based telecommunication methods for vessels. Danaos Shipping

maintains the quality of its service by controlling directly the selection and employment of seafarers through its crewing offices in Piraeus, Greece as well as in Odessa and Mariupol in the Ukraine. Investments in new facilities in Greece by Danaos Shipping enable enhanced training of seafarers and highly reliable infrastructure and services to the vessels.

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

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

Danaos Shipping manages our fleet under a management agreement whose initial term expired at the end of 2008. The management agreement automatically renews for a one-year periods if we do not provide 12 months' notice of termination. During the initial term of the management agreement, for providing its commercial, chartering and administrative services our manager received a fee of $500 per day and for its technical management of our ships, our manager received a management fee of $250 per vessel per day for vessels on bareboat charter and $500 per vessel per day for the remaining vessels in our fleet, each pro rated for the number of calendar days we own each vessel. These fees are now adjusted annually by agreement between us and our manager. For its chartering services rendered to us by its Hamburg-based office, our manager also receives a commission of 0.75% on all freight, charter hire, ballast bonus and demurrage for each vessel. Further, our manager receives a commission of 0.5% based on the contract price of any vessel bought or sold by it on our behalf, excluding newbuilding contracts. We also paid our manager a flat fee of $400,000 per newbuilding vessel, which we capitalized, for the on premises supervision of our newbuilding contracts by selected engineers and others of its staff. On February 12, 2009, we signed an addendum to the management contract adjusting the management fees, effective January 1, 2009, to a fee of $575 per day for commercial, chartering and administrative services, a fee of $290 per vessel per day for vessels on bareboat charter and $575 per vessel per day for vessels on time charter and a flat fee of $725,000 per newbuilding vessel for the supervision of newbuilding contracts. All commissions to the manager remained unchanged.

Competition

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

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

Crewing and Employees

We have four shore-based employees, our chief executive officer, our chief financial officer, our chief operating officer and our deputy chief financial officer. As of December 31, 2008, 962 people served on board the vessels in our fleet and Danaos Shipping, our manager, employed approximately 121 people, all of whom were shore-based. In addition, our manager is responsible for recruiting, either directly or through a crewing agent, the senior officers and all other crew members for our vessels and is reimbursed by us for all crew wages and other crew relating expenses We believe the streamlining of crewing arrangements through our manager ensures that all of our vessels will be crewed with experienced crews that have the qualifications and licenses required by international regulations and shipping conventions.

Permits and Authorizations

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

Inspection by Classification Societies

Every seagoing vessel must be "classed" by a classification society. The classification society certifies that the vessel is "in class," signifying that the vessel has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the vessel's country of registry and the international conventions of which that country is a member. In addition, where surveys are required by international conventions and corresponding laws and

ordinances of a flag state, the classification society will undertake them on application or by official order, acting on behalf of the authorities concerned.

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

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

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

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

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

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

Vessel Name	Next Survey	Next Drydocking
CMA CGM Passiflore	January 2010	September 2009
YM Singapore	September 2009	September 2009
MSC Baltic	November 2009	November 2009
Hyundai Advance	January 2011	January 2010
CMA CGM Elbe	August 2009	August 2010
CMA CGM Komodo	November 2009	August 2010
Hyundai Federal	October 2010	December 2010
Maersk Mytilini	March 2011	January 2011
Maersk Messologi	March 2011	March 2011
CMA CGM Kalamata	March 2010	March 2011
CMA CGM Vanille	March 2011	March 2011
MSC Marathon	June 2010	April 2011
Hanjin Montreal	September 2010	May 2011
Al Rayyan	August 2009	June 2011
CMA CGM Lotus	January 2011	June 2011
Hyundai Commodore	September 2010	July 2011
CSCL Pusan	September 2009	September 2011
CSCL Le Havre	November 2009	November 2011
YM Yantian	July 2009	January 2012
Hyundai Vladivostok	October 2010	July 2012
Hyundai Stride	December 2010	September 2012
YM Seattle	December 2010	September 2012
Hyundai Future	December 2010	September 2012
YM Vancouver	February 2011	November 2012
Hyundai Highway	June 2011	December 2012
Hyundai Sprinter	March 2011	December 2012
Hyundai Progress	May 2011	March 2013
Hyundai Bridge	June 2011	March 2013
YM Milano	November 2011	June 2013
Zim Rio Grande	October 2011	July 2013
Zim Sao Paolo	December 2011	September 2013
Hyundai Duke	January 2011	October 2013
Zim Kingston	March 2011	November 2013
Zim Monaco	June 2012	January 2014
CSCL Europe	August 2009	February 2014
Maersk Deva	June 2012	February 2014
Zim Dalian	September 2012	March 2014
YM Colombo	March 2012	March 2014
Bunga Raya Tiga	July 2012	April 2014
Zim Luanda	November 2012	June 2014

All areas subject to surveys as defined by the classification society are required to be surveyed at least once per class period, unless shorter intervals between surveys are otherwise prescribed. The period between two subsequent surveys of each area must not exceed five years.

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

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

Risk of Loss and Liability Insurance

General

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

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

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

Hull & Machinery, Loss of Hire and War Risks Insurance

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

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

Protection and Indemnity Insurance

Protection and indemnity ("P&I") insurance covers our third-party and crew liabilities in connection with our shipping activities. This includes third-party liability, crew liability and other related expenses resulting from the injury or death of crew, passengers and other third parties, the loss or damage to cargo, third-party claims arising from collisions with other vessels, damage to other third-party property, pollution arising from oil or other substances and salvage, towing and other related costs, including wreck removal. Our protection and indemnity insurance, other than our 4/4ths collision and FFO insurance (which is covered under our hull insurance policy), is provided by mutual

protection and indemnity associations, or P&I associations. Insurance provided by P&I associations is a form of mutual indemnity insurance. Unless otherwise provided by the international conventions that limit the liability of shipowners and subject to the "capping" discussed below, our coverage under insurance provided by the P&I associations, except for pollution, will be unlimited.

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

Environmental and Other Regulations

Government regulation significantly affects the ownership and operation of our vessels. They are subject to international conventions, national, state and local laws, regulations and standards in force in international waters and the countries in which our vessels may operate or are registered, including those governing the management and disposal of hazardous substances and wastes, the cleanup of oil spills and other contamination, air emissions, water discharges and ballast water management. These laws and regulations include the OPA, the U.S. Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), the U.S. Clean Water Act, the International Convention for Prevention of Pollution from Ships, regulations adopted by the IMO and the European Union, various volatile organic compound air emission requirements and various Safety of Life at Sea (SOLAS) amendments, as well as other regulations described below. Compliance with these laws, regulations and other requirements entails significant expense, including vessel modifications and implementation of certain operating procedures.

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

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

Environmental Regulation—International Maritime Organization ("IMO")

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

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

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

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

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

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

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

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

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

As a result of 2006 amendments to OPA the limits of the liability of responsible parties were increased to the greater of $950 per gross ton or $800,000 per non-tank vessel (subject to periodic adjustment for inflation). These limits of liability do not apply if an incident was directly caused by violation of applicable U.S. federal safety, construction or operating regulations or by a responsible party's gross negligence or willful misconduct, or if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with oil removal activities. On September 24, 2008, the U.S. Coast Guard proposed regulations that would adjust the limits of liability for non-tank vessels to $1000 per gross ton or $848,000 and establish a procedure to adjust the limits for inflation every three years. The adjustments will become effective after publication as final regulations.

OPA requires owners and operators of vessels to establish and maintain with the United States Coast Guard evidence of financial responsibility sufficient to meet their potential liabilities under the OPA. In December 1994, the U.S. Coast Guard implemented regulations that required evidence of financial responsibility for non-tank vessels in the amount of $900 per gross ton, which includes the then-applicable OPA limitation on liability of $600 per gross ton and the U.S. CERCLA liability limit of $300 per gross ton, as described below. Effective October 17, 2008, the Coast Guard adopted

amendments to the financial responsibility regulations to increase the required amount of financial responsibility for non-tank vessels to $900 per gross ton to reflect the 2006 increases in OPA liability. Vessel owners were required to provide evidence of financial assurance in the increased amounts by January 15, 2009. Under the regulations, vessel owners and operators may evidence their financial responsibility by showing proof of insurance, surety bond, self-insurance, or guaranty, and an owner or operator of a fleet of vessels is required only to demonstrate evidence of financial responsibility in an amount sufficient to cover the vessels in the fleet having the greatest maximum liability under OPA.

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

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

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

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

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

Environmental Regulation—CERCLA

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

Environmental Regulation—The Clean Water Act

The U.S. Clean Water Act, or CWA, prohibits the discharge of oil or hazardous substances in navigable waters and imposes strict liability in the form of penalties for any unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under the more recent OPA and CERCLA, discussed above. Under U.S. Environmental Protection Agency, or EPA, regulations that were adopted in 1978, vessels were exempt from the requirement to obtain CWA permits for the discharge in U.S. ports of ballast water and other substances incidental to the normal operation of vessels. However, on March 30, 2005, the United States District Court for the Northern District of California ruled in *Northwest Environmental Advocate v. EPA* , 2005 U.S. Dist. LEXIS 5373, that EPA exceeded its authority in creating an exemption for ballast water. On September 18, 2006, the court issued an order granting permanent injunctive relief to the plaintiffs, invalidating the blanket exemption in EPA's regulations for all discharges incidental to the normal operation of a vessel as of September 30, 2008, and directing EPA to develop a system for regulating all discharges from vessels by that date (later extended to December 19, 2008). EPA appealed this decision to the Ninth Circuit Court of Appeals, but proceeded with the development of the regulations, and the appeals court upheld the decision in July 2008. Under the new rules, which took effect on February 6, 2009, we are required to obtain a CWA permit regulating and authorizing such incidental discharges from our normal vessel operations if we operate within the three-mile territorial waters or inland waters of the United States. The permit, which EPA has designated as the Vessel General Permit for Discharges Incidental to the Normal Operation of Vessels, or VGP, includes requirements for the implementation, monitoring, and documentation of best management practices for as many as 26 discharges, as applicable. Much of what is required has already been addressed in the vessel's current ISM Code SMS Plan, and several States already impose requirements that in many cases are stricter than those required by the VGP.

Environmental Regulation—The Clean Air Act

The Federal Clean Air Act (CAA) requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. Our vessels are subject to CAA vapor control and recovery standards for cleaning fuel tanks and conducting other operations in regulated port areas and emissions standards for so-called "Category 3 "marine diesel engines operating in U.S. waters. The marine diesel engine emission standards are currently limited to new engines beginning with the 2004 model year. In November 2007, EPA announced its intention to proceed with development of more stringent standards for emissions of particulate matter, sulfur oxides, and nitrogen oxides and other related provisions for new Category 3 marine diesel engines. The EPA intends to promulgate final standards for Category 3 marine diesel engines by December 17, 2009. If these proposals are adopted and apply not only to engines manufactured after the effective date but also to existing marine diesel engines, we may incur costs to install control equipment on our vessels to

comply with the new standards. Several states regulate emissions from vessel vapor control and recovery operations under federally-approved State Implementation Plans. California has adopted limits on particulate matter, sulfur oxides, and nitrogen oxides emissions from the auxiliary diesel engines of ocean-going vessels in waters within approximately 24 miles of the California coast. Compliance is to be achieved through the use of marine diesel oil with a sulfur content not exceeding .1% by weight, or marine gas oil, or through alternative means of emission control, such as the use of shore-side electrical power or exhaust emission controls. These rules were struck down by the Ninth Circuit Court of Appeals in February 2008 on the grounds that they were preempted by the CAA, and in May 2008 California was permanently enjoined from enforcing the rules. The California Air Resources Board has recently adopted fuel content regulations that would apply to all vessels sailing within 24 miles of the California coast and whose itineraries call for them to enter California ports, terminal facilities or estuarine waters. The state is also requesting EPA to grant it a waiver under the CAA to enforce the invalidated vessel emission standards. The United States requested IMO on March 27, 2009 to designate the area extending 200 miles from the territorial sea baseline adjacent to the Atlantic/Gulf and Pacific coasts and the eight main Hawaiian Islands as Emissions Control Areas under the Annex VI amendments. If the IMO approves the Emissions Control Area or new or more stringent requirements relating to emissions from marine diesel engines or port operations by vessels are adopted by EPA or the states, compliance with these regulations could entail significant capital expenditures or otherwise increase the costs of our operations.

Environmental Regulation—Other Environmental Initiatives

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

The U.S. National Invasive Species Act, or NISA, was enacted in 1996 in response to growing reports of harmful organisms being released into U.S. ports through ballast water taken on by ships in foreign ports. Under NISA, the U.S. Coast Guard adopted regulations in July 2004 imposing mandatory ballast water management practices for all vessels equipped with ballast water tanks entering U.S. waters. These requirements can be met by performing mid-ocean ballast exchange, by retaining ballast water on board the ship, or by using environmentally sound alternative ballast water management methods approved by the U.S. Coast Guard. (However, mid-ocean ballast exchange is mandatory for ships heading to the Great Lakes or Hudson Bay, or vessels engaged in the foreign export of Alaskan North Slope crude oil.) Mid-ocean ballast exchange is the primary method for compliance with the Coast Guard regulations, since holding ballast water can prevent ships from performing cargo operations upon arrival in the United States, and alternative methods are still under development. Vessels that are unable to conduct mid-ocean ballast exchange due to voyage or safety concerns may discharge minimum amounts of ballast water (in areas other than the Great Lakes and the Hudson River), provided that they comply with record keeping requirements and document the reasons they could not follow the required ballast water management requirements. The Coast Guard has been developing a proposal to establish ballast water discharge standards, which could set

maximum acceptable discharge limits for various invasive species, and/or lead to requirements for active treatment of ballast water.

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

At the international level, the IMO adopted an International Convention for the Control and Management of Ships' Ballast Water and Sediments, or the BWM Convention, in February 2004. The Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements (beginning in 2009), to be replaced in time with mandatory concentration limits. The BWM Convention will not enter into force until 12 months after it has been adopted by 30 states, the combined merchant fleets of which represent not less than 35% of the gross tonnage of the world's merchant shipping. As of May 31, 2009, the BWM Convention has been ratified by 18 states, representing 15.36% of world tonnage.

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

Although the Kyoto Protocol to the United Nations Framework Convention on Climate Change requires adopting countries to implement national programs to reduce emissions of greenhouse gases, emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol. A new treaty is expected to be adopted at the United Nations climate change conference in Copenhagen in December 2009, and there is pressure to include shipping in the treaty. The EU intends to expand its emissions trading scheme to vessels and the U.S. Congress is considering climate change legislation this session. On April 17, 2009, the U.S. EPA Administrator signed a proposed finding that greenhouse gases threaten the public health and safety and that emissions from new motor vehicles and motor vehicle engines contribute to concentrations of greenhouse gases in the atmosphere. Although the proposed finding does not extend to vessels and vessel engines, the EPA is separately considering a petition from the California Attorney General and environmental groups to regulate greenhouse gas emissions from ocean-going vessels under the CAA. The IMO, the EU or individual countries in which we operate could pass climate control legislation or implement other regulatory initiatives to control greenhouse gas emissions from vessels that could require us to make significant financial expenditures or otherwise limit our operations.

Vessel Security Regulations

Since the terrorist attacks of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. On November 25, 2002, the U.S. Maritime Transportation Security Act of 2002 (MTSA) came into effect. To implement certain portions of the MTSA, in July 2003, the U.S. Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. Similarly, in December 2002, amendments to SOLAS created a new chapter of the convention dealing specifically with maritime

security. The new chapter went into effect in July 2004, and imposes various detailed security obligations on vessels and port authorities, most of which are contained in the newly created International Ship and Port Facilities Security (ISPS) Code.

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

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

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

The U.S. Coast Guard regulations are intended to align with international maritime security standards and exempt non-U.S. vessels that have a valid ISSC attesting to the vessel's compliance with SOLAS security requirements and the ISPS Code from the requirement to have a U.S. Coast Guard approved vessel security plan. We have implemented the various security measures addressed by the MTSA, SOLAS and the ISPS Code and have ensured that our vessels are compliant with all applicable security requirements.

Seasonality

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

Properties

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

Item 4A. Unresolved Staff Comments

Not applicable.

Item 5. Operating and Financial Review and Prospects

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

Overview

Our business is to provide international seaborne transportation services by operating vessels in the containership sector of the shipping industry. Our fleet as of June 30, 2009 consisted of 41 containerships and, as described below, as of that date we had newbuilding contracts for an additional 28 containerships, which we currently expect will be delivered to us by the end of June 2012.

We deploy our containerships on multi-year, fixed-rate charters to take advantage of the stable cash flows and high utilization rates typically associated with multi-year charters. As of June 30, 2009, all of the 41 containerships in our fleet were employed on time charters. Our containerships are generally deployed on multi-year charters to large liner companies that charter-in vessels on a multi-year basis as part of their business strategies.

The average number of containerships in our fleet for the years ended December 31, 2008, 2007 and 2006 was 37.7, 32.3 and 26.3, respectively.

As of June 30, 2009, we had newbuilding contracts with Hyundai Samho, Hanjin, Shanghai Jiangnan and Sungdong for an additional 28 containerships with an aggregate capacity of 217,950 TEUs, with scheduled deliveries to us from the third quarter of 2009 through the end of June 2012.

After delivery of these 28 containerships, our containership fleet of 68 vessels will have a total capacity of 382,179 TEUs, assuming we do not acquire any additional vessels or dispose of any of our vessels, other than one vessel that is over 30 years of age, which is assumed to be scrapped.

As of June 30, 2009, our containership fleet was under period charters with ten charterers: China Shipping, CMA-CGM, Hanjin, Hyundai, Maersk, MISC, MSC, UASC, Yang Ming and Zim Integrated Shipping Services. In addition, we have arranged time charters ranging from 10 to 15 years with CMA-CGM, Yang Ming and two other accredited charterers for 26 of our contracted vessels and 18-year bareboat charters with an accredited charterer for our other two contracted vessels.

Purchase Options

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

The charters with respect to the *HN S4001* , the *HN S4002* , the *HN S4003* , the *HN S4004* and the *HN S4005* include an option for the charterer, CMA-CGM, to purchase the vessels eight years after the commencement of the respective charters, which, based on the respective expected delivery dates for these vessels, are expected to fall in September 2017, December 2017, December 2017, January 2018 and February 2018, respectively, each for $78.0 million. In each case, the option to purchase the vessel must be exercised 15 months prior to the acquisition dates described in the preceding sentence. The $78.0 million option prices reflect an estimate of the fair market value of the vessels at the time we would be required to sell the vessels upon exercise of the options. If CMA-CGM were to exercise these options with respect to any or all of these vessels, the expected size of our combined containership fleet would be reduced, and as a result our anticipated level of revenues would be reduced.

Our Manager

Our operations are managed by Danaos Shipping, our manager, under the supervision of our officers and our board of directors. We believe our manager has built a strong reputation in the shipping community by providing customized, high-quality operational services in an efficient manner for both new and older vessels. We have a management agreement pursuant to which our manager and

its affiliates provide us and our subsidiaries with technical, administrative and certain commercial services. The initial term of this agreement expired on December 31, 2008, and the agreement now renews each year for a one-year term for the next 12 years unless we give a one-year notice of non-renewal (subject to certain termination rights described in "Item 7. Major Shareholders and Related Party Transactions"). Our manager is ultimately owned by Danaos Investments Limited as Trustee of the 883 Trust, which we refer to as the Coustas Family Trust. Danaos Investments Limited, a corporation wholly-owned by our chief executive officer, is the protector (which is analogous to a trustee) of the Coustas Family Trust, of which Dr. Coustas and other members of the Coustas family are beneficiaries. The Coustas Family Trust is also our largest stockholder.

Factors Affecting Our Results of Operations

Our financial results are largely driven by the following factors:

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

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

- *Utilization of Our Fleet.* Due to the multi-year charters under which they are operated, our containerships have consistently been deployed at or near full utilization. Nevertheless the amount of time our vessels spend in drydock undergoing repairs or undergoing maintenance and upgrade work affects our results of operations. Historically, our fleet has had a limited number of off-hire days. For example, there were 26 total off-hire days for our entire fleet during 2008 other than for scheduled drydockings and special surveys and 45 total off-hire days for our entire fleet during 2007, other than for scheduled drydockings and special surveys. However, an increase in annual off-hire days could reduce our utilization. The efficiency with which suitable employment is secured, the ability to minimize off-hire days and the amount of time spent positioning vessels also affects our results of operations. If the utilization patterns of our containership fleet changes our financial results would be affected.

- *Expenses.* Our ability to control our fixed and variable expenses, including those for commission expenses, crew wages and related costs, the cost of insurance, expenses for repairs and

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

Operating Revenues

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

Revenues from multi-year period charters comprised substantially all of our revenues from continuing operations for the years ended December 31, 2008, 2007 and 2006. The revenues relating to our multi-year charters will be affected by the delivery dates of our contracted containerships and any additional vessels subject to multi-year charters we may acquire in the future, as well as by the disposition of any such vessel in our fleet. Our revenues will also be affected if any of our charterers cancel a multi-year charter. Each of our current vessel construction agreements has a contracted delivery date. A change in the date of delivery of a vessel will impact our revenues and results of operations. In the first half of 2009, we arranged, in cooperation with our charterers, delays in the delivery of 25 of our contracted vessels for periods ranging between two months and one year, which delays are factored into the below table. See "Item 3. Key Information—Risk Factors—Delays in deliveries of our additional 28 newbuilding containerships could harm our operating results". Our multi-year charter agreements have been contracted in varying rate environments and expire at different times. Generally, we do not employ our vessels under voyage charters under which a shipowner, in return for a fixed sum, agrees to transport cargo from one or more loading ports to one or more destinations and assumes all vessel operating costs and voyage expenses.

Our expected revenues as of December 31, 2008, based on contracted charter rates, from our charter arrangements for our containerships having initial terms of more than 12 months is shown in the table below. Although these expected revenues are based on contracted charter rates, any contract is subject to performance by the counterparties. If the charterers are unable or unwilling to make charter payments to us, our results of operations and financial condition will be materially adversely affected. See "Item 3. Key Information—Risk Factors—We are dependent on the ability and willingness of our charterers to honor their commitments to us for all of our revenues and the failure of our counterparties to meet their obligations under our time charter agreements, or under our shipbuilding contracts, could cause us to suffer losses or otherwise adversely affect our business."

Contracted Revenue from Multi-Year Charters as of December 31, 2008(1)
(amounts in millions of U.S. dollars)

Number of Vessels(2)	2009	2010-2011	2012-2013	2014-2018	2019-2027	Total
69.0 (3)	$320.2	$ 877.6	$1,152.0	$2,803.5(4)	$1,884.0(4)	$7,037.3

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

(2) Includes three 6,500 TEU newbuildings and one 3,400 TEU newbuilding expected to be delivered to us in the second half of 2009; and 24 newbuilding containerships, the *HN S4005,* the *HN N-214,* the *HN N-215* , the *HN N-216* , the *HN N-217* , the *HN N-218,* the *HN N-220* , the *HN N-221* , the *HN N-222* , the *HN N-223* , the *HN Z00001* , the *HN Z00002* , the *HN Z00003* , the *HN Z00004* , the *Hull 1022A* , the *Hull No. S-456* , the *Hull No. S-457* , the *Hull No. S-458* , the *Hull No. S-459,* the *Hull No. S-460,* the *Hull No. S-461* , the *Hull No. S-462* and the *Hull No. S-463,* expected to be delivered to us in 2010, 2011 and 2012. The contracted revenue shown in the above table from these newbuildings for the specified periods is as follows: $22.6 million in 2009, $418.6 million in 2010-2011, $837.4 million in 2012-2013, $2,150.9 million in 2014-2018, $1,823.7 million in 2019-2027. As of June 30, 2009, we had not yet arranged financing for 12 of these newbuilding vessels. See "Item 3. Key Information—Risk Factors—Although we have arranged charters for each of our 28 newbuilding containerships, we are dependent on the ability and willingness of the charterers to honor their commitments under such charters as it would be difficult to redeploy such vessels at equivalent rates, or at all, if charter markets continue to experience weakness" and "Item 3. Key Information—Risk Factors—No financing has been arranged for the acquisition of 12 of our 28 newbuilding containerships under construction, which 12 containerships are expected to be delivered to us in 2010, 2011 and 2012, and the current state of global financial markets and current economic conditions may adversely impact our ability to obtain financing on acceptable terms which may hinder or prevent us from fulfilling our obligations under our agreements to complete the construction of these newbuilding containerships".

(3) Includes three 6,500 TEU containerships expected to be delivered to us during the second half of 2009, the *HN S4001* , the *HN S4002* , the *HN S4003* and the *HN S4004* and the *HN S4005* expected to be delivered to us in the first quarter of 2010, which are subject to options for the charterer to purchase the vessels eight years after the commencement of the respective charters, which, based on the respective expected delivery dates for these vessels, are expected to fall in September 2017, December 2017, December 2017, January 2018 and February 2018, respectively, each for $78.0 million. The $78.0 million option prices reflect an estimate of the fair market value of the vessels at the time we would be required to sell the vessels upon exercise of the options.

(4) An aggregate of $242.3 million ($48.45) million with respect to each vessel) of revenue with respect to the *HN S4001* , the *HN S4002* , the *HN S4003* , the *HN S4004* and the *HN S4005* , following September 2017, December 2017, December 2017, January 2018 and February 2018, respectively, is included in the table because we cannot now predict the likelihood of these options being exercised.

We generally do not charter our containerships in the spot market. Vessels operating in the spot market generate revenues that are less predictable than vessels on period charters, although this chartering strategy can enable vessel-owners to capture increased profit margins during periods of

improvements in charter rates. Deployment of vessels in the spot market creates exposure, however, to the risk of declining charter rates, which may be higher or lower than those rates at which a vessel could have been time chartered for a longer period.

Voyage Expenses

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

From time to time, in accordance with industry practice and in respect of the charters for our containerships we pay brokerage commissions of approximately 0.5% to 2.5% of the total daily charter hire rate under the charters to unaffiliated ship brokers associated with the charterers, depending on the number of brokers involved with arranging the charter. We also pay address commissions of up to 3.75% to some of our charterers. Our manager will also receive a commission of 0.5% based on the contract price of any vessel bought or sold by it on our behalf, excluding newbuilding contracts. Since July 1, 2005, we have paid and will pay commissions to our manager of 0.75% on all freight, charter hire, ballast bonus and demurrage for each vessel.

Vessel Operating Expenses

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

Under multi-year time charters, such as those on which we charter the 41 containerships in our current fleet, and under short-term time charters, we pay for vessel operating expenses. Under bareboat charters, such as the one on which we chartered one of our containerships in our fleet that was sold in the second quarter of 2008, our charterers bear most vessel operating expenses, including the costs of crewing, insurance, surveys, drydockings, maintenance and repairs.

Amortization of Deferred Drydocking and Special Survey Costs

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

Major overhaul performed during drydocking is differentiated from normal operating repairs and maintenance. The related costs for inspections that are required for the vessel's certification under the requirement of the classification society are categorized as drydock costs. A vessel at drydock performs certain assessments, inspections, refurbishments, replacements and alterations within a safe non-operational environment that allows for complete shutdown of certain machinery and equipment, navigational, ballast (keep the vessel upright) and safety systems, access to major underwater

components of vessel (rudder, propeller, thrusters anti-corrosion systems), which are not accessible during vessel operations, as well as hull treatment and paints. In addition, specialized equipment is required to access and manoeuvre vessel components, which are not available at regular ports.

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

Depreciation

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

General and administrative expenses

Historically, while we were a privately-owned company, we paid Danaos Shipping, our manager, a monthly management fee of $2,750 for the management of our affairs. We also paid our manager a fixed management fee of $150 to $500 per day for each vessel in our fleet depending on its size and the charter arrangements. In order to bring the fees we pay to our manager to a level similar to those that would be paid to an unaffiliated manager we adjusted the fees we pay to our manager as of July 1, 2005 and in February 12, 2009 following the expiration of the initial term of our management agreement.

From July 1, 2005 to December 31, 2008, we paid our manager a fee of $500 per day for providing commercial, chartering and administrative services, a management fee of $250 per vessel per day for its technical management of vessels on bareboat charter and $500 per vessel per day for the remaining vessels in our fleet, pro rated for the calendar days we own each vessel. We also paid our manager a flat fee of $400,000 per newbuilding vessel for the on-premises supervision of our newbuilding contracts by selected engineers and others of its staff. On February 12, 2009, we signed an addendum to the management contract adjusted the management fees, effective January 1, 2009, to a fee of $575 per day for providing commercial, chartering and administrative services, a fee of $290 per vessel per day for vessels on bareboat charter and $575 per vessel per day for the remaining vessels in the fleet and a flat fee of $725,000 per newbuilding vessel for the supervision of newbuilding contracts. All commissions to the manager remained unchanged.

Our consolidated financial statements for periods prior to our initial public offering in October 2006 show our results of operations as a private company when we did not pay any compensation to our directors and officers other than amounts corresponding to dividends, and compensation paid to our officers, but not directors, during the period from January 1, 2006 to our initial public offering in October 2006. As a public company since October 2006, we have incurred additional general and administrative expenses. We expect that the primary components of general and administrative expenses, other than the management fees described above, will continue to consist of the expenses associated with being a public company, which include the preparation of disclosure documents, legal and accounting costs, incremental director and officer liability insurance costs, director and executive compensation, costs related to compliance with the Sarbanes-Oxley Act of 2002 and the listing of our common stock on the New York Stock Exchange.

Interest Expense, Interest Income and Other Finance Costs

We incur interest expense on outstanding indebtedness under our credit facilities which we include in interest expenses, as well as interest expense on our cash flow hedge interest rate swaps. We also incurred financing costs in connection with establishing those facilities, which is included in our finance costs. Further, we earn interest on cash deposits in interest bearing accounts and on interest bearing

securities, which we include in interest income. We will incur additional interest expense in the future on our outstanding borrowings and under future borrowings.

Discontinued Drybulk Operations

While our focus is on the containership sector, in 2002 we made an investment in the drybulk sector, and from 2002 to 2007, we owned a number of drybulk carriers, chartering them to our customers (the "Drybulk Business") in the spot market, including through pooling arrangements. In the first quarter of 2007, we sold five of the six drybulk vessels in our fleet to an unaffiliated purchaser, for an aggregate of $118.0 million and sold the last drybulk carrier, the *MV Achilleas* , in our fleet to the same purchaser for $25.5 million, when its charter subsequently expired in 2007. As detailed in Note 25, Discontinued Operations, in the notes to our consolidated financial statements included elsewhere herein, we have determined that our Drybulk Business should be reflected as discontinued operations. We have included the financial results of the Drybulk Business in discontinued operations for all periods presented and discussed under "—Results of Operations." In the future, we may reinvest in the drybulk sector with the acquisition of more recently built drybulk carriers with configurations better suited to employment in the current drybulk charter market, subject to market conditions, including the availability of suitable vessels to purchase.

Results of Operations

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

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

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

Operating Revenue

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

Voyage Expenses

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

Vessel Operating Expenses

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

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

Amortization of Deferred Drydocking and Special Survey Costs

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

Depreciation

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

General and administrative expenses

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

Interest expense, interest income, and other finance (expenses) income, net

Interest expense increased 72.1%, or $15.8 million, to $37.7 million in the year ended December 31, 2008, from $21.9 million in the year ended December 31, 2007. The change in interest expense was due to the increase in our average debt by $882.8 million to $1,715.4 million in the year ended December 31, 2008 from $832.6 million in the year ended December 31, 2007. Our extensive newbuilding program resulted in interest capitalization, rather than such interest being recognized as an expense, of $36.9 million for the year ended December 31, 2008 as opposed to $22.9 million of capitalized interest for the year ended December 31, 2007.

Interest income increased 32.7%, or $1.6 million, to $6.5 million in the year ended December 31, 2008, from $4.9 million in the year ended December 31, 2007. The increase in interest income is mainly

attributed to higher average cash deposits, partially offset by lower interest rates, during the year ended December 31, 2008, as opposed to the year ended December 31, 2007.

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

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

Gain/(loss) on sale of vessels

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

Other income/(expenses), net

Other income/(expenses), net, decreased by $15.7 million, to an expense of $(1.1) million for the year ended December 31, 2008, from an income of $14.6 million in the year ended December 31, 2007. The decrease in other income/(expenses) is mainly attributed to a non-recurring net gain of $15.9 million related to restructuring of our leasing arrangements for the *CSCL Europe* , the *MSC Baltic* , the *Bunga Raya Tiga* (ex *Maersk Derby)* , the *Maersk Deva* , the *CSCL Pusan* and the *CSCL Le Havre* and their subsequent restructuring entered into in 2007, as detailed in Note 12(a) in the notes to the consolidated financial statements included in this annual report. In addition, during the fourth quarter of 2008, we recorded a non-recurring expense of $1.6 million in relation to insurance for the years of 2006 and 2007, reflecting the contribution of our insurer to the exposure of the International Group of Protection & Indemnity Clubs.

Gain/(loss) on derivatives

Gain/(loss) on derivatives increased by $2.7 million, to a $2.4 million gain in the year ended December 31, 2008, from a $(0.3) million loss in the year ended December 31, 2007. This increase is mainly a result of $1.3 million of forward contracts that expired and cash settled in April 2008, as well as, a $1.1 million of fair value interest rate swaps net ineffectiveness recorded in "Gain/(loss) on derivatives" in 2008.

Discontinued Operations

Net income from discontinued operations decreased by $94.0 million, to a loss of $(1.8) million in the year ended December 31, 2008 from a gain of $92.2 million in the year ended December 31, 2007, primarily reflecting an expense of $(1.5) million recorded during 2008 following an unfavorable outcome of a lawsuit regarding the operation of one of the dry bulk vessels (sold in May 2007) compared to a gain of $88.6 million on the sale of six dry bulk carriers during 2007. As discussed in

Note 25 to our Consolidated Financial Statements included elsewhere in this annual report, we have determined that our Drybulk Business should be reflected as discontinued operations.

Year ended December 31, 2007 compared to the year ended December 31, 2006

During the year ended December 31, 2007, we had an average of 32.3 containerships in our fleet. During the year ended December 31, 2006, we had an average of 26.3 containerships in our fleet. We took delivery of one 4,300 TEU containership on March 12, 2007, one 2,200 TEU containership on July 23, 2007, one 2,200 TEU containership on August 20, 2007, one 2,200 TEU containership on September 5, 2007, one 4,253 TEU containership on September 10, 2007, one 2,200 TEU containership on October 2, 2007, one 4,300 TEU containership on October 9, 2007, one 2,200 TEU containership on October 15, 2007, and one 4,253 TEU containership on November 27, 2007. We also sold three 5,506 TEU containerships in our fleet to APL-NOL, on March 7, 2007, June 22, 2007 and August 3, 2007, respectively.

Operating Revenue

Operating revenue increased 26.1%, or $53.6 million, to $258.8 million in the year ended December 31, 2007, from $205.2 million in the year ended December 31, 2006. The increase was partly attributable to the addition to our fleet of nine vessels, which collectively contributed revenues of $23.4 million in 2007. In addition, a 4,651 TEU containership, the *MOL Confidence* , which was added to our fleet on March 23, 2006, three 4,814 TEU containerships, the *Maersk Marathon* , the *Maersk Messologi* and the *Maersk Mytilini* , which were added to our fleet on December 13, 2006, December 18, 2006 and December 22, 2006, respectively, and two 9,580 TEU containerships, the *CSCL Pusan* and the *CSCL Le Havre* , which were added to our fleet on September 8, 2006 and November 20, 2006, respectively, contributed incremental revenues of $45.8 million in the year ended December 31, 2007 compared to the year ended December 31, 2006. These additional contributions to revenue were offset in part by our sale of three vessels in 2007, which vessels, as a result, contributed $16.0 million less revenue in the year ended December 31, 2007 than in the year ended December 31, 2006.

Voyage Expenses

Voyage expenses were $7.5 million in the year ended December 31, 2007, representing an increase of $2.1 million, or 38.9%, from $5.4 million in the year ended December 31, 2006. The increase in voyage expenses was mainly due to commissions paid to our manager of $2.1 million for the 12 vessels acquired and sold in accordance with our management agreement in the year ended December 31, 2007 as opposed to $0.8 million of such commissions in the year ended December 31, 2006. The remaining increase of $0.8 million is attributed to higher commissions on gross revenue, address and brokerage commissions and other voyage expenses, due to the increase in the average number of containerships in our fleet in the year ended December 31, 2007, compared with the year ended December 31, 2006.

Vessel Operating Expenses

Vessel operating expenses increased 24.0%, or $12.7 million, to $65.7 million in the year ended December 31, 2007, from $53.0 million in the year ended December 31, 2006. This increase was due to the increase in the average number of containerships in our fleet by 6.0 vessels, or 22.8%, to 32.3 containerships in the year ended December 31, 2007 from 26.3 containerships in the year ended December 31, 2006.

Amortization of Deferred Drydocking and Special Survey Costs

Amortization of deferred drydocking and special survey costs expense increased 48.8%, or $2.0 million, to $6.1 million in the year ended December 31, 2007, from $4.1 million in the year ended December 31, 2006. The increase resulted from more drydockings in 2007 than 2006.

Depreciation

Depreciation expense increased 48.7%, or $13.3 million, to $40.6 million in the year ended December 31, 2007, from $27.3 million for the year ended December 31, 2006. The increase in depreciation expense was due to the increase in the average number of vessels in our fleet as well as the higher acquisition cost of such additional vessels compared to those sold during the year ended December 31, 2007.

General and administrative expenses

General and administrative expenses increased 56.3%, or $3.6 million, to $10.0 million in the year ended December 31, 2007, from $6.4 million in the year ended December 31, 2006. The increase was mainly a result of expenses related to being a public company which applied to the three months ended December 31, 2006 as compared to all of 2007. Such expenses related to being a public company increased $2.0 million in the year ended December 31, 2007 as they were in effect for the entire year compared with the year ended December 31, 2006 which such costs applied only to the fourth quarter. Moreover, fees paid to our manager increased $1.1 million as a result of an increase in the average number of vessels in our fleet in the year ended December 31, 2007 as opposed to those in the same period of 2006. The remaining $0.5 million of the increase represents various other administrative expenses which were not applicable in the year ended December 31, 2006.

Interest expense, interest income, and other finance (expenses) income, net

Interest expense decreased 10.6%, or $2.6 million, to $21.9 million in the year ended December 31, 2007, from $24.5 million in the year ended December 31, 2006. Our newbuilding program resulted in interest capitalization, rather than such interest being recognized as an expense, of $22.9 million for the year ended December 31, 2007 as opposed to $8.6 million capitalized interest for the year ended December 31, 2006. This was offset in part by a $12.8 million increase in interest relating to a 39.4% increase in our average indebtedness, with no change in the weighted average effective interest rate to which our indebtedness was subject. Interest income increased $1.3 million, or 36.1%, to $4.9 million in the year ended December 31, 2007, from $3.6 million in the year ended December 31, 2006, due to increased average bank deposits.

Other finance income (expenses), net, decreased $4.8 million, to a cost of $(2.8) million in the year ended December 31, 2007, from an income of $2.0 million in the year ended December 31, 2006. The change in other finance income (expenses), net, was mainly due to foreign exchange rate fluctuations between the pound sterling and the U.S. dollar in connection with the leasing arrangements for the *CSCL Europe* , the *MSC Baltic* (ex *CSCL America*), the *Bunga Raya Tiga* (ex *Maersk Derby)* , the *Maersk Deva* (ex *Vancouver Express)* , the *CSCL Pusan* and the *CSCL Le Havre* , as well as the agreements which we entered into with HSH Nordbank on November 14, 2006 and with The Royal Bank of Scotland on February 20, 2007, for revolving credit facilities of up to $700 million each, which resulted in higher finance fees in the year ended December 31, 2007 compared to the year ended December 31, 2006.

Gain/(loss) on sale of vessels

Loss on sale of vessels of $(0.3) million represents a loss on sale of three containerships during the year ended December 31, 2007.

Other income/(expenses)

Other income (expenses), increased $33.1 million to $14.6 million for the year ended December 31, 2007 from $(18.5) million in the year ended December 31, 2006. The change was primarily due to a non-recurring gain of $15.9 million for 2007 compared to a non-recurring loss of $(18.7) million in 2006, both attributable to the leasing arrangements for the *CSCL Europe* , the *MSC Baltic* , the *Bunga Raya Tiga* (ex *Maersk Derby)* , the *Maersk Deva* , the *CSCL Pusan* and the *CSCL Le Havre* and the subsequent restructuring of such arrangements in October 2007, as detailed in note 12a in the notes to the consolidated financial statements included elsewhere in this annual report.

Gain/(loss) on derivatives

Gain/(loss) on derivatives improved $5.8 million to $(0.3) million loss in the year ended December 31, 2007, from a $(6.1) million loss in the year ended December 31, 2006. This change was a result of the initiation of hedge accounting from the third quarter of 2006 resulting in unrealized gains or losses ceasing to be recognized in our income statement.

Discontinued Operations

Net income from discontinued operations increased $56.5 million, or 158.3%, to $92.2 million in the year ended December 31, 2007 from $35.7 million in the year ended December 31, 2006, primarily reflecting the gain of $88.6 million on the sale of six drybulk carriers during 2007 compared to the sale of one drybulk carrier during 2006 with a gain of $15.0 million. As discussed in note 25 to our consolidated financial statements included elsewhere in this annual report, we have determined that our Drybulk Business should be reflected as discontinued operations.

Liquidity and Capital Resources

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

Our primary short-term liquidity needs are to fund our vessel operating expenses, loan amortization and interest payments. Our medium-term liquidity needs primarily relate to the purchase of the 28 additional containerships for which we have contracted and for which we had scheduled future payments through the scheduled delivery of the final contracted vessel during 2012 aggregating $2.1 billion as of June 30, 2009. Our long-term liquidity needs primarily relate to additional vessel acquisitions in the containership sector and debt repayment. We anticipate that our primary sources of funds will be cash from our existing credit facilities and additional credit facilities we will seek to arrange, cash from operations and, possibly, equity financings. We believe that currently contracted sources of funds will be sufficient to meet our liquidity needs through the first quarter of 2010, since our contracted revenue together with our committed credit facilities, including our new credit facility with Deutsche Schiffsbank-Credit Suisse-Emporiki Bank that we entered into during the first quarter of 2009, will be sufficient to meet our currently projected liquidity needs for that period.

In the first half of 2009, we came to an agreement to delay the delivery dates of five 8,530 TEU containerships under construction by approximately two hundred days each on average, five 6,500 TEU, five 3,400 TEU containerships under construction by approximately one quarter each, five 12,600 TEU containerships under construction by approximately one year each and five 6,500 TEU containerships under construction for a period ranging from two to six months. As of June 30, 2009, we expect to take delivery of four vessels during the remainder of 2009, twelve in 2010, seven in 2011 and five in 2012. As of June 30, 2009, the remaining capital expenditure installments for these vessels were approximately $332 million for the remainder of 2009, $909 million for 2010, $374 million for 2011 and $449 million for 2012. In addition to our available borrowing capacity under committed credit facilities as of June 30, 2009, we would be required to procure additional financing of approximately $1.4 billion in

order to fund these remaining installment payments, to the extent such installment payments are not funded with cash generated by our operations. Accordingly, as of June 30, 2009, we have no financing arranged for the acquisition of 12 of the newbuilding containerships expected to be delivered to us in 2010, 2011 and 2012. Our ability to obtain financing in the current economic environment, particularly for the acquisition of containerships, which are experiencing low charter rates and depressed vessel values, may be limited.

Restricted cash increased by $205.3 million, to $251.5 million as of December 31, 2008, from $46.2 million as of December 31, 2007. The increase in restricted cash is mainly attributed to additional cash which we borrowed under our revolving credit facilities during the third quarter of 2008. These funds are now designated to finance certain of our newbuildings and will be utilized to fund progress payments of these new buildings through their scheduled deliveries from December 2009 to the third quarter of 2011.

Under our existing multi-year charters as of December 31, 2008, we had contracted revenues of $320.2 million for 2009, $402.9 million for 2010 and, thereafter, approximately $6.3 billion, of which amounts $22.6 million, $136.9 million and $5.1 billion, respectively, are associated with charters from our contracted newbuildings, some of which have not been financed. See "Risk Factors".

As of June 30, 2009, we had approximately $474 million of undrawn availability under our credit facilities and $220 million of restricted cash designated for newbuilding progress payments. Our board of directors has determined to suspend the payment of further cash dividends as a result of market conditions in the international shipping industry and in particular the sharp decline in charter rates and vessel values in the containership sector.

In 2009, we obtained waivers from lenders, with which we had $1.8 billion of indebtedness, as of December 31, 2008, to cover for 2008 and up to January 31, 2010 (other than with respect to our KEXIM-Fortis credit facility, for which covenant compliance will be evaluated within 180 days of December 31, 2009 (upon delivery of our audited financial statements for the year ended December 31, 2009)) breaches of our loan agreement covenants in relation to the collateral coverage ratios, corporate leverage ratios and the minimum net worth requirements, which we were not in compliance with as of December 31, 2008. If, however, the current low charter rates in the containership market and low vessels values continue or decrease further, our ability to comply with these and other covenants in our loan agreements may be adversely affected and we may not be able to draw down the full amount of certain of our committed credit facilities, which contain restrictions on the amount of cash that can be advanced to us under our credit facilities based on the market value of the vessel or vessels in respect of which the advance is being made.

We sold the *APL Belgium* , a 5,506 TEU containership, to APL-NOL for $44.3 million net proceeds pursuant to the terms of purchase option contained in the charter of the vessel on January 15, 2008. In addition, we sold the *Winterberg* , on January 25, 2008, the *Maersk Constantia* , on May 20, 2008, the *Asia Express*, on October 26, 2008, and the *Sederberg* , on December 10, 2008, for net proceeds of $10.2 million, $14.6 million, $9.4 million and $4.5 million, respectively.

In August 2006, we agreed to sell the six drybulk carriers in our fleet, with an aggregate capacity of 342,158 dwt, for an aggregate of $143.5 million. We used the proceeds from this sale to fund contracted vessel acquisitions. We received payment of 10% of the aggregate sale price of the six drybulk vessels upon entering into the sales agreements, the remaining 90% of the sale price was paid to us upon delivery of each vessel to the purchaser upon expiration of the vessel's then-existing charter. We delivered all six of these vessels to the purchaser upon expiration of their charters during 2007, after which we account for the drybulk carriers we have owned since 2002 as discontinued operations.

The following table summarizes the cash flows from our continuing operations and our discontinued operations for each of the years ended December 31, 2008, 2007 and 2006:

	Combined Containership and Drybulk Carrier Fleet Year Ended December 31,			Discontinued Operations Year Ended December 31,			Continuing Operations Year Ended December 31,		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
	(In thousands)								
Net Cash from Operating Activities	$ 135,489	$ 158,270	$ 151,578	$—	$ 4,537	$ 24,628	$ 135,489	$ 153,733	$ 126,950
Net Cash (used in)/provided by Investing Activities	(511,986)	(687,592)	(330,099)	—	142,301	26,798	(511,986)	(829,893)	(356,897)
Net Cash provided by/(used in) Financing Activities *	433,722	549,742	183,596	—	(146,838)	(51,426)	433,722	696,580	235,022

* Financing items in this line include deemed transactions or movements between vessel-owning subsidiaries and the parent company resulting from centralized treasury operations.

We believe that the sale of the drybulk carrier fleet and the subsequent loss of the net cash from operating activities attributed to it will be partially offset by cash flows from the containerships we have added to our fleet since the disposal of the drybulk carrier fleet. Furthermore, the drybulk carrier fleet's proportional contribution to our cash flows from operating activities had been decreasing during the years from 2005 to 2007 mainly as a result of the growth of our containership fleet. We did not have any drybulk carriers in 2008.

Net cash from investing activities attributed to the discontinued operations was $142.3 million in 2007, representing the sale proceeds from the sale of the drybulk carrier fleet, the *Fivos* , the *Alexandra I* , the *Dimitris C* , the *Roberto C* , the *Maria C* and the *MV Achilleas* . Net cash from investing activities attributed to the discontinued operations was $26.8 million in 2006, representing the sale proceeds from the sale of one of our drybulk carriers, the *Sofia III* . Net cash used in financing activities attributed to the drybulk carrier fleet reflects the payments of long-term debt, offset in part by funds provided by borrowings under our credit facilities that were attributable to the drybulk carriers as well as cash distributions from our drybulk carrier-owning subsidiaries attributable to activities other than operating activities, during each of the years ended December 31, 2007 and 2006.

Cash Flows

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

Net Cash Provided by Operating Activities

Net cash flows provided by operating activities decreased 14.4%, or $22.8 million, to $135.5 million in the year ended December 31, 2008 compared to $158.3 million in the year ended December 31, 2007. The decrease was primarily the result of a one-time cash benefit of $15.4 million relating to lease arrangements that was recognized in 2007, as described in Note 12, Lease Arrangements, in the notes to our consolidated financial statements included elsewhere herein and the increase in the payments for drydockings in 2008 as opposed to 2007, partially offset by increased cash received from operations in 2008 compared to 2007 due to the increase in the average number of vessels in our fleet. Net cash flows provided by operating activities increased 4.4%, or $6.7 million, to $158.3 million in the year ended December 31, 2007 compared to $151.6 million in the year ended December 31, 2006. For the year ended December 31, 2007, the increase was primarily the result of a change in working capital requirements by $6.3 million and decreased payments of $0.4 million attributed to drydockings in 2007 as opposed to 2006.

Net Cash Used in Investing Activities

Net cash flows used in investing activities decreased 25.5%, or $175.6 million, to $512.0 million in the year ended December 31, 2008 compared to $687.6 million in the year ended December 31, 2007. Net cash flows used in investing activities increased 108.3%, or $357.5 million, to $687.6 million in the year ended December 31, 2007 compared to $330.1 million in the year ended December 31, 2006. The difference between the years ended December 31, 2008 and 2007 primarily reflects the funds used to acquire secondhand vessels of $93.4 million in 2008 as opposed to $266.6 million in 2007, cash received of $16.9 million on March 7, 2008 in respect of certain lease arrangements (refer to Note 12, Lease Arrangements, in the notes to our consolidated financial statements included elsewhere herein) that partially offset the cash used to acquire vessels, installment payments for newbuildings of $518.5 million in 2008 as opposed to $696.8 million during the year ended December 31, 2007 and proceeds from sale of vessels of $83.0 million in 2008 as opposed to $275.8 million in 2007. The difference between the years ended December 31, 2007 and 2006 primarily reflects the funds used to acquire secondhand vessels of $266.6 million in 2007 as opposed to $171.7 million in 2006, installment payments for newbuildings of $696.8 million in 2007 as opposed to $185.1 million during the year ended December 31, 2006 and proceeds from sale of vessels of $275.8 million in 2007 as opposed to $26.8 million in 2006.

Net Cash Provided by/(Used in) Financing Activities

Net cash flows provided by financing activities decreased 21.1%, or $116.0 million, to $433.7 million in the year ended December 31, 2008 compared to $549.7 million in the year ended December 31, 2007. Net cash flows provided by financing activities increased by $366.1 million, to $549.7 million in the year ended December 31, 2007 compared to $183.6 million in the year ended December 31, 2006. The decrease in 2008 is primarily due to the net proceeds from long-term debt of $745.1 million during the year ended December 31, 2008 as opposed to $691.7 million in the year ended December 31, 2007, dividend payments of $101.5 million during the year ended December 31, 2008 as opposed to $97.4 million during the year ended December 31, 2007 and $205.4 million of restricted cash in 2008 as opposed to $43.7 million in 2007. The increase in 2007 is primarily due to the net proceeds from long-term debt of $691.7 million during the year ended December 31, 2007 as opposed to $(12.8) million in the year ended December 31, 2006, dividend payments of $97.4 million during the year ended December 31, 2007 as opposed to no dividend payments for 2006, no public offering proceeds in 2007 as opposed to $201.3 million in 2006 and $43.7 million of restricted cash in 2007 as opposed to $1.8 million in 2006.

Credit Facilities

We, as guarantor, and certain of our subsidiaries, as borrowers, have entered into a number of credit facilities in connection with financing the acquisition of certain vessels in our fleet. We also have entered into guarantee facility agreements, with HSH Nordbank and the Royal Bank of Scotland, which are described in Note 19 to our audited financial statements included in this annual report. The following summarizes certain terms of our credit facilities:

Lender	Remaining Available Principal Amount (in millions)(1)	Outstanding Principal Amount (in millions)(1)	Interest Rate	Maturity	Details
The Royal Bank of Scotland (2)	$56.3	$640.4	LIBOR + margin	Due September 2021	Concerns a revolving credit facility of up to $700.0 million for the purpose of financing existing vessels or part of the newbuilding program. Refer to "Item 10. Additional Information—Material Contracts" for details on the amortization schedule.

Lender	Remaining Available Principal Amount (in millions) (1)	Outstanding Principal Amount (in millions) (1)	Interest Rate	Maturity	Details
HSH Nordbank(3)	$—	$41.0	LIBOR + margin	Due March 2014	21 quarterly instalments of $1.0 million; balloon payment of $20.0 million.
KEXIM(4)	$—	$80.8	Fixed	Due November 2016	30 quarterly instalments of $2.6 million; plus instalments of $1.0 million, $1.3 million and $0.69 million payable in August 2016, September 2016 and November 2016, respectively.
KEXIM-Fortis(5)	$—	$124.4	$115.4 million Fixed; and $9.0 million: LIBOR + margin	Due October 2018 and January 2019	20 semi-annual instalments of $5.625 million; plus instalments of $2.14 million and $0.7 million plus a balloon payment of $9.0 million payable in October 2018 and January 2019, respectively.
Aegean Baltic Bank—HSH Nordbank—Piraeus Bank(6)	$25.0	$675.0	LIBOR + margin	Due November 2016	Concerns a revolving credit facility of up to $700.0 million in order to partially finance existing vessels and the construction of new vessels. Repayment schedule, as amended in July 2009 will be based on quarterly installments as well as a balloon payment at the end. Refer to "Item 10. Additional Information—Material Contracts" for further details on the loan amortization.
Emporiki Bank of Greece S.A. (7)	$85.8	$71.0	LIBOR + margin	Due June 2021	Concerns a loan facility of up to $156.8 million advanced to the vessel owning subsidiaries in order to partially finance the construction of new vessels. The credit facility will be repaid over a 12 year period, with two years' grace period, in 20 equal consecutive semi-annual instalments of $4.25 million and a balloon payment of $71.8 million along with the final instalment.
Deutsche Bank(8)	$—	$180.0	LIBOR + margin	Due October 2018	32 consecutive quarterly instalments each in the amount of $2.5 million and a final balloon payment of $100.0 million payable together with the last such instalment. The first installment is due on December 31, 2010.

Lender	Remaining Available Principal Amount (in millions)(1)	Outstanding Principal Amount (in millions)(1)	Interest Rate	Maturity	Details
Credit Suisse(9)	$190.5	$31.1	LIBOR + margin	Due December 2019	28 consecutive quarterly instalments amounting to $3.99 million each, with the first instalment due March 31, 2013 and a final balloon instalment of $109.35 million which is due together with the 28 th instalment.
Fortis Bank—Lloyds TSB—National Bank of Greece(10)	$—	$253.2	LIBOR + margin	Due July 2018	16 equal semi-annual instalments of $8.6 million, with the first instalment due on July 29, 2010; and a final balloon payment of $115.2 million on July 29, 2018.

(1) As of December 31, 2008.

(2) Our credit facility with RBS was, as of December 31, 2008 and as subsequently amended, collateralized by mortgages for existing vessels and refund guarantees for newbuildings relating to the *Hyundai Progress*, the *Hyundai Highway*, the *Hyundai Bridge* , the *Hyundai Federal* (ex *APL Confidence)*, the *Zim Monaco*, the *HN N-219*, the *HN N-221*, the *HN N-222*, the *HN S-4005* the *HN H1022A* , the *HN N-218* , the *HN S-458* , the *HN S-459* , the *HN S-460* and the *HN S-461*.

(3) Our credit facility with HSH Nordbank AG was, as of December 31, 2008, collateralized by mortgages and other security relating to the *Maersk Deva* (ex *Vancouver Express)* and the *Bunga Raya Tiga* (ex *Maersk Derby)* .

(4) Our KEXIM credit facility was, as of December 31, 2008, collateralized by mortgages and other security relating to the *CSCL Europe* and the *MSC Baltic* (ex *CSCL America)*.

(5) Our KEXIM-FORTIS credit facility was, as of December 31, 2008, collateralized by mortgages and other security relating to the *CSCL Pusan* and the *CSCL Le Havre* .

(6) Our credit facility with Aegean Baltic Bank S.A. and HSH Nordbank AG was, as of December 31, 2008, collateralized by mortgages and other security relating to the *CMA CGM Elbe* , the *CMA CGM Kalamata* , the *CMA CGM Komodo* , the *CMA CGM Passiflore* , the *MOL Affinity* (ex *Hyundai Commodore)* , the *Hyundai Duke* , the *CMA CGM Vanille*, the *Maersk Marathon* , the *Maersk Messologi* , the *Maersk Mytilini* , the *YM Yantian* , the *Al Rayyan* (ex *Norasia Hamburg)* , the *YM Milano* , the *CMA CGM Lotus* , the *Hyundai Vladivostok* , the *Hyundai Advance* , the *Hyundai Stride*, the *Hyundai Future*, the *Hyundai Sprinter*, *Hanjin Montreal and MSC Eagle* and assigned refund guarantees related to pre-delivery installments for the *HN Z00001* , the *HN Z00002* , the *HN Z00003* and the *HN Z00004* . As of July 10, 2009, we agreed to amend the facility by adding additional collateral as follows: (a) newbuilding vessel *HN S-4004* to be provided as security under the facility, (b) second priority mortgages on the *Maersk Deva* (ex *Vancouver Express*) and the *Bunga Raya Tinga* (ex *Maersk Derby*) financed by HSH Nordbank AG and Dresdner Bank and (c) second priority mortgages on the *CSCL Europe* and the *MSC Baltic* (ex *CSCL America*) financed by KEXIM credit facility and the *CSCL Pusan* (ex *HN 1559*) and the *CSCL Le Havre* (ex *HN 1561*) financed by our KEXIM-Fortis credit facility.

(7) Our Emporiki Bank of Greece credit facility was, as of December 31, 2008, collateralized by refund guarantees relating to vessels *HN S4001* and *HN S4002* , which are currently under construction.

(8) Our Deutsche Bank credit facility was, as of December 31, 2008, collateralized by mortgages and other security relating to the *Zim Rio Grande*, the *Zim Sao Paolo* and *Zim Kingston*.

(9) Our Credit Suisse credit facility was, as of December 31, 2008, collateralized by refund guarantees relating to vessels *Zim Luanda* , *HN S4003* and *HN N-214.*

(10) Our Fortis Bank-Lloyds TSB-National Bank of Greece credit facility was, as of December 31, 2008, collateralized by mortgages and other security relating to the vessels *YM Colombo* , *YM Seattle* , *YM Vancouver* and *YM Singapore*.

During the first half of 2009, we have drawn additional debt of $181.2 million from our credit facilities with Emporiki Bank ($15.9 million), Credit Suisse ($61.8 million) and Deutsche Schiffsbank ($103.5 million). In addition, during the first half of 2009 we have repaid an aggregate principal

amount of $16.1 million in accordance with the respective amortization schedules of our senior revolving credit facility with RBS, HSH term loan, KEXIM credit facility and KEXIM-Fortis credit facility.

The weighted average interest rate margin over LIBOR on our credit facilities was 0.67% and 1.26% for the year ended December 31, 2008 and the six months ended June 30, 2009, respectively. The weighted average interest rate margin over LIBOR payable under our credit facilities is estimated to be approximately 1.74% per annum during periods covered by the waivers we obtained in 2009, as described below, and approximately 1.46% per annum after such waiver periods.

As of December 31, 2008, we were not in compliance with collateral coverage ratios, corporate leverage ratios and net worth covenants, as applicable, contained in certain of our loan agreements governing $1.8 billion of our outstanding indebtedness as of December 31, 2008, as presented above, due to the severe drop in interest rates which resulted in negative valuations of our interest rate swaps accounted for as cash flow hedges, as well as the drop in our vessels' fair market values. As a result, we have entered into agreements which waive until January 31, 2010 (other than with respect to our KEXIM-Fortis credit facility, for which covenant compliance will be evaluated within 180 days of December 31, 2009 (upon delivery of our audited financial statements for the year ended December 31, 2009)) all prior breaches of such covenants and any subsequent breaches of such covenants. Our lenders agreed not to exercise their right to demand repayment of any amounts due under the respective loan agreements as a result of the December 31, 2008 and any subsequent breaches of the abovementioned covenants until January 31, 2010.

Our credit facilities, as modified by the waivers and amendments entered into in 2009, contain financial and security covenants requiring us to:

- maintain a market value adjusted net worth of at least $400.0 million and stockholders' equity of at least $250.0 million;
- ensure that the ratio of the aggregate market value of the vessels in our fleet securing the applicable loan to our outstanding indebtedness under such loan at all times exceeds (i) 145% under our KEXIM and KEXIM-Fortis credit facilities, (ii) 115% under our Emporiki Bank credit facility and (iii) 125% under our other credit facilities (reduced to 100% under our RBS credit facility during the waiver period as described below);
- maintain adjusted stockholders' equity in excess of 30.0% of our total market value adjusted assets;
- ensure that our total liabilities (after deducting cash and cash equivalents), will be no more than 70.0% (or 75% under one of our credit facilities) of the our total market value adjusted assets;
- maintain aggregate cash and cash equivalents of no less than the higher of (a) $30 million and (b) 3% of our total indebtedness until November 14, 2011 and 4% of our total indebtedness at all times thereafter; and
- maintain a ratio of EBITDA to net interest expense of no less than 2.5 to 1.0.

The waivers we have obtained with respect to the above (i) corporate leverage ratios cover the period to January 31, 2010 under each of our credit facilities other than under our KEXIM-Fortis credit facility, under which it has been waived for the year ended December 31, 2008 and compliance with the above covenant in respect of the year ending December 31, 2009 will be tested within 180 days following that date, our $60.0 million credit facility with HSH Nordbank AG and our KEXIM credit facility (for which there was no breach and, therefore, no waiver), (ii) minimum net worth covenants cover the period to January 31, 2010 under each of our credit facilities other than under our KEXIM-

Fortis credit facility, under which it is waived for the year ended December 31, 2008 and compliance of the above covenant in respect of the year ending December 31, 2009 will be tested within 180 days following that date, and our Deutsche Bank credit facility, KEXIM-Fortis credit facility, KEXIM credit facility and RBS credit facility (for which there was no breach and, therefore, no waiver) and (iii) collateral coverage clauses cover the period to January 31, 2010 under each of our credit facilities, other than with respect to our credit facility with RBS, under which the requirement is 100% through January 31, 2010 and 125% thereafter, and our $60.0 million credit facility with HSH Nordbank AG, our KEXIM-Fortis credit facility, KEXIM credit facility, Deutsche Bank credit facility, Emporiki Bank credit facility, Credit Suisse credit facility and Deutsche Schiffsbank credit facility (for which there was no breach and, therefore, no waiver).

Our credit facilities also contain other restrictions and customary events of default with respect to us and our applicable subsidiaries, such as a cross-default with respect to financial indebtedness or any adverse change in the financial position or prospects of the vessel-owning subsidiaries or the Company that creates a material risk to our ability to repay such indebtedness and, in some cases, certain changes in the charters for vessels mortgaged under the applicable credit facility. In addition, as described below, under the waiver agreements, our payment of any dividend is subject to the approval of certain of our lenders during periods covered by the waivers and is subject to restrictions on the amount of dividends that we may pay pursuant to terms of waivers from other lenders.

Set forth below are details of the respective waivers agreed with our lenders in respect of breaches of the loan covenants contained in certain of our credit facilities and our guarantee facility with HSH Nordbank. For additional information relating to our credit facilities, please see "Item 10. Additional Information—Material Contracts" and Note 13 to our audited financial statements included in this annual report.

The Royal Bank of Scotland Credit Facility. As of December 31, 2008, we were in breach of the collateral coverage ratio and corporate leverage ratio covenants contained in our $700.0 million senior revolving credit facility with The Royal Bank of Scotland. We have entered into an agreement waiving the breach of the corporate leverage ratio covenant for the year ended December 31, 2008, as well as any subsequent breach of such covenant, up to January 31, 2010 and reducing the collateral coverage ratio to 100% from 125% (at which revised collateral coverage ratio we would have been in compliance as of December 31, 2008) in respect of the year ended December 31, 2008 and up until January 31, 2010, with an increase in the interest rate margin by 1.5 percentage points per annum for the remaining period of the loan and a one-time fee of $100,000. In addition, during the period covered by the waiver we are not permitted to make dividend payments without the consent of our lenders under this credit facility.

Aegean Baltic Bank—HSH Nordbank—Piraeus Bank Credit Facility . As of December 31, 2008, we were in breach of the collateral coverage ratio, corporate leverage ratio and net worth covenants contained in our $700.0 million senior credit facility with Aegean Baltic Bank S.A., HSH Nordbank AG and Piraeus Bank. We have entered into an agreement waiving breaches of such covenants for the year ended December 31, 2008, as well as any subsequent breach of such covenants, up to January 31, 2010. Such waiver has been provided by our lenders under this credit facility pursuant to the terms and conditions of a commitment letter we have entered into with such lenders pursuant to which we have agreed to amend the credit facility, including to add additional collateral and increase the interest rate margin by 1.8 percentage points per annum for the waiver period and increase the interest rate margin by 1.05 percentage points per annum for the remaining period of the loan, as well as pay a one-time fee of $2.1 million. We have also agreed to use our best efforts to raise additional equity capital, with the participation of our largest stockholder in any such transaction. In addition, during the period covered by the waiver we are not permitted to make dividend payments without the consent of our lenders under this credit facility.

HSH Nordbank Guarantee Facility (with Aegean Baltic Bank acting as agent) . As of December 31, 2008, we were in breach of the corporate leverage ratio and net worth covenants contained in our $148.0 million guarantee facility with HSH Nordbank, with Aegean Baltic Bank acting as agent. We have entered into an agreement, pursuant to the terms and conditions of a commitment letter, regarding the guarantee facility waiving breaches of such covenants for the year ended December 31, 2008, as well as any subsequent breach of such covenants, up to October 1, 2010. In addition, during the period covered by the waiver we are not permitted to make dividend payments without the consent of our lenders under this facility.

HSH Nordbank Credit Facility (with Aegean Baltic Bank acting as agent) . As of December 31, 2008, we were in breach of the net worth covenant contained in our $60.0 million credit facility with HSH Nordbank, Dresdner Bank and Aegean Baltic Bank acting as agent, which had an outstanding balance of $41.0 million as of December 31, 2008. We have entered into an agreement waiving the breach of such covenant for the year ended December 31, 2008, as well as any subsequent breach of such covenant, up to January 31, 2010. Such waiver has been provided by our lender under this credit facility pursuant to the terms and conditions of a commitment letter we have entered into with such lender pursuant to which we have agreed to amend the credit facility to increase the interest rate margin over LIBOR by 1.725 percentage points per annum (or, if lower, an increase in the interest rate margin of 1.225 percentage points and the replacement of LIBOR by the bank's cost of funding) for the waiver period and increase the interest rate margin by 0.975 percentage points per annum for the remaining period of the loan as well as pay a one-time fee of 0.30 percentage points on the facility amount outstanding.

KEXIM—Fortis Credit Facility . As of December 31, 2008, we were in breach of the corporate leverage ratio and net worth covenants contained in our $144.0 million credit facility with the Export-Import Bank of Korea and Fortis Bank. We have entered into an agreement waiving compliance with such covenants for the year ended December 31, 2008 and providing that compliance with such covenants in respect of the year ended December 31, 2009 will be tested within 180 days following that date. In return, we paid our lenders under this credit facility a one-time fee of $360,000 and the interest rate margin was increased by 0.5 percentage points for the waiver period.

Credit Suisse Credit Facility . As of December 31, 2008, we were in breach of the corporate leverage ratio and net worth covenants contained in our $180.0 million credit facility with Credit Suisse. We have entered into an agreement waiving breaches of such covenants for the year ended December 31, 2008, as well as any subsequent breach of such covenants, up to January 31, 2010. Under the terms of the waiver, during the waiver period we are not permitted to pay dividends in excess of $0.20 per share per annum (or $0.05 per share per quarter) without the consent of our lenders under this credit facility.

Deutsche Bank Credit Facility . As of December 31, 2008, we were in breach of the corporate leverage ratio covenant contained in our $180.0 million credit facility with Deutsche Bank. We have entered into an agreement waiving the breach of such covenant for the year ended December 31, 2008, as well as any subsequent breach of such covenant, up to January 31, 2010. In return, we paid to the bank a one-time fee of 0.3% of the loan amount.

Emporiki Bank Credit Facility . As of December 31, 2008, we were in breach of the corporate leverage ratio and minimum net worth covenants contained in our $156.8 million credit facility with Emporiki Bank. We have entered into an agreement waiving breaches of such covenants for the year ended December 31, 2008, as well as any subsequent breach of such covenants, up to January 31, 2010, with an increase in the interest rate margin by 1.65 percentage points per annum for the waiver period and 0.65 percentage points per annum for the period thereafter.

New Credit Facility

On February 2, 2009, we, as borrower, and certain of our vessel-owning subsidiaries, as guarantors, entered into a credit facility with Deutsche Schiffsbank, Credit Suisse and Emporiki Bank of up to $298.5 million in relation to pre and post-delivery financing for five new-building vessels, the *ZIM Dalian* (a 4,253 TEU vessel), the *HN N-220* and the *HN N-223* (two 3,400 TEU vessels), the *HN N-215* (a 6,500 TEU vessel) and the *HN Z0001* (a 8,530 TEU vessel), which are currently under construction and will be gradually delivered to us from the first quarter of 2009 until the end of the first quarter of 2011, with the *Zim Dalian* having been delivered to us on March 31, 2009. As of June 30, 2009, $103.6 million was outstanding under this credit facility and $194.9 million of undrawn availability remained available to us for future borrowings.

The interest rate on the credit facility is LIBOR plus margin. The credit facility will be repaid in 20 consecutive, semi-annual installments of $8.8 million, with the first installment due on December 30, 2011 and a final balloon payment of $122.8 million due along with the final installment.

During the first quarter of 2009, we were in breach of the corporate leverage ratio and net worth covenants contained in this credit facility. We have entered into an agreement waiving breaches of such covenants for the year ended December 31, 2008, as well as any subsequent breach of such covenants, up to January 31, 2010. During the waiver period we are not permitted to pay dividends without the consent of our lenders under this credit facility.

Interest Rate Swaps

We have entered into interest rate swap agreements converting floating interest rate exposure into fixed interest rates in order to hedge our exposure to fluctuations in prevailing market interest rates, as well as interest rate swap agreements converting the fixed rate we pay in connection with certain of our credit facilities into floating interest rates in order to economically hedge the fair value of the fixed rate credit facilities against fluctuations in prevailing market interest rates. See "Item 11. Quantitative and Qualitative Disclosures About Market Risk."

Leasing Arrangements

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

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

Contractual Obligations

Our contractual obligations as of December 31, 2008 were:

	Payments Due by Period				
	Total	Less than 1 year (2009)	1-3 years (2010-2011)	3-5 years (2012-2013)	More than 5 years (After January 1, 2014)
	in thousands of Dollars				
Long-term debt obligations(1)	$2,096,854	$ 42,219	$ 109,744	$ 469,914	$ 1,474,977
Interest on long-term debt obligations(1)	1,046,245	134,193	315,905	281,059	315,088
Payments to our manager(2)	18,729	18,729	—	—	—
Newbuilding contracts(3)	2,250,403	518,978	1,282,777	448,648	—
Total	$5,412,231	$714,119	$1,708,426	$1,199,621	$ 1,790,065

(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 give effect to our interest rate swap arrangements as of December 31, 2008, described above under "—Interest Rate Swaps" and the credit facility waivers and amendments entered into in 2009 and are based on an assumed LIBOR rate of 1.5% in 2009, 2.5% in 2010 and up to a maximum of 4.0% thereafter, with respect to the HSH Nordbank, Aegean Baltic—HSH Nordbank—Piraeus Bank, RBS, Emporiki Bank, Deutsche Bank, Credit Suisse and Fortis Bank—Lloyds TSB—National Bank of Greece credit facilities. On February 2, 2009, we entered into a credit facility of up to $298.5 million, of which $103.6 million was outstanding as of June 30, 2009. These amounts are not reflected in the above table. See "—Credit Facilities."

(2) Under our management agreement with Danaos Shipping, effective January 1, 2009, the management fees were adjusted to a fee of $575 per day for commercial, chartering and administrative services, a fee of $290 per vessel per day for vessels on bareboat charter and $575 per vessel per day for vessels on time charter. As of December 31, 2008, we had a fleet of 38 containerships, all of which were on time charters. Three newbuildings were delivered in the first half of 2009, all of which have time charter arrangements, increasing the size of our fleet, and expected deliveries of our contracted fleet will further increase the size of our fleet by four newbuildings in 2009 all of which have time charter arrangements. Further, in 2010, 2011 and 2012, our fleet is expected to increase by another twelve containerships (ten have time charter arrangements and two have bareboat charter arrangements), seven containerships (all of which have time charter arrangements) and five containerships (all of which have time charter arrangements), respectively. These fees will be adjusted annually by agreement between us and our manager. In addition, we also will pay our manager a commission of 0.75% of the gross freight, demurrage and charter hire collected from the employment of our ships, 0.5% of the contract price of any vessels bought or sold on our behalf and, effective January 1, 2009, $725,000 per newbuilding vessel for the supervision of newbuilding contracts. We expect to be obligated to make the payments set forth in the above table under our management agreement in the year ending December 31, 2009, based on our currently contracted revenue, as reflected above under "—Factors Affecting Our Results of Operations—Operating Revenues," and our currently anticipated vessel acquisitions and dispositions and chartering arrangements described in this annual report. No interest is payable with respect to these obligations if paid on a timely basis, therefore no interest payments are included in these amounts.

(3) Of the $2.25 billion set forth in the above table, $38.3 million and $38.3 million represent the balance of the purchase price for the *Zim Dalian* and *Zim Luanda* , respectively, which remained

unpaid as of December 31, 2008. In the first quarter of 2009, the *Zim Dalian* was delivered to us and we paid the remaining aggregate purchase price for such vessel. In the second quarter of 2009, the *Zim Luanda* was delivered to us and we paid the remaining aggregate purchase price for such vessel.

Research and Development, Patents and Licenses

We incur from time to time expenditures relating to inspections for acquiring new vessels that meet our standards. Such expenditures are insignificant and they are expensed as they are incurred.

Trend Information

Our results of operations depend primarily on the charter hire rates that we are able to realize. Charter hire rates paid for containerships are primarily a function of the underlying balance between vessel supply and demand and respective charter-party details. The demand for containerships is determined by the underlying demand for goods which are transported in containerships.

The sharp decline in global economic activity in the second half of 2008 and in 2009 has resulted in a substantial decline in the demand for the seaborne transportation of products in containers, reaching the lowest levels in decades. Consequently, the cargo volumes and freight rates achieved by liner companies, with which all of the existing and contracted vessels in our fleet are chartered, have declined sharply, reducing liner company profitability and, at times, failing to cover the costs of liner companies operating vessels on their shipping lines. In response to such reduced cargo volume and freight rates, the number of vessels being actively deployed by liner companies has decreased, with over 10% of the world containership fleet estimated to be out of service as of May 2009. Moreover, newbuilding containerships with an aggregate capacity of 6.31 million TEUs, representing approximately 53% of the world's fleet capacity as of December 31, 2008, were under construction, which may exacerbate the surplus of containership capacity further reducing charterhire rates. The reduced demand and resulting financial challenges faced by our liner company customers has significantly reduced demand for containerships and, in turn, prevailing containership charter rates and may increase the likelihood of one or more of our customers being unable or unwilling to pay us the contracted charterhire rates, which are generally significantly above currently prevailing charter rates, under the charters for our vessels.

During the second quarter of 2009, world trade has, however, shown traces of stabilization. A number of vessels in the world containership fleet which were idle throughout the previous period began to be utilized pointing to such stabilization, which remains, however, to be tested over time.

Absent significant unforeseen changes in supply of and demand for containerships, charter rates are expected to remain weak for the remainder of 2009. As of June 30, 2009, we did not have any containerships without charter arrangements or with charter arrangements expiring within 2009, resulting in a 100% contracted charter coverage for the remainder of 2009.

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

We prepare our consolidated financial statements in accordance with U.S. GAAP, which requires us to make estimates in the application of our accounting policies based on our best assumptions, judgments and opinions. We base these estimates on the information currently available to us and on various other assumptions we believe are reasonable under the circumstances. Actual results may differ

from these estimates under different assumptions or conditions. Following is a discussion of the accounting policies that involve a high degree of judgment and the methods of their application. For a further description of our material accounting policies, please refer to Note 2, Significant Accounting Policies, to our consolidated financial statements included elsewhere in this annual report.

Purchase of Vessels

Vessels are stated at cost, which consists of the contract purchase price and any material expenses incurred upon acquisition (improvements and delivery expenses), less accumulated depreciation. 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 we charge these expenditures to expenses as incurred. Our financing costs incurred during the construction period of the vessels are included in vessels' cost.

The vessels that we acquire in the secondhand market are treated as a business combination to the extent that such acquisitions include continuing operations and business characteristics, such as management agreements, employees and customer base, otherwise we treat an acquisition of a secondhand vessel as a purchase of assets. Where we identify any intangible assets or liabilities associated with the acquisition of a vessel purchased on the secondhand market, we record all identified tangible and intangible assets or liabilities at fair value. Fair value is determined by reference to market data and the discounted amount of expected future cash flows. We have in the past acquired certain vessels in the secondhand market. These acquisitions were considered to be acquisitions of assets. Certain vessels in our fleet that were purchased in the secondhand market were acquired with existing charters. We determined that the existing charter contracts for these vessels, other than the charter for the *MOL Confidence* , do not have a material separate fair value and, therefore, we recorded such vessels at their fair value, which equaled the consideration paid. In respect of the existing time charter for the *MOL Confidence* , we identified a liability of $14.4 million upon its delivery to us in March 2006, which we recorded as unearned revenue in "Current Liabilities—Unearned Revenue" and "Long-Term Liabilities—Unearned Revenue, net of current portion" on our balance sheet for the existing charter, which will be amortized over the remaining period of the time charter.

The determination of the fair value of acquired assets and assumed liabilities requires us to make significant assumptions and estimates of many variables, including market charter rates, expected future charter rates, future vessel operating expenses, the level of utilization of our vessels and our weighted average cost of capital. The use of different assumptions could result in a material change in the fair value of these items, which could have a material impact on our financial position and results of operations.

Lease Arrangements

We considered six of the containerships in our current fleet, which until March 7, 2008 were subject to leasing arrangements, to be owned by us for financial reporting purposes since the vessels were under our operational control and we retained risks associated with ownership. After March 7, 2008, each of these vessels has been directly owned by wholly-owned subsidiaries. Prior to March 7, 2008, we also reflected the indebtedness under which the vessels were mortgaged as a liability on our balance sheet.

Revenue Recognition

Our revenues and expenses are recognized on the accrual basis. Revenues are generated from bareboat hire and time charters. Bareboat hire revenues are recorded over the term of the hire on a straight-line basis. Time charter revenues are recorded over the term of the charter as service is provided. Unearned revenue includes revenue received in advance, and the amount recorded for an

existing time charter acquired in conjunction with the purchase of the *MOL Confidence* , as discussed under the heading "—Purchase of Vessels" above.

We have been a member of a pool arrangement with respect to two drybulk carriers, the *Alexandra I* and the *MV Achilleas* , which we have sold and are reflected as discontinued operations. The resulting net revenues of the pool are distributed as time charter hire to each participant in accordance with the pool earning points of the individual vessels in the pool adjusted for any off-hire amount. Distributions of time charter hire to us were made every two weeks according to the pooling arrangement. An amount not exceeding four weeks' time charter hire for each of our vessels in the pool was permitted to be withheld from us as working capital for the pool. For the periods prior to the sale of these vessels, revenue related to the pooling arrangements was recognized only when all contingencies under the agreements are resolved.

Special Survey and Drydocking Costs

We follow the deferral method of accounting for special survey and drydocking costs. Actual costs incurred are deferred and are amortized on a straight-line basis over the period until the next scheduled survey, which is two and a half years. If special survey or drydocking is performed prior to the scheduled date, the remaining unamortized balances are immediately written-off.

Vessel Lives and Estimated Scrap Values

Our vessels represent our most significant assets and we state them at our historical cost, which includes capitalized interest during construction and other construction, design, supervision and predelivery costs, less accumulated depreciation. We depreciate our containerships, and for the periods prior to their sale, our drybulk carriers, on a straight-line basis over their estimated remaining useful economic lives. Historically, we estimated this to be 25 years. As of January 1, 2005, we determined that the estimated useful lives of our containerships are 30 years in line with the industry practice, whereas for drybulk carriers we continued to estimate their useful lives to be 25 years. Depreciation is based on cost less the estimated scrap value of the vessels. Should certain factors or circumstances cause us to revise our estimate of vessel service lives in the future or of estimated scrap values, depreciation expense could be materially lower or higher. Such factors include, but are not limited to, the extent of cash flows generated from future charter arrangements, changes in international shipping requirements, and other factors many of which are outside of our control.

Impairment of Long-lived Assets

We evaluate the net carrying value of our vessels for possible impairment when events or conditions exist that cause us to question whether the carrying value of the vessels will be recovered from future undiscounted net cash flows. An impairment charge would be recognized in a period if the fair value of the vessels was less than their carrying value and the carrying value was not recoverable from future undiscounted cash flows. Considerations in making such an impairment evaluation would include comparison of current carrying value to anticipated future operating cash flows, expectations with respect to future operations, and other relevant factors.

As of December 31, 2008, we concluded that events occurred and circumstances had changed, which may trigger the existence of potential impairment of our long-lived assets. These indicators included a significant decline in our stock price, deterioration in the spot market and the potential impact the current marketplace may have on our future operations. As a result, we performed an impairment assessment of our long-lived assets by comparing the undiscounted projected net operating cash flows for each vessel to their carrying value. Our strategy is to charter any vessels under multi-year, fixed rate period charters that range from one to twelve years for vessels in any current fleet and up to 18 years for any contracted vessels, providing us with contracted stable cash flows. The

significant factors and assumptions we used in our undiscounted projected net operating cash flow analysis included operating revenues, off-hire revenues, dry docking costs, operating expenses and management fees estimates. Revenue assumptions were based on contracted time charter rates up to the end of life of the current contract of each vessel as well as the historical average time charter rates for the remaining life of the vessel after the completion of the current contract. In addition, we used annual operating expenses escalation factor and estimations of scheduled and unscheduled off-hire revenues based on historical experience. All estimates used and assumptions made were in accordance with our internal budgets and historical experience of the shipping industry.

Our assessment concluded that step two of the impairment analysis was not required and no impairment of vessels existed as of December 31, 2008, as the undiscounted projected net operating cash flows per vessel exceeded the carrying value of each vessel.

Recent Accounting Pronouncements

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurement* ("Statement No. 157"). Statement No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles ("GAAP") and expands disclosures about fair value measurements. Statement No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Earlier application is encouraged, provided that the reporting entity has not yet issued financial statements for that fiscal year, including financial statements for an interim period within that fiscal year. The provisions of Statement No. 157 should be applied prospectively as of the beginning of the fiscal year in which it is initially applied except for certain cases where it should be applied retrospectively. In February 2008, the FASB issued the FASB Staff Position ("FSP No. 157-2") which delays the effective date of Statement No. 157, for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). For purposes of applying this FSP, nonfinancial assets and nonfinancial liabilities would include all assets and liabilities other than those meeting the definition of a financial asset or financial liability as defined in paragraph 6 of FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("Statement No. 159"). This FSP defers the effective date of Statement No. 157 to fiscal years beginning after November 15, 2008, and the interim periods within those fiscal years for items within the scope of this FSP. Those portions of Statement No. 157 that were effective for us for the fiscal year beginning on January 1, 2008 did not have a material effect on our consolidated financial statements.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* . Statement No. 159 permits the entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments. Statement No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year on or before November 15, 2007, provided the entity also elects to apply the provisions of Statement No. 157. The adoption of Statement No. 159 did not have an effect on our consolidated financial statements.

In December 2007, the FASB issued Statement No. 141 (Revised 2007), *Business Combinations* ("Statement No. 141(R)"), which replaces FASB Statement No. 141. Statement No. 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree and the goodwill acquired. The Statement also establishes disclosure requirements which will enable users to evaluate the nature and financial effects of the business combination. Statement No. 141(R) is effective as of the beginning of an entity's fiscal year that begins after December 15, 2008, which

corresponds to our fiscal year beginning January 1, 2009. We do not expect the adoption of Statement No. 141(R) to have an impact on our consolidated financial statements.

In December 2007, the FASB issued Statement No. 160, *Non-controlling Interests in Consolidated Financial Statement-amendments of ARB No. 51* ("Statement No. 160"). Statement No. 160 states that accounting and reporting for minority interests will be recharacterized as non-controlling interests and classified as a component of equity. The Statement also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. Statement No. 160 applies to all entities that prepare consolidated financial statements, except not-for-profit organizations, but will affect only those entities that have an outstanding non-controlling interest in one or more subsidiaries or that deconsolidate a subsidiary. This Statement is effective as of the beginning of an entity's first fiscal year beginning after December 15, 2008, which corresponds to our fiscal year beginning January 1, 2009. We do not expect the adoption of Statement No. 160 to have an impact on our consolidated financial statements.

In March 2008, the FASB issued Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133* ("Statement No. 161"). Statement No. 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. This statement encourages, but does not require, comparative disclosures for earlier periods at initial adoption. We are currently evaluating the potential impact, if any, of the adoption of Statement No. 161 on our consolidated financial statements.

In May 2009, the FASB issued Statement No. 165, *Subsequent Events* ("Statement No.165"). Statement No. 165 is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date-that is, whether that date represents the date the financial statements were issued or were available to be issued. This disclosure should alert all users of financial statements that an entity has not evaluated subsequent events after that date in the set of financial statements being presented. Statement No. 165 is effective for interim and annual periods ending after June 15, 2009. We do not expect the adoption of Statement No. 165 to have an impact on our consolidated financial statements.

Item 6. Directors, Senior Management and Employees

The following table sets forth, as of June 30, 2009, information for each of our directors and executive officers.

Name	Age	Position
Dr. John Coustas	53	President and CEO and Class I Director
Iraklis Prokopakis	58	Senior Vice President, Treasurer and Chief Operating Officer and Class II Director
Dimitri J. Andritsoyiannis	44	Vice President and Chief Financial Officer and Class III Director
Evangelos Chatzis	36	Deputy Chief Financial Officer and Secretary
Andrew B. Fogarty	64	Class II Director
Miklós Konkoly-Thege	66	Class III Director
Myles R. Itkin	61	Class I Director
Robert A. Mundell	77	Class I Director

The term of our Class I directors expires in 2009, the term of our Class II directors expires in 2011 and the term of our Class III directors expires in 2010. Certain biographical information about each of these individuals is set forth below.

Dr. John Coustas is our President, Chief Executive Officer and a member of our board of directors. Dr. Coustas has over 26 years of experience in the shipping industry. Dr. Coustas assumed management of our company in 1987 from his father, Dimitris Coustas, who founded Danaos Shipping in 1972, and has been responsible for our corporate strategy and the management of our affairs since that time. Dr. Coustas is also a member of the board of directors of Danaos Management Consultants, The Swedish Club, the Union of Greek Shipowners and the Cyprus Union of Shipowners. Dr. Coustas holds a degree in Marine Engineering from National Technical University of Athens as well as a Master's degree in Computer Science and a Ph.D in Computer Controls from Imperial College, London.

Iraklis Prokopakis is our Senior Vice President, Treasurer, Chief Operating Officer and a member of our board of directors. Mr. Prokopakis joined us in 1998 and has over 31 years of experience in the shipping industry. Prior to entering the shipping industry, Mr. Prokopakis was a captain in the Hellenic Navy. He holds a Bachelor of Science in Mechanical Engineering from Portsmouth University in the United Kingdom, a Master's degree in Naval Architecture and a Ship Risk Management Diploma from the Massachusetts Institute of Technology in the United States and a post-graduate diploma in business studies from the London School of Economics. Mr. Prokopakis also has a Certificate in Operational Audit of Banks from the Management Center Europe in Brussels and a Safety Risk Management Certificate from Det Norske Veritas.

Dimitri J. Andritsoyiannis is our Vice President, Chief Financial Officer and a member of our board of directors. Mr. Andritsoyiannis joined us in September 2005 and has over 15 years of experience in finance and banking. Prior to joining us, Mr. Andritsoyiannis served as director of investment banking and as a member of the board of Alpha Finance, the investment banking arm of Greece's Alpha Bank. During his years with Alpha Finance from the early 1990s until joining us, Mr. Andritsoyiannis led a variety of financings, mergers and acquisitions, restructurings, privatizations and public offerings both in Greece and abroad. Mr. Andritsoyiannis holds a degree in Economics and Political Science from the Economic University of Athens, an MBA in finance from Columbia University as well as a post-graduate diploma in Ship Risk Management from the Massachusetts Institute of Technology.

Evangelos Chatzis is our Deputy Chief Financial Officer and Secretary. Mr. Chatzis joined us in 2005 and has over 14 years of experience in corporate finance and the shipping industry. Prior to

joining us, Mr. Chatzis was Chief Financial Officer of Globe Group of Companies, a public company in Greece engaged in a diverse scope of activities including dry bulk shipping, the textile industry, food production & distribution and real estate. Throughout his career he has developed considerable experience in operations, finance, treasury management, risk management and international business structuring. Mr. Chatzis holds a Bachelor of Science degree in Economics from the London School of Economics, a Master's of Science degree in Shipping Trade & Finance from City University Cass Business School, as well as a post-graduate diploma in Shipping Risk Management from IMD Business School.

Andrew B. Fogarty has been a member of our board of directors since October 2006. Mr. Fogarty has over 20 years of experience in the transportation industry. After a career in government, including as Secretary of Transportation for the Commonwealth of Virginia, since 1989 Mr. Fogarty has held various executive positions with CSX Corporation or its predecessors, including as Senior Vice President—Corporate Services of CSX Corporation from 2001 to 2005, and his current position as Special Assistant to the Chairman of CSX since early 2006. Previously, Mr. Fogarty also held the positions of President and CEO of CSX World Terminals, and Senior Vice President and Chief Financial Officer of Sea-Land Service, Inc. CSX is one of the world's leading transportation companies providing rail, intermodal and rail-to-truck transload services. Mr. Fogarty is the former chairman and current member of the board of directors of the National Defense Transportation Association and a fellow of the National Academy of Public Administration. He holds a Bachelor of Arts from Hofstra University, a Master's of Public Administration from the Nelson A. Rockefeller College of Public Affairs & Policy at the State University of New York, and a Ph.D. from Florida State University.

Myles R. Itkin has been a member of our board of directors since October 2006. Mr. Itkin is the Executive Vice President, Chief Financial Officer and Treasurer of Overseas Shipholding Group, Inc. ("OSG"), in which capacities he has served, with the exception of a promotion from Senior Vice President to Executive Vice President in 2006, since 1995. Prior to joining OSG in June 1995, Mr. Itkin was employed by Alliance Capital Management L.P. as Senior Vice President of Finance. Prior to that, he was Vice President of Finance at Northwest Airlines, Inc. Mr. Itkin joined the board of directors of the U.K. P&I Club in 2006. Mr. Itkin holds a Bachelor's degree from Cornell University and an MBA from New York University.

Miklós Konkoly-Thege has been a member of our board of directors since October 2006. Mr. Konkoly-Thege began at Det Norske Veritas ("DNV"), a ship classification society, in 1984. From 1984 through 2002, Mr. Konkoly-Thege served in various capacities with DNV including Chief Operating Officer, Chief Financial Officer and Corporate Controller, Head of Corporate Management Staff and Head of Business Areas. Mr. Konkoly-Thege became President and Chairman of the Executive Board of DNV in 2002 and served in that capacity until his retirement in May 2006. Mr. Konkoly-Thege is a member of the board of directors of Wilhelmsen Maritime Services Holding AS. Mr. Konkoly-Thege holds a Master of Science degree in civil engineering from Technische Universität Hannover, Germany and an MBA from the University of Minnesota.

Dr. Robert A. Mundell has been a member of our board of directors since October 2006. Dr. Mundell is the University Professor of Economics at Columbia University. Dr. Mundell's principal occupation since 1967 has been as a member of the faculty of Columbia University. Dr. Mundell has served as a member of the board of directors of Olympus Corporation since 2005. Since 2003, Dr. Mundell has also served as Chairman of the Word Executive Institute in Beijing, China. He has been an adviser to a number of international agencies and organizations including the United Nations, the IMF, the World Bank, the Government of Canada, several governments in Latin America and Europe, the Federal Reserve Board and the U.S. Treasury. In 1999 Dr. Mundell received the Nobel Prize in Economics. Dr. Mundell holds a Bachelor's degree from the University of British Columbia, a Master's degree from the University of Washington and a Ph.D. from the Massachusetts Institute of Technology.

Compensation of Directors and Senior Management

We did not pay our directors prior to our initial public offering. Beginning in the fiscal year ending December 31, 2006, non-executive directors received annual fees in the amount of $50,000, plus reimbursement for their out-of-pocket expenses. For the fiscal year ending December 31, 2006, these fees were paid pro rata for the period after our non-executive directors were first elected, which coincided with our becoming a public company in October 2006. As of January 1, 2008, the non-executive directors' annual fee was increased to $62,500, plus reimbursement for their out-of-pocket expenses, which amounts are payable at the election of each non-executive director in cash or stock as described below under "—Equity Compensation Plan". We do not have service contracts with any of our directors, other than the employment agreements with our three directors who are also executive officers of our company, as described below under "—Employment Agreements."

Prior to 2006, our chief executive officer, chief operating officer and chief financial officer did not receive any compensation from us. During the year ended December 31, 2007, we paid these executive officers an aggregate amount of $1.3 million and during the year ended December 31, 2008, we paid these executive officers an aggregate amount of $1.6 million. As of January 1, 2009, our deputy chief financial officer is directly employed and compensated by us. Pursuant to the employment agreements we have entered into with these officers as described below, from time to time we may pay any bonus component of their compensation in the form of restricted stock, stock options or other awards under our equity compensation plan, which is described below under "—Equity Compensation Plan." No equity awards had been granted to these officers as of June 30, 2009.

Employees

We have four salaried employees. Approximately 962 officers and crew members served on board the vessels we own as of December 31, 2008, but are employed by our manager. Crew wages and other related expenses are paid by our manager and our manager is reimbursed by us.

Share Ownership

The common stock beneficially owned by our directors and executive officers and/or companies affiliated with these individuals is disclosed in "Item 7. Major Shareholders and Related Party Transactions" below.

Board of Directors

At December 31, 2008 and June 30, 2009, we had seven members on our board of directors. The board of directors may change the number of directors to not less than two, nor more than 15, by a vote of a majority of the entire board. Each director shall be elected to serve until the third succeeding annual meeting of stockholders and until his or her successor shall have been duly elected and qualified, except in the event of death, resignation or removal. A vacancy on the board created by death, resignation, removal (which may only be for cause), or failure of the stockholders to elect the entire class of directors to be elected at any election of directors or for any other reason, may be filled only by an affirmative vote of a majority of the remaining directors then in office, even if less than a quorum, at any special meeting called for that purpose or at any regular meeting of the board of directors.

During the year ended December 31, 2008, the board of directors held six meetings. Each director attended all of the meetings of the board of directors and of the committees of which the director was a member. Our board of directors has determined that each of Messrs. Fogarty, Konkoly-Thege and Itkin and Dr. Mundell are independent (within the requirements of the NYSE and SEC).

To promote open discussion among the independent directors, those directors met twice in 2008 in regularly scheduled executive sessions without participation of our company's management and will continue to do so in the remainder of 2009 and in 2010. Mr. Andrew B. Fogarty has served as the presiding director for purposes of these meetings. Stockholders who wish to send communications on any topic to the board of directors or to the independent directors as a group, or to the presiding director, Mr. Andrew B. Fogarty, may do so by writing to our Secretary, Mr. Evangelos Chatzis, Danaos Corporation, c/o Danaos Shipping Co. Ltd., 14 Akti Kondyli, 185 45 Piraeus, Greece.

Corporate Governance

The board of directors and our company's management have engaged in an ongoing review of our corporate governance practices in order to oversee our compliance with the applicable corporate governance rules of the New York Stock Exchange and the SEC.

We have adopted a number of key documents that are the foundation of its corporate governance, including:

- a Code of Business Conduct and Ethics for all officers and employees;
- a Code of Conduct for the chief executive officer and senior financial officers;
- a Code of Ethics for directors;
- a Nominating and Corporate Governance Committee Charter;
- a Compensation Committee Charter; and
- an Audit Committee Charter.

These documents and other important information on our governance, including the board of director's Corporate Governance Guidelines, are posted on the Danaos Corporation website, and may be viewed at *http://www.danaos.com* . We will also provide a paper copy of any of these documents upon the written request of a stockholder. Stockholders may direct their requests to the attention of our Secretary, Mr. Evangelos Chatzis, Danaos Corporation, c/o Danaos Shipping Co. Ltd., 14 Akti Kondyli, 185 45 Piraeus, Greece.

Committees of the Board of Directors

We are a "controlled company" within the meaning of the New York Stock Exchange corporate governance standards. Pursuant to certain exceptions for foreign private issuers and controlled companies, we are not required to comply with certain of the corporate governance practices followed by U.S. and non-controlled companies under the New York Stock Exchange listing standards. We comply fully with the New York Stock Exchange corporate governance rules applicable to both U.S. and foreign private issuers that are "controlled companies", however, as permitted for controlled companies, one member of each of the compensation committee and nominating and corporate governance committee of our board of directors is a non-independent director.

Audit Committee

Our audit committee consists of Myles R. Itkin (chairman), Andrew B. Fogarty and Miklós Konkoly-Thege. Our board of directors has determined that Mr. Itkin qualifies as an audit committee "financial expert," as such term is defined in Regulation S-K. The audit committee is responsible for (1) the hiring, termination and compensation of the independent auditors and approving any non-audit work performed by such auditor, (2) approving the overall scope of the audit, (3) assisting the board in monitoring the integrity of our financial statements, the independent accountant's qualifications and independence, the performance of the independent accountants and our internal audit function and our

compliance with legal and regulatory requirements, (4) annually reviewing an independent auditors' report describing the auditing firms' internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review, of the auditing firm, (5) discussing the annual audited financial and quarterly statements with management and the independent auditor, (6) discussing earnings press releases, as well as financial information and earning guidance, (7) discussing policies with respect to risk assessment and risk management, (8) meeting separately, periodically, with management, internal auditors and the independent auditor, (9) reviewing with the independent auditor any audit problems or difficulties and management's response, (10) setting clear hiring policies for employees or former employees of the independent auditors, (11) annually reviewing the adequacy of the audit committee's written charter, (12) handling such other matters that are specifically delegated to the audit committee by the board of directors from time to time, (13) reporting regularly to the full board of directors and (14) evaluating the board of directors' performance. During 2008, there were five meetings of the audit committee.

Compensation Committee

Our compensation committee consists of Andrew B. Fogarty (chairman), Miklós Konkoly-Thege and Iraklis Prokopakis. The compensation committee is responsible for (1) reviewing key employee compensation policies, plans and programs, (2) reviewing and approving the compensation of our chief executive officer and other executive officers, (3) developing and recommending to the board of directors compensation for board members, (4) reviewing and approving employment contracts and other similar arrangements between us and our executive officers, (5) reviewing and consulting with the chief executive officer on the selection of officers and evaluation of executive performance and other related matters, (6) administration of stock plans and other incentive compensation plans, (7) overseeing compliance with any applicable compensation reporting requirements of the SEC, (8) retaining consultants to advise the committee on executive compensation practices and policies and (9) handling such other matters that are specifically delegated to the compensation committee by the board of directors from time to time. During 2008, there were four meetings of the compensation committee.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee consists of Dimitri J. Andritsoyiannis, Myles R. Itkin and Robert A. Mundell (chairman). The nominating and corporate governance committee is responsible for (1) developing and recommending criteria for selecting new directors, (2) screening and recommending to the board of directors individuals qualified to become executive officers, (3) overseeing evaluations of the board of directors, its members and committees of the board of directors and (4) handling such other matters that are specifically delegated to the nominating and corporate governance committee by the board of directors from time to time. During 2008, there was one meeting of the nominating and corporate governance committee.

Employment Agreements

Employment Agreement with Dr. John Coustas

Our president and chief executive officer, Dr. John Coustas, has entered into an employment agreement with us. The employment agreement provides that Dr. Coustas receives an annual base salary subject to increases at the discretion of the compensation committee of our board of directors. Dr. Coustas is also eligible for annual bonuses as determined by the compensation committee, and the employment agreement provides that any bonus may be paid in whole or in part with awards under our equity compensation plan. Pursuant to the employment agreement, Dr. Coustas is required to devote such time and attention to our business and affairs as is reasonably necessary to the duties of his position, and otherwise may devote a portion of his time and attention to our affiliates and to other

ventures he controls or in which he invests in accordance with the terms of the non-competition agreement he has entered into with us as described below. The initial term of the agreement will expire on December 31, 2012, however, unless written notice is provided 120 days prior to a termination date, the agreement will automatically extend for additional successive one-year terms.

The terms of the employment agreement also provide for the payment of severance of two times his annual salary plus bonus (based on an average of the prior three years), as well as continued benefits, if any, for 24 months if we terminate Dr. Coustas without "cause," as defined in the agreement, or he terminates his employment with 30 days' notice for "good reason," as defined in the agreement. In addition, Dr. Coustas will receive a pro rata bonus for the year in which the termination occurs. If such termination without cause or resignation for good reason occurs within two years of a "change of control," as defined in the agreement, Dr. Coustas would be entitled to the greater of (a) $800,000 or (b)(i)(A) the total amount of his salary and bonus (based on an average of the prior three years), plus (B) the value on the date of grant of any equity grants made under our equity compensation plan during that three-year period (which, for stock options, will be the Black-Scholes value), (ii) multiplied by three, as well as continued benefits, if any, for 36 months.

Dr. Coustas has also entered into a non-competition agreement with us that prohibits his direct or indirect ownership or operation of containerships of larger than 2,500 TEUs or drybulk carriers, and the provision, directly or indirectly, of commercial or technical management services to vessels in these sectors of the shipping industry or to entities owning such vessels, other than in limited circumstances. The terms of the employment agreement also prohibit Dr. Coustas from soliciting or attempting to solicit our employees or customers during the two-year period following termination of his employment.

Employment Agreement with Iraklis Prokopakis

Our senior vice president, treasurer and chief operating officer, Iraklis Prokopakis, has entered into an employment agreement with us. The employment agreement provides that Mr. Prokopakis receives an annual base salary subject to increases at the discretion of the compensation committee of our board of directors. Mr. Prokopakis is also eligible for annual bonuses as determined by the compensation committee, and the employment agreement provides that any bonus may be paid in whole or in part with awards under our equity compensation plan. Pursuant to the employment agreement, Mr. Prokopakis is required to devote his full business time and attention to our business and affairs, although he may, as directed by our chief executive officer or board of directors, devote a portion of his time and attention to our affiliates. The initial term of the agreement will expire on December 31, 2012, however, unless written notice is provided 120 days prior to a termination date, the agreement will automatically extend for additional successive one-year terms.

The terms of the employment agreement also provide for the payment of severance of two times his annual salary plus bonus (based on an average of the prior three years), as well as continued benefits, if any, for 24 months if we terminate Mr. Prokopakis without "cause," as defined in the agreement, or he terminates his employment with 30 days' notice for "good reason," as defined in the agreement. In addition, Mr. Prokopakis will receive a pro rata bonus for the year in which the termination occurs. If such termination without cause or resignation for good reason occurs within two years of a "change of control," as defined in the agreement, Mr. Prokopakis would be entitled to the greater of (a) $800,000 or (b)(i)(A) the total amount of his salary and bonus (based on an average of the prior three years), plus (B) the value on the date of grant of any equity grants made under our equity compensation plan during that three-year period (which, for stock options, will be the Black-Scholes value), (ii) multiplied by three, as well as continued benefits, if any, for 36 months.

The terms of the employment agreement also prohibit Mr. Prokopakis from soliciting or attempting to solicit our employees or customers during the two-year period following termination of his employment, and from being substantially involved in the management or operation of

containerships of larger than 2,500 TEUs or drybulk carriers, if such business is one of our competitors, during the term of the agreement.

Employment Agreement with Dimitri J. Andritsoyiannis

Our vice president and chief financial officer, Dimitri J. Andritsoyiannis, has entered into an employment agreement with us. The employment agreement provides that Mr. Andritsoyiannis receives an annual base salary subject to increases at the discretion of the compensation committee of our board of directors. Mr. Andritsoyiannis is also eligible for annual bonuses as determined by the compensation committee, and the employment agreement provides that any bonus may be paid in whole or in part with awards under our equity compensation plan. Pursuant to the employment agreement, Mr. Andritsoyiannis is required to devote his full business time and attention to our business and affairs, although he may, as directed by our chief executive officer or board of directors, devote a portion of his time and attention to our affiliates. The initial term of the agreement will expire on December 31, 2012, however, unless written notice is provided 120 days prior to a termination date, the agreement will automatically extend for additional successive one-year terms.

The terms of the employment agreement also provide for the payment of severance of two times his annual salary plus bonus (based on an average of the prior three years), as well as continued benefits, if any, for 24 months if we terminate Mr. Andritsoyiannis without "cause," as defined in the agreement, or he terminates his employment with 30 days' notice for "good reason," as defined in the agreement. In addition, Mr. Andritsoyiannis will receive a pro rata bonus for the year in which the termination occurs. If such termination without cause or resignation for good reason occurs within two years of a "change of control," as defined in the agreement, Mr. Andritsoyiannis would be entitled to the greater of (a) $800,000 or (b)(i)(A) the total amount of his salary and bonus (based on an average of the prior three years), plus (B) the value on the date of grant of any equity grants made under our equity compensation plan during that three-year period (which, for stock options, will be the Black-Scholes value), (ii) multiplied by three, as well as continued benefits, if any, for 36 months.

The terms of the employment agreement also prohibit Mr. Andritsoyiannis from soliciting or attempting to solicit our employees or customers during the two-year period following termination of his employment, and from being substantially involved in the management or operation of containerships of larger than 2,500 TEUs or drybulk carriers, if such business is one of our competitors, during the term of the agreement.

Employment Agreement with Evangelos Chatzis

Our deputy chief financial officer and secretary, Evangelos Chatzis, has entered into an employment agreement with us. The employment agreement provides that Mr. Chatzis receives an annual base salary subject to increases at the discretion of the compensation committee of our board of directors. Mr. Chatzis is also eligible for annual bonuses as determined by the compensation committee, and the employment agreement provides that any bonus may be paid in whole or in part with awards under our equity compensation plan. Pursuant to the employment agreement, Mr. Chatzis is required to devote his full business time and attention to our business and affairs, although he may, as directed by our chief executive officer or board of directors, devote a portion of his time and attention to our affiliates. The initial term of the agreement will expire on December 31, 2014, however, unless written notice is provided 120 days prior to a termination date, the agreement will automatically extend for additional successive one-year terms.

The terms of the employment agreement also provide for the payment of severance of two times his annual salary plus bonus (based on an average of the prior three years), as well as continued benefits, if any, for 24 months if we terminate Mr. Chatzis without "cause," as defined in the agreement, or he terminates his employment with 30 days' notice for "good reason," as defined in the

agreement. In addition, Mr. Chatzis will receive a pro rata bonus for the year in which the termination occurs. If such termination without cause or resignation for good reason occurs within two years of a "change of control," as defined in the agreement, Mr. Chatzis would be entitled to the greater of (a) €600,000 or (b)(i)(A) the total amount of his salary and bonus (based on an average of the prior three years), plus (B) the value on the date of grant of any equity grants made under our equity compensation plan during that three-year period (which, for stock options, will be the Black-Scholes value), (ii) multiplied by three, as well as continued benefits, if any, for 36 months.

The terms of the employment agreement also prohibit Mr. Chatzis from soliciting or attempting to solicit our employees or customers during the two-year period following termination of his employment, and from being substantially involved in the management or operation of containerships of larger than 2,500 TEUs or drybulk carriers, if such business is one of our competitors, during the term of the agreement.

Equity Compensation Plan

We have adopted an equity compensation plan, which we refer to as the Plan. The Plan is generally administered by the compensation committee of our board of directors, except that the full board may act at any time to administer the Plan, and authority to administer any aspect of the Plan may be delegated by our board of directors or by the compensation committee to an executive officer or to any other person. The Plan allows the plan administrator to grant awards of shares of our common stock or the right to receive or purchase shares of our common stock (including options to purchase common stock, restricted stock and stock units, bonus stock, performance stock, and stock appreciation rights) to our employees, directors or other persons or entities providing significant services to us or our subsidiaries, including employees of our manager, and also provides the plan administrator with the authority to reprice outstanding stock options or other awards. The actual terms of an award, including the number of shares of common stock relating to the award, any exercise or purchase price, any vesting, forfeiture or transfer restrictions, the time or times of exercisability for, or delivery of, shares of common stock, will be determined by the plan administrator and set forth in a written award agreement with the participant. Any options granted under the Plan will be accounted for in accordance with FASB Statement No. 123(R), *Share-Based Payment* ("Statement No.123(R)").

The aggregate number of shares of our common stock for which awards may be granted under the Plan cannot exceed 6% of the number of shares of our common stock issued and outstanding at the time any award is granted. Awards made under the Plan that have been forfeited (including our repurchase of shares of common stock subject to an award for the price, if any, paid to us for such shares of common stock, or for their par value) or cancelled or have expired, will not be treated as having been granted for purposes of the preceding sentence.

The Plan requires that the plan administrator make an equitable adjustment to the number, kind and exercise price per share of awards in the event of our recapitalization, reorganization, merger, spin-off, share exchange, dividend of common stock, liquidation, dissolution or other similar transaction or event. In addition, the plan administrator will be permitted to make adjustments to the terms and conditions of any awards in recognition of any unusual or nonrecurring events. Unless otherwise set forth in an award agreement, any awards outstanding under the Plan will vest upon a "change of control," as defined in the Plan. Our board of directors may, at any time, alter, amend, suspend, discontinue or terminate the Plan, except that any amendment will be subject to the approval of our stockholders if required by applicable law, regulation or stock exchange rule and that, without the consent of the affected participant under the Plan, no action may materially impair the rights of such participant under any awards outstanding under the Plan. The Plan will automatically terminate ten years after it has been most recently approved by our stockholders.

As of April 18, 2008, we established the Directors Share Payment Plan, which we refer to as the Directors Plan, under the Plan. The purpose of the Directors Plan is to provide a means of payment, under the Plan, of all or a portion of compensation payable to directors of the company in the form of our common stock. Each member of our Board of Directors may participate in the Directors Plan. Pursuant to the terms of the Directors Plan, Directors may elect to receive all or a portion of their compensation in common stock, which is credited to their respective share payment account on the last business day of each quarter. Following December 31st of each year, we will deliver to each director the number of shares represented by the rights credited to their Share Payment Account during the preceding calendar year. The Directors Plan is administered and otherwise subject to the terms and conditions, including limitations on the number of shares issued, under the Plan. Non-executive directors electing to receive common stock in lieu of cash compensation resulted in the right to receive 6,112 shares of common stock during 2008, which shares of common stock were distributed to non-executive directors in the first quarter of 2009 from shares held as treasury stock. Refer to Note 21, Stock Based Compensation, in the notes to our consolidated financial statements included elsewhere herein.

Item 7. Major Shareholders and Related Party Transactions.

Related Party Transactions

Management Affiliations

Danaos Shipping Co. Ltd., which we refer to as our Manager, is ultimately owned by Danaos Investments Limited as Trustee of the 883 Trust, which we refer to as the Coustas Family Trust. Danaos Investments Limited is the protector (which is analogous to a trustee) of the Coustas Family Trust, of which Dr. Coustas and other members of the Coustas family are beneficiaries. Dr. Coustas has certain powers to remove and replace Danaos Investments Limited as Trustee of the 883 Trust. The Coustas Family Trust is also our largest stockholder. Our Manager has provided services to our vessels since 1972 and continues to provide technical, administrative and certain commercial services which support our business, as well as comprehensive ship management services such as technical supervision and commercial management, including chartering our vessels pursuant to a management agreement which was amended and restated as of September 18, 2006 and amended on February 12, 2009.

Management fees in respect of continuing operations under our management agreement amounted to approximately $7.0 million in 2008, $5.7 million in 2007 and $4.6 million in 2006. The related expenses are shown under "General and administrative expenses" on the statement of income. We pay monthly advances in regard to these management fees. These prepaid management fees are presented in our balance sheet under "Due from related parties" and totaled $7.1 million and $4.6 million as of December 31, 2008 and 2007, respectively.

Management Agreement

Under our management agreement, our Manager is responsible for providing us with technical, administrative and certain commercial services, which include the following:

- *technical services* , which include managing day-to-day vessel operations, performing general vessel maintenance, ensuring regulatory compliance and compliance with the law of the flag of each vessel and of the places where the vessel operates, ensuring classification society compliance, supervising the maintenance and general efficiency of vessels, arranging the hire of qualified officers and crew, training, transportation, insurance of the crew (including processing all claims), performing normally scheduled drydocking and general and routine repairs, arranging insurance for vessels (including marine hull and machinery, protection and indemnity and risks insurance), purchasing stores, supplies, spares, lubricating oil and maintenance capital expenditures for vessels, appointing supervisors and technical consultants and providing technical

support, shoreside support, shipyard supervision, and attending to all other technical matters necessary to run our business;

- *administrative services* , which include, in each case, at the direction of our Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, assistance with the maintenance of our corporate books and records, payroll services, assistance with the preparation of our tax returns and financial statements, assistance with corporate and regulatory compliance matters not related to our vessels, procuring legal and accounting services (including the preparation of all necessary budgets for submission to us), assistance in complying with United States and other relevant securities laws, human resources, cash management and bookkeeping services, development and monitoring of internal audit controls, disclosure controls and information technology, assistance with all regulatory and reporting functions and obligations, furnishing any reports or financial information that might be requested by us and other non-vessel related administrative services, assistance with office space, providing legal and financial compliance services, overseeing banking services (including the opening, closing, operation and management of all of our accounts including making deposits and withdrawals reasonably necessary for the management of our business and day-to-day operations), arranging general insurance and director and officer liability insurance (at our expense), providing all administrative services required for subsequent debt and equity financings and attending to all other administrative matters necessary to ensure the professional management of our business (our Manager provides these administrative services at its own cost and in return therefore receives the commercial, chartering and administrative services fees); and

- *commercial services* , which include chartering our vessels, assisting in our chartering, locating, purchasing, financing and negotiating the purchase and sale of our vessels, supervising the design and construction of newbuildings, and such other commercial services as we may reasonably request from time to time (our Manager provides these commercial services at its own cost and in return therefore receives the commercial, chartering and administrative services fees).

Reporting Structure

Our Manager reports to us and our Board of Directors through our Chief Executive Officer, Chief Operating Officer and Chief Financial Officer. Under our management agreement, our Chief Executive Officer, Chief Operating Officer and Chief Financial Officer may direct the Manager to remove and replace any officer or any person who serves as the head of a business unit of our Manager. Furthermore, our Manager will not remove any person serving as an officer or senior manager without the prior written consent of our Chief Executive Officer, Chief Operating Officer and Chief Financial Officer.

Compensation of Our Manager

During the initial term of the management agreement, for providing its commercial, chartering and administrative services our manager received a fee of $500 per day and for its technical management of our ships, our manager received a management fee of $250 per vessel per day for vessels on bareboat charter and $500 per vessel per day for the remaining vessels in our fleet, each pro rated for the number of calendar days we own each vessel. These fees are now adjusted annually by agreement between us and our manager. Should we be unable to agree with our Manager as to the new fees, the rate for the next year will be set at an amount that will maintain our Manager's average profit margin for the immediately preceding three years. For its chartering services rendered to us by its Hamburg-based office, our manager also receives a commission of 0.75% on all freight, charter hire, ballast bonus and demurrage for each vessel. Further, our manager receives a commission of 0.5% based on the contract price of any vessel bought or sold by it on our behalf, excluding newbuilding contracts. We also paid our manager a flat fee of $400,000 per newbuilding vessel, which we capitalized, for the on

premises supervision of our newbuilding contracts by selected engineers and others of its staff. On February 12, 2009, we signed an addendum to the management contract adjusting the management fees, effective January 1, 2009, to a fee of $575 per day for commercial, chartering and administrative services, a fee of $290 per vessel per day for vessels on bareboat charter and $575 per vessel per day for vessels on time charter and a flat fee of $725,000 per newbuilding vessel for the supervision of newbuilding contracts. All commissions to the manager remained unchanged. We believe these fees and commissions are no more than the rates we would need to pay an unaffiliated third party to provide us with these management services.

We also advance, on a monthly basis, all technical vessel operating expenses with respect to each vessel in our fleet to enable our Manager to arrange for the payment of such expenses on our behalf. To the extent the amounts advanced are greater or less than the actual vessel operating expenses of our fleet for a quarter, our Manager or us, as the case may be, will pay the other the difference at the end of such quarter, although our Manager may instead choose to credit such amount against future vessel operating expenses to be advanced for future quarters.

Term and Termination Rights

The initial term of the management agreement expired on December 31, 2008. The management agreement now automatically renews for one-year periods and will be extended, unless we give 12-months' written notice of non-renewal and subject to the termination rights described below, in additional one-year increments until December 31, 2020, at which point the agreement will expire.

Our Manager's Termination Rights. Our Manager may terminate the management agreement prior to the end of its term in the two following circumstances:

- if any moneys payable by us shall not have been paid within 60 business days of payment having been demanded in writing; or
- if at any time we materially breach the agreement and the matter is unresolved within 60 days after we are given written notice from our Manager.

Our Termination Rights. We may terminate the management agreement prior to the end of its term in the two following circumstances upon providing the respective notice:

- if at any time our Manager neglects or fails to perform its principal duties and obligations in any material respect and the matter is unresolved within 20 days after our Manager receives written notice of such neglect or failure from us; or
- if any moneys payable by the Manager under or pursuant to the management agreement are not promptly paid or accounted for in full within 10 business days by the Manager in accordance with the provisions of the management agreement.

We also may terminate the management agreement immediately under any of the following circumstances:

- if either we or our Manager ceases to conduct business, or all or substantially all of the properties or assets of either such party is sold, seized or appropriated;
- if either we or our Manager files a petition under any bankruptcy law, makes an assignment for the benefit of its creditors, seeks relief under any law for the protection of debtors or adopts a plan of liquidation, or if a petition is filed against us or our Manager seeking to declare us or it an insolvent or bankrupt and such petition is not dismissed or stayed within 40 business days of its filing, or if our Company or the Manager admits in writing its insolvency or its inability to pay its debts as they mature, or if an order is made for the appointment of a liquidator, manager, receiver or trustee of our Company or the Manager of all or a substantial part of its

assets, or if an encumbrancer takes possession of or a receiver or trustee is appointed over the whole or any part of the Manager's or our Company's undertaking, property or assets or if an order is made or a resolution is passed for our Manager's or our winding up;

- if a distress, execution, sequestration or other process is levied or enforced upon or sued out against our Manager's property which is not discharged within 20 business days;
- if the Manager ceases or threatens to cease wholly or substantially to carry on its business otherwise than for the purpose of a reconstruction or amalgamation without insolvency previously approved by us; or
- if either our Manager or we are prevented from performing any obligations under the management agreement by any cause whatsoever of any nature or kind beyond the reasonable control of us or our Manager respectively for a period of two consecutive months or more.

In addition, we may terminate any applicable ship management agreement in any of the following circumstances:

- if we or any subsidiary of ours ceases to be the owner of the vessel covered by such ship management agreement by reason of a sale thereof, or if we or any subsidiary of ours ceases to be registered as the owner of the vessel covered by such ship management agreement;
- if a vessel becomes an actual or constructive or compromised or arranged total loss or an agreement has been reached with the insurance underwriters in respect of the vessel's constructive, compromised or arranged total loss or if such agreement with the insurance underwriters is not reached or it is adjudged by a competent tribunal that a constructive loss of the vessel has occurred;
- if the vessel covered by such ship management agreement is requisitioned for title or any other compulsory acquisition of the vessel occurs, otherwise than by requisition by hire; or
- if the vessel covered by such ship management agreement is captured, seized, detained or confiscated by any government or persons acting or purporting to act on behalf of any government and is not released from such capture, seizure, detention or confiscation within 20 business days.

Non-competition

Our Manager has agreed that, during the term of the management agreement, it will not provide any management services to any other entity without our prior written approval, other than with respect to entities controlled by Dr. Coustas, our Chief Executive Officer, which do not operate within the containership (larger than 2,500 twenty foot equivalent units, or TEUs) or drybulk sectors of the shipping industry or in the circumstances described below. Dr. Coustas does not currently control any such vessel-owning entity or have an equity interest in any such entity, other than Castella Shipping Inc., owner of one 1,700 TEU vessel. Dr. Coustas has also personally agreed to the same restrictions on the provision, directly or indirectly, of management services during this period. In addition, our Chief Executive Officer (other than in his capacities with us) and our Manager have separately agreed not, during the term of our management agreement and for one year thereafter, to engage, directly or indirectly, in (i) the ownership or operation of containerships of larger than 2,500 TEUs or (ii) the ownership or operation of any drybulk carriers or (iii) the acquisition of or investment in any business involved in the ownership or operation of containerships larger than 2,500 TEUs or drybulk carriers. Notwithstanding these restrictions, if our independent directors decline the opportunity to acquire any such containerships or drybulk carriers or to acquire or invest in any such business, our Chief Executive Officer will have the right to make, directly or indirectly, any such acquisition or investment during the four-month period following such decision by our independent directors, so long

as such acquisition or investment is made on terms no more favorable than those offered to us. In this case, our Chief Executive Officer and our Manager will be permitted to provide management services to such vessels.

Sale of Our Manager

Our Manager has agreed that it will not transfer, assign, sell or dispose of all or a significant portion of its business that is necessary for the services our Manager performs for us without the prior written consent of our Board of Directors. Furthermore, in the event of any proposed sale of our Manager, we have a right of first refusal to purchase our Manager. This prohibition and right of first refusal is in effect throughout the term of the management agreement and for a period of one year following the expiry or termination of the management agreement. Our Chief Executive Officer, Dr. John Coustas, or any trust established for the Coustas family (under which Dr. Coustas and/or a member of his family is a beneficiary), is required, unless we expressly permit otherwise, to own 80% of our Manager's outstanding capital stock during the term of the management agreement and 80% of the voting power of our Manager's outstanding capital stock. In the event of any breach of these requirements, we would be entitled to purchase the capital stock of our Manager owned by Dr. Coustas or any trust established for the Coustas family (under which Dr. Coustas and/or a member of his family is a beneficiary).

The Swedish Club

Dr. John Coustas, our Chief Executive Officer, is a member of the Board of Directors of The Swedish Club, our primary provider of insurance, including a substantial portion of our hull & machinery, war risk and protection and indemnity insurance. During the years ended December 31, 2008, 2007 and 2006, we paid premiums of $4.1 million, $2.8 million and $3.4 million, respectively, to The Swedish Club under these insurance policies.

Danaos Management Consultants

Our Chief Executive Officer, Dr. John Coustas, co-founded and has a 50.0% ownership interest in Danaos Management Consultants, which provides the ship management software deployed on the vessels in our fleet to our Manager on a complementary basis. Dr. Coustas does not participate in the day-to-day management of Danaos Management Consultants.

Offices

We occupy office space that is owned by our Manager and which is provided to us as part of the services we receive under our management agreement.

Seasonal Maritime Corporation

Seasonal Maritime Corporation, an entity wholly-owned by our Chief Executive Officer, funded $30.4 million of the $40.5 million acquisition price of the *MOL Confidence* under a loan agreement, dated March 14, 2006, among Seasonal Maritime Corporation, as lender, a subsidiary of ours, as borrower, and us, as guarantor. The interest rate for this loan was LIBOR plus 1.0%, with a maturity date of six months after execution of the loan agreement, subject to an option for an additional six months repayment term for the borrower. In addition, a flat fee of $70,125 was paid upon execution of the loan agreement and a commitment fee of 0.50% per annum was payable quarterly on any undrawn amount, commencing March 14, 2006. On June 16, 2006, we repaid $25.4 million of the amount borrowed under this loan agreement, leaving $5.0 million outstanding as of June 30, 2006, which amount was repaid in August 2006. This loan was secured by a general assignment of income from the *MOL Confidence* and an assignment of insurance receivables with respect to the vessel.

We borrowed an aggregate amount of $75.0 million ($15.0 million with respect to each vessel) under an unsecured loan agreement, dated August 14, 2006, with Seasonal Maritime Corporation to partially finance the acquisition of the five 6,500 TEU newbuildings we ordered on July 26, 2006. This loan bore interest at a rate of LIBOR plus 1.0% and matured six months after execution of the loan agreement, with an option for an additional six months repayment term for the borrower. In addition, a flat fee of $112,500 was paid upon execution of the loan agreement and a commitment fee of 0.30% per annum was payable quarterly on any undrawn amount, commencing August 14, 2006. We repaid the entire amount outstanding under this loan on December 28, 2006 with borrowings made under our credit facility with Aegean Baltic-HSH Nordbank—Piraeus Bank.

We borrowed an additional aggregate amount of $25.0 million under an unsecured loan agreement, dated September 25, 2006, with Seasonal Maritime Corporation, to finance installment payments on the *HN 1670* , the *HN 1671* , the *HN 1672* and the *HN 1673* , made on September 28, 2006. This loan bore interest at a rate of LIBOR plus 1.0% and matured six months after execution of the loan agreement, with an option for an additional six months repayment term for the borrower. In addition, a flat fee of $37,500 was paid upon execution of the loan agreement and a commitment fee of 0.30% per annum was payable quarterly on any undrawn amount, commencing September 25, 2006. We repaid the entire amount outstanding under this loan on December 28, 2006 with borrowings made under credit facilities with The Royal Bank of Scotland and Aegean Baltic-HSH Nordbank—Piraeus Bank.

We believe the fees and interest paid under these loan agreements were no less favorable than those we could have obtained in arm's-length negotiations with an unrelated third party.

Det Norske Veritas

Until May 2006, Mr. Miklós Konkoly-Thege, a member of our Board of Directors, was President and Chairman of the Executive Board of Det Norske Veritas, which provides vessel classification services to us. During the years ended December 31, 2008, 2007 and 2006, we paid $0.9 million, $0.7 million and $0.6 million, respectively, to Det Norske Veritas for these services.

Major Stockholders

The following table sets forth certain information regarding the beneficial ownership of our outstanding common stock as of June 15, 2009 held by:

- each person or entity that we know beneficially owns 5% or more of our common stock;
- each of our officers and directors; and
- all our directors and officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC. In general, a person who has voting power or investment power with respect to securities is treated as a beneficial owner of those securities.

Beneficial ownership does not necessarily imply that the named person has the economic or other benefits of ownership. For purposes of this table, shares subject to options, warrants or rights or shares exercisable within 60 days of June 15, 2009 are considered as beneficially owned by the person holding those options, warrants or rights. Each stockholder is entitled to one vote for each share held. The applicable percentage of ownership of each stockholder is based on 54,550,598 shares of common stock outstanding as of June 15, 2009. Information for certain holders is based on their latest filings with the SEC or information delivered to us. Except as noted below, the address of all stockholders, officers and

directors identified in the table and accompanying footnotes below is in care our principal executive offices.

Identity of Person or Group	Number of Shares of Common Stock Owned	Percentage of Common Stock
Officers and Directors:		
John Coustas(1)	43,687,195	80.1%
Iraklis Prokopakis	355,075	*
Dimitri J. Andritsoyiannis	113,608	*
Evangelos Chatzis	—	—
Andrew B. Fogarty	83,000	*
Myles R. Itkin	—	—
Miklós Konkoly-Thege	10,075	*
Robert A. Mundell	—	—
5% Beneficial Owners:		
Danaos Investments Limited as Trustee of the 883 Trust(2)	43,687,195	80.1%
All executive officers and directors as a group (8 persons)	44,248,953	81.1%

* Less than 1%.

(1) By virtue of shares owned indirectly through Danaos Investments Limited as Trustee of the 883 Trust, which is our principal stockholder. The beneficiaries of the trust are Dr. Coustas, his wife and his descendants. Dr. Coustas has certain powers to remove and replace Danaos Investments Limited as Trustee of the 883 Trust and, accordingly, he may be deemed to beneficially own the shares of common stock owned by Danaos Investments Limited as Trustee of the 883 Trust.

(2) According to a Schedule 13G jointly filed with the SEC on February 9, 2007 by Danaos Investments Limited as Trustee of the 883 Trust and John Coustas, Danaos Investments Limited as Trustee of the 883 Trust owns 43,687,195 shares of common stock and has sole voting power and sole dispositive power with respect to all such shares. The beneficiaries of the trust are Dr. Coustas, his wife and his descendants. Dr. Coustas has certain powers to remove and replace Danaos Investments Limited as Trustee of the 883 Trust and, accordingly, he may be deemed to beneficially own these shares of common stock.

In October 2006, we completed a registered public offering of our shares of common stock and our common stock began trading on the New York Stock Exchange. Accordingly, certain of our principal stockholders acquired their shares of common stock either at or subsequent to this time. Our major stockholders have the same voting rights as our other stockholders. As of June 15, 2009, we had approximately nine stockholders of record. Seven of these stockholders were located in the United States and held an aggregate 10,863,403 shares of common stock representing approximately 19.9% of our outstanding shares of common stock. However, one of the United States stockholders of record is CEDEFAST, a nominee of The Depository Trust Company, which held 10,854,653 shares of our common stock. Accordingly, we believe that the shares held by CEDEFAST include shares of common stock beneficially owned by both holders in the United States and non-United States beneficial owners, including 478,758 shares beneficially owned by our officers and directors resident outside the United States and 83,000 shares beneficially owned by directors resident in the United States as reflected in the above table. We are not aware of any arrangements the operation of which may at a subsequent date result in our change of control.

The Coustas Family Trust, under which our chief executive officer is both a beneficiary, together with other members of the Coustas Family, and the protector (which is analogous to a trustee), through Danaos Investments Limited, a corporation wholly-owned by Dr. Coustas, owns, directly or indirectly, approximately 80.1% of our outstanding common stock. This stockholder is able to control the outcome of matters on which our stockholders are entitled to vote, including the election of our entire board of directors and other significant corporate actions.

Item 8. Financial Information

See "Item 18. Financial Statements" below.

Significant Changes. No significant change has occurred since the date of the annual financial statements included in this annual report on Form 20-F.

Legal Proceedings. In the summer of 2001, one of our vessels, the *Henry (* ex *APL Guatemala)* , experienced engine damage at sea that resulted in an accumulation of oil and oily water in the vessel's engine room. The Coast Guard found oil in the overboard discharge pipe from the vessel's oily water separator. On July 2, 2001, when the vessel was at anchor in Long Beach, California, representatives of our manager notified authorities of the presence of oil on the water on the starboard side of the vessel and, on July 3, 2001, divers retained by our manager found oil in the vessel's starboard sea chest (an opening through which sea water is taken in to cool the engines).

In connection with these events, our manager entered into a plea agreement with the U.S. Attorney, on behalf of the government, which was filed with the U.S. District Court on June 20, 2006, pursuant to which our manager agreed to plead guilty to one count of negligent discharge of oil and one count of obstruction of justice, based on a charge of attempted concealment of the source of the discharge. Consistent with the government's practice in similar cases, our manager agreed to develop and implement a third-party consultant monitored environmental compliance plan and to designate an internal corporate compliance manager. This compliance plan would require our manager to prepare an environmental compliance plan manual for approval by such third-party environmental consultant and the U.S. government. The program would also require our manager to arrange for, fund and complete a series of audits of its fleet management offices and of waste streams of the vessels it manages, including all of the vessels in our fleet that call at U.S. ports, as well as an independent, third-party focused environmental compliance plan audit. Our manager also agreed to a probation period of three years under the plea agreement. Our manager further agreed to pay an aggregate of $500,000 in penalties in connection with the charges of negligent discharge and obstruction of justice under the plea agreement, with half of the penalties to be applied to community service projects that will benefit, restore or preserve the environment and ecosystems in the central California area. On August 14, 2006, the court accepted our manager's guilty plea to the two counts and, on December 4, 2006, sentenced our manager in accordance with the terms of the plea agreement.

In the more than seven years since the detention of the *Henry (* ex *APL Guatemala)* , our vessels have not been subject to any other detentions or enforcement proceedings involving alleged releases of oil. Our manager began preparation of a proactive management program designed to prevent future non-compliance.

We have not been involved in any legal proceedings that we believe would have a significant effect on our business, financial position, results of operations or liquidity, and we are not aware of any proceedings that are pending or threatened that may have a material effect on our business, financial position, results of operations or liquidity. From time to time, we may be subject to legal proceedings and claims in the ordinary course of business, principally personal injury and property casualty claims. We expect that these claims would be covered by insurance, subject to customary deductibles. However, those claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources.

Dividend Policy. Our board of directors has recently determined to suspend the payment of cash dividends as a result of market conditions in the international shipping industry. Declaration and payment of any future dividend is subject to the discretion of our board of directors. In addition, under the waiver agreements we entered into with certain of our lenders in 2009, our payment of any dividend is subject to the approval of certain our lenders during periods covered by the waivers and is subject to caps on the dividends that we may pay pursuant to terms of waivers from other lenders. 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 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 "Item 3. Key Information—Risk Factors—Risks Inherent in Our Business" for a discussion of the risks related to dividend payments, if any.

After our initial public offering, we paid regular quarterly dividends from February 2007 to November 19, 2008. We paid no dividends in 2006 and, prior to our initial public offering, in 2005 we paid dividends of $244.6 million to our stockholders from our retained earnings.

Item 9. The Offer and Listing

Our common stock is listed on the New York Stock Exchange under the symbol "DAC."

Trading on the New York Stock Exchange

Since our initial public offering in the United States in October 2006, our common stock has been listed on the New York Stock Exchange under the symbol "DAC." The following table shows the high and low sales prices for our common stock during the indicated periods.

		High	Low
2006	(Annual)(1)	$24.10	$19.61
2007	(Annual)	$40.26	$21.55
	First Quarter	26.95	21.55
	Second Quarter	33.55	26.11
	Third Quarter	40.26	29.02
	Fourth Quarter	37.50	26.35
2008	(Annual)	$29.96	$ 3.18
	First Quarter	29.96	23.23
	Second Quarter	27.18	21.98
	Third Quarter	24.94	14.84
	Fourth Quarter	14.05	3.18
	October	14.05	6.80
	November	9.10	3.18
	December	6.76	4.81

		High	Low
2009	First Quarter	$10.16	$3.07
	January	10.16	7.05
	February	7.41	4.07
	March	4.47	3.07
	Second Quarter	$ 5.00	$2.91
	April	5.00	3.35
	May	4.66	3.67
	June	4.43	2.91

(1) For the period from October 6, 2006, the date on which our common stock began trading on the NYSE, until the end of the period.

Item 10. Additional Information

Share Capital

Under our articles of incorporation, our authorized capital stock consists of 200,000,000 shares of common stock, $0.01 par value per share, of which, as of December 31, 2008 and June 30, 2009, 54,542,500 shares and 54,550,598, respectively, were issued and outstanding and fully paid, and 5,000,000 shares of blank check preferred stock, $0.01 par value per share, of which, as of December 31, 2008 and June 30, 2009, no shares were issued and outstanding and fully paid. One million shares of the blank check preferred stock have been designated Series A Participating Preferred Stock in connection with our adoption of a stockholder rights plan as described below under "—Stockholder Rights Plan." All of our shares of stock are in registered form.

Common Stock

Each outstanding share of common stock entitles the holder to one vote on all matters submitted to a vote of stockholders. Subject to preferences that may be applicable to any outstanding shares of preferred stock, holders of shares of common stock are entitled to receive ratably all dividends, if any, declared by our board of directors out of funds legally available for dividends. Holders of common stock do not have conversion, redemption or preemptive rights to subscribe to any of our securities. All outstanding shares of common stock are fully paid and nonassessable. The rights, preferences and privileges of holders of shares of common stock are subject to the rights of the holders of any shares of preferred stock which we may issue in the future.

There were 500 shares of common stock outstanding on October 7, 2005, the date our company was domesticated in the Republic of The Marshall Islands. On September 18, 2006 we effected an 88,615-for-1 stock split. On October 6, 2006, we completed our initial public offering and listing of the common stock on the New York Stock Exchange. In this respect 10,250,000 shares of common stock, with par value of $0.01 per share, were issued.

Blank Check Preferred Stock

Under the terms of our articles of incorporation, our board of directors has authority, without any further vote or action by our stockholders, to issue up to 5,000,000 shares of blank check preferred stock, of which 1,000,000 shares have been designated Series A Participating Preferred Stock in connection with our adoption of a stockholder rights plan as described below under "—Stockholder Rights Plan." Our board of directors may issue shares of preferred stock on terms calculated to discourage, delay or prevent a change of control of our company or the removal of our management.

Stockholder Rights Plan

General

Each share of our common stock includes a right that entitles the holder to purchase from us a unit consisting of one-thousandth of a share of our Series A participating preferred stock at a purchase price of $25.00 per unit, subject to specified adjustments. The rights are issued pursuant to a rights agreement between us and American Stock Transfer & Trust Company, as rights agent. Until a right is exercised, the holder of a right will have no rights to vote or receive dividends or any other stockholder rights.

The rights may have anti-takeover effects. The rights will cause substantial dilution to any person or group that attempts to acquire us without the approval of our board of directors. As a result, the overall effect of the rights may be to render more difficult or discourage any attempt to acquire us. Because our board of directors can approve a redemption of the rights or a permitted offer, the rights should not interfere with a merger or other business combination approved by our board of directors. The adoption of the rights agreement was approved by our stockholders prior to our initial public offering.

We have summarized the material terms and conditions of the rights agreement and the rights below. For a complete description of the rights, we encourage you to read the rights agreement, which is an exhibit to this annual report.

Detachment of the Rights

The rights are attached to all shares of our outstanding common stock and will attach to all common stock that we issue prior to the rights distribution date that we describe below. The rights are not exercisable until after the rights distribution date and will expire at the close of business on the tenth anniversary date of the adoption of the rights plan, unless we redeem or exchange them earlier as described below. The rights will separate from the common stock and a rights distribution date will occur, subject to specified exceptions, on the earlier of the following two dates:

- 10 days following a public announcement that a person or group of affiliated or associated persons or an "acquiring person" has acquired or obtained the right to acquire beneficial ownership of 15% or more of our outstanding common stock; or
- 10 business days following the start of a tender or exchange offer that would result, if closed, in a person becoming an "acquiring person."

Existing stockholders and their affiliates are excluded from the definition of "acquiring person" for purposes of the rights, and therefore their ownership or future share acquisitions cannot trigger the rights. Specified "inadvertent" owners that would otherwise become an acquiring person, including those who would have this designation as a result of repurchases of common stock by us, will not become acquiring persons as a result of those transactions.

Our board of directors may defer the rights distribution date in some circumstances, and some inadvertent acquisitions will not result in a person becoming an acquiring person if the person promptly divests itself of a sufficient number of shares of common stock.

Until the rights distribution date:

- our common stock certificates will evidence the rights, and the rights will be transferable only with those certificates; and
- any new shares of common stock will be issued with rights and new certificates will contain a notation incorporating the rights agreement by reference.

As soon as practicable after the rights distribution date, the rights agent will mail certificates representing the rights to holders of record of common stock at the close of business on that date. After the rights distribution date, only separate rights certificates will represent the rights.

We will not issue rights with any shares of common stock we issue after the rights distribution date, except as our board of directors may otherwise determine.

Flip-In Event

A "flip-in event" will occur under the rights agreement when a person becomes an acquiring person. If a flip-in event occurs and we do not redeem the rights as described under the heading "—Redemption of Rights" below, each right, other than any right that has become void, as described below, will become exercisable at the time it is no longer redeemable for the number of shares of common stock, or, in some cases, cash, property or other of our securities, having a current market price equal to two times the exercise price of such right.

If a flip-in event occurs, all rights that then are, or in some circumstances that were, beneficially owned by or transferred to an acquiring person or specified related parties will become void in the circumstances the rights agreement specifies.

Flip-Over Event

A "flip-over event" will occur under the rights agreement when, at any time after a person has become an acquiring person:

- we are acquired in a merger or other business combination transaction; or
- 50% or more of our assets, cash flows or earning power is sold or transferred.

If a flip-over event occurs, each holder of a right, other than any right that has become void as we describe under the heading "—Flip-In Event" above, will have the right to receive the number of shares of common stock of the acquiring company having a current market price equal to two times the exercise price of such right.

Antidilution

The number of outstanding rights associated with our common stock is subject to adjustment for any stock split, stock dividend or subdivision, combination or reclassification of our common stock occurring prior to the rights distribution date. With some exceptions, the rights agreement does not require us to adjust the exercise price of the rights until cumulative adjustments amount to at least 1% of the exercise price. It also does not require us to issue fractional shares of our preferred stock that are not integral multiples of one one-hundredth of a share, and, instead we may make a cash adjustment based on the market price of the common stock on the last trading date prior to the date of exercise. The rights agreement reserves us the right to require, prior to the occurrence of any flip-in event or flip-over event that, on any exercise of rights, that a number of rights must be exercised so that we will issue only whole shares of stock.

Redemption of Rights

At any time until 10 days after the date on which the occurrence of a flip-in event is first publicly announced, we may redeem the rights in whole, but not in part, at a redemption price of $0.01 per right. The redemption price is subject to adjustment for any stock split, stock dividend or similar transaction occurring before the date of redemption. At our option, we may pay that redemption price in cash, shares of common stock or any other consideration our board of directors may select. The rights are not exercisable after a flip-in event until they are no longer redeemable. If our board of directors timely orders the redemption of the rights, the rights will terminate on the effectiveness of that action.

Exchange of Rights

We may, at our option, exchange the rights (other than rights owned by an acquiring person or an affiliate or an associate of an acquiring person, which have become void), in whole or in part. The exchange must be at an exchange ratio of one share of common stock per right, subject to specified adjustments at any time after the occurrence of a flip-in event and prior to:

- any person other than our existing stockholders becoming the beneficial owner of common stock with voting power equal to 50% or more of the total voting power of all shares of common stock entitled to vote in the election of directors; or
- the occurrence of a flip-over event.

Amendment of Terms of Rights

While the rights are outstanding, we may amend the provisions of the rights agreement only as follows:

- to cure any ambiguity, omission, defect or inconsistency;
- to make changes that do not adversely affect the interests of holders of rights, excluding the interests of any acquiring person; or
- to shorten or lengthen any time period under the rights agreement, except that we cannot change the time period when rights may be redeemed or lengthen any time period, unless such lengthening protects, enhances or clarifies the benefits of holders of rights other than an acquiring person.

At any time when no rights are outstanding, we may amend any of the provisions of the rights agreement, other than decreasing the redemption price.

Memorandum and Articles of Association

Our purpose is to engage in any lawful act or activity relating to the business of chartering, rechartering or operating containerships, drybulk carriers or other vessels or any other lawful act or activity customarily conducted in conjunction with shipping, and any other lawful act or activity approved by the board of directors. Our articles of incorporation and bylaws do not impose any limitations on the ownership rights of our stockholders.

Under our bylaws, annual stockholder meetings will be held at a time and place selected by our board of directors. The meetings may be held in or outside of the Marshall Islands. Special meetings may be called by the board of directors or, at the request of the holders of a majority of our issued and outstanding stock entitled to vote on the matters proposed to be considered at such meeting, or by our secretary. Our board of directors may set a record date between 15 and 60 days before the date of any meeting to determine the stockholders that will be eligible to receive notice and vote at the meeting.

Directors

Our directors are elected by a plurality of the votes cast at each annual meeting of the stockholders by the holders of shares entitled to vote in the election. There is no provision for cumulative voting.

The board of directors may change the number of directors to not less than two, nor more than 15, by a vote of a majority of the entire board. Each director shall be elected to serve until the third succeeding annual meeting of stockholders and until his or her successor shall have been duly elected and qualified, except in the event of death, resignation or removal. A vacancy on the board created by death, resignation, removal (which may only be for cause), or failure of the stockholders to elect the entire class of directors to be elected at any election of directors or for any other reason, may be filled

only by an affirmative vote of a majority of the remaining directors then in office, even if less than a quorum, at any special meeting called for that purpose or at any regular meeting of the board of directors. The board of directors has the authority to fix the amounts which shall be payable to the members of our board of directors for attendance at any meeting or for services rendered to us.

Dissenters' Rights of Appraisal and Payment

Under the Marshall Islands Business Corporations Act, or the BCA, our stockholders have the right to dissent from various corporate actions, including any merger or sale of all or substantially all of our assets not made in the usual course of our business, and to receive payment of the fair value of their shares. In the event of any further amendment of our articles of incorporation, a stockholder also has the right to dissent and receive payment for his or her shares if the amendment alters certain rights in respect of those shares. The dissenting stockholder must follow the procedures set forth in the BCA to receive payment. In the event that we and any dissenting stockholder fail to agree on a price for the shares, the BCA procedures involve, among other things, the institution of proceedings in the high court of the Republic of The Marshall Islands in which our Marshall Islands office is situated or in any appropriate jurisdiction outside the Marshall Islands in which our shares are primarily traded on a local or national securities exchange. The value of the shares of the dissenting stockholder is fixed by the court after reference, if the court so elects, to the recommendations of a court-appointed appraiser.

Stockholders' Derivative Actions

Under the BCA, any of our stockholders may bring an action in our name to procure a judgment in our favor, also known as a derivative action, provided that the stockholder bringing the action is a holder of common stock both at the time the derivative action is commenced and at the time of the transaction to which the action relates.

Anti-takeover Provisions of our Charter Documents

Several provisions of our articles of incorporation and bylaws may have anti-takeover effects. These provisions are intended to avoid costly takeover battles, lessen our vulnerability to a hostile change of control and enhance the ability of our board of directors to maximize stockholder value in connection with any unsolicited offer to acquire us. However, these anti-takeover provisions, which are summarized below, could also discourage, delay or prevent (1) the merger or acquisition of our company by means of a tender offer, a proxy contest or otherwise, that a stockholder may consider in its best interest and (2) the removal of incumbent officers and directors.

Blank Check Preferred Stock

Under the terms of our articles of incorporation, our board of directors has authority, without any further vote or action by our stockholders, to issue up to 5,000,000 shares of blank check preferred stock, of which 1,000,000 shares have been designated Series A Participating Preferred Stock in connection with our adoption of a stockholder rights plan as described above under "—Stockholder Rights Plan." Our board of directors may issue shares of preferred stock on terms calculated to discourage, delay or prevent a change of control of our company or the removal of our management.

Classified Board of Directors

Our articles of incorporation provide for a board of directors serving staggered, three-year terms. Approximately one-third of our board of directors will be elected each year. This classified board provision could discourage a third party from making a tender offer for our shares or attempting to obtain control of our company. It could also delay stockholders who do not agree with the policies of the board of directors from removing a majority of the board of directors for two years.

Election and Removal of Directors

Our articles of incorporation and bylaws prohibit cumulative voting in the election of directors. Our bylaws require parties other than the board of directors to give advance written notice of nominations for the election of directors. Our bylaws also provide that our directors may be removed only for cause and only upon the affirmative vote of the holders of at least 66 $^{2}/_{3}$% of the outstanding shares of our capital stock entitled to vote for those directors. These provisions may discourage, delay or prevent the removal of incumbent officers and directors.

Calling of Special Meetings of Stockholders

Our bylaws provide that special meetings of our stockholders may be called by our board of directors or, at the request of holders of a majority of the common stock entitled to vote at such meeting, by our secretary.

Advance Notice Requirements for Stockholder Proposals and Director Nominations

Our bylaws provide that stockholders seeking to nominate candidates for election as directors or to bring business before an annual meeting of stockholders must provide timely notice of their proposal in writing to the corporate secretary.

Generally, to be timely, a stockholder's notice must be received at our principal executive offices not less than 90 days nor more than 120 days prior to the first anniversary date of the previous year's annual meeting. Our bylaws also specify requirements as to the form and content of a stockholder's notice. These provisions may impede stockholders' ability to bring matters before an annual meeting of stockholders or to make nominations for directors at an annual meeting of stockholders.

Business Combinations

Although the BCA does not contain specific provisions regarding "business combinations" between companies organized under the laws of the Marshall Islands and "interested stockholders," we have included these provisions in our articles of incorporation. Specifically, our articles of incorporation prohibit us from engaging in a "business combination" with certain persons for three years following the date the person becomes an interested stockholder. Interested stockholders generally include:

- any person who is the beneficial owner of 15% or more of our outstanding voting stock; or
- any person who is our affiliate or associate and who held 15% or more of our outstanding voting stock at any time within three years before the date on which the person's status as an interested stockholder is determined, and the affiliates and associates of such person.

Subject to certain exceptions, a business combination includes, among other things:

- certain mergers or consolidations of us or any direct or indirect majority-owned subsidiary of ours;
- any sale, lease, exchange, mortgage, pledge, transfer or other disposition of our assets or of any subsidiary of ours having an aggregate market value equal to 10% or more of either the aggregate market value of all assets of us, determined on a consolidated basis, or the aggregate value of all the outstanding stock of us;
- certain transactions that result in the issuance or transfer by us of any stock of the corporation to the interested stockholder;
- any transaction involving us or any of our subsidiaries that has the effect of increasing the proportionate share of any class or series of stock, or securities convertible into any class or series of stock, of ours or any such subsidiary that is owned directly or indirectly by the interested stockholder or any affiliate or associate of the interested stockholder; and
- any receipt by the interested stockholder of the benefit directly or indirectly (except proportionately as a stockholder) of any loans, advances, guarantees, pledges or other financial benefits provided by or through us.

These provisions of our articles of incorporation do not apply to a business combination if:

- before a person became an interested stockholder, our board of directors approved either the business combination or the transaction in which the stockholder became an interested stockholder;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, other than certain excluded shares;
- at or following the transaction in which the person became an interested stockholder, the business combination is approved by our board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of the holders of at least 66 $^{2}/_{3}$% of our outstanding voting stock that is not owned by the interest stockholder;
- the stockholder was or became an interested stockholder prior to the consummation of the initial public offering of our common stock under the Securities Act;
- a stockholder became an interested stockholder inadvertently and (i) as soon as practicable divests itself of ownership of sufficient shares so that the stockholder ceases to be an interested stockholder; and (ii) would not, at any time within the three-year period immediately prior to a business combination between our company and such stockholder, have been an interested stockholder but for the inadvertent acquisition of ownership; or
- the business combination is proposed prior to the consummation or abandonment of and subsequent to the earlier of the public announcement or the notice required under our articles of incorporation which (i) constitutes one of the transactions described in the following sentence; (ii) is with or by a person who either was not an interested stockholder during the previous three years or who became an interested stockholder with the approval of the board; and (iii) is approved or not opposed by a majority of the members of the board of directors then in office (but not less than one) who were directors prior to any person becoming an interested stockholder during the previous three years or were recommended for election or elected to succeed such directors by a majority of such directors. The proposed transactions referred to in the preceding sentence are limited to:

  (i) a merger or consolidation of our company (except for a merger in respect of which, pursuant to the BCA, no vote of the stockholders of our company is required);

  (ii) a sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions), whether as part of a dissolution or otherwise, of assets of our company or of any direct or indirect majority-owned subsidiary of our company (other than to any direct or indirect wholly-owned subsidiary or to our company) having an aggregate market value equal to 50% or more of either that aggregate market value of all of the assets of our company determined on a consolidated basis or the aggregate market value of all the outstanding shares; or

  (iii) a proposed tender or exchange offer for 50% or more of our outstanding voting stock.

Material Contracts

The following is a summary of each material contract that we have entered into outside the ordinary course of business during the two year period immediately preceding the date of this Annual

Report on Form 20-F. Such summaries are not intended to be complete and reference is made to the contracts themselves, which are exhibits to this Annual Report on Form 20-F.

(a) Amended and Restated Management Agreement, dated September 18, 2006, between Danaos Shipping Company Limited and Danaos Corporation. On February 12, 2009, the Company signed an Addendum to the Management Agreement amending the management fees, effective January 1, 2009. For a description of the Amended and Restated Management Agreement between Danaos Shipping Company Limited and Danaos Corporation, as well as the Addendum to the Management Agreement, please see "Item 7. Major Shareholders and Related Party Transactions—Management Agreement."

(b) Restrictive Covenant Agreement, dated October 11, 2006, between Danaos Corporation and Dr. John Coustas. For a description of the Restrictive Covenant Agreement between Danaos Corporation and Dr. John Coustas, please see "Item 7. Major Shareholders and Related Party Transactions—Non-competition."

(c) Stockholder Rights Agreement, dated September 18, 2006, between Danaos Corporation and American Stock Transfer & Trust Company, as Rights Agent. For a description of the Stockholder Rights Agreement, please see "Item 10. Additional Information—Share Capital—Stockholder Rights Plan."

(d) Credit Facilities.

HSH Nordbank Credit Facility

On December 17, 2002, we, as guarantor, and certain of our vessel owning subsidiaries, as borrowers, entered into a $60.0 million credit facility with HSH Nordbank AG, Dresdner Bank and Aegean Baltic Bank acting as agent, which we refer to as the HSH Nordbank credit facility, with a term of 10 years to finance a portion of the purchase price of the *Maersk Deva* (ex *Vancouver Express*) and the *Bunga Raya Tinga* (ex *Maersk Derby*). As of June 30, 2009, $39.0 million was outstanding under this credit facility.

The interest rate on the HSH Nordbank credit facility is LIBOR plus a margin. Beginning on June 11, 2004, we began repaying the principal amount of this loan, which is payable in 40 consecutive quarterly installments of $1.0 million together with a balloon payment of $20.0 million payable with the final installment.

As of December 31, 2008, we were in breach of the net worth covenant under this credit facility. We have entered into an agreement waiving the breach of such covenant for the year ended December 31, 2008, as well as any subsequent breach of such covenant, up to January 31, 2010. Such waiver has been provided by our lender under this credit facility pursuant to the terms and conditions of a commitment letter we have entered into with such lender pursuant to which we have agreed to amend the credit facility to increase the interest rate margin over LIBOR by 1.725 percentage points per annum (or, if lower, an increase in the interest rate margin of 1.225 percentage points and the replacement of LIBOR by the bank's cost of funding) for the waiver period and increase the interest rate margin by 0.975 percentage points per annum for the remaining period of the loan as well as pay a one-time fee of 0.30 percentage points on the facility amount outstanding.

KEXIM Credit Facility

On May 13, 2003, we, as guarantor, and certain of our vessel-owning subsidiaries, as borrowers, entered into a $124.4 million credit facility with the Export-Import Bank of Korea, which we refer to as our KEXIM credit facility, for a term of 12 years to finance a portion of the purchase price of the *CSCL Europe* and the *MSC Baltic* (ex *CSCL America).* As of June 30, 2009, $75.6 million was outstanding under this credit facility.

Interest on borrowings under the KEXIM credit facility accrues at a fixed rate. Beginning on December 15, 2004, we began repaying the principal amount of this loan in 48 consecutive quarterly installments of $2.6 million (except for the first installment of $1.5 million) plus installments of $1.3 million, $1.0 million and $0.69 million payable in August 2016, September 2016 and November 2016, respectively.

In connection with our KEXIM facility, on November 15, 2004, we entered into an interest rate hedging transaction with RBS. The transaction is an amortizing interest rate swap, with the end result being the conversion of the fixed rate payable on the loan to a floating rate (U.S. dollar LIBOR). The notional amortizing schedule of the swap exactly mirrors the amortization schedule of the above loan.

KEXIM-Fortis Credit Facility

On January 29, 2004, we, as guarantor, and certain of our vessel-owning subsidiaries, as borrowers, entered into a $144.0 million credit facility with the Export-Import Bank of Korea and Fortis Capital, which we refer to as the KEXIM-Fortis credit facility, repayable over 12 years commencing with the delivery of the *CSCL Pusan* (ex *HN 1559)* and the *CSCL Le Havre* (ex *HN 1561)* . As of June 30, 2009, $118.7 million was outstanding under this credit facility and there were no undrawn funds available.

The KEXIM-Fortis credit facility is organized in two tranches, Tranche A and Tranche B. Each of Tranche A and Tranche B is comprised of two parts. One part of Tranche A, consisting of $67.5 million, and Tranche B, consisting of $4.5 million, is attributable to the *CSCL Pusan* . The second part of Tranche A, consisting of $67.5 million, and Tranche B, consisting of $4.5 million, is attributable to the *CSCL Le Havre* (ex *HN 1561)* . The portion of Tranche A attributable to the *CSCL Pusan* (ex *HN 1559*) is repayable in 24 semi-annual installments of $2.8 million each, commencing on March 15, 2007. The portion of Tranche B attributable to the *CSCL Pusan* consists of a balloon payment of $4.5 million payable with the final installment of Tranche A on September 8, 2018. The portion of Tranche A attributable to the *CSCL Le Havre* is repayable in 24 semi-annual installments of $2.8 million each, commencing on March 15, 2007. The portion of Tranche B attributable to the *CSCL Le Havre* consists of a balloon payment of $4.5 payable with the final installment of Tranche A on March 15, 2019.

Interest on borrowings under Tranche A of the KEXIM-Fortis credit facility accrues at a fixed interest rate. Interest on borrowings under Tranche B of the KEXIM-Fortis credit facility accrues at LIBOR plus margin.

As of December 31, 2008, we were in breach of the corporate leverage ratio and net worth covenant under the credit facility. We have entered into an agreement waiving compliance with such covenants in respect of the year ended December 31, 2008 and providing compliance with such covenants in respect of the year ended December 31, 2009 will be tested within 180 days following that date. In addition, we paid to our lenders under this credit facility a one-time of $360,000 and the interest rate margin was increased by 0.5 percentage points for the waiver period.

Aegean Baltic—HSH Nordbank—Piraeus Bank Credit Facility

On November 14, 2006, we, as borrower, and certain of our vessel-owning subsidiaries, as guarantors, entered into a $700.0 million revolving and term loan credit facility with Aegean Baltic Bank S.A., HSH Nordbank AG and Piraeus Bank, which we refer to as the Aegean Baltic—HSH Nordbank—Piraeus credit facility. The credit facility is for a committed amount of $700.0 million and is collateralized by mortgages and other security relating to the *CMA CGM Elbe* , the *CMA CGM Kalamata* , the *CMA CGM Komodo* , the *CMA CGM Passiflore* , the *Hyundai Commodore* (ex *MOL Affinity)* , the *Hyundai Duke* , the *CMA CGM Vanille,* the *MSC Marathon* , the *Maersk Messologi* , the *Maersk Mytilini* , the *YM Yantian* , the *Al Rayyan* (ex *Norasia Hamburg)* , the *YM Milano* , the *CMA CGM Lotus* , the *Hyundai Vladivostok* , the *Hyundai Advance* , the *Hyundai Stride,* the *Hyundai Future,* the

Hyundai Sprinter, the *Hanjin Montreal* and the *MSC Eagle*. The interest rate on the Aegean Baltic—HSH Nordbank—Piraeus credit facility is LIBOR plus margin. The loan is repayable in up to 20 consecutive quarterly installments beginning in 2012 and a balloon payment, if applicable, together with the last payment due in November 2016. Specifically, the repayment schedule as well as the balloon will be determined based upon the weighted average age of the vessels that will comprise the securities portfolio for this loan at the end of the fifth year (i.e., November 14, 2011).

As of July 10, 2009, we agreed to amend the facility as follows:

i. Additional Collateral :

(a) Newbuilding vessel *HN S-4004* to be provided as security under the facility.

(b) Second priority mortgages on the *Maersk Deva* (ex *Vancouver Express)* and the *Bunga Raya Tinga* (ex *Maersk Derby*) financed by HSH Nordbank AG and Dresdner Bank AG.

(c) Second priority mortgages on the *CSCL Europe* and the *MSC Baltic* (ex *CSCL America)* financed by KEXIM credit facility and the *CSCL Pusan* (ex *HN 1559)* and the *CSCL Le Havre* (ex *HN 1561)* financed by KEXIM-Fortis credit facility.

ii. Prepayment & Commitment Reduction :

The Net Operating Income (i.e. income less operating expenses for the mortgaged vessels and interest due under the facility taking into account the weighted average interest rate fixed through swaps rate) generated by the mortgaged vessels under the facility (first mortgages only) to be transferred on a monthly basis to an interest bearing pledged account towards prepayment of the facility and simultaneous reduction of the respective total commitments by $5.0 million payable on July 31, 2009, October 31, 2009 and January 31, 2010, plus any additional amounts from funds in such pledged account on January 31, 2010, as the lenders under this credit facility determine. The subsequent amortization schedule will follow the premise described above, with any amortization payments and reduction amounts due during the period from April 30, 2010 until the commencement of the repayment schedule described above to be determined by the lenders under this credit facility.

As of June 30, 2009, $675.0 million was outstanding under the Aegean Baltic—HSH Nordbank—Piraeus Bank credit facility and $25.0 million of undrawn availability remained available to us for future borrowings.

As of December 31, 2008, we were in breach of the collateral coverage ratio, corporate leverage ratio and net worth covenants contained in this credit facility. We have entered into an agreement waiving breaches of such covenants for the year ended December 31, 2008, as well as any subsequent breach of such covenants, up to January 31, 2010. Such waiver has been provided by our lenders under this credit facility pursuant to the terms and conditions of a commitment letter we have entered into with such lenders pursuant to which we have agreed to amend the credit facility, including to add additional collateral and increase the interest rate margin by 1.8 percentage points per annum for the waiver period and increase the interest rate margin by 1.05 percentage points per annum for the remaining period of the loan and pay a one-time fee of $2.1 million. We have also agreed to use our best efforts to raise additional equity capital, with the participation of our largest stockholder in any such transaction. In addition, during the period covered by the waiver we are not permitted to make dividend payments without the consent of our lenders under this credit facility.

Royal Bank of Scotland Credit Facility

On February 20, 2007, we, as borrower, and certain of our vessel-owning subsidiaries, as guarantors, entered into a $700.0 million senior revolving credit facility with The Royal Bank of Scotland, which we refer to as the RBS credit facility. As of December 31, 2008, the utilized portion of

this facility was $675.7 million, with the remaining $21.0 million committed, available for future drawings. The drawn amount consists of $640.4 million in drawn funds and $35.25 million in the form of a payment guarantee issued in favor of Shanghai Jiangnan Changxing Heavy Industry Company Limited, guaranteeing part of the payments under the shipbuilding contract for *HN H1022A* . This guarantee is partly cash collateralised by $7.05 million or 20% of the guaranteed amount, which is in a restricted account with RBS.

The $640.45 million outstanding loan balance and $35.25 million payment guarantee consist of the following:

a. $38 million collateralized by the *Hyundai Federal* (ex *APL Confidence)* , repayable in two semi-annual instalments of $16.7 million each, the first instalment being payable on August 20, 2012, together with a balloon of $4.6 million payable together with the last instalment on February 20, 2013.

b. $27.9 million collateralized by the *Hyundai Bridge* from a total of $29.0 million, repayable in twenty semi-annual instalments of $1.1 million each, the first instalment was paid on October 17, 2008, together with a balloon of $7.0 million payable together with the last instalment.

c. $27.9 million collateralized by the *Hyundai Progress* from a total of $29.0 million, repayable in twenty semi-annual instalments of $1.1 million each, the first instalment was paid on October 17, 2008, together with a balloon of $7.0 million payable together with the last instalment.

d. $27.9 million collateralized by the *Hyundai Highway* from a total of $29.0 million, repayable in twenty semi-annual instalments of $1.1 million each, the first instalment was paid on October 17, 2008, together with a balloon of $7.0 million payable together with the last instalment.

e. $282 million originally collateralized by the *YM Colombo, YM Singapore* , *YM Seattle* and *YM Vancouver* . The amortization was as follows:

i. $69 million collateralized by the *YM Colombo* , repayable in ten semi-annual instalments of $4.6 million each, the first instalment being payable on October 31, 2012, together with a balloon of $23 million payable together with the last instalment.

ii. $69 million collateralized by the *Norasia Atria* , repayable in ten semi-annual instalments of $4.6 million each, the first instalment being payable on April 30, 2013, together with a balloon of $23 million payable together with the last instalment.

iii. $72 million collateralized by the *YM Seattle* , repayable in ten semi-annual instalments of $4 million each, the first instalment being payable on April 30, 2013, together with a balloon of $32 million payable together with the last instalment.

iv. $72 million collateralized by the *YM Vancouver* , repayable in ten semi-annual instalments of $4 million each, the first instalment being payable on April 30, 2013, together with a balloon of $32 million payable together with the last instalment.

On July 29, 2008, the amount of $282 million was refinanced and it was placed on a restricted cash deposit account designated for the progress payments of the following newbuildings:

i. $62 million collateralized by the *ZIM Monaco* ,

ii. $45 million collateralized by the *HN N-219* .

iii. $85 million collateralized by the *HN S-4005* .

iv. $45 million collateralized by the *HN N-221* .

v. $45 million collateralized by the *HN N-222* .

For each newbuilding vessel, during the pre-delivery period, cash representing 80% of the yard installments is being released to the company from the restricted cash account. The balance is being released at the delivery of the vessels. The amortization has remained the same as it was prior to the refinancing, i.e. as described above for vessels *YM Colombo, YM Singapore, YM Seattle* and *YM Vancouver* .

f. $38.75 million collateralized by the *HN H1022A* for a $95 million financing, out of which $19.95 million remain with the bank in a restricted cash account, to be released when installments become payable on an 80% pro-rata basis. In addition to the drawn amount, the Bank has issued a performance guarantee for $35.25 million partially secured by cash of $7.05 million, representing 20% of the guaranteed amount. When the guaranteed yard installments become payable the guarantee will be converted into drawn funds and the restricted cash will be released accordingly. The company has also placed a further $10.75 million in a restricted cash account as part of the equity contribution required for this vessel which will be released as relevant installments become payable. Post-delivery amortization will be done on the basis of a 5 year grace period from delivery of the vessel. Based on the expected delivery, the first installment of $5.275 million is expected to be payable on March 10, 2017, followed by a further nine equal semi-annual installments and a balloon of $42.25 million payable together with the tenth installment on September 10, 2021.

g. $78.36 million collateralized by the *HN N-218* and *HN S461I* ($22.32 million for *HN N-218* and $56.04 million for *HN S461*) for a $198 million financing designated for the financing of the two newbuildings ($80 million financing for *HN N-218* and $118 million financing for *HN S461*), out of which $16.04 million remain with the bank in a restricted cash account, to be released during the progress payments of the vessels. The remaining financing amount of $119.64 million has been currently drawn as 80% pre-delivery refund guarantee financing of three newbuildings the *HN S458* , the *HN S459* and the *HN S460* (at $39.88 million each) which will be refinanced through other facilities. The refinancing proceeds will be utilized towards the remaining financing of the two newbuildings ($57.68 million for *HN N-218* and $61.96 million for *HN S461*). Following delivery of *HN N-218* and *HN S461* , amortization will be as follows:

i. *HN N-218* : 5 years grace period from delivery of the vessel. Based on the expected delivery, the first installment of $4.445 million is expected to be payable on April 25, 2016, followed by a further nine equal semi-annual installments and a balloon of $35.55 million payable together with the tenth installment on October 25, 2020.

ii. *HN S461* : 5 years grace period from delivery of the vessel. Based on the expected delivery, the first installment of $6.555 is expected to be payable on June 13, 2016, followed by a further nine equal semi-annual installments and a balloon of $52.45 payable together with the tenth installment on December 13, 2020.

As of June 30, 2009, $672.4 million was the utilized portion under the RBS credit facility and $21.0 million of undrawn availability remained available to us for future borrowings.

As of December 31, 2008, we were in breach of the collateral coverage ratio and corporate leverage ratio under this credit facility. We have entered into an agreement waiving the breach of the corporate leverage ratio covenant for the year ended December 31, 2008, as well as any subsequent breach of such covenant, up to January 31, 2010 and reducing the collateral coverage ratio to 100% from 125% (at which revised collateral coverage ratio we are in compliance) in respect of the period ended December 31, 2008 and up until January 31, 2010, with an increase in the interest rate margin

by 1.5 percentage points per annum for the remaining period of the loan and a one-time fee of $0.1 million. In addition, during the period covered by the waiver we are not permitted to make dividend payments without the consent of our lenders under this credit facility.

Emporiki Bank of Greece S.A Credit Facility

On February 15, 2008, we, as borrower, and certain of our vessel-owning subsidiaries, as guarantors, entered into a credit facility for up to $156.8 million to finance part of the purchase price of the *Hull No S4001* and *Hull No S4002* . As of June 30, 2009, $86.9 million was outstanding under this credit facility and $69.9 million of undrawn availability remained available to us for future borrowings.

The interest rate on the Emporiki Bank of Greece S.A credit facility is LIBOR plus margin. The credit facility will be repaid over a 12 year period, with two years' grace period, in 20 equal consecutive semiannual installments of $4.25 million and a balloon payment of $71.8 million along with the final installment. The first installment will be payable on the earlier date of the date falling 30 months from the delivery date of the second vessel mortgaged there under and December 31, 2011.

As of December 31, 2008, we were in breach of the corporate leverage ratio and minimum net worth covenants under this credit facility. We have entered into an agreement waiving breaches of such covenants for the year ended December 31, 2008, as well as any subsequent breach of such covenants, up to January 31, 2010, with an increase in the interest rate margin by 1.65 percentage points per annum for the waiver period and by 0.65 percentage points per annum for the period thereafter.

Fortis Bank Credit Facility

On July 29, 2008, we entered into a new credit facility of $253.2 million with Fortis Bank (acting as agent), Lloyds TSB and National Bank of Greece in relation to the financing of vessels *YM Colombo, YM Seattle, YM Vancouver and YM Singapore* . The structure of this credit facility is such that the group of banks loaned funds of $253.2 million to the Company, which we then re-loaned to a newly created entity of the group of banks ("Investor Bank"). With the proceeds, Investor Bank then subscribed for preference shares in Auckland Marine Inc., Seacarriers Services Inc., Seacarriers Lines Inc., and Wellington Marine Inc. (subsidiaries of Danaos Corporation). In addition, four of our subsidiaries issued a put option in respect of the preference shares. The effect of these transactions is that our subsidiaries are required to pay out fixed preference dividends to the Investor Bank, the Investor Bank is required to pay fixed interest due on the loan from us to Investor Bank and finally the Investor Bank is required to pay put option premium on the put options issued in respect of the preference shares. As of June 30, 2009, $253.2 million was outstanding under this credit facility.

The interest rate on the Fortis Bank credit facility is LIBOR plus margin. The Fortis Bank credit facility will be repaid in 16 consecutive semi annual installments of $8.6 million, with the first such installment being payable on July 29, 2010 and a final balloon payment of $115.2 million payable on the final repayment date, July 29, 2018.

Credit Suisse Credit Facility

On May 9, 2008, we entered into a credit facility with Credit Suisse for an amount equal to $221.1 million to finance new vessels, a 4,250 TEU containership, the *Zim Luanda* , a 6,500 TEU containership, the *HN S4003* , and a 6,500 TEU containership, the *HN N-214* . As of June 30, 2009, $93.4 million was outstanding under this credit facility and $128.2 million of undrawn availability remained available to us for future borrowings.

The interest rate on the Credit Suisse facility is LIBOR plus margin. The credit facility will be repaid in 28 consecutive quarterly installments of $3.99 million with the first installment due on the

earlier of (i) 39 months after delivery of the last vessel and (ii) March 31, 2013 and a final balloon payment of $109.35 million along with the final installment.

As of December 31, 2008, we were in breach of the corporate leverage ratio and net worth covenants contained in this credit facility. We have entered into an agreement waiving breaches of such covenants for the year ended December 31, 2008, as well as any subsequent breach of such covenants, up to January 31, 2010.

Deutsche Bank Credit Facility

On May 30, 2008, we entered into a credit facility with Deutsche Bank for up to $180.0 million in relation to the acquisition of three 4,253 TEU containerships, the *Zim Rio Grande* , the *Zim Sao Paolo* and the *Zim Kingston* . As of June 30, 2009, $180.0 million was outstanding under this credit facility.

The interest rate on the Deutsche Bank facility is LIBOR plus margin. The credit facility will be repaid in 32 consecutive quarterly installments of $2.5 million, with the first installment due on December 31, 2010 and a final balloon payment of $100.0 million due along with the final installment.

As of December 31, 2008, we were in breach of the corporate leverage ratio contained in this credit facility. We have entered into an agreement waiving the breach of such covenant for the year ended December 31, 2008, as well as any subsequent breach of such covenant, up to January 31, 2010. In addition, we paid to the bank a one-time fee of 0.3% on the loan amount.

Deutsche Schiffsbank Credit Facility

On February 2, 2009, the Company, as borrower, and certain of its vessel-owning subsidiaries, as guarantors, entered into a credit facility with Deutsche Schiffsbank, Credit Suisse and Emporiki Bank of $298.5 million in relation to pre and post-delivery financing for five new-building vessels, the *ZIM Dalian* (a 4,253 TEU vessel), the *HN N-220* and the *HN N-223* (two 3,400 TEU vessels), the *HN N-215* (a 6,500 TEU vessel) and the *HN Z0001* (a 8,530 TEU vessel), which are currently under construction and will be gradually delivered to us from the first quarter of 2010 until the end of the first quarter of 2011, with the *Zim Dalian* having been delivered to us on March 31, 2009. As of June 30, 2009, $103.6 million was outstanding under this credit facility and $194.9 million of undrawn availability remained available to us for future borrowings.

The interest rate on the credit facility is LIBOR plus margin. The credit facility will be repaid in 20 equal, consecutive, semi-annual installments of $8.8 million, with the first installment due on December 30, 2011 and a final balloon payment of $122.8 million due along with the final installment.

During the first quarter of 2009, we were in breach of the corporate leverage ratio and net worth covenants in relation to the above credit facility. We have entered into an agreement waiving breaches of such covenants for the year ended December 31, 2008, as well as any subsequent breach of such covenants, up to January 31, 2010.

Seasonal Maritime Corporation Credit Facilities

We borrowed an aggregate amount of $75.0 million ($15.0 million with respect to each vessel) under an unsecured loan agreement, dated August 14, 2006, with Seasonal Maritime Corporation to partially finance the acquisition of the five 6,500 TEU newbuildings we ordered on July 26, 2006. This loan bore interest at a rate of LIBOR plus 1.00 percentage points and matured six months after execution of the loan agreement, with an option for an additional six months repayment term for the borrower. In addition, a flat fee of $112,500 was paid upon execution of the loan agreement and a commitment fee of 0.30% per annum was payable quarterly on any undrawn amount, commencing August 14, 2006.

We borrowed an additional aggregate amount of $25.0 million under an unsecured loan agreement, dated September 25, 2006, with Seasonal Maritime Corporation, to finance installment payments on the *HN 1670* , the *HN 1671* , the *HN 1672* and the *HN 1673* , made on September 28, 2006. This loan bore interest at a rate of LIBOR plus 1.00 percentage points and matured six months after execution of the loan agreement, with an option for an additional six months repayment term for the borrower. In addition, a flat fee of $37,500 was paid upon execution of the loan agreement and a commitment fee of 0.30 percentage points per annum was payable quarterly on any undrawn amount, commencing September 25, 2006.

We believe the fees and interest payable under these loan agreements were no less favorable than those we could obtain in arm's-length negotiations with an unrelated third party. We repaid the entire amount outstanding under these loans on December 28, 2006, with borrowings made under our RBS and Aegean Baltic—HSH Nordbank—Piraeus Bank credit facility.

Exchange Controls and Other Limitations Affecting Stockholders

Under Marshall Islands and Greek law, there are currently no restrictions on the export or import of capital, including foreign exchange controls or restrictions that affect the remittance of dividends, interest or other payments to non-resident holders of our common stock.

We are not aware of any limitations on the rights to own our common stock, including rights of non-resident or foreign stockholders to hold or exercise voting rights on our common stock, imposed by foreign law or by our articles of incorporation or bylaws.

Tax Considerations

Marshall Islands Tax Considerations

We are a Marshall Islands corporation. Because we do not, and we do not expect that we will, conduct business or operations in the Marshall Islands, under current Marshall Islands law we are not subject to tax on income or capital gains and our stockholders will not be subject to Marshall Islands taxation or withholding on dividends and other distributions, including upon a return of capital, we make to our stockholders. In addition, our stockholders, who do not reside in, maintain offices in or engage in business in the Marshall Islands, will not be subject to Marshall Islands stamp, capital gains or other taxes on the purchase, ownership or disposition of common stock, and such stockholders will not be required by the Republic of The Marshall Islands to file a tax return relating to the common stock.

Each stockholder is urged to consult their tax counsel or other advisor with regard to the legal and tax consequences, under the laws of pertinent jurisdictions, including the Marshall Islands, of their investment in us. Further, it is the responsibility of each stockholder to file all state, local and non-U.S., as well as U.S. federal tax returns that may be required of them.

Liberian Tax Considerations

The Republic of Liberia enacted a new income tax act effective as of January 1, 2001 (the "New Act"). In contrast to the income tax law previously in effect since 1977, the New Act 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 prior law, 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 provisions of the New Act, are a valid exercise of the regulatory authority of the Liberian Ministry of Finance such that the regulations can be considered unquestionably enforceable. However, an opinion dated December 23, 2004 addressed by the Minister of Justice and Attorney General of the Republic of Liberia to The LISCR Trust Company stated that the regulations are a valid exercise of the regulatory authority of the Ministry of Finance. The Liberian Ministry of Finance has not at any time since January 1, 2001 sought to collect taxes from any of our Liberian subsidiaries.

If, however, 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 flow would be materially reduced. In addition, as the ultimate shareholder 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%.

United States Federal Income Tax Considerations

The following discussion of United States federal income tax matters is based on the Internal Revenue Code of 1986, or the Code, judicial decisions, administrative pronouncements, and existing and proposed regulations issued by the United States Department of the Treasury, all of which are in effect and available and subject to change, possibly with retroactive effect. Except as otherwise noted, this discussion is based on the assumption that we will not maintain an office or other fixed place of business within the United States. We have no current intention of maintaining such an office. References in this discussion to "we" and "us" are to Danaos Corporation and its subsidiaries on a consolidated basis, unless the context otherwise requires.

United States Federal Income Taxation of Our Company

Taxation of Operating Income: In General

Unless exempt from United States federal income taxation under the rules discussed below, a foreign corporation is subject to United States federal income taxation in respect of any income that is derived from the use of vessels, from the hiring or leasing of vessels for use on a time, operating or bareboat charter basis, from the participation in a pool, partnership, strategic alliance, joint operating agreement or other joint venture it directly or indirectly owns or participates in that generates such income, or from the performance of services directly related to those uses, which we refer to as "shipping income," to the extent that the shipping income is derived from sources within the United States. For these purposes, 50% of shipping income that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States constitutes income from sources within the United States, which we refer to as "United States-source shipping income."

Shipping income attributable to transportation that both begins and ends in the United States is generally considered to be 100% from sources within the United States. We do not expect to engage in transportation that produces income which is considered to be 100% from sources within the United States.

Shipping income attributable to transportation exclusively between non-United States ports is generally considered to be 100% derived from sources outside the United States. Shipping income derived from sources outside the United States will not be subject to any United States federal income tax.

In the absence of exemption from tax under Section 883 of the Code, our gross United States-source shipping income and that of our vessel-owning or vessel-operating subsidiaries, unless determined to be effectively connected with the conduct of a United States trade or business, as described below, would be subject to a 4% tax imposed without allowance for deductions as described below.

Exemption of Operating Income from United States Federal Income Taxation

Other than with respect to four of our vessel-owning subsidiaries which are discussed in greater detail below, under Section 883 of the Code, we and our vessel-owning or vessel-operating subsidiaries will be exempt from United States federal income taxation on United States-source shipping income if:

(1) we and such subsidiaries are organized in foreign countries (our "countries of organization") that grant an "equivalent exemption" to corporations organized in the United States; and

(2) either

(A) more than 50% of the value of our stock is owned, directly or indirectly, by individuals who are "residents" of our country of organization or of another foreign country that grants an "equivalent exemption" to corporations organized in the United States, which we refer to as the "50% Ownership Test"; or

(B) our stock is "primarily and regularly traded on an established securities market" in our country of organization, in another country that grants an "equivalent exemption" to United States corporations, or in the United States, which we refer to as the "Publicly-Traded Test."

We believe, based on Revenue Ruling 2008-17, 2008-12 IRB 626, and, in the case of the Marshall Islands, an exchange of notes between the United States and the Marshall Islands, 1990-2 C.B. 321, in the case of Liberia, an exchange of notes between the United States and Liberia, 1988-1 C.B. 463, in the case of Cyprus, an exchange of notes between the United States and Cyprus, 1989-2 C.B. 332 and, in the case of Singapore, an exchange of notes between the United States and Singapore, 1990-2 C.B. 323, (each an "Exchange of Notes") that the Marshall Islands, Liberia, Cyprus and Singapore, the jurisdictions in which we and our vessel-owning and vessel-operating subsidiaries are incorporated, grant an "equivalent exemption" to United States corporations. Therefore, we believe that we and our vessel-owning and vessel-operating subsidiaries other than four vessel-owning subsidiaries discussed below will be exempt from United States federal income taxation with respect to United States-source shipping income if either the 50% Ownership Test or the Publicly-Traded Test is met. While we believe that we currently satisfy the 50% Ownership Test, we expect that, if the 883 Trust were to come to own 50% or less of our shares, it may be difficult for us to satisfy the 50% Ownership Test due to the public trading of our stock. Our ability to satisfy the Publicly-Traded Test is discussed below.

The Section 883 regulations provide, in pertinent part, that stock of a foreign corporation will be considered to be "primarily traded" on an established securities market in a particular country if the number of shares of each class of stock that are traded during any taxable year on all established securities markets in that country exceeds the number of shares in each such class that are traded during that year on established securities markets in any other single country. For 2008, our common stock, which is the sole class of our issued and outstanding stock, was "primarily traded" on the New York Stock Exchange and we anticipate that that will also be the case for subsequent taxable years.

Under the regulations, our common stock will be considered to be "regularly traded" on an established securities market if one or more classes of our stock representing more than 50% of our outstanding shares, by total combined voting power of all classes of stock entitled to vote and total value, is listed on the market. We refer to this as the listing threshold. Since our common stock is our sole class of stock we satisfied the listing requirement for 2008 and expect to continue to satisfy this requirement for subsequent taxable years.

It is further required that with respect to each class of stock relied upon to meet the listing threshold (i) such class of the stock is traded on the market, other than in minimal quantities, on at least 60 days during the taxable year or $^{1}/_{6}$ of the days in a short taxable year; and (ii) the aggregate number of shares of such class of stock traded on such market is at least 10% of the average number of shares of such class of stock outstanding during such year or as appropriately adjusted in the case of a short taxable year. We believe that we satisfied the trading frequency and trading volume tests years

for 2008 and we expect to continue to satisfy these requirements for subsequent taxable years. Even if this were not the case, the regulations provide that the trading frequency and trading volume tests will be deemed satisfied if, as was the case for 2008 and we expect to be the case with our common stock for subsequent taxable years, such class of stock is traded on an established market in the United States and such stock is regularly quoted by dealers making a market in such stock.

Notwithstanding the foregoing, the regulations provide, in pertinent part, that a class of our stock will not be considered to be "regularly traded" on an established securities market for any taxable year in which 50% or more of such class of our outstanding shares of the stock is owned, actually or constructively under specified stock attribution rules, on more than half the days during the taxable year by persons who each own 5% or more of the value of such class of our outstanding stock, which we refer to as the "5 Percent Override Rule."

For purposes of being able to determine the persons who own 5% or more of our stock, or "5% Stockholders," the regulations permit us to rely on those persons that are identified on Schedule 13G and Schedule 13D filings with the United States Securities and Exchange Commission, or the "SEC," as having a 5% or more beneficial interest in our common stock. The regulations further provide that an investment company which is registered under the Investment Company Act of 1940, as amended, will not be treated as a 5% Stockholder for such purposes.

More than 50% of our shares of common stock are currently owned by 5% stockholders. Thus, we will be subject to the 5% Override Rule unless we can establish that among the shares included in the closely-held block of our shares of common stock are a sufficient number of shares of common stock that are owned or treated as owned by "qualified stockholders" that the shares of common stock included in such block that are not so treated could not constitute 50% or more of the shares of our common stock for more than half the number of days during the taxable year. In order to establish this, such qualified stockholders would have to comply with certain documentation and certification requirements designed to substantiate their identity as qualified stockholders. For these purposes, a "qualified stockholder" includes (i) an individual that owns or is treated as owning shares of our common stock and is a resident of a jurisdiction that provides an exemption that is equivalent to that provided by Section 883 of the Code and (ii) certain other persons. There can be no assurance that we will not be subject to the 5 Percent Override Rule with respect to any taxable year.

Approximately 80.1% of our shares will be treated, under applicable attribution rules, as owned by the 883 Trust whose ownership of our shares will be attributed, during his lifetime, to John Coustas, our chief executive officer, for purposes of Section 883. Dr. Coustas has entered into an agreement with us regarding his compliance, and the compliance of certain entities that he controls and through which he owns our shares, with the certification requirements designed to substantiate status as qualified stockholders. In certain circumstances, including circumstances where Dr. Coustas ceases to be a "qualified stockholder" or where the 883 Trust transfers some or all of our shares that it holds, Dr Coustas' compliance, and the compliance of certain entities that he controls or through which he owns our shares, with the terms of the agreement with us will not enable us to satisfy the requirements for the benefits of Section 883. Following Dr. Coustas' death, there can be no assurance that our shares that are treated, under applicable attribution rules, as owned by the 883 Trust will be treated as owned by a "qualified stockholder" or that any "qualified stockholder" to whom ownership of all or a portion of such ownership is attributed will comply with the ownership certification requirements under Section 883. As to the four vessel-owning subsidiaries referred to above, we believe that their qualification for the benefits of Section 883 for any taxable year will depend upon whether preferred shares issued by such subsidiaries, as to which we are not the direct or indirect shareholder of record, are owned, directly or under applicable ownership attribution rules, by "qualified shareholders" who comply with specified ownership certification procedures. There can be no assurance that such preferred shares will be treated as so owned with respect to any taxable year.

Accordingly, there can be no assurance that we or any of our vessel-owning or vessel-operating subsidiaries will qualify for the benefits of Section 883 for any taxable year.

To the extent the benefits of Section 883 are unavailable, our U.S.-source shipping income, to the extent not considered to be "effectively connected" with the conduct of a United States trade or business, as described below, would be subject to a 4% tax imposed by Section 887 of the Code on a gross basis, without the benefit of deductions. Since, under the sourcing rules described above, we expect that no more than 50% of our shipping income would be treated as being derived from United States sources, we expect that the maximum effective rate of United States federal income tax on our gross shipping income would never exceed 2% under the 4% gross basis tax regime. Many of our charters contain provisions obligating the charter to reimburse us for amounts paid in respect of the 4% tax with respect to the activities of the vessel subject to the charter.

To the extent the benefits of the Section 883 exemption are unavailable and our United States-source shipping income is considered to be "effectively connected" with the conduct of a United States trade or business, as described below, any such "effectively connected" U.S.-source shipping income, net of applicable deductions, would be subject to the United States federal corporate income tax currently imposed at rates of up to 35%. In addition, we may be subject to the 30% "branch profits" taxes on earnings effectively connected with the conduct of such trade or business, as determined after allowance for certain adjustments, and on certain interest paid or deemed paid attributable to the conduct of our United States trade or business.

Our U.S.-source shipping income, other than leasing income, will be considered "effectively connected" with the conduct of a United States trade or business only if:

- we have, or are considered to have, a fixed place of business in the United States involved in the earning of shipping income; and
- substantially all (at least 90%) of our U.S.-source shipping income, other than leasing income, is attributable to regularly scheduled transportation, such as the operation of a vessel that follows a published schedule with repeated sailings at regular intervals between the same points for operatings that begin or end in the United States.

Our U.S.-source shipping income from leasing will be considered "effectively connected" with the conduct of a U.S. trade or business only if:

- we have, or are considered to have a fixed place of business in the United States that is involved in the meaning of such leasing income; and
- substantially all (at least 90%) of our U.S.-source shipping income from leasing is attributable to such fixed place of business.

For these purposes, leasing income is treated as attributable to a fixed place of business where such place of business is a material factor in the realization of such income and such income is realized in the ordinary course of business carried on through such fixed place of business. Based on the foregoing and on the expected mode of our shipping operations and other activities, we believe that none of our U.S.-source shipping income will be "effectively connected" with the conduct of a U.S. trade or business.

United States Taxation of Gain on Sale of Vessels

Regardless of whether we qualify for exemption under Section 883, we will not be subject to United States federal income taxation with respect to gain realized on a sale of a vessel, provided the sale is considered to occur outside of the United States under United States federal income tax principles. In general, a sale of a vessel will be considered to occur outside of the United States for this purpose if title to the vessel, and risk of loss with respect to the vessel, pass to the buyer outside of the United States. It is expected that any sale of a vessel will be so structured that it will be considered to

occur outside of the United States unless any gain from such sale is expected to qualify for exemption under Section 883.

United States Federal Income Taxation of United States Holders

As used herein, the term "United States Holder" means a beneficial owner of common stock that is a United States citizen or resident, United States corporation or other United States entity taxable as a corporation, an estate the income of which is subject to United States federal income taxation regardless of its source, or a trust if a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust.

If a partnership holds our common stock, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. Partners in a partnership holding our common stock are encouraged to consult their tax advisor.

Distributions

Subject to the discussion of passive foreign investment companies below, any distributions made by us with respect to our common stock to a United States Holder will generally constitute dividends, which may be taxable as ordinary income or "qualified dividend income" as described in more detail below, to the extent of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Distributions in excess of our earnings and profits will be treated first as a nontaxable return of capital to the extent of the United States Holder's tax basis in his common stock on a dollar for dollar basis and thereafter as capital gain. Because we are not a United States corporation, United States Holders that are corporations will not be entitled to claim a dividends received deduction with respect to any distributions they receive from us. Dividends paid with respect to our common stock will generally be treated as passive category income or, in the case of certain types of United States Holders, general category income for purposes of computing allowable foreign tax credits for United States foreign tax credit purposes.

Dividends paid on our common stock to a United States Holder who is an individual, trust or estate (a "United States Individual Holder") should be treated as "qualified dividend income" that is taxable to such United States Individual Holders at preferential tax rates (through 2010) provided that (1) the common stock is readily tradable on an established securities market in the United States (such as the New York Stock Exchange); (2) we are not a passive foreign investment company, or PFIC, for the taxable year during which the dividend is paid or the immediately preceding taxable year (see the discussion below under "—PFIC Status and Material U.S. Federal Tax Consequences"); and (3) the United States Individual Holder owns the common stock for more than 60 days in the 121-day period beginning 60 days before the date on which the common stock becomes ex-dividend. Special rules may apply to any "extraordinary dividend". Generally, an extraordinary dividend is a dividend in an amount which is equal to or in excess of ten percent of a stockholder's adjusted basis (or fair market value in certain circumstances) in a share of common stock paid by us. If we pay an "extraordinary dividend" on our common stock that is treated as "qualified dividend income," then any loss derived by a United States Individual Holder from the sale or exchange of such common stock will be treated as long-term capital loss to the extent of such dividend. There is no assurance that any dividends paid on our common stock will be eligible for these preferential rates in the hands of a United States Individual Holder. Any dividends paid by us which are not eligible for these preferential rates will be taxed to a United States Individual Holder at the standard ordinary income rates.

Legislation has been introduced that would deny the preferential rate of federal income tax currently imposed on qualified dividend income with respect to dividends received from a non-U.S. corporation, unless the non-U.S. corporation either is eligible for the 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 described above may no longer be applicable to dividends received from us. As of the date hereof, it is not possible to predict with certainty whether or in what form the proposed legislation will be enacted.

Sale, Exchange or other Disposition of Common Stock

Assuming we do not constitute a PFIC for any taxable year, a United States Holder generally will recognize taxable gain or loss upon a sale, exchange or other disposition of our common stock in an amount equal to the difference between the amount realized by the United States Holder from such sale, exchange or other disposition and the United States Holder's tax basis in such stock. Such gain or loss will be treated as long-term capital gain or loss if the United States Holder's holding period is greater than one year at the time of the sale, exchange or other disposition. Such capital gain or loss will generally be treated as United States-source income or loss, as applicable, for United States foreign tax credit purposes. A United States Holder's ability to deduct capital losses is subject to certain limitations.

PFIC Status and Material U.S. Federal Tax Consequences

Special United States federal income tax rules apply to a United States Holder that holds stock in a foreign corporation classified as a passive foreign investment company, or PFIC, for United States federal income tax purposes. In general, we will be treated as a PFIC in any taxable year in which, after applying certain look-through rules, either:

- at least 75% of our gross income for such taxable year consists of passive income (e.g., dividends, interest, capital gains and rents derived other than in the active conduct of a rental business); or
- at least 50% of the average value of our assets during such taxable year produce, or are held for the production of, passive income.

For purposes of determining whether we are a PFIC, we will be treated as earning and owning our proportionate share of the income and assets, respectively, of any of our subsidiary corporations in which we own at least 25% of the value of the subsidiary's stock. Income earned, or deemed earned, by us in connection with the performance of services will not constitute passive income. By contrast, rental income will generally constitute "passive income" unless we are treated under specific rules as deriving our rental income in the active conduct of a trade or business.

We may hold, directly or indirectly, interests in other entities that are PFICs ("Subsidiary PFICs"). If we are a PFIC, each United States Holder will be treated as owning its pro rata share by value of the stock of any such Subsidiary PFICs.

While there are legal uncertainties involved in this determination, we believe that we should not be treated as a PFIC for the taxable year ended December 31, 2008. We believe that, although there is no legal authority directly on point, the gross income that we derive from time chartering activities of our subsidiaries should constitute services income rather than rental income. Consequently, such income should not constitute passive income and the vessels that we or our subsidiaries operate in connection with the production of such income should not constitute passive assets for purposes of determining whether we are a PFIC. The characterization of income from time charters, however, is uncertain. Although there is older legal authority supporting this position consisting of case law and Internal Revenue Service, or IRS, pronouncements concerning the characterization of income derived from time charters as services income for other tax purposes, the United States Court of Appeals for the Fifth Circuit recently held in *Tidewater Inc. and Subsidiaries; Tidewater Foreign Sales Corporation* ,

No. 08-30268 (5th Cir., April 13, 2009), that income derived from certain time chartering activities should be treated as rental income rather than services income for purposes of the "foreign sales corporation" rules under the Code. Consequently, in the absence of any legal authority specifically relating to the statutory provisions governing PFICs, there can be no assurance that the IRS or a court would agree with this opinion. However, if the principles of the *Tidewater* decision were applicable to our time charters, we would likely be treated as a PFIC. Moreover, although we intend to conduct our affairs in a manner to avoid being classified as a PFIC, we cannot assure you that the nature of our assets, income and operations will not change, or that we can avoid being treated as a PFIC for any taxable year.

As discussed more fully below, if we were to be treated as a PFIC for any taxable year, a United States Holder would be subject to different taxation rules depending on whether the United States Holder makes an election to treat us as a "Qualified Electing Fund," which election we refer to as a "QEF election." As an alternative to making a QEF election, a United States Holder should be able to make a "mark-to-market" election with respect to our common stock, as discussed below.

Taxation of United States Holders Making a Timely QEF Election

If a United States Holder makes a timely QEF election, which United States Holder we refer to as an "Electing Holder," for United States federal income tax purposes each year the Electing Holder must report his, her or its pro-rata share of our ordinary earnings and our net capital gain, if any, for our taxable year that ends with or within the taxable year of the Electing Holder, regardless of whether or not distributions were received from us by the Electing Holder. Generally, a QEF election should be made on or before the due date for filing the electing United States Holder's U.S. federal income tax return for the first taxable year in which our common stock is held by such United States Holder and we are classified as a PFIC. The Electing Holder's adjusted tax basis in the common stock would be increased to reflect taxed but undistributed earnings and profits. Distributions of earnings and profits that had been previously taxed would result in a corresponding reduction in the adjusted tax basis in the common stock and would not be taxed again once distributed. An Electing Holder would generally recognize capital gain or loss on the sale, exchange or other disposition of our common stock. A United States Holder would make a QEF election with respect to any year that our company and any Subsidiary PFIC are treated as PFICs by filing one copy of IRS Form 8621 with his, her or its United States federal income tax return and a second copy in accordance with the instructions to such form. If we were to become aware that we were to be treated as a PFIC for any taxable year, we would notify all United States Holders of such treatment and would provide all necessary information to any United States Holder who requests such information in order to make the QEF election described above with respect to our common stock and the stock of any Subsidiary PFIC.

Taxation of United States Holders Making a "Mark-to-Market" Election

Alternatively, if we were to be treated as a PFIC for any taxable year and, as we anticipate, our common stock is treated as "marketable stock," a United States Holder would be allowed to make a "mark-to-market" election with respect to our common stock, provided the United States Holder completes and files IRS Form 8621 in accordance with the relevant instructions and related Treasury Regulations. If that election is made, the United States Holder generally would include as ordinary income in each taxable year the excess, if any, of the fair market value of the common stock at the end of the taxable year over such holder's adjusted tax basis in the common stock. The United States Holder also would be permitted an ordinary loss in respect of the excess, if any, of the United States Holder's adjusted tax basis in the common stock over its fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A United States Holder's tax basis in his, her or its common stock would be adjusted to reflect any such income or loss amount. Gain realized on the sale, exchange or other disposition of our common stock would be treated as ordinary income, and any loss realized on the

sale, exchange or other disposition of the common stock would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included by the United States Holder. A mark-to-market election under the PFIC rules with respect to our common stock would not apply to a Subsidiary PFIC, and a United States Holder would not be able to make such a mark-to-market election in respect of its indirect ownership interest in that Subsidiary PFIC. Consequently, United States Holders of our common stock could be subject to the PFIC rules with respect to income of the Subsidiary PFIC, the value of which already had been taken into account indirectly via mark-to-market adjustments.

Taxation of United States Holders Not Making a Timely QEF or Mark-to-Market Election

Finally, if we were treated as a PFIC for any taxable year, a United States Holder who does not make either a QEF election or a "mark-to-market" election for that year, whom we refer to as a "Non-Electing Holder," would be subject to special rules with respect to (1) any excess distribution (i.e., the portion of any distributions received by the Non-Electing Holder on our common stock in a taxable year in excess of 125% of the average annual distributions received by the Non-Electing Holder in the three preceding taxable years, or, if shorter, the Non-Electing Holder's holding period for the common stock) and (2) any gain realized on the sale, exchange or other disposition of our common stock. Under these special rules:

- the excess distribution or gain would be allocated ratably over the Non-Electing Holder's aggregate holding period for the common stock;
- the amount allocated to the current taxable year or to any portion of the United States Holder's holding period prior to the first taxable year for which we were a PFIC would be taxed as ordinary income; and
- the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

If a Non-Electing Holder who is an individual dies before January 1, 2010, while owning our common stock, such holder's successor generally will not receive a step-up in tax basis with respect to such stock.

If a United States Holder held our common stock during a period when we were treated as a PFIC but the United States Holder did not have a QEF election in effect with respect to us, then in the event that we failed to qualify as a PFIC for a subsequent taxable year, the United States Holder could elect to cease to be subject to the rules described above with respect to those shares by making a "deemed sale" or, in certain circumstances, a "deemed dividend" election with respect to our common stock. If the United States Holder makes a deemed sale election, the United States Holder will be treated, for purposes of applying the rules described in the preceding paragraph, as having disposed of our common stock for their fair market value on the last day of the last taxable year for which we qualified as a PFIC (the "termination date"). The United States Holder would increase his, her or its basis in such common stock by the amount of the gain on the deemed sale described in the preceding sentence. Following a deemed sale election, the United States Holder would not be treated, for purposes of the PFIC rules, as having owned the common stock during a period prior to the termination date when we qualified as a PFIC.

If we were treated as a "controlled foreign corporation" for United States tax purposes for the taxable year that included the termination date, then a United States Holder could make a deemed dividend election with respect to our common stock. If a deemed dividend election is made, the United States Holder is required to include in income as a dividend his, her or its pro rata share (based on all of our stock held by the United States Holder, directly or under applicable attribution rules, on the

termination date) of our post-1986 earnings and profits as of the close of the taxable year that includes the termination date (taking only earnings and profits accumulated in taxable years in which we were a PFIC into account). The deemed dividend described in the preceding sentence is treated as an excess distribution for purposes of the rules described in the second preceding paragraph. The United States Holder would increase his, her or its basis in our common stock by the amount of the deemed dividend. Following a deemed dividend election, the United States Holder would not be treated, for purposes of the PFIC rules, as having owned the common stock during a period prior to the termination date when we qualified as a PFIC. For purposes of determining whether the deemed dividend election is available, we will generally be treated as a controlled foreign corporation for a taxable year when, at any time during that year, United States persons, each of whom owns, directly or under applicable attribution rules, common stock having 10% or more of the total voting power of our common stock, in the aggregate own, directly or under applicable attribution rules, shares representing more than 50% of the voting power or value of our common stock.

A deemed sale or deemed dividend election must be made on the United States Holder's original or amended return for the shareholder's taxable year that includes the termination date and, if made on an amended return, such amended return must be filed not later than the date that is three years after the due date of the original return for such taxable year. Special rules apply where a person is treated, for purposes of the PFIC rules, as indirectly owning our common stock.

United States Federal Income Taxation of "Non-United States Holders"

A beneficial owner of common stock that is not a United States Holder and is not treated as a partnership for United States federal income tax purposes is referred to herein as a "Non-United States Holder."

Dividends on Common Stock

Non-United States Holders generally will not be subject to United States federal income tax or withholding tax on dividends received from us with respect to our common stock, unless that income is effectively connected with the Non-United States Holder's conduct of a trade or business in the United States. If the Non-United States Holder is entitled to the benefits of a United States income tax treaty with respect to those dividends, that income generally is taxable only if it is attributable to a permanent establishment maintained by the Non-United States Holder in the United States.

Sale, Exchange or Other Disposition of Common Stock

Non-United States Holders generally will not be subject to United States federal income tax or withholding tax on any gain realized upon the sale, exchange or other disposition of our common stock, unless:

- the gain is effectively connected with the Non-United States Holder's conduct of a trade or business in the United States. If the Non-United States Holder is entitled to the benefits of an income tax treaty with respect to that gain, that gain generally is taxable only if it is attributable to a permanent establishment maintained by the Non-United States Holder in the United States; or
- the Non-United States Holder is an individual who is present in the United States for 183 days or more during the taxable year of disposition and other conditions are met.

If the Non-United States Holder is engaged in a United States trade or business for United States federal income tax purposes, the income from the common stock, including dividends and the gain from the sale, exchange or other disposition of the stock that is effectively connected with the conduct of that trade or business will generally be subject to regular United States federal income tax in the same manner as discussed in the previous section relating to the taxation of United States Holders. In

addition, in the case of a corporate Non-United States Holder, such holder's earnings and profits that are attributable to the effectively connected income, which are subject to certain adjustments, may be subject to an additional branch profits tax at a rate of 30%, or at a lower rate as may be specified by an applicable income tax treaty.

Backup Withholding and Information Reporting

In general, dividend payments, or other taxable distributions, made within the United States to a noncorporate United States holder will be subject to information reporting requirements and backup withholding tax if such holder:

- fails to provide an accurate taxpayer identification number;
- is notified by the IRS that it has failed to report all interest or dividends required to be shown on its federal income tax returns; or
- in certain circumstances, fails to comply with applicable certification requirements.

Non-United States Holders may be required to establish their exemption from information reporting and backup withholding by certifying their status on IRS Form W-8BEN, W-8ECI or W-8IMY, as applicable.

If a holder sells our common stock to or through a United States office or broker, the payment of the proceeds is subject to both United States backup withholding and information reporting unless the holder certifies that it is a non-United States person, under penalties of perjury, or the holder otherwise establishes an exemption. If a holder sells our common stock through a non-United States office of a non-United States broker and the sales proceeds are paid outside the United States then information reporting and backup withholding generally will not apply to that payment. However, United States information reporting requirements, but not backup withholding, will apply to a payment of sales proceeds, even if that payment is made outside the United States, if a holder sells our common stock through a non-United States office of a broker that is a United States person or has some other contacts with the United States.

Backup withholding tax is not an additional tax. Rather, a holder generally may obtain a refund of any amounts withheld under backup withholding rules that exceed such stockholder's income tax liability by filing a refund claim with the IRS.

Dividends and Paying Agents

Not applicable.

Statement by Experts

Not applicable.

Documents on Display

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended. In accordance with these requirements, we file reports and other information as a foreign private issuer with the SEC. You may inspect and copy our public filings without charge at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room. You may obtain copies of all or any part of such materials from the SEC upon payment of prescribed fees. You may also inspect reports and other information regarding registrants, such as us, that file electronically with the SEC without charge at a web site maintained by the SEC at *http://www.sec.gov* .

Item 11. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

In connection with certain of our credit facilities under which we pay a floating rate of interest, we entered into interest rate swap agreements designed to decrease 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 FASB Statement No. 133, *Accounting for Derivative Instruments and Certain Hedging Activities* (Statement No. 133) in order to designate these swaps as hedging instruments, as of June 15, 2006, these interest rate swaps 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 are performed on a quarterly basis, on the financial statement and earnings reporting dates. Prior to June 15, 2006, 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 converting floating interest rate exposure into fixed as of December 31, 2008 and 2007 (in thousands).

Counter-party	Contract Trade Date	Effective Date	Termination Date	Notional Amount on Effective Date	Fixed Rate (Danaos pays)	Floating Rate (Danaos receives)	Fair Value December 31, 2008	Fair Value December 31, 2007
RBS	03/09/2007	3/15/2010	3/15/2015	$ 200,000	5.07% p.a.	USD LIBOR 3M BBA	$ (25,181)	$ (2,702)
RBS	03/16/2007	3/20/2009	3/20/2014	$ 200,000	4.922% p.a.	USD LIBOR 3M BBA	$ (27,438)	$ (4,274)
RBS	11/28/2006	11/28/2008	11/28/2013	$ 100,000	4.855% p.a.	USD LIBOR 3M BBA	$ (13,451)	$ (2,326)
RBS	11/28/2006	11/28/2008	11/28/2013	$ 100,000	4.875% p.a.	USD LIBOR 3M BBA	$ (13,546)	$ (2,414)
RBS	12/01/2006	11/28/2008	11/28/2013	$ 100,000	4.78% p.a.	USD LIBOR 3M BBA	$ (13,093)	$ (1,996)
HSH Nordbank	12/06/2006	12/8/2006	12/8/2009	$ 200,000	4.739% p.a.	USD LIBOR 3M BBA	$ (6,474)	$ (3,388)
HSH Nordbank	12/06/2006	12/8/2009	12/8/2014	$ 400,000	4.855% p.a.	USD LIBOR 3M BBA	$ (48,115)	$ (3,149)
CITI	04/17/2007	4/17/2008	4/17/2015	$ 200,000	5.124% p.a.	USD LIBOR 3M BBA	$ (35,220)	$ (8,440)
CITI	04/20/2007	4/20/2010	4/20/2015	$ 200,000	5.1775% p.a.	USD LIBOR 3M BBA	$ (25,853)	$ (3,363)
RBS	09/13/2007	10/31/2007	10/31/2012	$ 500,000	4.745% p.a.	USD LIBOR 3M BBA	$ (54,131)	$ (12,911)
RBS	09/13/2007	9/15/2009	9/15/2014	$ 200,000	4.9775% p.a.	USD LIBOR 3M BBA	$ (26,067)	$ (3,220)
RBS	11/16/2007	11/22/2010	11/22/2015	$ 100,000	5.07% p.a.	USD LIBOR 3M BBA	$ (11,564)	$ (655)
RBS	11/15/2007	11/19/2010	11/19/2015	$ 100,000	5.12% p.a.	USD LIBOR 3M BBA	$ (11,801)	$ (864)
Eurobank	12/06/2007	12/10/2010	12/10/2015	$ 200,000	4.8125% p.a.	USD LIBOR 3M BBA	$ (20,611)	$ 825
Eurobank	12/06/2007	12/10/2007	12/10/2010	$ 200,000	3.8925% p.a.	USD LIBOR 3M BBA	$ (9,565)	$ 153
CITI	10/23/2007	10/25/2009	10/27/2014	$ 250,000	4.9975% p.a.	USD LIBOR 3M BBA	$ (32,319)	$ (3,854)
CITI	11/02/2007	11/6/2010	11/6/2015	$ 250,000	5.1% p.a.	USD LIBOR 3M BBA	$ (29,338)	$ (2,027)
CITI	11/26/2007	11/29/2010	11/30/2015	$ 100,000	4.98% p.a.	USD LIBOR 3M BBA	$ (11,123)	$ (281)
CITI	01/8/2008	1/10/2008	1/10/2011	$ 300,000	3.57% p.a.	USD LIBOR 3M BBA	$ (12,985)	$ —
CITI	02/07/2008	2/11/2011	2/11/2016	$ 200,000	4.695% p.a.	USD LIBOR 3M BBA	$ (19,168)	$ —
Eurobank	02/11/2008	5/31/2011	5/31/2015	$ 200,000	4.755% p.a.	USD LIBOR 3M BBA	$ (15,842)	$ —
Total fair value							**$ (462,885)**	**$ (54,886)**

Statement No. 133 as amended by FASB Statement No. 137, " *Accounting for Derivative Instruments and Hedging Activities—Deferral of the Effective Date of FAS 133* ," (Statement No. 137) and FASB Statement No. 138, " *Accounting for Certain Derivative Instruments and Certain Hedging Activities* ," (Statement No. 138) which has been effective for us since January 1, 2001, established accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. They require that an entity recognize all derivatives as either

assets or liabilities in the balance sheet and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of gain or loss recognition on the hedging derivative with the recognition of (i) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change.

Fair Value Interest Rate Swap Hedges

These interest rate swaps are designed to economically hedge the fair value of the fixed rate loan facilities against fluctuations in the market interest rates by converting its fixed rate loan facilities to floating rate debt. Pursuant to the adoption of our Risk Management Accounting Policy, and after putting in place the formal documentation required by Statement No. 133 in order to designate these swaps as hedging instruments, as of June 15, 2006, these interest rate swaps qualified for hedge accounting, and, accordingly, since that time, 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. We consider our strategic use of interest rate swaps to be a prudent method of managing interest rate sensitivity, as it prevents earnings from being exposed to undue risk posed by changes in interest rates. Assessment and measurement of prospective and retrospective effectiveness for these interest rate swaps are performed on a quarterly basis, on the financial statement and earnings reporting dates.

The interest rate swap agreements converting fixed interest rate exposure into floating, as of December 31, 2008 and 2007 were as follows (in thousands):

Counter party	Contract trade Date	Effective Date	Termination Date	Notional Amount on Effective Date	Fixed Rate (Danaos receives)	Floating Rate (Danaos pays)	Fair Value December 31, 2008	Fair Value December 31, 2007
RBS	11/15/2004	12/15/2004	8/27/2016	$ 60,528	5.0125% p.a.	USD LIBOR 3M BBA + 0.835% p.a.	$ 3,289	$ (177)
RBS	11/15/2004	11/17/2004	2/11/2016	$ 62,342	5.0125% p.a.	USD LIBOR 3M BBA + 0.855% p.a.	$ 3,402	$ (244)
Total fair value							**$ 6,691**	**$ (421)**

The total fair value change of the interest rate swaps for the period from January 1, 2008 until December 31, 2008, amounted to $7.1 million, and is included in the Statement of Income in "Gain/(loss) on fair value of derivatives". The related asset of $6.7 million is shown under "Other non-current assets" in the Balance Sheet. The total fair value change of the underlying hedged debt for the period from January 1, 2008 until December 31, 2008, amounted to $6.0 million and is included in the Statement of Income in "Gain/(loss) on fair value of derivatives". The net ineffectiveness for December 31, 2008, amounted to $1.1 million and is shown in the Statement of Income in Gain/(loss) on fair value of derivatives".

Cash Flow Interest Rate Swap Hedges

We, according to our long-term strategic plan to maintain relative stability in our interest rate exposure, have decided to swap part of our interest expenses from floating to fixed. To this effect, we have entered into 21 interest rate swap transactions with varying start and maturity dates, in order to pro-actively and efficiently manage its floating rate exposure.

These interest rate swaps are designed to economically hedge the variability of interest cash flows arising from floating rate debt, attributable to movements in three-month U.S. Dollar LIBOR. According to our Risk Management Accounting Policy, and after putting in place the formal documentation required by Statement No. 133 in order to designate these swaps as hedging

instruments, as from their inception, these interest rate swaps 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 are performed on a quarterly basis. For qualifying cash flow hedges, the fair value gain or loss associated with the effective portion of the cash flow hedge is recognized initially in shareholders' equity, and recycled to the Statement of Income in the periods when the hedged item will affect profit or loss. Any ineffective portion of the gain or loss on the hedging instrument is recognized in the Statement of Income immediately.

The total fair value change of the interest rate swaps for the year ended December 31, 2008 amounted to $408.0 million and is included in Other Comprehensive Income. There was no ineffective portion for the period of the hedge.

Assuming no changes to our borrowings or hedging instruments after December 31, 2008, a one-percentage point increase or decrease in interest rates on floating rate debt outstanding at December 31, 2008 would result in a decrease of interest expense by approximately $0.6 million and an increase of interest expense by approximately $0.6 million, respectively, on an annualized basis. These amounts are determined by calculating the effect of a hypothetical interest rate change on our floating rate debt, after giving consideration to our interest rate swaps. These amounts do not include the effects of certain potential results of changing interest rates, such as a different level of overall economic activity, or other actions management may take to mitigate this risk. Furthermore, this sensitivity analysis does not assume alterations in our gross debt or other changes in our financial position.

Foreign Currency Exchange Risk

We generate all of our revenues in U.S. dollars, but for the year ended December 31, 2008 we incurred approximately 55.8% of our expenses in currencies other than U.S. dollars. As of December 31, 2008, approximately 34.3% of our outstanding accounts payable were denominated in currencies other than the U.S. dollar (mainly in Euro). We have not entered into derivative instruments to hedge the foreign currency translation of assets or liabilities or foreign currency transactions other than as described below with respect to expected inflows in connection with the leasing transactions with respect to vessels in our fleet and we do not use financial instruments for trading or other speculative purposes.

We have recognized these financial instruments on our balance sheet at their fair value. These foreign currency forward contracts did not qualify as hedging instruments until June 30, 2006 and after the restructuring of the leasing arrangements for six vessels in our fleet on October 5, 2007 ceased to qualify as hedging instruments as these leasing arrangements were no longer expected to result in cash inflows, and thus, other than for the period from June 30, 2006 until October 5, 2007, we recognized changes in their fair value in our current period earnings. As of July 1, 2006 these foreign currency forward contracts qualified for hedge accounting and, accordingly, from that time until October 5, 2007, changes in the fair value of these instruments were not recognized in current period earnings.

Forward contracts with fair value of $(1.3) million expired and cash settled in April 2008. All of the remaining forwards with fair value of $0.5 million early terminated and cash settled in September 2008. These are included in the Statement of Income in "Other Income (Expenses) net". As of December 31, 2008 and the date of this annual report, we had no outstanding foreign currency contracts.

Item 12. Description of Securities Other than Equity Securities

Not Applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

Not Applicable.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Not Applicable.

Item 15. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of December 31, 2008. Disclosure controls and procedures are defined under SEC rules as controls and other procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within required time periods. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based on our evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of December 31, 2008.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, and for the assessment of the effectiveness of internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States ("GAAP").

A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In making its assessment of our internal control over financial reporting as of December 31, 2008, management, including the Chief Executive Officer and Chief Financial Officer, used the criteria set forth in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Management concluded that, as of December 31, 2008, our internal control over financial reporting was effective.

Attestation Report of the Independent Registered Public Accounting Firm

PricewaterhouseCoopers S.A, which has audited the consolidated financial statements of the Company for the year ended December 31, 2008, has also audited the effectiveness of the Company's internal control over financial reporting as stated in their audit report which is incorporated into Item 18 of this Form 20-F from page F-2 hereof.

Change in Internal Control over Financial Reporting

During the period covered by this Annual Report on Form 20-F, we have made no changes to our internal control over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

Our Audit Committee consists of three independent directors, Andrew B. Fogarty, Miklos Konkoly Thege, and Myles R. Itkin, who is the chairman of the committee. Our board of directors has determined that Myles R. Itkin, whose biographical details are included in "Item 6. Directors, Senior Management and Employees," qualifies as an audit committee financial expert as defined under current SEC regulations. Mr. Itkin is a United States Certified Public Accountant and independent in accordance with the listing standards of the New York Stock Exchange.

Item 16B. Code of Ethics

We have adopted a Code of Business Conduct and Ethics for all officers and employees of our company, a Code of Conduct for the chief executive officer and senior financial officers of our company and a Code of Ethics for directors of our company, copies of which are posted on our website, and may be viewed at *http://www.danaos.com* . We will also provide a paper copy of these documents free of charge upon written request by our stockholders. Stockholders may direct their requests to the attention of Mr. Evangelos Chatzis, Danaos Corporation, c/o Danaos Shipping Co. Ltd., 14 Akti Kondyli, 185 45 Piraeus, Greece. No waivers of the Code of Business Conduct and Ethics, the Code of Conduct or the Code of Ethics have been granted to any person during the year ended December 31, 2008.

Item 16C. Principal Accountant Fees and Services

PricewaterhouseCoopers S.A., an independent registered public accounting firm, has audited our annual financial statements acting as our independent auditor for the fiscal years ended December 31, 2008, 2007 and 2006.

The chart below sets forth the total amount billed and accrued for the PricewaterhouseCoopers S.A. services performed in 2008 and 2007 and breaks down these amounts by the category of service.

	2008	2007
	(in thousands of dollars)	
Audit fees	$ 793.1	$ 719.2
Audit-related fees	—	103.0
Tax fees	—	5.2
Total fees	**$ 793.1**	**$ 827.4**

Audit Fees

Audit fees paid were compensation for professional services rendered for the audits of our consolidated financial statements.

Audit-related Fees

Audit-related fees for 2007 include audit-related fees in connection with the Registration Statement on Form F-3 (Reg. No. 333-147099), which we filed with the SEC in the fourth quarter of 2007. PricewaterhouseCoopers S.A. did not provide any services that would be classified in this category in 2008.

Tax Fees

The tax fees in 2007 include the aggregate fees billed for certain tax related consultations and other work which are not reported under audit services, including the submission of zero tax returns in Singapore in relation to certain of our vessels owned by Singapore incorporated vessel holding companies. PricewaterhouseCoopers S.A. did not provide any services that would be classified in this category in 2008.

Other Fees

PricewaterhouseCoopers S.A. did not provide any other services that would be classified in this category in 2008 or 2007.

Pre-approval Policies and Procedures

The audit committee charter sets forth our policy regarding retention of the independent auditors, requiring the audit committee to review and approve in advance the retention of the independent auditors for the performance of all audit and lawfully permitted non-audit services and the fees related thereto. The chairman of the audit committee or in the absence of the chairman, any member of the audit committee designated by the chairman, has authority to approve in advance any lawfully permitted non-audit services and fees. The audit committee is authorized to establish other policies and procedures for the pre-approval of such services and fees. Where non-audit services and fees are approved under delegated authority, the action must be reported to the full audit committee at its next regularly scheduled meeting.

The Audit Committee approved all of the non-audit services described above and determined that the provision of such services is compatible with maintaining the independence of PricewaterhouseCoopers S.A.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not Applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Period	Total Number of Shares Purchased (a)	Average Price Paid Per Share (b)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (c)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (d)
December 2 to December 19, 2008	15,000	$ 5.90	15,000	985,000

On November 25, 2008, we publicly announced that our Board of Directors had approved a share repurchase program and authorized the officers of the company to repurchase, from time to time, up to 1,000,000 shares of our common stock.

Item 16G. Corporate Governance

As a foreign private issuer, as defined in Rule 3b-4 under the Exchange Act, we are permitted to follow certain corporate governance rules of our home country in lieu of the rules of the New York Stock Exchange, which we refer to as the "NYSE Rules". We are also a "controlled company" within the meaning of the New York Stock Exchange corporate governance standards. We comply fully with the NYSE Rules applicable to both U.S. and foreign private issuers that are "controlled companies", however, as permitted for controlled companies, non-independent directors, which are members of our management who also serve on our board of directors, serve on the compensation and the nominating and corporate governance committees of our board of directors.

PART III

Item 17. Financial Statements

Not Applicable.

Item 18. Financial Statements

Reference is made to pages F-1 through F-44 included herein by reference.

Item 19. Exhibits

Number	Description
1.1	Amended and Restated Articles of Incorporation*
1.2	Amended and Restated Bylaws*
4.1	Amended and Restated Management Agreement between Danaos Shipping Company Limited and Danaos Corporation*
4.1.1	Addendum to Amended and Restated Management Agreement, dated February 12, 2009 between Danaos Shipping Company Limited and Danaos Corporation
4.2	Form of Management Agreement between Danaos Shipping Company Limited and our vessel-owning subsidiaries (See Appendix I to Exhibit 4.1) *
4.3	Form of Restrictive Covenant Agreement between Danaos Corporation and Dr. John Coustas*
4.4	Stockholder Rights Agreement*
4.5	2006 Equity Compensation Plan*
4.5.1	Directors' Share Payment Plan
4.6	Loan Agreement and Supplemental Agreement, dated December 17, 2002 and April 21, 2005 respectively, with Aegean Baltic Bank S.A. and HSH Nordbank AG*
4.7	Loan Agreement, dated May 13, 2003, with the Export-Import Bank of Korea*
4.8	Loan Agreement, dated January 29, 2004, with the Export-Import Bank of Korea and Fortis Capital Corp.*
4.9	Loan Agreement, dated August 14, 2006, with Seasonal Maritime Corporation*
4.10	Loan Agreement, dated September 25, 2006, with Seasonal Maritime Corporation*
4.11	Loan Agreement, dated November 14, 2006, with Aegean Baltic Bank S.A. and HSH Nordbank AG**
4.12	Loan Agreement, dated February 20, 2007, with The Royal Bank of Scotland**
4.13	Loan Agreement, dated February 15, 2008, with Emporiki Bank of Greece S.A.***
4.14	Loan Agreement, dated May 9, 2008, with Credit Suisse
4.15	Loan Agreement, dated May 30, 2008, with Deutsche Bank
4.16	Loan Agreement, dated July 29, 2008, with Fortis Bank (acting as agent), Lloyds TSB and National Bank of Greece

Number	Description

4.17	Loan Agreement, dated February 2, 2009, with Deutsche Schiffsbank, Credit Suisse and Emporiki Bank
4.18	Supplemental Letter, dated June 26, 2009, with The Royal Bank of Scotland plc in respect of Loan Agreement, dated February 20, 2007
8	Subsidiaries
11.1	Code of Business Conduct and Ethics**
11.2	Code of Conduct**
11.3	Code of Ethics**
12.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
12.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
13.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350 as added by Section 906 of the Sarbanes-Oxley Act of 2002
13.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350 as added by Section 906 of the Sarbanes-Oxley Act of 2002
15	Consent of Independent Registered Public Accounting Firm

* Previously filed as an exhibit to the Company's Registration Statement on Form F-1 (Reg. No. 333-137459) filed with the SEC and hereby incorporated by reference to such Registration Statement.

** Previously filed as an exhibit to the Company's Annual Report on Form 20-F for the year ended December 31, 2006 and filed with the SEC on May 30, 2007.

*** Previously filed as an exhibit to the Company's Annual Report on Form 20-F/A for the year ended December 31, 2007 and filed with the SEC on April 7, 2008.

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

DANAOS CORPORATION

/s/ DIMITRI J. ANDRITSOYIANNIS

Name: Dimitri J. Andritsoyiannis
Title: Vice President and Chief Financial Officer

Date: July 13, 2009

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Danaos Corporation and its subsidiaries (the "Company") at December 31, 2008 and December 31, 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in "Management's Report on Internal Control over Financial Reporting", appearing in Item 15(b). Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits (which were integrated audits in 2008 and 2007). We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers S.A.
Athens
July 13, 2009

DANAOS CORPORATION

CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of United States dollars, except share and per share amounts)

	Notes	As of December 31, 2008	2007
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		$ 120,720	$ 63,495
Restricted cash, current portion	3	104,401	5,229
Accounts receivable, net		1,119	4,321
Inventories		8,070	5,761
Prepaid expenses		999	886
Due from related parties	14	7,118	4,595
Other current assets	7	7,767	7,751
Total current assets		**250,194**	**92,038**
Fixed assets, net	4	1,339,645	1,182,505
Advances for vessels under construction	5	1,067,825	745,534
Restricted cash, net of current portion	3	147,141	40,950
Deferred charges, net	6	16,098	10,431
Other non-current assets	16b,8	7,561	333
Total non-current assets		**2,578,270**	**1,979,753**
Total assets		**$2,828,464**	**$2,071,791**
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable	9	$ 13,902	$ 11,571
Accrued liabilities	10	11,429	5,816
Current portion of long-term debt	13	42,219	25,619
Unearned revenue		6,448	6,705
Other current liabilities	11	48,217	1,402
Total current liabilities		**122,215**	**51,113**
LONG-TERM LIABILITIES			
Long-term debt, net of current portion	13	2,065,459	1,330,927
Unearned revenue, net of current portion		6,112	8,310
Other long-term liabilities	11,16a	415,644	56,537
Total long-term liabilities		**2,487,215**	**1,395,774**
Total liabilities		**2,609,430**	**1,446,887**
Commitments and Contingencies	19	—	—
STOCKHOLDERS' EQUITY			
Common stock (par value $0.01, 200,000,000 common shares authorized and 54,557,500 issued as of December 31, 2008 and 2007. 54,542,500 and 54,557,500 shares outstanding as of December 31, 2008 and 2007)	22	546	546
Additional paid-in capital		288,615	288,530
Treasury stock	22	(88)	—
Accumulated other comprehensive loss	16a,16c	(474,514)	(54,886)
Retained earnings		404,475	390,714
Total stockholders' equity		**219,034**	**624,904**
Total liabilities and stockholders' equity		**$2,828,464**	**$2,071,791**

The accompanying notes are an integral part of these consolidated financial statements

DANAOS CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(Expressed in thousands of United States dollars, except share and per share amounts)

	Notes	Year ended December 31, 2008	2007	2006
OPERATING REVENUES	18	$ 298,905	$ 258,845	$ 205,177
OPERATING EXPENSES:				
Voyage expenses		(7,476)	(7,498)	(5,423)
Vessel operating expenses		(89,246)	(65,676)	(52,991)
Depreciation	4	(51,025)	(40,622)	(27,304)
Amortization of deferred drydocking and special survey costs	6	(7,301)	(6,113)	(4,127)
Bad debt expense		(181)	(1)	(145)
General and administrative expenses		(11,617)	(9,955)	(6,413)
Gain/(loss) on sale of vessels	20	16,901	(286)	—
Income from operations		**148,960**	**128,694**	**108,774**
OTHER INCOME (EXPENSES):				
Interest income		6,544	4,861	3,605
Interest expense		(37,734)	(21,929)	(24,465)
Other finance (expenses)/income, net		(2,047)	(2,779)	2,049
Other (expenses)/income, net	24	(1,060)	14,560	(18,476)
Gain/(loss) on fair value of derivatives		2,397	(309)	(6,068)
Total Other Expenses, net		**(31,900)**	**(5,596)**	**(43,355)**
Net income from continuing operations		$ 117,060	$ 123,098	$ 65,419
Net (loss)/income from discontinued operations	25	$ (1,822)	$ 92,166	$ 35,663
Net Income		**$ 115,238**	**$ 215,264**	**$ 101,082**
EARNINGS PER SHARE				
Basic and diluted net income per share **(from continuing operations)**		$ 2.15	$ 2.26	$ 1.40
Basic and diluted net (loss)/income per share **(from discontinued operations)**		$ (0.04)	$ 1.69	$ 0.76
Basic and diluted net income per share **(from total operations)**		$ 2.11	$ 3.95	$ 2.16
Basic and diluted weighted average number of shares		54,557,134	54,557,500	46,750,651

The accompanying notes are an integral part of these consolidated financial statements

DANAOS CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Expressed in thousands of United States dollars, except number of shares)

	Comprehensive Income/(loss)	Common Stock Number of shares	Common Stock Par value	Treasury Stock Number of shares	Treasury Stock Amount	Additional paid-in capital	Accumulated other comprehensive income/(loss)	Retained earnings	Total
As of January 1, 2006	**$ 122,850**	**44,308**	**$ 443**	**—**	**$ —**	**$ 90,529**	**$ —**	**$ 171,753**	**$ 262,725**
Comprehensive income:									
Net income	101,082	—	—	—	—	—	—	101,082	101,082
Change in fair value of financial instruments	3,941	—	—	—	—	—	3,941	—	3,941
Issuance of common stock	—	10,250	103	—	—	198,001	—	—	198,104
As of December 31, 2006	**$ 105,023**	**54,558**	**$ 546**	**—**	**—**	**$ 288,530**	**$ 3,941**	**$ 272,835**	**$ 565,852**
Comprehensive income:									
Net income	215,264	—	—	—	—	—	—	215,264	215,264
Change in fair value of financial instruments	(60,148)	—	—	—	—	—	(60,148)	—	(60,148)
Reclassification to earnings	1,321	—	—	—	—	—	1,321	—	1,321
Dividends ($1.78 per share)	—	—	—	—	—	—	—	(97,385)	(97,385)
As of December 31, 2007	**$ 156,437**	**54,558**	**$ 546**	**—**	**—**	**$ 288,530**	**$ (54,886)**	**$ 390,714**	**$ 624,904**
Comprehensive income/(loss):									
Net income	115,238	—	—	—	—	—	—	115,238	115,238
Change in fair value of financial instruments	(411,793)	—	—	—	—	—	(411,793)	—	(411,793)
Realized losses on cash flow hedges amortized over the life of the newbuildings	(11,635)	—	—	—	—	—	(11,635)	—	(11,635)
Reclassification to earnings	3,800	—	—	—	—	—	3,800	—	3,800
Stock compensation	—	—	—	—	—	85	—	—	85
Treasury stock purchased	—	(15)	—	15	(88)	—	—	—	(88)
Dividends ($1.86 per share)	—	—	—	—	—	—	—	(101,477)	(101,477)
As of December 31, 2008	**$ (304,390)**	**54,543**	**$ 546**	**15**	**$ (88)**	**$ 288,615**	**$ (474,514)**	**$ 404,475**	**$ 219,034**

The accompanying notes are an integral part of these consolidated financial statements

DANAOS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of United States dollars)

	Year ended December 31,		
	2008	2007	2006
Cash Flows from operating activities:			
Net income	$ 115,238	$ 215,264	$ 101,082
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	51,025	41,093	31,111
Amortization of deferred drydocking and special survey costs	7,301	6,216	5,425
Written off amount of drydocking and special survey costs	181	337	385
Written off amount of finance costs	128	284	396
Amortization of finance costs	220	164	135
Payments for drydocking and special survey costs	(10,625)	(7,592)	(8,037)
Gain on sale of vessels	(16,901)	(88,349)	(14,954)
Stock based compensation	85	—	—
Change in fair value of derivative instruments	(15,332)	193	5,733
(Increase)/decrease in:			
Accounts receivable	3,202	(2,151)	(3,034)
Inventories	(2,309)	(1,989)	(1,181)
Prepaid expenses	(113)	452	(468)
Net investment in finance lease	—	—	860
Due from related parties	(2,523)	(1,732)	1,681
Other assets, current and non-current	(553)	(3,810)	(1,958)
Increase/(decrease) in:			
Accounts payable	2,331	1,919	3,587
Accrued liabilities	5,613	723	2,188
Unearned revenue, current and long term	(2,455)	(2,242)	(1,152)
Other liabilities, current and long-term	976	(510)	29,779
Net cash provided by operating activities	**135,489**	**158,270**	**151,578**
Cash flows from investing activities:			
Vessel acquisitions including advances for vessel acquisitions	(76,506)	(266,608)	(171,749)
Vessels under construction	(518,512)	(696,752)	(185,148)
Proceeds from sale of vessels	83,032	275,768	26,798
Net cash used in investing activities	**(511,986)**	**(687,592)**	**(330,099)**
Cash flows from financing activities:			
Proceeds from long-term debt	805,010	1,014,177	304,596
Proceeds from related party loans	—	—	130,375
Payments on long-term debt	(59,919)	(322,437)	(317,390)
Payments on related party loans	—	—	(130,375)
Contributions from stockholders	—	—	201,259
Treasury stock purchased	(88)	—	—
Dividends paid	(101,477)	(97,385)	—
Deferred finance costs	(4,328)	(500)	(925)
Deferred public offering costs	(113)	(427)	(2,175)
Increase in restricted cash	(205,363)	(43,686)	(1,769)
Net cash provided by financing activities	**433,722**	**549,742**	**183,596**
Net increase in cash and cash equivalents	57,225	20,420	5,075
Cash and cash equivalents, beginning of period	63,495	43,075	38,000
Cash and cash equivalents, end of period	**$ 120,720**	**$ 63,495**	**$ 43,075**
Supplementary Cash Flow information			
Cash paid for interest	$ 71,446	$ 46,449	$ 26,352
Non-cash capitalized interest on vessels under construction	$ —	$ —	$ 6,079
Non-cash lease liability related to vessel acquisition	$ —	$ —	$ 14,416
(Decrease)/increase in vessels' values in respect of lease arrangements	$ (16,944)	$ (29,269)	$ 32,218
Advances for vessels under construction in respect of lease arrangements	$ —	$ —	$ 27,272

The accompanying notes are an integral part of these consolidated financial statements

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of Presentation and General Information

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The reporting and functional currency of the Company is the United States Dollar.

Danaos Corporation ("Danaos"), formerly Danaos Holdings Limited, was formed on December 7, 1998 under the laws of Liberia and is presently the sole owner of all outstanding shares of the companies listed below. Danaos Holdings Limited was redomiciled in the Marshall Islands on October 7, 2005. In connection with the redomiciliation, the Company changed its name to Danaos Corporation. On October 14, 2005, the Company filed and the Marshall Islands accepted Amended and Restated Articles of Incorporation. Under the Amended and Restated Articles of Incorporation, the authorized capital stock of Danaos Corporation increased to 100,000 shares of common stock with a par value of $0.01 and 1,000 shares of preferred stock with a par value of $0.01. On September 18, 2006, the Company filed and Marshall Islands accepted Amended and Restated Articles of Incorporation. Under the Amended and Restated Articles of Incorporation, the authorized capital stock of Danaos Corporation increased to 200,000,000 shares of common stock with a par value of $0.01 and 5,000,000 shares of preferred stock with a par value of $0.01. Refer to Note 22, Stockholders' Equity for additional information.

The Company's vessels operate worldwide, carrying containers for many established charterers.

The Company's principal business is the acquisition and operation of vessels. Danaos conducts its operations through the vessel owning companies whose principal activity is the ownership and operation of containerships (refer to Note 2, Significant Accounting Policies) that are under the exclusive management of a related party of the Company (refer to Note 14, Related Party Transactions).

The consolidated financial statements have been prepared to reflect the consolidation of the companies listed below. The historical balance sheets and results of operations of the companies listed below have been reflected in the consolidated balance sheets and consolidated statements of income, cash flows and stockholders' equity at and for each period since their respective incorporation dates.

The consolidated companies are referred to as "Danaos," or "the Company."

As of December 31, 2008, Danaos included the vessel owning (including vessels under contract and/or construction) companies (the "Danaos Subsidiaries") listed below, which all own container vessels:

Company	Date of Incorporation	Vessel Name	Year Built	TEU
Deleas Shipping Ltd.	July 29, 1987	Montreal Senator	1984	2,130
Seasenator Shipping Ltd.	June 11, 1996	AL Rayyan	1989	3,908
Seacaravel Shipping Ltd.	June 11, 1996	YM Yantian	1989	3,908
Peninsula Maritime Inc.	June 10, 1997	MSC Eagle	1978	1,704
Appleton Navigation S.A.	May 12, 1998	CMA CGM Komodo	1991	2,917
Geoffrey Shipholding Ltd.	September 22, 1997	CMA CGM Kalamata	1991	2,917
Lacey Navigation Inc.	March 5, 1998	CMA CGM Elbe	1991	2,917
Saratoga Trading S.A.	May 8, 1998	YM Milano	1988	3,129
Tyron Enterprises S.A.	January 26, 1999	CMA CGM Passiflore	1986	3,039
Independence Navigation Inc.	October 9, 2002	CMA CGM Vanille	1986	3,045
Victory Shipholding Inc.	October 9, 2002	CMA CGM Lotus	1988	3,098

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1 Basis of Presentation and General Information (Continued)

Company	Date of Incorporation	Vessel Name	Year Built	TEU
Duke Marine Inc.	April 14, 2003	Hyundai Duke	1992	4,651
Commodore Marine Inc.	April 14, 2003	MOL Affinity	1992	4,651
Containers Services Inc.	May 30, 2002	Maersk Deva	2004	4,253
Containers Lines Inc.	May 30, 2002	Maersk Derby	2004	4,253
Oceanew Shipping Ltd.	January 4, 2002	CSCL Europe	2004	8,468
Oceanprize Navigation Ltd.	January 21, 2003	MSC Baltic	2004	8,468
Federal Marine Inc.	February 14, 2006	APL Confidence	1994	4,651
Karlita Shipping Co. Ltd.	February 27, 2003	CSCL Pusan	2006	9,580
Ramona Marine Co. Ltd.	February 27, 2003	CSCL Le Havre	2006	9,580
Boxcarrier (No. 6) Corp.	June 27, 2006	MSC Marathon	1991	4,814
Boxcarrier (No. 7) Corp.	June 27, 2006	Maersk Messologi	1991	4,814
Boxcarrier (No. 8) Corp.	November 16, 2006	Maersk Mytilini	1991	4,814
Auckland Marine Inc.	January 27, 2005	YM Colombo	2004	4,300
Seacarriers Services Inc.	June 28, 2005	YM Seattle	2007	4,253
Speedcarrier (No. 1) Corp.	June 28, 2007	Hyundai Vladivostok	1997	2,200
Speedcarrier (No. 2) Corp.	June 28, 2007	Hyundai Advance	1997	2,200
Speedcarrier (No. 3) Corp.	June 28, 2007	Hyundai Stride	1997	2,200
Speedcarrier (No. 5) Corp.	June 28, 2007	Hyundai Future	1997	2,200
Speedcarrier (No. 4) Corp.	June 28, 2007	Hyundai Sprinter	1997	2,200
Wellington Marine Inc.	January 27, 2005	YM Singapore	2004	4,300
Seacarriers Lines Inc.	June 28, 2005	YM Vancouver	2007	4,253
Speedcarrier (No. 7) Corp.	December 6, 2007	Hyundai Highway	1998	2,200
Speedcarrier (No. 6) Corp.	December 6, 2007	Hyundai Progress	1998	2,200
Speedcarrier (No. 8) Corp.	December 6, 2007	Hyundai Bridge	1998	2,200
Bayview Shipping Inc.	March 22, 2006	Zim Rio Grande	2008	4,253
Channelview Marine Inc.	March 22, 2006	Zim Sao Paolo	2008	4,253
Balticsea Marine Inc.	March 22, 2006	Zim Kingston	2008	4,253
Vessels under construction				
Continent Marine Inc.	March 22, 2006	Zim Monaco	2009*	4,253
Medsea Marine Inc.	May 8, 2006	Zim Dalian	2009**	4,253
Blacksea Marine Inc.	May 8, 2006	Zim Luanda	2009***	4,253
Boxcarrier (No. 1) Corp.	June 27, 2006	Hull No. S4001(1)	2009****	6,500
Boxcarrier (No. 2) Corp.	June 27, 2006	Hull No. S4002(1)	2009****	6,500
Boxcarrier (No. 3) Corp.	June 27, 2006	Hull No. S4003(1)	2009****	6,500
CellContainer (No. 1) Corp.	March 23, 2007	Hull No. N-219	2009****	3,400
Boxcarrier (No. 4) Corp.	June 27, 2006	Hull No. S4004(1)	2010****	6,500
Boxcarrier (No. 5) Corp.	June 27, 2006	Hull No. S4005(1)	2010****	6,500
CellContainer (No. 2) Corp.	March 23, 2007	Hull No. N-220	2010****	3,400
Expresscarrier (No. 3) Corp.	March 5, 2007	Hull No. N-216	2010****	6,500
Expresscarrier (No. 4) Corp.	March 5, 2007	Hull No. N-217	2010****	6,500
CellContainer (No. 3) Corp.	March 23, 2007	Hull No. N-221	2010****	3,400
Expresscarrier (No. 5) Corp.	March 5, 2007	Hull No. N-218	2010****	6,500
CellContainer (No. 4) Corp.	March 23, 2007	Hull No. N-222	2010****	3,400

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1 Basis of Presentation and General Information (Continued)

Company	Date of Incorporation	Vessel Name	Year Built	TEU
CellContainer (No. 5) Corp.	March 23, 2007	Hull No. N-223	2010****	3,400
Expresscarrier (No. 1) Corp.	March 5, 2007	Hull No. N-214	2010****	6,500
Expresscarrier (No. 2) Corp.	March 5, 2007	Hull No. N-215	2010****	6,500
Cellcontainer (No. 6) Corp.	October 31, 2007	Hull No. S-461	2010****	10,100
Cellcontainer (No. 7) Corp.	October 31, 2007	Hull No. S-462	2011****	10,100
Cellcontainer (No.8) Corp.	October 31, 2007	Hull No. S-463	2011****	10,100
Teucarrier (No. 1) Corp.	January 31, 2007	Hull No. Z00001	2011****	8,530
Teucarrier (No. 2) Corp.	January 31, 2007	Hull No. Z00002	2011****	8,530
Teucarrier (No. 3) Corp.	January 31, 2007	Hull No. Z00003	2011****	8,530
Teucarrier (No. 4) Corp.	January 31, 2007	Hull No. Z00004	2011****	8,530
Teucarrier (No. 5) Corp.	September 17, 2007	Hull No. H1022A	2011****	8,530
Megacarrier (No. 1) Corp.	September 10, 2007	Hull No. S-456	2012****	12,600
Megacarrier (No. 2) Corp.	September 10, 2007	Hull No. S-457	2012****	12,600
Megacarrier (No. 3) Corp.	September 10, 2007	Hull No. S-458	2012****	12,600
Megacarrier (No. 4) Corp.	September 10, 2007	Hull No. S-459	2012****	12,600
Megacarrier (No. 5) Corp.	September 10, 2007	Hull No. S-460	2012****	12,600

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

* Delivered to the Company on January 2, 2009.

** Delivered to the Company on March 31, 2009.

*** Delivered to the Company on June 26, 2009.

**** Estimated completion year.

2 Significant Accounting Policies

Principles of Consolidation: The accompanying consolidated financial statements represent the consolidation of the accounts of the Company and its wholly-owned subsidiaries. The subsidiaries are fully consolidated from the date on which control is transferred to the Company.

The Company also consolidates entities that are determined to be variable interest entities as defined in Financial Accounting Standards Board ("FASB") Interpretation No. 46(R), *Consolidation of Variable Interest Entities an Interpretation of ARB No. 51* ("Interpretation 46(R)"), if it determines that it is the primary beneficiary. A variable interest entity is defined by Interpretation 46(R) as a legal entity where either (a) equity interest holders as a group lack the characteristics of a controlling financial interest, including decision making ability and an interest in the entity's residual risks and rewards, or (b) the equity holders have not provided sufficient equity investment to permit the entity to finance its activities without additional subordinated financial support, or (c) the voting rights of some investors are not proportional to their obligations to absorb the expected losses of the entity, their rights to receive the expected residual returns of the entity, or both and substantially all of the entity's activities either involve or are conducted on behalf of an investor that has disproportionately few voting

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Significant Accounting Policies (Continued)

rights. Refer to Note 13, Long-Term Debt, which describes the arrangement under the new credit facility with Fortis Bank, Lloyds TSB and National Bank of Greece.

Inter-company transaction balances and unrealized gains/(losses) on transactions between the companies are eliminated.

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. For the year ended December 31, 2007, the Company reclassified an amount of $40,950 thousand of its restricted cash to non-current assets.

Use of Estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's knowledge of current events and actions that may be undertaken in the future, actual results may ultimately differ from estimates.

Other Comprehensive Income (Loss): The Company follows the provisions of Statement of Financial Accounting Standards ("SFAS") 130, "Statement of Comprehensive Income", which requires separate presentation of certain transactions, which are recorded directly as components of stockholders' equity.

Foreign Currency Translation: The functional currency of the Company is the U.S. dollar. Transactions involving other currencies during the year are converted into U.S. dollars using the exchange rates in effect at the time of the transaction. On the balance sheet dates, monetary assets and liabilities denominated in other currencies are translated to reflect the current exchange rates. Resulting gains or losses are reflected in the accompanying consolidated statements of income.

Cash and Cash Equivalents: Cash and cash equivalents consist of call and time deposits with original maturities of three months or less which are not restricted for use or withdrawal. Cash and cash equivalents of $120.7 million as of December 31, 2008 (December 31, 2007: $63.5 million) comprise cash balances and short term deposits, of which short term time deposits were $93.4 million as of December 31, 2008 and $40.0 million as of December 31, 2007.

Restricted Cash: Cash restricted accounts include retention and restricted deposit accounts. Certain of the Company's loan agreements require the Company to deposit one-third of quarterly and one-sixth of the semi-annual principal installments and interest installments, respectively, due on the outstanding loan balance monthly in a retention account. On the rollover settlement date, both principal and interest are paid from the retention account.

Accounts Receivable: The amount shown as Accounts Receivable at each balance sheet date includes estimated recoveries from charterers for hire and demurrage billings, net of a provision for doubtful accounts. At each balance sheet date, all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate provision for doubtful accounts based on our history of write-offs, level of past due accounts based on the contractual term of the receivables and our relationships with and economic status of our customers. Bad debts are written off in the period in which they are identified.

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Significant Accounting Policies (Continued)

Insurance Claims: Insurance claims represent the claimable expenses, net of deductibles, which are expected to be recovered from insurance companies. Any costs to complete the claims are included in accrued liabilities. The Company accounts for the cost of possible additional call amounts under its insurance arrangements in accordance with FASB Statement No. 5, *Accounting for Contingencies* ("Statement No. 5") based on the Company's historical experience and the shipping industry practices. These claims are included in the balance sheet line item "Other current assets".

Prepaid Expenses and Inventories: Prepaid expenses consist mainly of insurance expenses, and inventories consist of bunkers, lubricants and provisions remaining on board the vessels at each period end, which are valued at the lower of cost or market value as determined using the weighted average method. Costs of spare parts are expensed as incurred.

Financing Costs: Fees incurred for obtaining new loans are deferred and amortized over the loans' respective repayment periods using the effective interest rate method. These charges are included in the balance sheet line item "Deferred Charges".

Fixed Assets: Fixed assets consist of vessels. Vessels are stated at cost, less accumulated depreciation. The cost of vessels consists of the contract purchase price and any material expenses incurred upon acquisition (improvements and delivery expenses). 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 expenditures are charged to expense as incurred. Financing costs incurred during the construction period of the vessels are included in vessels' cost.

Vessels acquired in the secondhand market are treated as a business combination to the extent that such acquisitions include continuing operations and business characteristics such as management agreements, employees and customer base. Otherwise, these are treated as purchase of assets. Where the Company identifies any intangible assets or liabilities associated with the acquisition of a vessel purchased in the secondhand market, the Company records all identified tangible and intangible assets or liabilities at fair value. Fair value is determined by reference to market data and the discounted amount of expected future cash flows. The Company has acquired certain vessels in the secondhand market, all of which were considered to be acquisitions of assets.

Depreciation: The cost of the Company's vessels is depreciated on a straight-line basis over the vessels' remaining economic useful lives after considering the estimated residual value. Management has estimated the useful life of the Company's vessels to be 30 years from the year built.

Accounting for Special Survey and Drydocking Costs: FSP AUG AIR-1, *Accounting for Planned Major Maintenance Activities* , provides guidance on the accounting for planned major maintenance activities. Drydocking and special survey costs include planned major maintenance and overhaul activities for ongoing certification including the inspection, refurbishment and replacement of steel, engine components, electrical, pipes and valves, and other parts of the vessel. The Company follows the deferral method of accounting for special survey and drydocking costs, whereby actual costs incurred are deferred and amortized on a straight-line basis over the period until the next scheduled survey, which is two and a half years. If special survey or drydocking is performed prior to the scheduled date, the remaining unamortized balances are immediately written off.

The amortization periods reflect the estimated useful economic life of the deferred charge, which is the period between each special survey and drydocking.

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Significant Accounting Policies (Continued)

Costs incurred during the drydocking period relating to routine repairs and maintenance are expensed. The unamortized portion of special survey and drydocking costs for vessels sold is included as part of the carrying amount of the vessel in determining the gain/(loss) on sale of the vessel.

Impairment of Long-lived Assets: FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets* ("Statement No. 144") addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The standard requires that long-lived assets and certain identifiable intangibles held and used or disposed of by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value.

As of December 31, 2008, the Company concluded that events occurred and circumstances had changed, which triggered the existence of potential impairment of its long-lived assets. These indicators included a significant decline in our stock price, deterioration in the spot market and the potential impact the current marketplace may have on our future operations. As a result, the Company performed an impairment assessment of the Company's long-lived assets by comparing the undiscounted projected net operating cash flows for each vessel to the their carrying value. The Company's strategy is to charter its vessels under multi-year, fixed rate period charter that range from one to twelve years for vessels in its current fleet and up to 18 years for its contracted vessels, providing the Company with contracted stable cash flows. The significant factors and assumptions the Company used in its undiscounted projected net operating cash flow analysis included, among others, operating revenues, off-hire revenues, drydocking costs, operating expenses and management fees estimates. Revenue assumptions were based on contracted time charter rates up to the end of life of the current contract of each vessel, as well as, historical average time charter rates for the remaining life of the vessel after the completion of the current contract. In addition, the Company used annual operating expenses escalation factor and estimations of scheduled and unscheduled off-hire revenues based on historical experience. All estimates used and assumptions made were in accordance with the Company's internal budgets and historical experience of the shipping industry.

The Company's assessment concluded that step two of the impairment analysis was not required and no impairment of vessels existed as of December 31, 2008, as the undiscounted projected net operating cash flows per vessel exceeded the carrying value of each vessel.

Pension and Retirement Benefit Obligations-Crew: The crew on board the companies' vessels serve in such capacity under short-term contracts (usually up to seven months) and accordingly, the vessel-owning companies are not liable for any pension or post retirement benefits.

Accounting for Revenue and Expenses: Revenues from time chartering of vessels are accounted for as operating leases and are thus recognized on a straight line basis as the average revenue over the rental periods of such charter agreements, as service is performed. The Company earns revenue from bareboat and time charters. Bareboat and time charters involve placing a vessel at the charterers' disposal for a period of time during which the charterer uses the vessel in return for the payment of a specified daily hire rate. Under a time charter, the daily hire rate includes the crew, lubricants, insurance, spares and stores. Under a bareboat charter, the charterer is provided only with the vessel.

General and administrative expenses: General and administrative expenses include management fees paid to the vessels' manager (refer to Note 14, Related Party Transactions), audit fees, legal fees,

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Significant Accounting Policies (Continued)

board remuneration, executive officers compensation, directors & officers insurance and stock exchange fees.

Repairs and Maintenance: All repair and maintenance expenses including major overhauling and underwater inspection expenses are charged against income when incurred and are included in vessel operating expenses in the accompanying consolidated statements of income.

Dividends: Dividends are recorded in the Company's financial statements in the period in which they are declared by the Company's board of directors.

Segment Reporting: The Company reports financial information and evaluates its operations by total charter revenues. Although revenue can be identified for different types of charters, management does not identify expenses, profitability or other financial information for different charters. As a result, management, including the chief operating decision maker, reviews operating results solely by revenue per day and operating results of the fleet, and thus the Company has determined that it has only one operating and reportable segment.

Derivative Instruments: The Company enters into interest rate swap contracts and forward exchange rate contracts to create economic hedges for its interest rate risks and its exposure to currency exchange risk on certain foreign currency receivables. When such derivatives do not qualify for hedge accounting under Statement No. 133, the Company presents these financial instruments at their fair value, and recognizes the fair value changes thereto in the Statement of Income. When the derivatives do qualify for hedge accounting, depending upon the nature of the hedge, changes in the fair value of derivatives are either offset against the fair value of assets, liabilities or firm commitments through income, or recognized in other comprehensive income/(loss) (effective portion) and are reclassified to earnings when the hedged transaction is reflected in earnings. If the probability that the forecasted transaction will not occur, the ineffective portion of a derivative's change in fair value is immediately recognized in income.

At the inception of the transaction, the Company documents the relationship between hedging instruments and hedged items, as well as its risk management objective and the strategy for undertaking various hedging transactions. The Company also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivative financial instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Company shall discontinue hedge accounting prospectively for an existing hedge if the derivative expires or is sold, terminated or exercised, or the Company removes the designation of the hedge. The Company may elect to designate prospectively a new hedging relationship with a different hedging instrument or de-designate the derivative and re-designate it as a hedge of another exposure or designate an existing exposure not previously designated as a hedge. In the case of a cash flow hedge, the net gain or loss through the effective date of the actions above will remain in Other Comprehensive Income until the hedged item will impact earnings.

The Company's forward exchange contracts were expired or were early terminated and cash settled within 2008.

The Company does not use financial instruments for trading or other speculative purposes.

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Significant Accounting Policies (Continued)

Earnings Per Share: The Company has presented net income/(loss) per share for all periods presented based on the weighted average number of outstanding shares of common stock of Danaos Corporation at the reported periods. There are no dilutive or potentially dilutive securities, accordingly there is no difference between basic and diluted net income per share.

Equity Compensation Plan: The Company has adopted an equity compensation plan (the "Plan"), which is generally administered by the compensation committee of the Board of Directors. The Plan allows the plan administrator to grant awards of shares of common stock or the right to receive or purchase shares of common stock to employees, directors or other persons or entities providing significant services to the Company or its subsidiaries. The actual terms of an award will be determined by the plan administrator and set forth in written award agreement with the participant. Any options granted under the Plan will be accounted for in accordance with Statement No. 123(R), "Share-Based Payment".

The aggregate number of shares of common stock for which awards may be granted under the Plan cannot exceed 6% of the number of shares of common stock issued and outstanding at the time any award is granted. Awards made under the Plan that have been forfeited, cancelled or have expired, will not be treated as having been granted for purposes of the preceding sentence. Unless otherwise set forth in an award agreement, any awards outstanding under the Plan will vest immediately upon a "change of control", as defined in the Plan. The Plan will automatically terminate ten years after it has been most recently approved by our stockholders. To date, no stock options have been issued under this plan.

As of April 18, 2008, the Company established the Directors Share Payment Plan ("Directors Plan"). The purpose of the Directors Plan is to provide a means of payment of all or a portion of compensation payable to directors of the Company in the form of Company's Common Stock. Each member of the Board of Directors of the Company may participate in the Directors Plan. Pursuant to the terms of the Directors Plan, Directors may elect to receive in Common Stock all or a portion of their compensation. On the last business day of each quarter, the rights of common stock are credited to each Director's Share Payment Account. Following December 31st of each year, the Company will deliver to each Director the number of shares represented by the rights credited to their Share Payment Account during the preceding calendar year. Refer to Note 21, Stock Based Compensation.

As of April 18, 2008, the Board of Directors and the Compensation Committee approved the Company's ability to provide, from time to time, incentive compensation to the employees of Danaos Shipping Company Limited (the "Manager"), in form of free shares of the Company's common stock. Prior approval is required by the Compensation Committee and the Board of Directors. The plan was effective as of December 31, 2008. Pursuant to the terms of the plan, employees of the Manager may receive (from time to time) shares of Company's common stock as additional compensation for their services offered during the preceding period. The stock will have no vesting period and the employee will own the stock immediately after grant. The total amount of stock to be granted to employees of the Manager will be at the Company's Board of Directors' discretion only and there will be no contractual obligation for any stock to be granted as part of the employees' compensation package in future periods. Refer to Note 21, Stock Based Compensation.

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Significant Accounting Policies (Continued)

Recent Accounting Pronouncements:

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurement* ("Statement No. 157"). Statement No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles ("GAAP") and expands disclosures about fair value measurements. Statement No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Earlier application is encouraged, provided that the reporting entity has not yet issued financial statements for that fiscal year, including financial statements for an interim period within that fiscal year. The provisions of Statement No. 157 should be applied prospectively as of the beginning of the fiscal year in which it is initially applied except for certain cases where it should be applied retrospectively. In February 2008, the FASB issued the FASB Staff Position ("FSP No. 157-2") which delays the effective date of Statement No. 157, for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). For purposes of applying this FSP, nonfinancial assets and nonfinancial liabilities would include all assets and liabilities other than those meeting the definition of a financial asset or financial liability as defined in paragraph 6 of FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("Statement No. 159"). This FSP defers the effective date of Statement No. 157 to fiscal years beginning after November 15, 2008, and the interim periods within those fiscal years for items within the scope of this FSP. Those portions of Statement No. 157 that were effective for Danaos Corporation for the fiscal year beginning on January 1, 2008 did not have a material effect on its consolidated financial statements.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* . Statement No. 159 permits the entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments. Statement No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year on or before November 15, 2007, provided the entity also elects to apply the provisions of Statement No. 157. The adoption of Statement No. 159 did not have an effect on the consolidated financial statements.

In December 2007, the FASB issued Statement No. 141 (Revised 2007), *Business Combinations* ("Statement No. 141(R)"), which replaces FASB Statement No. 141. Statement No. 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree and the goodwill acquired. The Statement also establishes disclosure requirements which will enable users to evaluate the nature and financial effects of the business combination. Statement No. 141(R) is effective as of the beginning of an entity's fiscal year that begins after December 15, 2008, which corresponds to the Company's year beginning January 1, 2009. The Company does not expect the adoption of Statement No. 141(R) to have an impact on its consolidated financial statements.

In December 2007, the FASB issued Statement No. 160, *Non-controlling Interests in Consolidated Financial Statement-amendments of ARB No. 51* ("Statement No. 160"). Statement No. 160 states that accounting and reporting for minority interests will be recharacterized as non-controlling interests and classified as a component of equity. The Statement also establishes reporting requirements that provide

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Significant Accounting Policies (Continued)

sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. Statement No. 160 applies to all entities that prepare consolidated financial statements, except not-for-profit organizations, but will affect only those entities that have an outstanding non-controlling interest in one or more subsidiaries or that deconsolidate a subsidiary. This Statement is effective as of the beginning of an entity's first fiscal year beginning after December 15, 2008, which corresponds to the Company's year beginning January 1, 2009. The Company does not expect the adoption of Statement No. 160 to have an impact on its consolidated financial statements.

In March 2008, the FASB issued Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133* ("Statement No. 161"). Statement No. 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. This statement encourages, but does not require, comparative disclosures for earlier periods at initial adoption. The Company is currently evaluating the potential impact, if any, of the adoption of Statement No. 161 on the Company's consolidated financial statements.

In May 2009, the FASB issued Statement No. 165, *Subsequent Events* ("Statement No. 165). Statement No. 165 is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Statement No. 165 requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date—that is, whether that date represents the date the financial statements were issued or were available to be issued. This disclosure should alert all users of financial statements that an entity has not evaluated subsequent events after that date in the set of financial statements being presented. Statement No. 165 is effective for interim and annual periods ending after June 15, 2009. The Company does not expect the adoption of Statement No. 165 to have an impact on its consolidated financial statements.

3 Restricted Cash

Restricted cash comprised of the following at December 31 (in thousands):

	2008	2007
Retention	$ 4,445	$ 4,557
Restricted deposits	247,097	41,622
Total	**$251,542**	**$46,179**

Restricted deposits as of December 31, 2008, are analyzed as follows:

1. An amount of $33.90 million is deposited with Aegean Baltic Bank and acts as collateral towards an issued performance guarantee by HSH Nordbank, which as of December 31, 2008

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Restricted Cash (Continued)

stands at $135.6 million. The restricted cash amount will be reduced accordingly, so at all times it represents 25% of the outstanding guaranteed amount.

2. An amount of $7.05 million is deposited with Royal Bank of Scotland and acts as collateral towards an issued performance guarantee by Royal Bank of Scotland, which as of December 31, 2008 stands at $35.25 million. The restricted cash amount will be reduced accordingly, so at all times it represents 20% of the outstanding / guaranteed amount.

3. An amount of $206.15 million is deposited with Royal Bank of Scotland to be utilized towards progress payments for certain vessels that are being financed by the revolving credit facility that the Company has with the bank. The funds will be released gradually as progress payments to shipyards for the specific newbuildings become due and payable.

As of December 31, 2008, the Company recorded an amount of $104,401 thousand (2007: $5,229 thousand) and $147,141 thousand (2007: $40,950 thousand) as current and non-current restricted cash, respectively.

4 Fixed Assets, Net

Vessels' cost, accumulated depreciation and changes thereto were as follows (in thousands):

	Vessel Cost	Accumulated Depreciation	Net Book Value
As of January 1, 2007	**$1,213,855**	**$ (197,247)**	**$1,016,608**
Additions from continuing operations	423,192	(40,622)	**382,570**
Additions from discontinued operations	—	(471)	**(471)**
Disposals from continuing operations	(167,793)	34,279	**(133,514)**
Disposals from discontinued operations	(70,246)	16,827	**(53,419)**
Decrease in vessels' values in respect of lease arrangements(a)	(29,269)	—	**(29,269)**
As of December 31, 2007	**$1,369,739**	**$ (187,234)**	**$1,182,505**
Additions from continuing operations	289,671	(51,025)	**238,646**
Disposals from continuing operations	(75,468)	10,906	**(64,562)**
Decrease in vessels' values in respect of lease arrangements(a)	(16,944)	—	**(16,944)**
As of December 31, 2008	**$1,566,998**	**$ (227,353)**	**$1,339,645**

(a) . Vessels with a cost of $373.4 million and net book value of $342.7 million as of March 7, 2008, which were subject to certain leasing arrangements, are explained in Note 12(a), Other Lease Arrangements.

I. On January 15, 2008, the Company sold and delivered the *APL Belgium* , a container built in 2002 with 5,506 TEU to APL, following the exercise of the purchase option APL had for this vessel. The sale consideration was $44.5 million. The Company realized a gain on this sale of $0.8 million.

II. On January 25, 2008, the Company sold and delivered the *Winterberg* , a container built in 1978 with 3,101 TEU. The sale consideration was $11.2 million. The Company realized a gain on this sale of $4.8 million.

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4 Fixed Assets, Net (Continued)

III. On May 20, 2008, the Company sold the *Maersk Constantia* , a container built in 1979 with 3,101 TEU. The sale consideration was $15.8 million. The Company realized a gain on this sale of $9.3 million.

IV. On October 26, 2008, the Company sold the *Asia Express* , a container built in 1977 with 3,101 TEU. The sale consideration was $10.2 million. The Company realized a gain on this sale of $3.5 million.

V. On December 10, 2008, the Company sold the *Sederberg* , a container built in 1978 with 3,101 TEU. The sale consideration was $4.9 million. The Company realized a loss on this sale of $(1.5) million.

VI. On February 11, 2008, the Company acquired a 2,200 TEU secondhand vessel, the *Hyundai Progress* , built in 1998 for $30.4 million.

VII. On March 18, 2008, the Company acquired a 2,200 TEU secondhand vessel, the *Hyundai Highway* , built in 1998 for $31.0 million.

VIII. On March 20, 2008, the Company acquired a 2,200 TEU secondhand vessel, the *Hyundai Bridge* , built in 1998 for $31.0 million.

IX. On July 4, 2008, the Company took delivery of a newbuilding 4,253 TEU vessel, the *Zim Rio Grande* , for $63.8 million. The vessel is time chartered out for 12 years to one of the world's major liner companies.

X. On September 22, 2008, the Company took delivery of a newbuilding 4,253 TEU vessel, the *Zim Sao Paolo* , for $63.8 million. The vessel is time chartered out for 12 years to one of the world's major liner companies.

XI. On November 3, 2008, the Company took delivery of a new-building 4,253 TEU vessel, the *Zim Kingston* , for $63.8 million. The vessel is time chartered out for 12 years to one of the world's major liner companies.

XII. The residual value (estimated scrap value at the end of the vessels' useful lives) of the fleet was estimated at $195.8 million as of December 31, 2008 and $178.2 million as of December 31, 2007. The Company has calculated the residual value of the vessels taking into consideration the 10 year average and the five year average of the scrap. The Company has applied uniformly the scrap value of $300 per ton for all vessels. The Company believes that $300 per ton is a reasonable estimate of future scrap prices, taking into consideration the cyclicality of the nature of future demand for scrap steel. Although the Company believes that the assumptions used to determine the scrap rate are reasonable and appropriate, such assumptions are highly subjective, in part, because of the cyclical nature of future demand for scrap steel.

The sale consideration of vessels sold is before any selling expenses and the cost of vessel acquired is the contracted price of vessel excluding any items capitalized during the construction period, such as interest expense.

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5 Advances for Vessels under Construction

a) Advances for vessels under construction were as follows at December 31 (in thousands):

	2008	2007
Advance payments for vessels	$ 533,298	$546,859
Progress payments for vessels	479,071	175,500
Capitalized interest	55,456	23,175
Total	**$1,067,825**	**$745,534**

The Company entered into a construction contract on March 28, 2006 with Samsung Heavy Industries Co. Ltd. for the ZIM Monaco containership of 4,253 TEU. The contract price of the vessel is $63.8 million. The Company took delivery of the vessel on January 2, 2009. The Company paid in full the remaining balance of the contract price during the year ended December 31, 2008. The Company has arranged to charter this containership under 12-year charter with a major liner company upon delivery of the vessel.

The Company entered into two construction contracts on May 12, 2006, with Samsung Heavy Industries Co. Ltd. for two containerships (the *Zim Dalian* and the *Zim Luanda*) of 4,253 TEU each. The contract price of each vessel is $63.8 million. We took delivery of *Zim Dalian* on March 31, 2009 and *Zim Luanda* on June 26, 2009. The Company paid an advance of $51.0 million as of December 31, 2008 in relation to these contracts. The Company has arranged to charter these containerships under 12-year charters with a major liner company upon delivery of the vessels.

The Company entered into four newbuilding contracts on March 2, 2007, with China Shipbuilding Trading Company, Limited for four 6,800 TEU containerships (the *HN Z00001* , the *HN Z00002,* the *HN Z00003* and the *HN Z00004)* . The contract price of each vessel is $92.5 million. The Company paid an advance of $90.4 million as of December 31, 2008, in relation to these contracts. The vessels will be built by the Shanghai Jiangnan Changxing Heavy Industry Company Limited and they are expected to be delivered to the Company during the second and third quarters of 2010. On July 12, 2007, the Company agreed with China Shipbuilding Trading Company Limited for the upgrading of its earlier order for four 6,800 TEU containerships to four 8,530 TEU vessels. The contract price of each vessel is $113.0 million. These vessels will be built by the Shanghai Jiangnan Changxing Heavy Industry Company Limited and are expected to be delivered to the Company during the first and second quarter of 2011. The Company has arranged to charter these containerships under 12-year charters with a major liner company upon delivery of each vessel.

The Company entered into five newbuilding contracts on March 16, 2007, with Hanjin Heavy Industries & Construction Co, Ltd for five 6,500 TEU containerships (the *HN N-214* , the *HN N-215,* the *HN N-216,* the *HN N-217* and the *HN N-218)* . The contract price of each vessel is $99.0 million. The Company paid an advance of $99.0 million as of December 31, 2008 in relation to these contracts. The vessels are expected to be delivered to the Company throughout 2010. The Company arranged for 15 year charters for three of these vessels with the Yang Ming Group at a rate of $34,715 per day. On May 24, 2007, the Company announced that it had secured 18 year bareboat charters for each of the remaining two 6,500 TEU containerships upon delivery of the vessels.

The Company entered into newbuilding contracts on April 5, 2007, with Hanjin Heavy Industries & Construction Co, Ltd for five 3,400 TEU containerships (the *HN N-219* , the *HN N-220,* the *HN N-221,* the *HN N-222* and the *HN N-223)* . The contract price of each vessel is $55.9 million.

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5 Advances for Vessels under Construction (Continued)

The Company paid an advance of $83.8 million as of December 31, 2008, in relation to these contracts. The vessels are expected to be delivered to the Company in late 2009 and throughout 2010. On April 11, 2007, the Company arranged for 10 year charters for all of these vessels with a major line company upon delivery of each vessel.

On September 19, 2007, the Company extended its shipbuilding contracts with China Shipbuilding Trading Company Limited to include one more 8,530 TEU vessel, bringing the total number to five vessels. The Company paid an advance of $23.5 million as of December 31, 2008, in relation to this contract. All five Post Panamax containerships will be built by the Shanghai Jiangnan Changxing Heavy Industry Company Limited and are expected to be delivered between first and third quarter of 2011. The Company has also arranged with a major liner company to charter all these vessels for 12 years each upon delivery of the vessels.

The Company entered into newbuilding contracts on September 28, 2007, with Hyundai Samho Heavy Industries Co. Limited for five 12,600 TEU containerships (the *HN S-456* , the *HN S-457*, the *HN S-458*, the *HN S-459* and the *HN S-460)* . The contract price of each vessel is $166.2 million. The Company paid an advance of $249.2 million as of December 31, 2008, in relation to these contracts. The vessels are expected to be delivered to the Company throughout the first half of 2012. The Company has arranged to charter each of these containerships under 12-year charters with a major liner company upon delivery of each vessel.

The Company entered into newbuilding contracts on November 9, 2007, with Hyundai Samho Heavy Industries Co. Limited for three 10,100 TEU containerships (the *HN S-461* , the *HN S-462* and the *HN S-463)* . The contract price of each vessel is $145.2 million. The Company paid an advance of $174.3 million as of December 31, 2008, in relation to these contracts. The vessels are expected to be delivered to the Company in late 2010 and during the first quarter of 2011. The Company has arranged to charter each of these containerships under 12-year charters with a major liner company upon delivery of each vessels.

The Company entered into newbuilding contracts on July 26, 2006, with Sungdong Shipbuilding & Marine Engineering Co. Ltd. for five containerships (the *HN S4001* , the *HN S4002* , the *HN S4003*, the *HN S4004* and the *HN S4005*) of 6,500 TEU each. The contract price of each vessel is $91.5 million. The Company paid an advance of $173.9 million as of December 31, 2008, in relation to these contracts. The vessels are expected to be delivered to the Company throughout the second half of 2009 and first quarter of 2010. The Company has arranged to charter each of these containerships under 12-year charters with a major liner company upon delivery of each vessel.

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5 Advances for Vessels under Construction (Continued)

b) Advances for vessels under construction and transfers to vessels' cost as of December 31, 2008 and 2007 were as follows (in thousands):

As of January 1, 2007	**$ 193,016**
Additions	696,752
Transfer to vessels' cost	(144,234)
As of December 31, 2007	**745,534**
Additions	518,512
Transfer to vessels' cost	(196,221)
As of December 31, 2008	**$1,067,825**

6 Deferred Charges

Deferred charges consisted of the following (in thousands):

	Drydocking and Special Survey Costs	Finance and Other Costs	Total Deferred Charges
As of January 1, 2007	**$ 8,315**	**$ 1,084**	**$ 9,399**
Additions from continuing operations	7,592	927	**8,519**
Written off amounts from continuing operations	(337)	(248)	**(585)**
Written off amounts from discontinued operations	—	(36)	**(36)**
Amortization from continuing operations	(6,113)	(164)	**(6,277)**
Amortization from discontinued operations	(103)	—	**(103)**
Written off due to sale of vessels from continuing operations	(240)	—	**(240)**
Written off due to sale of vessels from discontinued operations	(246)	—	**(246)**
As of December 31, 2007	**$ 8,868**	**$ 1,563**	**$10,431**
Additions	10,625	4,441	**15,066**
Written off amounts	(181)	(128)	**(309)**
Amortization	(7,301)	(220)	**(7,521)**
Written off due to sale of vessels	(1,569)	—	**(1,569)**
As of December 31, 2008	**$ 10,442**	**$ 5,656**	**$16,098**

The Company follows the deferral method of accounting for drydocking and special survey costs in accordance with FSP AUG AIR-1, *Accounting for Planned Major Maintenance Activities* , which provides guidance on the accounting for planned major maintenance activities. Furthermore, when a vessel is drydocked for more than one reporting period, the respective costs are identified and recorded in the period in which incurred and not at the conclusion of the drydocking.

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 Other Current Assets

Other current assets consisted of the following at December 31 (in thousands):

	2008	2007
Insurance claims	$4,279	$4,894
Advances to suppliers and other assets	3,488	2,857
Total	**$7,767**	**$7,751**

Insurance claims, net of applicable deductibles arising from hull and machinery damage or other insured risks are expected to be fully collected.

8 Other Non-current Assets

Other non-current assets consisted of the following at December 31 (in thousands):

	2008	2007
Fair value of swaps	$6,691	$ —
Other assets	870	333
Total	**$7,561**	**$333**

In respect to the fair value of swaps, refer to Note 16b, Financial Instruments—Fair Value Interest Rate Swap Hedges.

9 Accounts Payable

Accounts payable consisted of the following at December 31 (in thousands):

	2008	2007
Suppliers, repairers	$10,481	$ 9,106
Insurers, agents, brokers	2,216	516
Other creditors	1,205	1,949
Total	**$13,902**	**$11,571**

10 Accrued Liabilities

Accrued liabilities consisted of the following at December 31 (in thousands):

	2008	2007
Accrued payroll	$ 1,025	$1,188
Accrued interest	3,600	3,026
Accrued expenses	6,804	1,602
Total	**$11,429**	**$5,816**

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11 Other Current and Long-term Liabilities

Other current liabilities consisted of the following at December 31 (in thousands):

	2008	2007
Fair value of forwards	$ —	$1,402
Fair value of swaps	48,217	—
Total	**$48,217**	**$1,402**

Other long-term liabilities consisted of the following at December 31 (in thousands):

	2008	2007
Fair value of swaps	$414,668	$55,307
Fair value of forwards	—	1,230
Other long-term liabilities	976	—
Total	**$415,644**	**$56,537**

In respect to the fair value of swaps and the fair value of forwards, refer to Note 16a, Financial Instruments—Cash Flow Interest Rate Swap Hedges and Note 16b, Financial Instruments—Fair Value Interest Rate Swap Hedges.

12 Lease Arrangements

a) Other lease arrangements

During 2004, the Company entered into a structured transaction with third parties affecting four vessels in its current fleet and two vessels under construction whereby such vessels were acquired by counterparties to the transaction which then time chartered the vessels to the Company for a period of 6 1/2 years. The Company did not account for the transactions as sale and lease-backs because the consideration for the vessels was not under the Company's control. Accordingly, the vessels continued to be recognized in the Company's books along with the external bank debt used to finance the initial acquisition. The Company reduced the cost basis of the vessels and hulls at inception with the present value of the future cash inflows amounting to $59.6 million, $32.3 million and $27.3 million for the vessels and for the hulls, respectively, and recognized this amount as a receivable in respect of the lease arrangements. The receivable balance was being reduced by the actual cash inflows over the 6 1/2 year term. The discount rates used in the present value calculation ranged from 4.2% to 4.9%, reflecting the GBP applicable interest rate at the time of the inception of the transactions. As a result of a change in U.K. law enacted in 2006, the Company estimated that the cash benefits initially expected to be derived from this structure would eventually be paid back and, accordingly, reinstated the original book basis of the acquired vessels, recognized a liability for the net proceeds received by the Company reflecting periodic cash benefits received and recognized an incremental liability of $12.8 million, which was recorded as an expense. As a result of a restructuring in October 2007, the Company no longer expected to have to pay back any amounts previously evaluated due to the 2006 change in U.K. law. As a result, the Company expected to retain the cash benefits of $29.3 million received. Accordingly, the liability for cumulative net periodic distributions received in the form of cash benefits was reversed and recorded as a reduction of the book basis of the vessels. In addition, the incremental liability of $12.8 million, which was recorded as expense in 2006, was reversed and recognized in earnings in 2007. On March 7, 2008, the Company exercised its right to arrange the sale of the vessels subject to the respective leasing arrangements, resulting in the cessation of the above structure, to 100% owned

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12 Lease Arrangements (Continued)

subsidiaries of the Company and realized an additional cash benefit of $16.9 million which was recorded as a further reduction of the book basis of the vessels.

b) Charters-out:

The future minimum revenue, expected to be earned on non-cancelable time charters with initial terms of one year or more consisted of the following at December 31, 2008 (in thousands):

2009	$ 320,156
2010	402,897
2011	474,707
2012	561,720
2013	590,251
2014 and thereafter	4,687,530
Total future revenue	**$7,037,261**

Revenues from time charter are not generally received when a vessel is off-hire, including time required for normal periodic maintenance of the vessel. In arriving at the minimum future charter revenues, an estimated time off-hire to perform periodic maintenance on each vessel has been deducted, although there is no assurance that such estimate will be reflective of the actual off-hire in the future. The off-hire assumptions used relate mainly to drydocking and special survey maintenance carried out approximately every 2.5 years per vessel and which may last approximately 10 to15 days.

13 Long-Term Debt

Long-term debt as of December 31, 2008 and 2007 consisted of the following (in thousands):

Lender	As of December 31, 2008	Current portion	Long-term portion	As of December 31, 2007	Current portion	Long-term portion
The Royal Bank of Scotland	**$ 640,449**	$ 6,600	$ 633,849	**$ 400,000**	$ —	$ 400,000
HSH Nordbank	**41,000**	4,000	37,000	**45,000**	4,000	41,000
The Export-Import Bank of Korea ("KEXIM")	**80,786**	10,369	70,417	**91,154**	10,369	80,785
The Export-Import Bank of Korea ("KEXIM") & Fortis Bank	**124,359**	11,250	113,109	**135,609**	11,250	124,359
Deutsche Bank	**180,000**	—	180,000	**—**	—	—
Emporiki Bank of Greece	**71,000**	—	71,000	**—**	—	—
HSH Nordbank AG and Aegean Baltic Bank	**675,000**	10,000	665,000	**680,000**	—	680,000
Credit Suisse	**31,060**	—	31,060	**—**	—	—
Fortis Bank-Lloyds TSB- National Bank of Greece	**253,200**	—	253,200	**—**	—	—
Fair value hedged debt	**10,824**	—	10,824	**4,783**	—	4,783
Total	**$2,107,678**	**$42,219**	**$2,065,459**	**$1,356,546**	**$25,619**	**$1,330,927**

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13 Long-Term Debt (Continued)

All loans discussed above are collateralized by first and second preferred mortgages over the vessels financed, general assignment of all hire freights, income and earnings, the assignment of their insurance policies, as well as any proceeds from the sale of mortgaged vessels and the corporate guarantee of Danaos Corporation.

The repayment terms of the loans outstanding as of December 31, 2008, were as follows:

Lender	Outstanding Principal Amount in millions	Interest Rate	Maturity	Details
The Royal Bank of Scotland	$ 640.4	LIBOR + margin	Due September 2021	Concerns a revolving credit facility of up to $700.0 million for the purpose of financing existing vessels or part of the newbuilding program.
HSH Nordbank	$ 41.0	LIBOR + margin	Due March 2014	21 quarterly instalments of $1.0 million; balloon payment of $20.0 million.
KEXIM	$ 80.8	Fixed	Due November 2016	30 quarterly instalments of $2.6 million; plus instalments of $1.0 million, $1.3 million and $0.69 million payable in August 2016, September 2016 and November 2016, respectively.
KEXIM-Fortis	$ 124.4	$ 115.4 million Fixed; and $9.0 million: LIBOR + margin	Due October 2018 and January 2019	20 semi-annual instalments of $5.625 million; plus instalments of $2.14 million and $0.7 million plus a balloon payment of $9.0 million payable in October 2018 and January 2019, respectively.
Aegean Baltic Bank-HSH Nordbank	$ 675.0	LIBOR + margin	Due November 2016	Concerns a revolving credit facility of up to $700.0 million in order to partially finance existing vessels and the construction of new vessels.
Emporiki Bank of Greece S.A .	$ 71.0	LIBOR + margin	Due June 2021	Concerns a loan facility of up to $156.8 million advanced to the vessel owning subsidiaries in order to partially finance the construction of new vessels. The credit facility will be repaid over a 12 year period, with two years' grace period, in 20 equal consecutive semi-annual instalments of $4.25 million and a balloon payment of $71.8 million along with the final instalment.

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13 Long-Term Debt (Continued)

Lender	Outstanding Principal Amount in millions	Interest Rate	Maturity	Details
Deutsche Bank	$ 180.0	LIBOR + margin	Due October 2018	32 consecutive quarterly instalments each in the amount of $2.5 million and a final balloon payment of $100.0 million payable together with the last such instalment. The first installment is due on December 31, 2010.
Credit Suisse	$ 31.1	LIBOR + margin	Due December 2019	28 consecutive quarterly instalments amounting to $3.99 million each, with the first instalment due on the earlier of (i) 39 months after delivery of the last vessel and (ii) March 31, 2013 and a final balloon instalment of $109.35 million which is due together with the 28 th instalment.
Fortis Bank— Lloyds TSB— National Bank of Greece	$ 253.2	LIBOR + margin	Due July 2018	16 equal semi-annual instalments of $8.6 million, with the first instalment due on July 29, 2010; and a final balloon payment of $115.2 million on July 29, 2018.

Maturities of long-term debt for the years subsequent to December 31, 2008 are as follows (in thousands):

2009	$ 42,219
2010	48,346
2011	61,398
2012	216,622
2013	253,292
2014 and thereafter	1,474,977
Total long-term debt	**$2,096,854**

The Aegean Baltic Bank-HSH Nordbank revolving credit facility shall be amortizing in up to 20 consecutive quarterly installments, initially agreed to begin in 2012 and a balloon payment, if applicable, together with the last payment due in November 2016. Specifically, the repayment schedule as well as the balloon will be determined based upon the weighted average age of the vessels that will comprise the security portfolio for this loan at the end of the fifth year (i.e., November 14, 2011). The current amortization assumes average age of vessels of 15 years. As of July 10, 2009, we agreed to amend the facility in terms of the amortization as follows: $5.0 million payable on July 31, 2009, October 31, 2009 and January 31, 2010. The subsequent amortization schedule will follow the premise described above.

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13 Long-Term Debt (Continued)

On February 15, 2008, the Company entered into a credit facility with Emporiki Bank of Greece S.A. for up to $156.8 million to finance part of the purchase price of the Hull No S4001 and the Hull No S4002. As of December 31, 2008, $71.0 million was outstanding under this credit facility and $85.8 million of undrawn availability remained available to the Company for future borrowings.

On May 9, 2008, the Company entered a credit facility with Credit Suisse for an amount equal to $221.1 million to finance new vessels, a 4,250 TEU containership, the Zim Luanda, a 6,500 TEU containership, the HN S4003, and a 6,500 TEU containership, the HN N-214. As of December 31, 2008, $31.1 million was outstanding under this credit facility and $190.0 million of undrawn availability remained available to the Company for future borrowings.

On May 30, 2008, the Company entered into a credit facility with Deutsche Bank for up to $180.0 million in relation to the acquisition of three 4,253 TEU containerships, the Zim Rio Grande, the Zim Sao Paolo and the Hull No 1672. As of December 31, 2008, $180.0 million was outstanding under this credit facility.

On July 29, 2008, the Company entered into a credit facility of $253.2 million with Fortis Bank (acting as agent), Lloyds TSB and National Bank of Greece in relation to the financing of vessels YM Colombo, YM Seattle, YM Vancouver and YM Singapore. The structure of this credit facility is such that the group of banks loaned funds of $253.2 million to the Company, which the Company then re-loaned to a newly created entity of the group of banks ("Investor Bank"). With the proceeds, Investor Bank then subscribed for preference shares in Auckland Marine Inc., Seacarriers Services Inc., Seacarriers Lines Inc. and Wellington Marine Inc. (subsidiaries of Danaos Corporation). In addition, four of the Companies' subsidiaries issued a put option in respect of the preference shares. The effect of these transactions is that the Company's subsidiaries are required to pay out fixed preference dividends to the Investor Bank, the Investor Bank is required to pay fixed interest due on the loan from the Company to Investor Bank and finally the Investor Bank is required to pay put option premium on the put options issued in respect of the preference shares.

The interest payments to the Company by Investor Bank are contingent upon receipt of these preference dividends. In the event these dividends are not paid, the preference dividends will accumulate until such time as there are sufficient cash proceeds to settle all outstanding arrearages. Applying FIN 46(R) to this arrangement, the Company has concluded that the Company is the primary beneficiary of Investor Bank and accordingly has consolidated it into the Company's group. Accordingly, as at December 31, 2008, the Consolidated Balance Sheet and Consolidated Statement of Operations includes Investor Bank's net assets of $nil and net income of $nil, respectively, due to elimination on consolidation, of accounts and transactions arising between the Company and the Investor Bank.

In December 2007, the Company filed a registration statement with the SEC for a shelf registration. The amount registered was US$1.0 billion. As of the date of filing of this report, no securities had been issued under the shelf.

The loan agreements include covenants for the Company, including the maintenance of operating accounts, minimum cash deposits and minimum fair market values of vessels. The vessel owning company's are further restricted from incurring additional indebtedness and changing the vessels' flags without the prior consent of the lender.

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13 Long-Term Debt (Continued)

The Company must maintain the following financial covenants:

- a market value adjusted net worth of at least $400.0 million and stockholders' equity of at least $250.0 million;
- ensure that the ratio of the aggregate market value of the vessels in our fleet securing the applicable loan to our outstanding indebtedness under such loan at all times exceeds (i) 145% under our KEXIM and KEXIM-Fortis credit facilities, (ii) 115% under our Emporiki Bank credit facility and (iii) 125% under our other credit facilities (reduced to 100% under our RBS credit facility during the waiver period as described below);
- adjusted stockholders' equity in excess of 30.0% of the Company total market value adjusted assets;
- the total liabilities (after deducting cash and cash equivalents), of no more than 70.0% (75% under one of our credit facilities) of the total market value adjusted assets;
- the aggregate cash and cash equivalents of no less than the higher of (a) $30 million and (b) 3% of the Company total indebtedness until November 14, 2011 and 4% of the Company total indebtedness at all times thereafter; and
- a ratio of EBITDA to net interest expense of no less than 2.5 to 1.0.

As of December 31, 2008, the Company was not in compliance with collateral coverage ratios, corporate leverage ratios and net worth covenants, as applicable, contained in loan agreements governing $1.8 billion of its outstanding indebtedness as of December 31, 2008, as presented above, due to the severe drop in interest rates which resulted in negative valuations of the Company's interest rate swaps accounted for as cash flow hedges, as well as the drop in its vessels' fair market values. As a result, the Company has entered into agreements which waive such breaches and subsequent breaches of such covenants temporarily. The financial institutions agreed not to exercise their right to demand repayment of any amounts due under the respective loan agreements as a result of the December 31, 2008 and any future breaches of the abovementioned covenants until January 31, 2010, other than under our KEXIM-Fortis credit facility, which it has been waived in respect of the year ended December 31, 2008 and compliance with the relevant covenant in respect of the year ending December 31, 2009 will be tested within 180 days following that date. As a result, debt covered by these waivers continues to be classified as long-term debt as of December 31, 2008.

Set forth below is information concerning our breach of loan covenants in relation to certain credit facilities and details of the respective waivers agreed with our lenders.

With respect to our $700.0 million senior revolving credit facility with The Royal Bank of Scotland we were in breach of the collateral coverage ratio and corporate leverage ratio as of December 31, 2008. We have entered into a covenant waiver agreement regarding compliance with the corporate leverage ratio and a relaxation of the collateral coverage ratio to 100% from 125% (at which revised collateral coverage ratio we are in compliance) in respect of the periods ending December 31, 2008 and up until January 31, 2010, with an increase in the interest rate margin by 1.5 percentage points per annum for the remaining period of the loan and a one-time fee of $100,000. In addition, dividends are restricted without the prior written consent of the bank for the waiver period.

With respect to our $700.0 million senior revolving credit facility with Aegean Baltic Bank S.A. and HSH Nordbank AG we were in breach of the collateral coverage ratio, corporate leverage ratio and net worth covenant as of December 31, 2008. We have entered into a covenant waiver agreement regarding

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13 Long-Term Debt (Continued)

compliance with the corporate leverage ratio, the collateral coverage ratio and the minimum net worth covenants in respect of the year ended December 31, 2008 and up until January 31, 2010, with an increase in the interest rate margin by 1.8 percentage points per annum for the waiver period and an increase in the interest rate margin by 1.05 percentage points per annum for the remaining period of the loan and a one-time fee of $2.1 million. In addition, dividends are restricted without the prior written consent of the bank for the waiver period.

With respect to our $148.0 million guarantee facility with HSH Nordbank AG we were in breach of the corporate leverage ratio and net worth covenant as of December 31, 2008. We have entered into a covenant waiver regarding the guarantee facility in respect of the year ended December 31, 2008 and up until October 1, 2010. In addition, during the period covered by the waiver the Company is not permitted to make dividend payments without the consent of its lenders under this facility.

With respect to our $60.0 million credit facility with HSH Nordbank AG we were in breach of the net worth covenant as of December 31, 2008. We have entered into a covenant waiver agreement regarding compliance with the minimum net worth covenant in respect of the year ended December 31, 2008 and up until January 31, 2010, with an increase in the interest rate margin over LIBOR by 1.725 percentage points per annum (or, if lower, an increase in the interest rate margin of 1.225 percentage points and the replacement of LIBOR by the bank's cost of funding) for the waiver period and an increase in the interest rate margin by 0.975 percentage points per annum for the remaining period of the loan as well as a one-time fee of 0.30 percentage points on the facility amount outstanding.

With respect to our $144.0 million credit facility with the Export-Import Bank of Korea and Fortis Bank we were in breach of the corporate leverage ratio and net worth covenant as of December 31, 2008. We have entered into a covenant waiver agreement regarding the compliance of the above covenants in respect of the year ended December 31, 2008 and compliance with the above covenants in respect of the year ended December 31, 2009, will be tested within 180 days following that date. In return, we will pay to the bank a one-time fee of $360,000 and the interest rate margin will be increased by 0.5 percentage points for the waiver period.

With respect to our $221.1 million credit facility with Credit Suisse we were in breach of the corporate leverage ratio and net worth covenants as of December 31, 2008. We have entered into a covenant waiver agreement regarding the compliance of the above covenants in respect of the years ending December 31, 2008 and up until January 31, 2010. During the wavier period, we are not permitted to pay dividends in excess of $0.20 per share per annum (or $0.05 per share per quarter) without the consent of our lenders under this credit facility.

With respect to our $180.0 million credit facility with Deutsche Bank we were in breach of the corporate leverage ratio as of December 31, 2008. We have entered into a covenant waiver agreement regarding the compliance of the above covenants in respect of the years ending December 31, 2008 and up until January 31, 2010. In addition, we will pay to the bank a one-time of 0.3 percentage points on the loan amount.

With respect to our $156.8 million credit facility with Emporiki Bank we were in breach of the corporate leverage ratio and minimum net worth covenants as of December 31, 2008. We have entered into a covenant waiver agreement regarding the compliance of the above covenants in respect of the years ending December 31, 2008 and up until January 31, 2010, with an increase in the interest rate margin by 1.65 percentage points per annum for the waiver period and 0.65 percentage points per annum for the period thereafter.

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13 Long-Term Debt (Continued)

As of December 31, 2007, the Company was in compliance with all financial ratios and covenants requirements.

The weighted average interest rate on long-term borrowings for the periods ended December 31, 2008, 2007 and 2006 was 4.9%, 5.6% and 5.6%, respectively.

Total interest paid during the years ended December 31, 2008, 2007 and 2006 was $71.4 million, $46.4 million and $26.4 million, respectively.

The total amount of interest cost incurred in 2008 was $74.6 million (2007: $44.8 million, 2006: $27.0 million). The amount of interest expensed in 2008 was $37.7 million (2007: $21.9 million, 2006: $24.5 million) and the amount of interest capitalized in 2008 was $36.9 million (2007: $22.9 million, 2006: $2.5 million).

14 Related Party Transactions

Management Services: Pursuant to a ship management agreement between each of the vessel owning companies and Danaos Shipping Company Limited (the "Manager"), the Manager acts as the fleet's technical manager responsible for (i) recruiting qualified officers and crews, (ii) managing day to day vessel operations and relationships with charterers, (iii) purchasing of stores, supplies and new equipment for the vessels, (iv) performing general vessel maintenance, reconditioning and repair, including commissioning and supervision of shipyards and subcontractors of drydock facilities required for such work, (v) ensuring regulatory and classification society compliance, (vi) performing operational budgeting and evaluation, (vii) arranging financing for vessels and (viii) providing accounting, treasury and finance services and (ix) providing information technology software and hardware in the support of the Company's processes. The Manager is a common controlled entity.

The management contract provides for a fee of $500 per day. In addition, the Manager receives a management fee of $250 per vessel per day for vessels on bareboat charter and $500 per vessel per day for the remaining vessels in the fleet, pro rated for the calendar days each vessel was owned. The Manager also receives a commission of 0.75% on gross freight, charter hire, ballast bonus and demurrage with respect to each vessel in the fleet and a commission of 0.5% based on the contract price of any vessel bought or sold by the manager on its behalf (excluding newbuildings), and a flat fee of $400,000 per newbuilding vessel for the supervision of newbuilding contracts.

For the services rendered, the Manager charged each vessel a daily fee ranging from $250 to $500. Management fees in 2008 amounted to approximately $7.0 million from continuing operations (2007: $5.7 million, 2006: $4.6 million). The related expenses are shown under "General and administrative expenses" on the Statement of Income.

The Company pays monthly advances on account of the above management services. These prepaid management fees are presented in the Balance sheet under "Due from related parties" totaling $7.1 million and $4.6 million as of December 31, 2008 and 2007, respectively.

The Company reimbursed the Manager for an amount of $2.0 million related to newbuildings site offices set up costs, which is in addition to the flat fee of $400,000 per newbuilding discussed above. The $2.0 million are not considered an additional fee but rather represents costs directly born by the Company and paid through Danaos Shipping Co. Ltd. and refer to start up cost and other related costs necessary to initiate specific locally based offices related to the newbuilding program of the Company. The Company considers necessary and has instructed the Manager to build up such offices in the

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14 Related Party Transactions (Continued)

respective shipyards in order to better and more efficiently progress the shipbuilding supervision of its vessels.

Dr. John Coustas, the Chief Executive Officer of the Company, is a member of the Board of Directors of The Swedish Club, the primary provider of insurance for the Company, including a substantial portion of its hull & machinery, war risk and protection and indemnity insurance. During the years ended December 31, 2008 and 2007, the Company paid premiums to The Swedish Club of $4.1 million and $2.8 million, respectively.

Seasonal Maritime Corporation, an entity wholly-owned by the Chief Executive Officer of the Company, funded $30.4 million of the $40.5 million acquisition price of the *MOL Confidence* under a loan agreement, dated March 14, 2006, between Seasonal Maritime Corporation, as lender, a subsidiary of the Company, as borrower, and the Company, as guarantor. The interest rate for this loan was LIBOR plus 1.0% per annum, with a maturity date of six months after execution of the loan agreement, subject to an option for an additional six months repayment term for the borrower. In addition, a flat fee of $70,125 was paid upon execution of the loan agreement and a commitment fee of 0.50% per annum was payable quarterly on any undrawn amount, commencing March 14, 2006. On June 16, 2006, the Company repaid $25.4 million of the amount borrowed under this loan agreement, leaving $5.0 million outstanding as of June 30, 2006, which amount was repaid in August 2006. This loan was secured by a general assignment of income from the *MOL Confidence* and an assignment of insurance receivables with respect to the vessel. The Company repaid the entire amount outstanding under this loan on December 28, 2006 with borrowings made under the credit facility with Aegean Baltic-HSH Nordbank and the Royal Bank of Scotland. The fees and interest paid under these loan agreements were no less favorable than those the Company could have obtained in arm's-length negotiations with an unrelated third party.

15 Taxes

Under the laws of the countries of the Company's ship owning subsidiaries' incorporation and/or vessels' registration, the Company's ship operating subsidiaries are not subject to tax on international shipping income, however, they are subject to registration and tonnage taxes, which have been included in Vessel Operating Expenses in the accompanying consolidated Statements of Income.

Pursuant to the U.S. Internal Revenue Code (the "Code"), U.S.-source income from the international operation of ships is generally exempt from U.S. tax if the company operating the ships meets certain requirements. Among other things, in order to qualify for this exemption, the company operating the ships must be incorporated in a country which grants an equivalent exemption from income taxes to U.S. corporations.

All of the Company's ship-operating subsidiaries satisfy these initial criteria. In addition, these companies must be more than 50% owned by individuals who are residents, as defined, in the countries of incorporation or another foreign country that grants an equivalent exemption to U.S. corporations. These companies also currently satisfy the more than 50% beneficial ownership requirement. In addition, should the beneficial ownership requirement not be met, the management of the Company believes that by virtue of a special rule applicable to situations where the ship operating companies are beneficially owned by a publicly traded company like the Company, the more than 50% beneficial ownership requirement can also be satisfied based on the trading volume and the anticipated widely-held ownership of the Company's shares, but no assurance can be given that this will remain so in the future, since continued compliance with this rule is subject to factors outside of the Company's control.

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Financial Instruments

The principal financial assets of the Company consist of cash and cash equivalents, trade receivables and other assets. The principal financial liabilities of the Company consist of long-term bank loans, accounts payable and derivatives.

Derivative Financial Instruments: The Company only uses derivatives for economic hedging purposes. The following is a summary of the Company's risk management strategies and the effect of these strategies on the Company's consolidated financial statements.

Interest Rate Risk: Interest rate risk arises on bank borrowings. The Company monitors the interest rate on borrowings closely to ensure that the borrowings are maintained at favorable rates. The interest rates relating to the long-term loans are disclosed in Note 13, Long-term Debt.

Concentration of Credit Risk: Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash, trade accounts receivable and derivatives. The Company places its temporary cash investments, consisting mostly of deposits, with high credit qualified financial institutions. The Company performs periodic evaluations of the relative credit standing of those financial institutions that are considered in the Company's investment strategy. The Company is exposed to credit risk in the event of non-performance by counterparties to derivative instruments, however, the Company limits this exposure by diversifying among counterparties with high credit ratings. The Company depends upon a limited number of customers for a large part of its revenues. Credit risk with respect to trade accounts receivable is generally managed by the selection of customers among the major liner companies in the world and their dispersion across many geographic areas. The Company's maximum exposure to credit risk is mainly limited to the carrying value of its derivative instruments. The Company is not a party to master netting arrangements.

Fair Value: The carrying amounts reflected in the accompanying consolidated balance sheets of financial assets and liabilities excluding long-term bank loans approximate their respective fair values due to the short maturity of these instruments. The fair values of long-term floating rate bank loans approximate the recorded values, generally due to their variable interest rates. The carrying amount of fixed rate bank loans is adjusted by the gain or loss on the debt attributable to the hedged risk. The fair value of the swap agreements equals the amount that would be paid by the Company to cancel the swaps.

Interest Rate Swaps: The off-balance sheet risk in outstanding swap agreements involves both the risk of a counter-party not performing under the terms of the contract and the risk associated with changes in market value. The Company monitors its positions, the credit ratings of counterparties and the level of contracts it enters into with any one party. The counterparties to these contracts are major financial institutions. The Company has a policy of entering into contracts with parties that meet stringent qualifications and, given the high level of credit quality of its derivative counter-parties, the Company does not believe it is necessary to obtain collateral arrangements.

a. Cash Flow Interest Rate Swap Hedges

The company, according to its long-term strategic plan to maintain relative stability in its interest rate exposure, has decided to swap part of its interest expenses from floating to fixed. To this effect, the company has entered into interest rate swap transactions with varying start and maturity dates, in order to pro-actively and efficiently manage its floating rate exposure.

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Financial Instruments (Continued)

These interest rate swaps are designed to economically hedge the variability of interest cash flows arising from floating rate debt, attributable to movements in three-month USD$ LIBOR. According to the Company's Risk Management Accounting Policy, and after putting in place the formal documentation required by Statement No. 133 in order to designate these swaps as hedging instruments, as from their inception, these interest rate swaps 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 the Company's earnings. Assessment and measurement of prospective and retrospective effectiveness for these interest rate swaps are being performed on a quarterly basis. For qualifying cash flow hedges, the fair value gain or loss associated with the effective portion of the cash flow hedge is recognized initially in shareholders' equity, and recognized to the Statement of Income in the periods when the hedged item affects profit or loss. If the probability of the forecasted transaction will not occur, the ineffective portion of the gain or loss on the hedging instrument is recognized in the Statement of Income immediately.

The interest rate swap agreements converting floating interest rate exposure into fixed, as of December 31, 2008 were as follows (in thousands):

Counter-party	Contract Trade Date	Effective Date	Termination Date	Notional Amount on Effective Date	Fixed Rate (Danaos pays)	Floating Rate (Danaos receives)	Fair Value December 31, 2008	Fair Value December 31, 2007
RBS	03/09/2007	3/15/2010	3/15/2015	$ 200,000	5.07% p.a.	USD LIBOR 3M BBA	$ (25,181)	$ (2,702)
RBS	03/16/2007	3/20/2009	3/20/2014	$ 200,000	4.922% p.a.	USD LIBOR 3M BBA	$ (27,438)	$ (4,274)
RBS	11/28/2006	11/28/2008	11/28/2013	$ 100,000	4.855% p.a.	USD LIBOR 3M BBA	$ (13,451)	$ (2,326)
RBS	11/28/2006	11/28/2008	11/28/2013	$ 100,000	4.875% p.a.	USD LIBOR 3M BBA	$ (13,546)	$ (2,414)
RBS	12/01/2006	11/28/2008	11/28/2013	$ 100,000	4.78% p.a.	USD LIBOR 3M BBA	$ (13,093)	$ (1,996)
HSH Nordbank	12/06/2006	12/8/2006	12/8/2009	$ 200,000	4.739% p.a.	USD LIBOR 3M BBA	$ (6,474)	$ (3,388)
HSH Nordbank	12/06/2006	12/8/2009	12/8/2014	$ 400,000	4.855% p.a.	USD LIBOR 3M BBA	$ (48,115)	$ (3,149)
CITI	04/17/2007	4/17/2008	4/17/2015	$ 200,000	5.124% p.a.	USD LIBOR 3M BBA	$ (35,220)	$ (8,440)
CITI	04/20/2007	4/20/2010	4/20/2015	$ 200,000	5.1775% p.a.	USD LIBOR 3M BBA	$ (25,853)	$ (3,363)
RBS	09/13/2007	10/31/2007	10/31/2012	$ 500,000	4.745% p.a.	USD LIBOR 3M BBA	$ (54,131)	$ (12,911)
RBS	09/13/2007	9/15/2009	9/15/2014	$ 200,000	4.9775% p.a.	USD LIBOR 3M BBA	$ (26,067)	$ (3,220)
RBS	11/16/2007	11/22/2010	11/22/2015	$ 100,000	5.07% p.a.	USD LIBOR 3M BBA	$ (11,564)	$ (655)
RBS	11/15/2007	11/19/2010	11/19/2015	$ 100,000	5.12% p.a.	USD LIBOR 3M BBA	$ (11,801)	$ (864)
Eurobank	12/06/2007	12/10/2010	12/10/2015	$ 200,000	4.8125% p.a.	USD LIBOR 3M BBA	$ (20,611)	$ 825
Eurobank	12/06/2007	12/10/2007	12/10/2010	$ 200,000	3.8925% p.a.	USD LIBOR 3M BBA	$ (9,565)	$ 153
CITI	10/23/2007	10/25/2009	10/27/2014	$ 250,000	4.9975% p.a.	USD LIBOR 3M BBA	$ (32,319)	$ (3,854)
CITI	11/02/2007	11/6/2010	11/6/2015	$ 250,000	5.1% p.a.	USD LIBOR 3M BBA	$ (29,338)	$ (2,027)
CITI	11/26/2007	11/29/2010	11/30/2015	$ 100,000	4.98% p.a.	USD LIBOR 3M BBA	$ (11,123)	$ (281)
CITI	01/8/2008	1/10/2008	1/10/2011	$ 300,000	3.57% p.a.	USD LIBOR 3M BBA	$ (12,985)	$ —
CITI	02/07/2008	2/11/2011	2/11/2016	$ 200,000	4.695% p.a.	USD LIBOR 3M BBA	$ (19,168)	$ —
Eurobank	02/11/2008	5/31/2011	5/31/2015	$ 200,000	4.755% p.a.	USD LIBOR 3M BBA	$ (15,842)	$ —
Total fair value							**$ (462,885)**	**$ (54,886)**

The total fair value change of the interest rate swaps for the period January 1, 2008 to December 31, 2008, amounted to $408.0 million, and is included in "Other comprehensive loss". There was no ineffective portion for the period of the hedge.

The variable-rate interest on specific borrowings is associated with vessels under construction and is capitalized as a cost of the specific vessels. In accordance with EITF 99-9, *Effect of Derivative Gains and Losses on the Capitalization of Interest* , the amounts in accumulated comprehensive income/(loss)

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Financial Instruments (Continued)

related to realized gain or losses on cash flow hedges that have been entered into in order to hedge the variability of that interest are classified under other comprehensive income/(loss) and are reclassified into earnings over the depreciable life of the constructed asset, since that depreciable life coincides with the amortization period for the capitalized interest cost on the debt. Realized losses on cash flow hedges of $11,629 thousand were recorded in other comprehensive loss as of December 31, 2008 and an amount of $6 thousand was reclassified into earnings representing its amortization over the depreciable life of the vessels.

b. Fair Value Interest Rate Swap Hedges

These interest rate swaps are designed to economically hedge the fair value of the fixed rate loan facilities against fluctuations in the market interest rates by converting its fixed rate loan facilities to floating rate debt. Pursuant to the adoption of the Company's Risk Management Accounting Policy, and after putting in place the formal documentation required by Statement No. 133 in order to designate these swaps as hedging instruments, as of June 15, 2006, these interest rate swaps qualified for hedge accounting, and, accordingly, since that time, hedge ineffectiveness amounts arising from the differences in the change in fair value of the hedging instrument and the hedged item are recognized in the Company's earnings. The Company considers its strategic use of interest rate swaps to be a prudent method of managing interest rate sensitivity, as it prevents earnings from being exposed to undue risk posed by changes in interest rates. Assessment and measurement of prospective and retrospective effectiveness for these interest rate swaps are being performed on a quarterly basis, on the financial statement and earnings reporting dates.

The interest rate swap agreements converting fixed interest rate exposure into floating, as of December 31, 2008 and 2007, were as follows (in thousands):

Counter party	Contract trade Date	Effective Date	Termination Date	Notional Amount on Effective Date	Fixed Rate (Danaos receives)	Floating Rate (Danaos pays)	Fair Value December 31, 2008	Fair Value December 31, 2007
RBS	11/15/2004	12/15/2004	8/27/2016	$ 60,528	5.0125% p.a.	USD LIBOR 3M BBA + 0.835% p.a.	$ 3,289	$ (177)
RBS	11/15/2004	11/17/2004	2/11/2016	$ 62,342	5.0125% p.a.	USD LIBOR 3M BBA + 0.855% p.a.	$ 3,402	$ (244)
Total fair value							**$ 6,691**	**$ (421)**

The total fair value change of the interest rate swaps for the period from January 1, 2008 until December 31, 2008, amounted to $7.1 million, and is included in the Statement of Income in "Gain/(loss) on fair value of derivatives". The related asset of $6.7 million is shown under "Other non-current assets" in the Balance Sheet. The total fair value change of the underlying hedged debt for the period from January 1, 2008 until December 31, 2008, amounted to $6.0 million and is included in the Statement of Income in "Gain/(loss) on fair value of derivatives". The net ineffectiveness for December 31, 2008, amounted to $1.1 million and is shown in the Statement of Income in Gain/(loss) on fair value of derivatives".

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Financial Instruments (Continued)

c. Foreign Currency Forward Contracts—Cash Flow Hedges

The Company entered into foreign currency forward contracts in 2004 to economically hedge its exposure to fluctuations of its anticipated cash inflows in U.K. pounds relating to certain lease arrangements as explained in Note 12(a), Lease Arrangements. Pursuant to the adoption of the Company's risk management accounting policy, and after putting in place the formal documentation required by Statement No. 133 in order to designate these forwards as hedging instruments, as of June 30, 2006, these foreign exchange forwards 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 the Company's earnings. Assessment and measurement of prospective and retrospective effectiveness for these interest rate swaps is being performed on a quarterly basis. For qualifying cash flow hedges, the fair value gain or loss associated with the effective portion of the cash flow hedge is recognized initially in shareholders' equity, and recycled to the Statement of Income in the periods when the hedged item will affect profit or loss. If the probability of the forecasted transaction will not occur , the ineffective portion of the gain or loss on the hedging instrument is recognized in the Statement of Income immediately.

The Company's forward contracts ceased to qualify as hedging instruments under Statement No. 133 in October 2007 as a result of amendments to the leasing arrangements described in Note 12(a), Lease Arrangements. Forward contracts with fair value of $(1.3) million expired and cash settled in April 2008. All of the remaining forwards with fair value of $0.5 million early terminated and cash settled in September 2008. These are included in the Statement of Income in "Other Income (Expenses) net".

Fair Value of Financial Instruments

Effective January 1, 2008, the Company adopted Statement No. 157. The Statement clarifies the definition of fair value, prescribes methods for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and expands disclosures about the use of fair value measurements. In accordance with FSP 157-2, we will defer the adoption of Statement No. 157 for our nonfinancial assets and nonfinancial liabilities, except those items recognized or disclosed at fair value on an annual or more frequently recurring basis, until January 1, 2009. The adoption of Statement No. 157 did not have an impact on our fair value measurements.

The following tables present our assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value.

	Fair Value Measurements as of December 31, 2008			
Assets	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
		(in thousands of $)		
Interest rate swap contracts	**$ 6,691**	**$ —**	**$ 6,691**	**$ —**
Liabilities				
Interest rate swap contracts	**$462,885**	**$ —**	**$ 462,885**	**$ —**

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Financial Instruments (Continued)

Interest rate swap contracts are measured at fair value on a recurring basis. Fair value is determined based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets. Such instruments are typically classified within Level 2 of the fair value hierarchy. The fair values of the interest rate swap contracts have been calculated by discounting the projected future cash flows of both the fixed rate and variable rate interest payments. Projected interest payments are calculated using the appropriate prevailing market forward rates and are discounted using the zero-coupon curve derived from the swap yield curve. Refer to Note 16(a)-(b) above for further information on the Company's interest rate swap contracts.

We are exposed to credit-related losses in the event of nonperformance of our counterparties in relation to these financial instruments. As of December 31, 2008, these financial instruments are in the counterparties' favor. We have considered the risk of non-performance by us and our counterparties in accordance with Statement No. 157. The Company performs evaluations of its counterparties for credit risk through ongoing monitoring of their financial health and risk profiles to identify risk or changes in their credit ratings.

17 Operating Revenue

Operating revenue from significant customers (constituting more than 10% of total revenue) at December 31, were as follows:

Charterer	2008	2007	2006
APL	0%	Under 10%	18%
HMM Korea	22%	13%	11%
CSCL	16%	18%	13%
CMA CGM	17%	13%	11%
YML	19%	11%	Under 10%

18 Operating Revenue by Geographic Location

Operating revenue by geographic location at December 31, was as follows (in thousands):

Continent	2008	2007	2006
Australia—Asia	$193,845	$154,467	$136,674
America	—	1,494	—
Europe	105,060	102,884	68,503
Total Revenue	**$298,905**	**$258,845**	**$205,177**

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19 Commitments and Contingencies

Commitments

The Company, as of December 31, 2008 and December 31, 2007, had outstanding commitments of $2,250.4 million and $2,726.3 million, respectively, for the construction of container vessels as follows:

Vessel	TEU	Contract Price	As of December 31, 2008	As of December 31, 2007
Zim Rio Grande	4,253	$ 63,800	$ —	$ 44,660
Zim Sao Paolo	4,253	63,800	—	51,040
Zim Kingston	4,253	63,800	—	51,040
Zim Monaco	4,253	63,800	—	51,040
Zim Dalian	4,253	63,800	38,280	51,040
Zim Luanda	4,253	63,800	38,280	51,040
Hull S4001	6,500	91,500	45,750	73,200
Hull S4002	6,500	91,500	54,900	73,200
Hull S4003	6,500	91,500	54,900	73,200
Hull S4004	6,500	91,500	54,900	73,200
Hull S4005	6,500	91,500	73,200	73,200
Hull N-214	6,500	99,000	79,200	79,200
Hull N-215	6,500	99,000	79,200	79,200
Hull N-216	6,500	99,000	79,200	79,200
Hull N-217	6,500	99,000	79,200	79,200
Hull N-218	6,500	99,000	79,200	79,200
Hull N-219	3,400	55,880	39,116	39,116
Hull N-220	3,400	55,880	39,116	39,116
Hull N-221	3,400	55,880	39,116	39,116
Hull N-222	3,400	55,880	39,116	39,116
Hull N-223	3,400	55,880	39,116	39,116
Hull Z00001	8,530	113,000	90,400	90,400
Hull Z00002	8,530	113,000	90,400	90,400
Hull Z00003	8,530	113,000	90,400	90,400
Hull Z00004	8,530	113,000	90,400	90,400
HN H 1022A	8,530	117,500	94,000	94,000
Hull S-456	12,600	166,166	116,316	132,933
Hull S-457	12,600	166,166	116,316	132,933
Hull S-458	12,600	166,166	116,316	132,933
Hull S-461	10,100	145,240	87,144	116,192
Hull S-462	10,100	145,240	87,144	116,192
Hull S-463	10,100	145,240	87,144	116,192
Hull S-459	12,600	166,166	116,316	132,933
Hull S-460	12,600	166,166	116,316	132,933
	243,468	**$ 3,450,750**	**$2,250,402**	**$2,726,281**

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19 Commitments and Contingencies (Continued)

Contingencies

The Company entered into a guarantee facility agreement with HSH Nordbank on April 20, 2007, by which the Bank issued a performance guarantee for $148.0 million, guaranteeing certain future payments to Shanghai Jiangnan Changxing Heavy Industry Company Ltd shipyard, regarding relevant shipbuilding contracts between the Company and the shipyard for the construction of four vessels. The guarantee amount will be decreasing as installments are being paid by the Company and is scheduled to reduce to zero during the third quarter of 2010, when all of the installments that have been guaranteed are scheduled to have been remitted. For the issuance of the guarantee, the Company contributed 25% of the guaranteed amount ($37.0 million) as cash collateral at inception. As the installments are paid, this cash collateral amount will be reduced accordingly so as to always represent 25% of the outstanding guaranteed amount. The restricted cash balance from the guarantee facility agreement with HSH Nordbank is $33.9 million in the period ended December 31, 2008. In addition, the Company was in breach of certain covenants under this guarantee facility as of December 31, 2008, which have been waived by the bank, as discussed in Note 13, Long-term Debt.

The Company entered into a guarantee facility agreement with the Royal Bank of Scotland on October 3, 2007, by which the Bank issued a performance guarantee for $35.3 million, guaranteeing certain future payments to Shanghai Jiangnan Changxing Heavy Industry Company Ltd shipyard, regarding relevant shipbuilding contracts between the Company and the shipyard for the construction of one vessel. The guarantee amount will be decreasing as installments are being paid by the Company and is scheduled to reduce to zero during the third quarter of 2010, when all of the installments that have been guaranteed are scheduled to have been remitted. For the issuance of the guarantee, the Company contributed 20% of the guaranteed amount ($7.05 million) as cash collateral at inception. Going forward, as the installments are paid, this cash collateral amount will be reduced accordingly so as to always represent 20% of the outstanding guaranteed amount. The restricted cash balance from the guarantee facility agreement with the Royal Bank of Scotland is $7.05 million in the period ended December 31, 2008.

During the second quarter of 2008, we recorded an expense in discontinued operations of $1.5 million following an unfavorable outcome of a lawsuit regarding the operation of one of our dry bulk vessels sold in May 2007.

There are no material legal proceedings to which the Company is a party or to which any of its properties are the subject, or other contingencies that the Company is aware of, other than routine litigation incidental to the Company's business. In the opinion of management, the disposition of the aforementioned lawsuits should not have a significant effect on the Company's results of operations, financial position and cash flows.

20 Sale of Vessels

The "Gain on sale of vessels" of $16.9 million for the period ended December 31, 2008, reflects the sale of *APL Belgium* , *Winterberg* , *Maersk Constantia* , *Asia Express* and *Sederberg* as described below.

On January 15, 2008, the Company sold and delivered the *APL Belgium* to APL following the exercise of the purchase option APL had for this vessel. The sale consideration was $44.5 million. The Company realized a gain on this sale of $0.8 million.

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20 Sale of Vessels (Continued)

On January 25, 2008, the Company sold and delivered the vessel *Winterberg* . The sale consideration was $11.2 million. The Company realized a gain on this sale of $4.8 million.

On May 20, 2008, the Company sold and delivered the vessel *Maersk Constantia* . The sale consideration was $15.8 million. The Company realized a gain on this sale of $9.3 million.

On October 26, 2008, the Company sold and delivered the vessel *Asia Express* . The sale consideration was $10.2 million. The Company realized a gain on this sale of $3.5 million.

On December 10, 2008, the Company sold and delivered the vessel *Sederberg* . The sale consideration was $4.9 million. The Company realized a loss on this sale of $1.5 million.

The "Loss on sale of vessels" of $0.3 million for the period ended December 31, 2007, reflects the sale of *APL England* , *APL Scotland* and *APL Holland* to APL.

On March 7, 2007, the Company sold and delivered the *APL England* to APL following the exercise of the purchase option APL had for this vessel. The sale consideration was $44.5 million. The Company incurred a loss on this sale of $0.2 million.

On June 22, 2007, the Company sold and delivered the *APL Scotland* to APL following the exercise of the purchase option APL had for this vessel. The sale consideration was $44.5 million. The Company incurred a loss on this sale of $0.03 million.

On August 3, 2007, the Company sold and delivered the *APL Holland* to APL following the exercise of the purchase option APL had for this vessel. The sale consideration was $44.5 million. The Company incurred a loss on this sale of $0.05 million.

21 Stock Based Compensation

As of April 18, 2008, the Board of Directors and the Compensation Committee approved incentive compensation of Manager's employees with its shares from time to time, after specific for each such time, decision by the compensation committee and the Board of Directors in order to provide a means of compensation in the form of free shares to certain employees of the Manager of the Company's common stock. The Plan was effective as of December 31, 2008. Pursuant to the terms of the Plan, employees of the Manager may receive (from time to time) shares of the Company's common stock as additional compensation for their services offered during the preceding period. The stock will have no vesting period and the employee will own the stock immediately after grant. The total amount of stock to be granted to employees of the Manager will be at the Company's Board of Directors' discretion only and there will be no contractual obligation for any stock to be granted as part of the employees' compensation package in future periods. As of December 31, 2008, the Company granted 2,246 shares to certain employees of the Manager and recorded an expense of $15,183 in "General and Administrative Expenses" representing the fair value of the stock granted as at December 31, 2008. The Company distributed its treasury stock to the qualifying employees of the Manager in January 2009 in settlement of the 2,246 shares granted.

The Company established the Directors Share Payment Plan. The purpose of the Plan is to provide a means of payment of all or a portion of compensation payable to directors of the Company in the form of Company's Common Stock. The Plan was effective as of April 18, 2008. Each member of the Board of Directors of the Company may participate in the Plan. Pursuant to the terms of the Plan, Directors may elect to receive in Common Stock all or a portion of their compensation. As of

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21 Stock Based Compensation (Continued)

December 31, 2008, two directors elected to receive in Company shares 100% and 50% of their compensation, respectively. On the last business day of the second, third and fourth quarter of 2008, rights to receive 1,065 shares, 1,579 shares and 3,468 shares, respectively, were credited to each Director's Share Payment Account and the Company recorded an expense of $70,312 in "General and Administrative Expenses" representing the fair value of the stock granted. The Company distributed 6,112 shares to Directors from its treasury stock in relation to the Plan in February 2009 in settlement of the shares granted.

22 Stockholders' Equity

On October 14, 2005 and September 18, 2006, the Company's Articles of Incorporation were amended. Under the amended articles of incorporation the Company's authorized capital stock consists of 200,000,000 shares of common stock with a par value of $0.01 and 5,000,000 shares of preferred stock with a par value of $0.01.

Additionally, on September 18, 2006, the Company effected an 88,615-for-1 split of its outstanding common stock. All common stock amounts (and per share amounts) in the accompanying financial statements have been adjusted to reflect the 88,615-for-1 stock split. In the accompanying consolidated balance sheets, the Company has adjusted its stockholders' equity accounts as of December 31, 2006, by increasing the stated capital and decreasing the additional paid-in capital by $443,070 to reflect the increase in outstanding shares from 500 shares par value $.01 to 44,307,500 shares par value $.01. In the accompanying consolidated statements of income, basic and diluted net income per share and weighted average number of shares has been adjusted for all periods presented.

On October 6, 2006, the Company completed its initial public offering and the Company's common stock was listed on the New York Stock Exchange. In this respect 10,250,000 shares of common stock at par value of $0.01 were issued for $21 per share. The net proceeds to the Company totaled $201.3 million.

On October 24, 2008, the Company's Board of Directors approved a share repurchase program for the repurchase, from time to time, of up to 1,000,000 shares of the Company's common stock (par value $0.01). As at December 31, 2008, the Company had re-acquired 15,000 shares for an aggregate purchase price of $88,156, which has been reported as Treasury stock in the consolidated Balance Sheet.

On January 23, 2008, the Company declared dividends amounting to $0.465 per common share for the fourth quarter of 2007, which resulted in an aggregate dividend of $25.4 million paid on February 14, 2008, to all shareholders of record as of January 30, 2008. On April 18, 2008, the Company declared a dividend amounting to $0.465 per common share for the first quarter of 2008, which resulted in an aggregate dividend of $25.4 million paid on May 14, 2008, to all shareholders of record as of April 30, 2008. On July 18, 2008, the Company declared a dividend amounting to $0.465 per common share for the second quarter of 2008, which resulted in an aggregate dividend of $25.4 million paid on August 20, 2008 to all shareholders of record as of August 6, 2008. On October 24, 2008, the Board of Directors declared a dividend of $0.465 per common share for the third quarter of 2008, which resulted in an aggregate dividend of $25.4 million, paid on November 19, 2008 to all shareholders of record as of November 5, 2008.

On January 18, 2007, the Company declared dividends amounting to $0.44 per common share for the fourth quarter of 2006, which resulted in an aggregate dividend of $24.0 million paid on

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22 Stockholders' Equity (Continued)

February 14, 2007, to all shareholders of record as of January 29, 2007. On April 24, 2007, the Board of Directors declared a dividend of $ 0.44 per common share for the first quarter of 2007, which resulted in an aggregate dividend of $24.0 million paid on May 18, 2007, to all shareholders of record as of May 4, 2007. On July 23, 2007, the Board of Directors declared a dividend of $ 0.44 per common share for the second quarter of 2007, which resulted in an aggregate dividend of $24.0 million paid on August 17, 2007, to all shareholders of record as of August 3, 2007. On October 22, 2007, the Board of Directors declared a dividend of $ 0.465 per common share for the third quarter of 2007, which resulted in an aggregate dividend of $25.4 million, paid on November 16, 2007 to all shareholders of record as of November 2, 2007.

23 Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share for the years ending December 31 (in thousands):

	2008	2007	2006
Numerator:			
Net income	$ 117,060	$ 123,098	$ 65,419
Denominator (number of shares):			
Basic and diluted weighted average ordinary shares outstanding	54,557.1	54,557.5	46,750.7

24 Other income/(expenses), net

Other income/(expenses), net, of $(1,060) thousand in 2008 mainly consists of a non-recurring expense of $1,636 thousand in relation to insurance expenses for the years of 2006 and 2007, which have been recorded in 2008 reflecting the contribution of our insurer to the exposure of the International Group of P&I Clubs. In addition, the Company early terminated and cash settled forwards with positive fair value of $471 thousand in September 2008 (refer to Note 16c, Financial Instruments).

Other income/(expenses), net, of $14,560 thousand in 2007 mainly consists of a non-recurring gain of $15,905 thousand related to our leasing arrangements of the CSCL Europe, the MSC Baltic, the Maersk Derby, the Maersk Deva, the CSCL Pusan and the CSCL Le Havre and their subsequent restructuring entered into in 2007 (refer to Note 12, Lease Arrangements). In addition, the Company recorded legal expenses in relation to this leasing arrangement of $205 thousand.

Other income/(expenses), net, of $(18,476) thousand in 2006 mainly consists of a non-recurring expense of $18,714 thousand related to our leasing arrangements of the CSCL Europe, the MSC Baltic, the Maersk Derby, the Maersk Deva, the CSCL Pusan and the CSCL Le Havre (refer to Note 12, Lease Arrangements).

25 Discontinued Operations

From 2002 to 2007, the Company owned a number of drybulk carriers, chartering them to its customers (the "Drybulk Business"). In 2006, the Company sold one drybulk vessel to an unaffiliated purchaser for $27.5 million and in 2007, the Company sold all six (6) remaining drybulk vessels in its

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25 Discontinued Operations (Continued)

fleet to an unaffiliated purchaser, for aggregate consideration of $143.5 million. The Company determined that the Drybulk Business met the requirements of Financial Accounting Standards Board Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (and related interpretations, including EITF Issue No. 03-13), and, accordingly, the Drybulk Business is reflected as discontinued operations in the Company's consolidated statements of income for the periods presented. The Company allocated to discontinued operations interest expense of nil, $0.4 million, $5.3 million for the years ended December 31, 2008, 2007 and 2006, respectively, based on actual interest incurred by each of the subsidiaries that owned the vessels that were disposed of. The Company allocated to discontinued operations an expense of $1.5 million following an unfavorable outcome of a lawsuit regarding the operation of one of the dry bulk vessels (sold in May 2007) for the year ended December 31, 2008. The Company allocated to discontinued operations gain on sale of vessels of $88.6 million for the year ended December 31, 2007. The Company allocated to discontinued operations gain on sale of vessels of $15.0 million for the year ended December 31, 2006.

The following table represents the revenues and net income from discontinued operations for the years ended December 31 (in thousands):

	2008	2007	2006
Operating Revenues	$ —	$ 6,515	$40,411
Net Income/(loss)	$(1,822)	$92,166	$35,663

The reclassification to discontinued operations had no effect on the Company's previously reported consolidated net income. In addition to the financial statements themselves, certain disclosures contained in Notes 4 and 6 have also been modified to reflect the effects of these reclassifications on those disclosures.

26 Subsequent Events

On January 2, 2009, the Company took delivery of the new-building 4,253 TEU vessel, the Zim Monaco. The vessel has been deployed on a 12-year time charter with one of the world's major liner companies.

On February 2, 2009, the Company, as borrower, and certain of its vessel-owning subsidiaries, as guarantors, entered into a credit facility with Deutsche Schiffsbank, Credit Suisse and Emporiki Bank of $298.5 million in relation to pre and post-delivery financing for five new-building vessels, the ZIM Dalian (a 4,253 TEU vessel), the HN N-220 and the HN N-223 (two 3,400 TEU vessels), the HN N-215 (a 6,500 TEU vessel) and the HN Z0001 (a 8,530 TEU vessel), which are currently under construction and will be gradually delivered to us from the first quarter of 2010 until the end of the first quarter of 2011. The interest rate on the credit facility will be LIBOR plus margin. The credit facility will be repaid in 20 equal, consecutive, semi-annual installments of $8.8 million, with the first installment due on December 30, 2011 and a final balloon payment of $122.8 million along with the final installment. As of June 30, 2009, the Company has drawn down an amount of $103.6 million to finance the delivery of Zim Dalian, as well as progress payments of the newbuildings HN N-220, HN N-223 and HN N-215. During the first quarter of 2009, we were in breach of the corporate leverage ratio and net worth covenants in relation to the above credit facility. We have entered into a covenant waiver agreement regarding the compliance of the above covenants pursuant to which the banks agreed not to exercise their rights to demand repayment of any amounts due under the above mentioned loan agreement as a result of the current and any future breaches of the respective covenants, up until

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26 Subsequent Events (Continued)

January 31, 2010. Dividends are restricted and will only be reinstated subject to the consent of all lending banks or to compliance with all covenants.

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

On March 11, 2009, the Company announced the suspension of dividend payments until such time as the Board of Directors, in consultation with management, determines that economic conditions allow cash dividend payments to be resumed.

On March 31, 2009, the Company took delivery of the new-building 4,253 TEU vessel, the Zim Dalian. The vessel has been deployed on a 12-year time charter with one of the world's major liner companies.

On June 26, 2009, the Company took delivery of the new-building 4,253 TEU vessel, the Zim Luanda. The vessel has been deployed on a 12-year time charter with one of the world's major liner companies.

In the first quarter of 2009, the Company came to an agreement with China Shipbuilding Trading Company to delay the delivery date of the five 8,530 TEU containerships under construction by approximately two hundred days each on average. In addition, the Company has come to an agreement with Hanjin Heavy Industries & Construction Company to delay the delivery date of the five 6,500 TEU and the five 3,400 TEU containerships under construction by approximately one quarter each. In the second quarter of 2009, the Company came to an agreement with Hyundai Samho Heavy Industries Co. Ltd. to delay the delivery date of the five 12,600 TEU containerships under construction by approximately one year each. Finally, the Company came to an agreement with Sungdong Shipping and Marine Engineering Co. Ltd. to delay the delivery of five 6,500 TEU containerships under construction for a period ranging from two to six months.

The Company obtained written waivers for certain covenant breaches as of December 31, 2008, which are described as follows:

- With respect to our $700.0 million senior revolving credit facility with The Royal Bank of Scotland we were in breach of the collateral coverage ratio and corporate leverage ratio as of December 31, 2008. We have entered into a covenant waiver agreement regarding compliance with the corporate leverage ratio and a relaxation of the collateral coverage ratio to 100% from 125% (at which revised collateral coverage ratio we are in compliance) in respect of the periods ending December 31, 2008 and up until January 31, 2010, with an increase in the interest rate margin by 1.5 percentage points per annum for the remaining period of the loan and a one-time fee of $100,000. In addition, dividends are restricted without the prior written consent of the bank for the waiver period.

- With respect to our $700.0 million senior revolving credit facility with Aegean Baltic Bank S.A. and HSH Nordbank AG we were in breach of the collateral coverage ratio, corporate leverage ratio and net worth covenant as of December 31, 2008. We have entered into a covenant waiver agreement regarding compliance with the corporate leverage ratio, the collateral coverage ratio and the minimum net worth covenants in respect of the year ended December 31, 2008 and up

DANAOS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26 Subsequent Events (Continued)

until January 31, 2010, with an increase in the interest rate margin by 1.8 percentage points per annum for the waiver period and an increase in the interest rate margin by 1.05 percentage points per annum for the remaining period of the loan and a one-time fee of $2.1 million. In addition, dividends are restricted without the prior written consent of the bank for the waiver period.

- With respect to our $148.0 million guarantee facility with HSH Nordbank AG we were in breach of the corporate leverage ratio and net worth covenant as of December 31, 2008. We have entered into a covenant waiver regarding the guarantee facility in respect of the year ended December 31, 2008 and up until October 1, 2010. In addition, during the period covered by the waiver the Company is not permitted to make dividend payments without the consent of its lenders under this facility.

- With respect to our $60.0 million credit facility with HSH Nordbank AG we were in breach of the net worth covenant as of December 31, 2008. We have entered into a covenant waiver agreement regarding compliance with the minimum net worth covenant in respect of the year ended December 31, 2008 and up until January 31, 2010, with an increase in the interest rate margin over LIBOR by 1.725 percentage points per annum (or, if lower, an increase in the interest rate margin of 1.225 percentage points and the replacement of LIBOR by the bank's cost of funding) for the waiver period and an increase in the interest rate margin by 0.975 percentage points per annum for the remaining period of the loan as well as a one-time fee of 0.30 percentage points on the facility amount outstanding.

- With respect to our $144.0 million credit facility with the Export-Import Bank of Korea and Fortis Bank we were in breach of the corporate leverage ratio and net worth covenant as of December 31, 2008. We have entered into a covenant waiver agreement regarding the compliance of the above covenants in respect of the year ended December 31, 2008 and compliance with the above covenants in respect of the year ended December 31, 2009, will be tested within 180 days following that date. In return, we will pay to the bank a one-time fee of $360,000 and the interest rate margin will be increased by 0.5 percentage points for the waiver period.

- With respect to our $221.1 million credit facility with Credit Suisse we were in breach of the corporate leverage ratio and net worth covenants as of December 31, 2008. We have entered into a covenant waiver agreement regarding the compliance with the above covenants in respect of the year ended December 31, 2008 and up until January 31, 2010. During the waiver period, we are not permitted to pay dividends in excess of $0.20 per share per annum (or $0.05 per share per quarter) without the consent of our lenders under this credit facility.

- With respect to our $180.0 million credit facility with Deutsche Bank we were in breach of the corporate leverage ratio as of December 31, 2008. We have entered into a covenant waiver agreement regarding the compliance with the above covenants in respect of the year ended December 31, 2008 and up until January 31, 2010. In addition, we will pay to the bank a one-time of 0.3 percentage points on the loan amount.

- With respect to our $156.8 million credit facility with Emporiki Bank we were in breach of the corporate leverage ratio and minimum net worth covenants as of December 31, 2008. We have entered into a covenant waiver agreement regarding the compliance of the above covenants in respect of the years ending December 31, 2008 and up until January 31, 2010, with an increase in the interest rate margin by 1.65 percentage points per annum for the waiver period and 0.65 percentage points per annum for the period thereafter.

Exhibit 4.1.1

ADDENDUM NO.1

To the Amended and Restated Management Agreement
dated September 18, 2006

This ADDENDUM NO.1 is made on the 12 th day of February 2009

BY AND BETWEEN:

(1) DANAOS CORPORATION, a company organized and existing under the laws of the Republic of the Marshall Islands (hereinafter the "Owner"); and

(2) DANAOS SHIPPING COMPANY LIMITED, a company organized and existing under the laws of the Republic of Cyprus (hereinafter the "Manager")

(hereinafter to be referred to as the "Addendum").

WHEREAS:

(A) The Owner has a number of wholly owned subsidiaries indentified as of the date hereof in Schedule A hereto, as such Schedule A may be amended from time to time (the "Shipowning Subsidiaries"), each of which owns a vessel (the "Vessels') and certain other direct and indirect subsidiaries identified as of the date hereof in Schedule B hereto, as such Schedule B may be amended from time to time (together with the Shipowning Subsidiaries, the "Subsidiaries").

(B) The Owner and the Manager entered into an amended and restated management agreement on September 18, 2006 (hereinafter the "2006 Management Agreement"), pursuant to which the Manager has been representing the Group (as defined in the 2006 Management Agreement) in its dealings with third parties and have been providing technical, commercial, administrative and certain other services to the Group as specified therein in connection with the management and administration of the business of the Group.

(C) The Owner and the Manager wish to amend certain terms and conditions of the 2006 Management Agreement by way of adopting this Addendum.

NOW, THEREFORE, THE PARTIES HEREBY MUTUALLY AGREE AS FOLLOWS:

1. Amendments to the 2006 Management Agreement

1.1 Section 11.1(a) shall be replaced by the following:

"a Vessel management fee of USD 575 per day per Vessel other than those described in 11.1(b) below, payable monthly in arrears (pro-rated for the number of days that the Owner (or any Subsidiary) owns or charters-in each Vessel during each month);"

1.2 Section 11.1(b) shall be replaced by the following:

"a Vessel management fee of USD 290 per day per Vessel on a bareboat charter payable monthly in arrears (pro-rated for the number of days that the Owner (or any Subsidiary) owns or charters-in each Vessel during each month);"

1.3 Section 11.1(c) shall be replaced by the following:

"a daily management fee of USD 575 for providing the commercial, chartering and administrative services, payable monthly in arrears (the fees in clauses (a) through (c) of this Section 11.1 being collectively referred to herein as the " **Management Fee** ");"

1.4 Section 11.1(f) shall be replaced by the following:

"a flat fee of USD 725,000 for the services by the Manager set forth in the form of Supervision Agreement attached in Appendix II hereto with respect to each Newbuilding of the Owner or any Subsidiary payable in four equal instalments on the key event days in accordance with the applicable shipbuilding contract, namely steel cutting, keel laying, launching and delivery to the Owner or Subsidiary, as applicable.. In addition, the incremental portion of the flat fee as compared to the Amended and Restated Management Agreement (dated September 18, 2006) should be equally apportioned to the remaining key events of the Newbuilding not performed as of the date of Addendum No.1 dated 12 th February 2009."

1.5 Sub-paragraph (g) shall be added to Section 11.1 reading as follows:

"The Management Fee does not include any out of pocket expenses (e.g. travelling, accommodation or other expenses of similar nature) of the Manager's employees in relation to drydockings or other visits to Vessels related to repair and maintenance. Such costs will be paid and expensed by the Owner over and above the Management Fee".

2. Applicable Law and Arbitration:

2.1 This Addendum shall be governed by, and construed in accordance with the laws of England and any dispute as to any matter arising out of or in any way relating to this Addendum shall be resolved by arbitration in accordance with Section 20 of the 2006 Management Agreement.

3. Miscellaneous:

3.1 **Effectiveness.** This Addendum shall become effective upon signing by the parties hereto and shall constitute an integral part of the 2006 Management Agreement.

3.2 **Definitions.** All capitalized terms in this Addendum shall have the same meaning as ascribed to them in the 2006 Management Agreement.

3.3 **Continuation.** The 2006 Management Agreement, as amended herein, shall continue to have full force and effect and is hereby ratified and confirmed in all respects. From and after the execution of this Addendum all references in the 2006 Management Agreement to "this Agreement" (or words or phrases of similar meaning) shall be deemed to be references to the 2006 Management Agreement, as amended hereby.

3.4 **Counterparts.** This Addendum may be executed and delivered in counterparts each of which will be deemed an original.

IN WITNESS whereof the undersigned have executed this Addendum as of the date first above written.

SIGNED by Mr. Iraklis Prokopakis	)	
Senior Vice-President/COO/Treasurer/Director	)	
for and on behalf of	)	/s/ Iraklis Prokopakis
DANAOS CORPORATION	)	
in the presence of: Mrs. Zoe Lappa-Papamattheou	)	

SIGNED by Mr. Efstathios Sfyris	)	
Director	)	
for and on behalf of	)	/s/ Efstathios Sfyris
DANAOS SHIPPING COMPANY LIMITED	)	
in the presence of: Mrs. Zoe Lappa-Papamattheou	)	

Exhibit 4.5.1

April 18, 2008

DANAOS CORPORATION
DIRECTORS SHARE PAYMENT PLAN

ARTICLE 1

NAME AND PURPOSE

Danaos Corporation (the "Company") hereby establishes the Danaos Corporation Directors Share Payment Plan (the "Plan"). The purpose of the Plan is to provide a means for the payment of all or a portion of compensation payable to directors of the Company in the form of shares of the Company's Common Stock, par value $.01 per share, (the "Common Stock").

ARTICLE 2

EFFECTIVE DATE

The Plan is effective as of April 18, 2008 (the "Effective Date").

ARTICLE 3

PARTICIPATION

Each member of the Board of Directors of the Company (the "Board") of the Company (each a "Director") may participate in the Plan.

ARTICLE 4

SHARE PAYMENT ELECTIONS

Pursuant to the terms of the Plan, a Director may make an election to receive in shares of Common Stock all or a portion of (i) the annual retainer fee ("Annual Retainer") payable in respect of the Director's service on the Board, and (ii) any Board meeting fees and committee meeting fees ("Meeting Fees") payable in respect of the Director's attendance at such meetings (collectively, "Compensation"). A Director's share payment election may apply to one or both of the foregoing categories of Compensation and may range from [10% to 100% of such Compensation, in 10% gradations], as elected by the Director. Each initial share payment election and each change to an existing share payment election shall be made by the submission of a written election. The election shall include the percentage of the Compensation to be paid in Common Stock. Each initial share payment election and each change to an existing share payment election shall be made by the submission of a written election as follows:

(a) Prior to [December 31] of a year, each Director may submit a written election which will be given effect with respect to Compensation to be earned by the Director for all subsequent calendar years.

(b) Each Director initially elected or appointed to the Board on or after the [December 31] of the previous calendar year may submit a written election no later than thirty (30) calendar days following the Director's election or appointment, which election will be given effect with respect to Compensation to be earned by the Director after its submission.

(c) At any time, a Director may submit a new written election superseding an existing election, in which case such new election will be given effect with respect to Compensation to be earned by the Director for all subsequent calendar years (until further superseded). Any changes to the form of distribution must be consistent with the provisions of Article 7.

ARTICLE 5

BENEFICIARY DESIGNATION

Each Director may, at any time, designate one or more beneficiaries to receive amounts credited to the Director's Share Payment Accounts in the event of the Director's death. A Director may make an initial beneficiary designation, or change an existing beneficiary designation, by submitting such a designation in writing to the Secretary of the Company. Upon acceptance by the Secretary of the Company of a Director's beneficiary designation, any beneficiary designation previously filed shall automatically be canceled.

ARTICLE 6

MAINTENANCE OF SHARE PAYMENT ACCOUNT

(a) On the last business day of each calendar quarter, rights to receive a number of shares of Common Stock, determined in accordance with the next sentence, shall be credited to each Director's Share Payment Account. The number of rights to receive shares of Common Stock, if any, to be credited each calendar quarter shall be equal to the Applicable Portion of the dollar amount of (i) one-fourth of such Director's Annual Retainer, and (ii) all such Director's Meeting Fees earned during such calendar quarter, divided by the closing price of a share of Common Stock on the New York Stock Exchange for the trading day prior to such last business day.

(b) The rights which are credited to the Directors Share Payment Accounts shall be equitably adjusted by the Board of Directors to reflect any share split, share dividend, share combination, recapitalization, conversion or other event affecting the Common Stock.

ARTICLE 7

METHOD OF DISTRIBUTION OF SHARE PAYMENTS

No distribution of share payments may be made except as provided in this Article 7.

(a) Within ten (10) trading days following December 31 of each year, the Company will deliver to each Director a number of shares of Common Stock represented by the rights credited to his or her Share Payment Account during the preceding calendar year pursuant to Article 6.

(b) (i) Notwithstanding the foregoing, at the written request of a Director, the Compensation Committee of the Board (in its role as administrator of this Plan), may in its sole discretion, accelerate the payment of shares of Common Stock represented by rights which have been credited to the Director's Share Payment Account, upon a showing of good cause or necessity.

(ii) In the event of a Director's death or incapacity either before or after the Director's cessation from service on the Board, all shares of Common Stock represented by rights which are then credited to the Director's Cash Share Payment Account, shall be distributed to the Director's personal representative, guardian, executor or designated Beneficiaries, if practicable, within thirty (30) days after the end of the month in which such death occurred or, in the case of incapacity, the end of the month in which request for such payment is made.

(c) Prior to the delivery of shares of Common Stock pursuant hereto, such shares shall not be deemed to be outstanding and accordingly may not be voted nor shall dividends be payable in respect thereof.

(d) Distributions shall be subject to applicable law.

ARTICLE 8

UNFUNDED STATUS OF THE PLAN

A Director shall not have any interest in any shares of Common Stock represented by rights which are credited to his or her Share Payment Account until such shares are distributed in accordance with the Plan. Until so distributed, all such shares of Common Stock shall remain the sole property of the Company, available for its use for whatever purposes are desired. With respect to share payments, prior to the issuing of shares of Common Stock, a Director is merely a general creditor of the Company and the obligation of the Company hereunder is purely contractual and shall not be funded or secured in any way.

ARTICLE 9

NON-ALIENABILITY AND NON-TRANSFERABILITY

The rights of a Director to the shares of Common Stock represented by rights which are credited to his or her Share Payment Account shall not be assigned, transferred, pledged or encumbered or be subject in any manner to alienation or anticipation. ADirector may not borrow against such rights and such rights shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, change, garnishment, execution or levy of any kind, whether voluntary or involuntary, prior to distribution of the related shares of Common Stock.

ARTICLE 10

ADMINISTRATION

The Plan is intended to be self-effectuating and does not require the exercise of discretion by the Company. The Compensation Committee of the Board shall act as the Plan administrator for purposes of resolving any ambiguities, claims or disputes arising with respect to the Plan or any share payments under the Plan. As such, the Compensation Committee is authorized to make any rulings and determinations that it deems to be appropriate and consistent with the terms and intent of the Plan and all such rulings and determinations shall be final and binding upon all parties for all purposes. Any member of the Compensation Committee making a claim or request to the Compensation Committee with respect to his or her rights or interests under the Plan shall excuse himself or herself from the Compensation Committee's determination with respect to such claim or request.

ARTICLE 11

AMENDMENT AND TERMINATION

The Plan, at any time, may be amended, modified or terminated by the Board. No amendment, modification or termination, without the consent of a Director, shall adversely affect such Director's rights credited to his or her Share Payment Account.

ARTICLE 12

NOTICES

All notices and forms to be submitted to the Company hereunder shall be delivered to the attention of the Secretary of the Company.

Exhibit 4.14

Date 9 May 2008

DANAOS CORPORATION
as Borrower

- and -

CREDIT SUISSE
as Lender

LOAN AGREEMENT

---

relating to a secured term loan facility of US$221,600,000 to provide pre and post-delivery finance for the acquisition of three container carrier newbuildings having Builder's Hull Nos. 1699, S4003 and N-214 from Samsung Heavy Industries Co. Ltd., Sungdong Shipbuilding & Marine Engineering Co. Ltd. and Hanjin Heavy Industries & Construction Co. Ltd. respectively

WATSON FARLEY & WILLIAMS
Piraeus

INDEX

THIS LOAN AGREEMENT is made on May 2008

BETWEEN :

(1) **DANAOS CORPORATION** being a corporation domesticated and existing under the laws of the Republic of the Marshall Islands whose registered office is at Trust Company House, Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, the Marshall Islands as **Borrower** .

(2) **CREDIT SUISSE** acting through its office at St. Alban-Graben 1-3, PO Box CH-4002 Basel, Switzerland as **Lender** .

WHEREAS

The Lender has agreed to make available to the Borrower a facility of up to the lesser of (a) US$221,600,000 and (b) 80 per cent of the aggregate Delivered Costs of the Ships, for the purpose of part-financing the Delivered Cost of each Ship. The facility shall be divided into three Tranches, Tranche A may be available in three Advances and each of Tranche B and Tranche C may be made available in up to four Advances.

The Borrower may, if it wishes, from time to time hedge its exposure under this Agreement to interest rate fluctuations by entering into interest rate swap transactions with the Lender.

IT IS AGREED as follows:

1 INTERPRETATION

1.1 Definitions. Subject to Clause 1.5, in this Agreement:

" **Advance** " means the principal amount of each borrowing by the Borrower under this Agreement;

" **Applicable Accounts** " means, in relation to a Compliance Date or an accounting period, the consolidated balance sheets and related consolidated statements of stockholders' equity, income and cash flows, together with related notes, of the Borrower's Group set out in the annual financial statements or quarterly financial statements of the Borrower's Group prepared as of the Compliance Date or, as the case may be, the last day of the accounting period in question (and which the Borrower is obliged to deliver to the Lender pursuant to Clause 10.6 and which accounts are to be prepared in accordance with Clause 10.7);

" **Approved Broker** " means each of Arrow Sale & Purchase (UK) Ltd., Braemer Seascope Ltd., Galbraith's Limited, Howe Robinson & Co. Ltd., H. Clarkson & Company Limited, Simpson Spence & Young and any other independent sale and purchase shipbroker as may be approved by the Lender from time to time;

" **Approved Flag** " means such flag as the Lender may, in its absolute discretion, approve as the flag on which a Ship shall be registered;

" **Approved Flag State** " means any country in which the Lender may, in its sole and absolute discretion, approve that a Ship be registered;

" **Approved Manager** " means, in relation to a Ship, Danaos Shipping Co. Ltd., a company incorporated in Cyprus having its registered office at Libra House, 16 P. Caterari Street, Nicosia, Cyprus or any other company which the Lender may approve from time to time as the commercial, technical and/or operational manager of that Ship;

" **Approved Manager's Undertaking** " means in relation to each Ship, a letter of undertaking executed or to be executed by the Approved Manager in favour of the Lender

and in the terms required by the Lender, agreeing certain matters in relation to the Approved Manager serving as the manager of the Ship and subordinating its rights against such Ship and the Owner thereof to the rights of the Lender under the Finance Documents, in such form as the Lender may approve or require;

" **Availability Period** " means the period commencing on the date of this Agreement and ending on:

(a) in the case of Tranche A, 30 June 2009 or any later date allowed pursuant to Article VIII of Shipbuilding Contract A (or such later date as the Lender may agree with the Borrower); or

(b) in the case of Tranche B, 31 August 2009 or any later date allowed pursuant to Article VIII of Shipbuilding Contract B (or such later date as the Lender may agree with the Borrower); or

(c) in the case of Tranche C, 30 November 2009 or any later date allowed pursuant to Article VIII of Shipbuilding Contract C (or such later date as the Lender may agree with the Borrower); or

(d) if earlier, the date on which the relevant Tranche is fully borrowed, cancelled or terminated;

" **Bareboat Charter Security Agreement** " means, in relation to Charterparty C, an agreement or agreements whereby the Lender receives an assignment of the rights of Expresscarrier under the Charterparty C and certain undertakings from Expresscarrier and YM and, if so agreed by the Lender agrees to give certain undertakings to YM, in such form as the Lender may agree or require;

" **Bareboat - equivalent Time Charter Income"** means, in relation to each Ship, the aggregate charter hire due and payable to the Owner of that Ship for the remaining unexpired term of the Charter or other contract of employment relative to that Ship at the relevant time (excluding any option periods (as that term is defined in Clause 14.5(a)) less the aggregate operating expenses of that Ship as determined by the Borrower and certified to the satisfaction of the Lender for the same period;

" **Blacksea** " means Blacksea Marine Inc., a corporation incorporated and existing under the laws of Liberia and having its registered office at 80 Broad Street, Monrovia, Liberia;

" **Book Net Worth** " means, as of any Compliance Date, the aggregate of value of the stockholders' equity of the Borrower's Group as shown in the Applicable Accounts;

" **Borrower** " means Danaos Corporation, a corporation domesticated and existing under the laws of the Marshall Islands and having its registered office at Trust Company House, Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, the Marshall Islands (and includes its successors);

" **Borrower's Group** " means the Borrower and each of its subsidiaries;

" **Boxcarrier** " means Boxcarrier (No. 3) Corp., a corporation incorporated and existing under the laws of Liberia and having its registered office at 80 Broad Street, Monrovia, Liberia;

" **Builder A** " means Samsung Heavy Industries Co. Ltd., a company organised and existing under the laws of the Republic of Korea, with its registered office at 647-9, Yeoksam-Dong, Kangnam-ku, Seoul, Korea;

" **Builder B** " means Sungdong Shipbuilding & Marine Engineering Co. Ltd., a company organised and existing under the laws of the Republic of Korea, with its registered office at 1609-2 Hwang-li, Guangdo-myeon, Tongyoung-si, Gyeongnam, 650-827, Korea;

" **Builder C** " means Hanjin Heavy Industries & Construction Co. Ltd., a company organised and existing under the laws of the Republic of Korea, with its registered office at 29, 5-Ga, Bongnae-Dong, Youngdo-Gu, Busan (606-796), Korea;

" **Builders** " means together Builder A, Builder B and Builder C, and in the singular means any of them;

" **Business Day** " means a day on which banks are open in Basel, Piraeus and (in relation to any payment to be made to the Builder) Seoul and in respect of a day on which a payment is required to be made under a Finance Document, also in New York City;

" **Cash and Cash Equivalents** " means the aggregate of:

(a) the amount of freely available credit balances on any deposit or current account;

(b) the market value of transferable certificates of deposit in a freely convertible currency acceptable to the Lender issued by a prime international bank; and

(c) the market value of equity securities (if and to the extent that the Lender is satisfied that such equity securities are readily saleable for cash and that there is a ready market therefor) and investment grade debt securities which are publicly traded on a major stock exchange or investment market (valued at market value as at any applicable date of determination);

in each case owned free of any Security Interest (other than a Security Interest in favour of the Lender) by the Borrower or any of its subsidiaries where:

(i) the market value of any asset specified in paragraph (b) and (c) shall be the bid price quoted for it on the relevant calculation date by the Lender; and

(ii) the amount or value of any asset denominated in a currency other than Dollars shall be converted into Dollars using the Lender's spot rate for the purchase of Dollars with that currency on the relevant calculation date;

"Charterers" means, together ZIM, CMA CGM and YM, and in the singular means any of them;

"Charterparties" means, together, Charterparty A, Charterparty B and Charterparty C, and in the singular means any of them;

" **Charterparty A** " means the time charterparty made or to be made between Blacksea and ZIM as charterer in respect of Ship A for a duration of at least 12 years at a net daily charter hire rate of at least $22,550 on terms acceptable in all respects to the Lender;

" **Charterparty B** " means the time charterparty made or to be made between Boxcarrier and CMA CGM as charterer in respect of Ship B for a duration of at least 12 years at a net daily charter hire rate of at least $34,350 on terms acceptable in all respects to the Lender;

" **Charterparty C** " means the bareboat charterparty made or to be made between Expresscarrier and YM as charterer in respect of Ship C for a duration of at least 18 years at a net daily charter hire rate of at least $26,500 on terms acceptable in all respects to the Lender;

" **Charterparty Assignment** " means, in relation to a Ship, a deed of assignment of the rights of the relevant Owner in respect of a Charterparty relating thereto, in such form as the Lender may approve or require and in the plural means all of them;

" **CMA CGM** " means CMA CGM S.A., a company incorporated in France and acting through its office at, Marseille, France;

" **Commitment** " means $221,600,000 as that amount may be reduced, cancelled or terminated in accordance with this Agreement;

" **Compliance Date** " means 31 March, 30 June, 30 September and 31 December in each calendar year (or such other dates as of which the Borrower prepares the consolidated financial statements which it is required to deliver pursuant to Clause 10.6);

" **Confirmation** " and " **Early Termination Date** ", in relation to any continuing Transaction, have the meanings given in the Master Agreement;

" **Contract Price** " has, in relation to each Ship, the meaning given in Article II of the Shipbuilding Contract in respect of that Ship (as the same may be adjusted in accordance to that Shipbuilding Contract);

" **Contractual Currency** " has the meaning given in Clause 20.5;

" **Danaos Earnings Account** " means an account in the name of the Borrower with the Lender in Basel (or any other office of the Lender which is designated by it as the Danaos Earnings Account for the purposes of this Agreement);

" **Danaos Earnings Account Pledge** " means the deed containing, inter alia, a charge in respect of the Danaos Earnings Account executed or to be executed by the Borrower in favour of the Lender in such form as the Lender may approve or require;

" **Deed of Covenant** " means, in relation to an Owner, a deed of covenant collateral to the relevant Mortgage, in such form as the Lender may approve or require, and in the plural means all of them;

" **Delivered Cost** " means, in relation to:

(a) Ship A, $70,000,000;

(b) Ship B, $100,000,000; and

(c) Ship C, $107,000,000,

Representing in respect of each Ship the aggregate of the Contract Price and the Extra Pre-delivery Costs for that Ship;

" **Delivery Date** " means, in relation to a Ship, the date on which title to and possession of that Ship is transferred from the Builder to the relevant Owner;

" **Designated Transaction** " means a Transaction which fulfils the following requirements:

(a) it is entered into by the Borrower pursuant to the Master Agreement with the Lender;

(b) its purpose is the hedging of the Borrower's exposure under this Agreement to fluctuations in LIBOR for periods of longer than 12 months arising from the funding of the Loan (or any part thereof) for a period expiring no later than the final Repayment Date; and

(c) it is designated by the Borrower, by delivery by the Borrower to the Lender of a notice of designation in the form set out in Schedule 6, as a Designated Transaction for the purposes of the Finance Documents;

" **Dollars** " and " **$** " means the lawful currency for the time being of the United States of America;

" **Drawdown Date** " means, in relation to an Advance, the date requested by the Borrower for the Advance to be made, or (as the context requires) the date on which the Advance is actually made;

" **Drawdown Notice** " means a notice in the form set out in Schedule 1 (or in any other form which the Lender approves or reasonably requires);

" **Earnings** " means, in relation to a Ship, all moneys whatsoever which are now, or later become, payable (actually or contingently) to the Owner owning the Ship or the Lender and which arise out of the use or operation of the Ship, including (but not limited to):

(a) all freight, hire and passage moneys, compensation payable to the Owner owning the Ship or the Lender in the event of requisition of the Ship for hire, remuneration for salvage and towage services, demurrage and detention moneys and damages for breach (or payments for variation or termination) of any charterparty or other contract for the employment of the Ship;

(b) all moneys which are at any time payable under the Insurances in respect of loss of earnings; and

(c) if and whenever the Ship is employed on terms whereby any moneys falling within paragraphs (a) or (b) above are pooled or shared with any other person, that proportion of the net receipts of the relevant pooling or sharing arrangement which is attributable to the Ship;

" **EBITDA** " means, in respect of the relevant period, the Net Income of the Borrower's Group before interest, taxes, depreciation and amortisation and any capital gains or losses realised from the sale of any Fleet Vessels as shown in the Applicable Accounts;

" **Environmental Claim** " means:

(a) any claim by any governmental, judicial or regulatory authority which arises out of an Environmental Incident or an alleged Environmental Incident or which relates to any Environmental Law; or

(b) any claim by any other person which relates to an Environmental Incident or to an alleged Environmental Incident,

and " **claim** " means a claim for damages, compensation, fines, penalties or any other payment of any kind whether or not similar to the foregoing; an order or direction to take, or not to take, certain action or to desist from or suspend certain action; and any form of enforcement or regulatory action, including the arrest or attachment of any asset;

" **Environmental Incident** " means, in relation to each Ship:

(a) any release of Environmentally Sensitive Material from a Ship; or

(b) any incident in which Environmentally Sensitive Material is released from a vessel other than a Ship and which involves a collision between that Ship and such other vessel or some other incident of navigation or operation, in either case, in connection with which that Ship is actually or potentially liable to be arrested,

attached, detained or injuncted and/or either that Ship or any Owner and/or any operator or manager is at fault or allegedly at fault or otherwise liable to any legal or administrative action; or

(c) any other incident in which Environmentally Sensitive Material is released otherwise than from a Ship and in connection with which a Ship is actually or potentially liable to be arrested and/or where any Owner and/or any operator or manager of a Ship is at fault or allegedly at fault or otherwise liable to any legal or administrative action;

" **Environmental Law** " means any law relating to pollution or protection of the environment, to the carriage of Environmentally Sensitive Material or to actual or threatened releases of Environmentally Sensitive Material;

" **Environmentally Sensitive Material** " means oil, oil products and any other substance (including any chemical, gas or other hazardous or noxious substance) which is (or is capable of being or becoming) polluting, toxic or hazardous;

" **Event of Default** " means any of the events or circumstances described in Clause 18.1;

" **Expresscarrier** " means Expresscarrier (No. 1) Corp., a corporation incorporated and existing under the laws of Liberia and having its registered office at 80 Broad Street, Monrovia, Liberia;

" **Extra Pre-delivery Costs** " means, in relation to:

(a) Ship A, $6,200,000;

(b) Ship B, $8,500,000; and

(c) Ship C, $8,000,000,

representing the costs incurred or to be incurred by the Owner of the relevant Ship during the construction of the same (in addition to the Contract Price for that Ship) as outlined in the third column of Schedule 3;

" **Finance Documents** " means:

(a) this Agreement;

(b) the Master Agreement;

(c) the Guarantees;

(d) the Master Agreement Assignment;

(e) the Predelivery Security Assignments;

(f) the General Assignments;

(g) the Mortgages;

(h) any Deeds of Covenants;

(i) the Danaos Earnings Account Pledge;

(j) the Charterparty Assignments;

(k) the Bareboat Charter Security Agreement;

(l) the Approved Manager's Undertakings; and

(m) any other document (whether creating a Security Interest or not) which is executed at any time by the Borrower, an Owner or any other person as security for, or to establish any form of subordination or priorities arrangement in relation to, any amount payable to the Lender under this Agreement or any of the documents referred to in this definition;

" **Financial Indebtedness** " means, in relation to a person (the " **debtor** "), a liability of the debtor:

(a) for principal, interest or any other sum payable in respect of any moneys borrowed or raised by the debtor;

(b) under any loan stock, bond, note or other security issued by the debtor;

(c) under any acceptance credit, guarantee or letter of credit facility made available to the debtor;

(d) under a financial lease, a deferred purchase consideration arrangement or any other agreement having the commercial effect of a borrowing or raising of money by the debtor; or

(e) under any foreign exchange transaction interest or currency swap or any other kind of derivative transaction entered into by the debtor; or

(f) under a guarantee, indemnity or similar obligation entered into by the debtor in respect of a liability of another person which would fall within paragraphs (a) to (e) if the references to the debtor referred to the other person;

" **Financial Year** " means, in relation to the Borrower's Group and each Owner, each period of 1 year commencing on 1 January in respect of which its audited accounts are or ought to be prepared;

" **Fleet Vessels** " means, together, all of the vessels (including, but not limited to, the Ships) from time to time owned or leased by members of the Borrower's Group which, at the relevant time, are included within the Total Assets of the Borrower's Group in the balance sheet of the Applicable Accounts or which would be included within the balance sheet if the Applicable Accounts were required to be prepared at that time and in the singular means any of them;

" **General Assignment** " means, in relation to a Ship, a general assignment of the Earnings, the Insurances and any Requisition Compensation of that Ship, in such form as the Lender may approve or require, and in the plural means all of them;

" **Guarantee** " means, in relation to an Owner, an irrevocable and unconditional guarantee to be given by that Owner in favour of the Lender, guaranteeing the obligations of the Borrower under this Agreement, the Master Agreement and the other Finance Documents, in such form as the Lender may approve or require, and in the plural means all of them;

" **Insurances** " means, in relation to a Ship:

(a) all policies and contracts of insurance, including entries of such Ship in any protection and indemnity or war risks association, which are effected in respect of such Ship, her Earnings or otherwise in relation to her; and

(b) all rights and other assets relating to, or derived from, any of the foregoing, including any rights to a return of a premium;

" **Interest Coverage Ratio** " means, in relation to a Compliance Date or an accounting period, the ratio of (a) EBITDA for the most recent financial period of the Borrower's Group to (b) the Net Interest Expenses for that financial period;

" **Interest Period** " means in relation to an Advance, a period determined in accordance with Clause 5;

" **Interest Rate Swap Rate** " means, for any applicable period:

(a) the rate per annum equal to the offered quotation for deposits in Dollars for a period equal to, or as near as possible equal to, the relevant applicable period which appears on the appropriate page of the Reuters Monitor Money Rates Service on the second Business Day prior to the commencement of the applicable period; or

(b) if the Swap bank does not consider the rate quoted by Rueters Monitor Money Rates Service to accurately reflect the Interest Swap Rate or if no rate is quoted on the appropriate page of the Reuters Monitor Money Rates Service, the rate per annum determined by the Lender to be the Interest Rate Swap Rate for a period equal to, or as near as possible equal to, the relevant applicable period;

" **ISM Code** " means, in relation to its application to the Approved Manager, each Owner, its Ship and its operation:

(a) 'The International Management Code for the Safe Operation of Ships and for Pollution Prevention', currently known or referred to as the 'ISM Code', adopted by the Assembly of the International Maritime Organisation by Resolution A.741(18) on 4 November 1993 and incorporated on 19 May 1994 into chapter IX of the International Convention for the Safety of Life at Sea 1974 (SOLAS 1974); and

(b) all further resolutions, circulars, codes, guidelines, regulations and recommendations which are now or in the future issued by or on behalf of the International Maritime Organisation or any other entity with responsibility for implementing the ISM Code, including without limitation, the 'Guidelines on implementation or administering of the International Safety Management (ISM) Code by Administrations' produced by the International Maritime Organisations pursuant to Resolution A.788(19) adopted on 25 November 1995,

as the same may be amended, supplemented or replaced from time to time;

" **ISM Code Documentation** " includes:

(a) the document of compliance (DOC) and safety management certificate (SMC) issued pursuant to the ISM Code in relation to the Ships or either or them within the periods specified by the ISM Code; and

(b) all other documents and data which are relevant to the ISM SMS and its implementation and verification which the Lender may require; and

(c) any other documents which are prepared or which are otherwise relevant to establish and maintain the Ships' or the Owners' compliance with the ISM Code which the Lender may require;

" **ISM SMS** " means the safety management system for each Ship which is required to be developed, implemented and maintained by the Owner of that Ship under the ISM Code;

" **ISPS Code** " means the International Ship and Port Facility Security Code adopted by the International Maritime Organisation Assembly as the same may be amended or supplemented from time to time;

" **ISSC** " means a valid and current International Ship Security Certificate issued under the ISPS Code;

" **Lender** " means Credit Suisse, acting through its office at St. Alban-Graben 1-3, PO Box CH-4002 Basel, Switzerland;

" **LIBOR** " means, for an Interest Period:

(a) the rate per annum equal to the offered quotation for deposits in Dollars for a period equal to, or as near as possible equal to, the relevant Interest Period which appears on Reuters BBA Page LIBOR 01 at or about 11.00 a.m. (London time) on the second Business Day prior to the commencement of that Interest Period (and, for the purposes of this Agreement, "Reuters BBA Page LIBOR 01" means the display designated as "Reuters BBA Page LIBOR 01" on the Reuters Money News Service or such other page as may replace Reuters BBA Page LIBOR 01 on that service for the purpose of displaying rates comparable to that rate or on such other service as may be nominated by the British Bankers' Association as the information vendor for the purpose of displaying British Bankers' Association Interest Settlement Rates for Dollars); or

(b) if no rate is quoted on Reuters BBA Page LIBOR 01 or the rate quoted on Reuters BBA Page LIBOR 01 does not represent the cost of funding of the Lender, the rate per annum determined by the Lender to be the arithmetic mean (rounded upwards, if necessary, to the nearest one-sixteenth of one per cent.) of the rates per annum notified to the Lender as the rate at which deposits in Dollars are offered to the Lender by leading banks in the London Interbank Market at the Lender's request at or about 11.00 a.m. (London time) on the second Business Day prior to the commencement of that Interest Period for a period equal to that Interest Period and for delivery on the first Business Day of it;

" **Loan** " means the aggregate principal amount of the Advances for the time being outstanding under this Agreement;

" **Major Casualty** " means, in relation to a Ship, any casualty to the Ship in respect of which the claim or the aggregate of the claims against all insurers, before adjustment for any relevant franchise or deductible, exceeds $1,000,000 or the equivalent in any other currency;

" **Margin** " means 0.675 per cent. per annum;

"Market Value" means, in respect of each Ship and each Fleet Vessel, the market value thereof determined from time to time in accordance with Clause 14.4 (or as the case may be Clause 14.5);

" **Market Value Adjusted Net Worth** " means, at any time, the amount by which the Market Value Adjusted Total Assets exceed the Total Liabilities;

" **Market Value Adjusted Total Assets** " means, at any time, the Total Assets adjusted to reflect the Market Value of all Fleet Vessels (by substituting the value of each Fleet Vessel

as specified in the Applicable Accounts with the Market Value of that Fleet Vessel as at the relevant Compliance Date);

" **Master Agreement** " means the master agreement (on the 2002 ISDA (Multicurrency - Crossborder) form) made or to be made between the Borrower and the Lender and includes all Transactions from time to time entered into and Confirmations from time to time exchanged thereunder;

" **Master Agreement Assignment** " means the assignment of the Master Agreement executed or to be executed by the Borrower, in such form as the Lender may approve or require;

" **Mortgage** " means, in relation to a Ship, the first priority or preferred (as the case may be) ship mortgage on the Ship under an Approved Flag executed or to be executed by the Owner of the Ship in favour of the Lender, in such form as the Lender may approve or require;

" **Negotiation Period** " has the meaning given in Clause 4.6;

" **Net Income** " means, in relation to each Financial Year of the Borrower, the aggregate income of the Borrower's Group appearing in the Applicable Accounts for that Financial Year less the aggregate of:

(a) the amounts incurred by the Borrower's Group during that Financial Year as expenses of its business;

(b) depreciation, amortisation and all interest in respect of all Financial Indebtedness of the Borrower's Group paid by all members of the Borrower's Group during that Financial Year;

(c) Net Interest Expenses;

(d) taxes; and

(e) other items charged to the Borrower's consolidated profit and loss account for the relevant Financial Year;

" **Net Interest Expenses** " means, as of any Compliance Date, the aggregate of all interest, commitment and other fees, commissions, discounts and other costs, charges or expenses accruing due from all the members the Borrower's Group during that accounting period less interest income received, determined on a consolidated basis in accordance with USGAAP and as shown in the consolidated statements of income for the Borrower's Group in the Applicable Accounts;

" **Owners** " means together Blacksea, Boxcarrier and Expresscarrier, and in the singular means any of them;

" **Payment Currency** " has the meaning given in Clause 20.4;

" **Pertinent Jurisdiction** ", in relation to a company, means:

(a) England and Wales;

(b) the country under the laws of which the company is incorporated or formed;

(c) a country in which the company's central management and control is or has recently been exercised;

(d) a country in which the overall net income of the company is subject to corporation tax, income tax or any similar tax;

(e) a country in which assets of the company (other than securities issued by, or loans to, related companies) having a substantial value are situated, in which the company maintains a permanent place of business, or in which a Security Interest created by the company must or should be registered in order to ensure its validity or priority; and

(f) a country the courts of which have jurisdiction to make a winding up, administration or similar order in relation to the company or which would have such jurisdiction if their assistance were requested by the courts of a country referred to in paragraphs (b) or (c) above;

" **Potential Event of Default** " means an event or circumstance which, with the giving of any notice, the lapse of time, a determination of the Lender and/or the satisfaction of any other condition, would constitute an Event of Default;

" **Predelivery Security Assignment** " means, in relation to an Owner, an assignment of the Shipbuilding Contract and of the Refund Guarantee relevant to that Owner, to be given by that Owner in favour of the Lender, in such form as the Lender may approve or require;

" **Quotation Date** " means, in relation to any Interest Period (or any other period for which an interest rate is to be determined under any provision of a Finance Document), the day on which quotations would ordinarily be given by leading banks in the London Interbank Market for deposits in the currency in relation to which such rate is to be determined for delivery on the first day of that Interest Period or other period;

" **Refund Guarantee A** " means the irrevocable and unconditional refund guarantee issued or to be issued by the Refund Guarantor in favour of Blacksea in relation to each stage payment made or to be made by Blacksea to the Builder pursuant to the Shipbuilding Contract A prior to the relevant Delivery Date;

" **Refund Guarantee B** " means the irrevocable and unconditional refund guarantee issued or to be issued by the Refund Guarantor in favour of Boxcarrier in relation to each stage payment made or to be made by Boxcarrier to the Builder pursuant to the Shipbuilding Contract B prior to the relevant Delivery Date;

" **Refund Guarantee C** " means the irrevocable and unconditional refund guarantee issued or to be issued by the Refund Guarantor in favour of Expresscarrier in relation to each stage payment made or to be made by Expresscarrier to the Builder pursuant to the Shipbuilding Contract C prior to the relevant Delivery Date;

" **Refund Guarantees** " means, together, Refund Guarantee A, Refund Guarantee B and Refund Guarantee C and in the singular means any of them;

" **Refund Guarantor** " means The Export-Import Bank of Korea acting through its office at 16-1, Yoido-Dong, Yeongdeungpo-Gu, Seoul, 150-996, Korea;

" **Relevant Person** " has the meaning given in Clause 18.7;

" **Repayment Date** " means a date on which a repayment is required to be made under Clause 7;

" **Requisition Compensation** " includes all compensation or other moneys payable by reason of any act or event such as is referred to in paragraph (b) of the definition of "Total Loss";

" **Secured Liabilities** " means all liabilities which the Borrower, the Security Parties or any of them have, at the date of this Agreement or at any later time or times, under or by virtue of the Finance Documents or any judgement relating to the Finance Documents; and for this purpose, there shall be disregarded any total or partial discharge of these liabilities, or variation of their terms, which is effected by, or in connection with, any bankruptcy, liquidation, arrangement or other procedure under the insolvency laws of any country;

" **Security Cover Ratio** " means the ratio (expressed as a percentage) which is determined at any time by comparing (i) the aggregate of the amounts referred to in paragraphs (a) and (b) of Clause 14.1 to (ii) the aggregate of the Loan at the Swap Exposure;

" **Security Interest** " means:

(a) a mortgage, charge (whether fixed or floating) or pledge, any maritime or other lien or any other security interest of any kind;

(b) the rights of the plaintiff under an action *in rem* in which the vessel concerned has been arrested or a writ has been issued or similar step taken; and

(c) any arrangement entered into by a person (A) the effect of which is to place another person (B) in a position which is similar, in economic terms, to the position in which B would have been had he held a security interest over an asset of A;

" **Security Party** " means the Owners and any other person (except the Lender) who, as a surety or mortgagor, as a party to any subordination or priorities arrangement, or in any similar capacity, executes a document falling within the final paragraph of the definition of "Finance Documents";

" **Security Period** " means the period commencing on the date of this Agreement and ending on the date on which the Lender notifies the Borrower and the Security Parties that:

(a) all amounts which have become due for payment by the Borrower or any Security Party under the Finance Documents have been paid;

(b) no amount is owing or has accrued (without yet having become due for payment) under any Finance Document;

(c) neither the Borrower nor any Security Party has any future or contingent liability under Clause 19, 20 or 21 below or any other provision of this Agreement or another Finance Document; and

(d) the Lender does not consider that there is a significant risk that any payment or transaction under a Finance Document would be set aside, or would have to be reversed or adjusted, in any present or possible future bankruptcy of the Borrower or a Security Party or in any present or possible future proceeding relating to a Finance Document or any asset covered (or previously covered) by a Security Interest created by a Finance Document;

" **Ship A** " means the 4,250 TEU class container carrier newbuilding currently being constructed by Builder A and having Builder's Hull No. 1699 to be purchased by Blacksea pursuant to the Shipbuilding Contract A and registered in the ownership of Blacksea under an Approved Flag;

" **Ship B** " means the 6,500 TEU class container carrier newbuilding currently being constructed by Builder B and having Builder's Hull No. S4003 to be purchased by Boxcarrier pursuant to the Shipbuilding Contract B and registered in the ownership of Boxcarrier under an Approved Flag;

" **Ship C** " means the 6,500 TEU class container carrier newbuilding currently being constructed by Builder C and having Builder's Hull No. N-214 to purchased by Expresscarrier pursuant to the Shipbuilding Contract C and registered in the ownership of Expresscarrier under an Approved Flag;

" **Shipbuilding Contract A** " means the shipbuilding contract dated 12 May 2006 and made between Builder A and Blacksea for the construction by Builder A of Ship A and its purchase by Blacksea, as supplemented from time to time;

" **Shipbuilding Contract B** " means the shipbuilding contract dated 26 July 2006 between Builder B and Boxcarrier, for the construction by Builder B of Ship B and its purchase by Boxcarrier, as supplemented from time to time;

" **Shipbuilding Contract C** " means the shipbuilding contract dated 16 March 2007 between Builder C and Expresscarrier, for the construction by Builder C of Ship C and its purchase by Expresscarrier, as supplemented from time to time;

" **Shipbuilding Contracts** " means, together, Shipbuilding Contract A, Shipbuilding Contract B and Shipbuilding Contract C, and in the singular means any of them;

" **Ships** " means, together, Ship A, Ship B and Ship C, and in the singular means any of them;

" **Swap Exposure** " means, as at any relevant date the amount certified by the Lender to be the aggregate net amount in Dollars which would be payable by the Borrower to the Lender under (and calculated in accordance with) section 6(e) (Payments on Early Termination) of the Master Agreement if an Early Termination Date had occurred on the relevant date in relation to all continuing Designated Transactions entered into between the Borrower and the Lender;

" **Total Assets** " means, as of any Compliance Date, the aggregate value of all assets of the Borrower's Group included in the Applicable Accounts as "current assets" and the value of all investments (valued in accordance with USGAAP) and all other tangible and intangible assets of the Borrower's Group properly included in the Applicable Accounts as "fixed assets" in accordance with USGAAP;

" **Total Liabilities** " means, as of any Compliance Date, Total Assets less Book Net Worth;

" **Total Loss** " means, in relation to a Ship:

(a) actual, constructive, compromised, agreed or arranged total loss of that Ship;

(b) any expropriation, confiscation, requisition or acquisition of the Ship, whether for full consideration, a consideration less than her proper value, a nominal consideration or without any consideration, which is effected by any government or official authority or by any person or persons claiming to be or to represent a government or official authority, excluding a requisition for hire for a fixed period not exceeding one year without any right to an extension;

(c) any condemnation of the Ship by any tribunal or by any person or person claiming to be a tribunal;

(d) any arrest, capture, seizure or detention of the Ship (including any hijacking or theft) unless she is within 30 days redelivered to the full control of the Owner owning the Ship;

" **Total Loss Date** " means, in relation to a Ship:

(a) in the case of an actual loss of the Ship, the date on which it occurred or, if that is unknown, the date when the Ship was last heard of;

(b) in the case of a constructive, compromised, agreed or arranged total loss of the Ship, the earliest of:

(i) the date on which a notice of abandonment is given to the insurers; and

(ii) the date of any compromise, arrangement or agreement made by or on behalf of the Owner owning the Ship, with the Ship's insurers in which the insurers agree to treat the Ship as a total loss; and

(c) in the case of any other type of total loss, on the date (or the most likely date) on which it appears to the Lender that the event constituting the total loss occurred;

" **Tranche A** " means the aggregate of the Advances to be made available by the Lender to the Borrower to assist Blacksea in its acquisition of Ship A or, as the context may require, the aggregate principal amount thereof outstanding at the relevant time under this Agreement;

" **Tranche B** " means the aggregate of the Advances to be made available by the Lender to the Borrower to assist Boxcarrier in its acquisition of Ship B or, as the context may require, the aggregate principal amount thereof outstanding at the relevant time under this Agreement;

" **Tranche C** " means the aggregate of the Advances to be made available by the Lender to the Borrower to assist Expresscarrier in its acquisition of Ship C or, as the context may require, the aggregate principal amount thereof outstanding at the relevant time under this Agreement;

" **Tranches** " means, together, Tranche A, Tranche B and Tranche C, and in the singular means any of them;

" **Transaction** " has the meaning given in the Master Agreement;

" **YM** " means Yang Ming Marine Transport Corp., a company having its principal office at Keelung, Taiwan; and

" **ZIM** " means Zim Israel Intergrated Shipping Services Ltd., a company having its principal office at 7-9 Pal Yam Avenue, P.O. Box 1723, Haifa, 31016, Israel.

1.2 Construction of certain terms. In this Agreement:

" **approved** " means, for the purposes of Clause 13, approved in writing by the Lender;

" **asset** " includes every kind of property, asset, interest or right, including any present, future or contingent right to any revenues or other payment;

" **company** " includes any partnership, joint venture and unincorporated association;

" **consent** " includes an authorisation, consent, approval, resolution, licence, exemption, filing, registration, notarisation and legalisation;

" **contingent liability** " means a liability which is not certain to arise and/or the amount of which remains unascertained;

“ **document** ” includes a deed; also a letter, fax or telex;

“ **excess risks** ” means, in relation to a Ship, (i) the proportion of claims for general average, salvage and salvage charges which are not recoverable as a result of the value at which that Ship is assessed for the purpose of such claims exceeding her hull and machinery insured value and (ii) collision liabilities not recoverable in full under the applicable hull and machinery insurance by reason of such liabilities exceeding such proportion of the insured value of that Ship as is covered thereunder;

“ **expense** ” means any kind of cost, charge or expense (including all legal costs, charges and expenses) and any applicable value added or other tax;

“ **law** ” includes any form of delegated legislation, any order or decree, any treaty or international convention and any regulation or resolution of the Council of the European Union, the European Commission, the United Nations or its Security Council;

“ **legal or administrative action** ” means any legal proceeding or arbitration and any administrative or regulatory action or investigation;

“ **liability** ” includes every kind of debt or liability (present or future, certain or contingent), whether incurred as principal or surety or otherwise;

“ **months** ” shall be construed in accordance with Clause 1.3;

“ **obligatory insurances** ” means, in relation to a Ship, all insurances effected, or which the Borrower owning the Ship is obliged to effect, under Clause 13 below or any other provision of this Agreement or another Finance Document;

“ **parent company** ” has the meaning given in Clause 1.4;

“ **person** ” includes any company; any state, political sub-division of a state and local or municipal authority; and any international organisation;

“ **policy** ”, in relation to any insurance, includes a slip, cover note, certificate of entry or other document evidencing the contract of insurance or its terms;

“ **protection and indemnity risks** ” means the usual risks covered by a protection and indemnity association managed in London, including, but not limited to, pollution, freight, demurrage and detention risks and the proportion (if any) of any sums payable to any other person or persons in case of collision which are not recoverable under the hull and machinery policies by reason of the incorporation in them of Clause 6 of the International Hull Clauses (1/11/02 or 1/11/03), clause 8 of the Institute Time Clauses (Hulls) (1/11/95) or clause 8 of the Institute Time Clauses (Hulls) (1/10/83) or the Institute Amended Running Down Clause (1/10/71) or the Conditions and Plan of the Swedish Club or any equivalent provision;

“ **regulation** ” includes any regulation, rule, official directive, request or guideline (either having the force of law or compliance with which is reasonable in the ordinary course of business of the party concerned) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;

“ **subsidiary** ” has the meaning given in Clause 1.4;

“ **successor** ” includes any person who is entitled (by assignment, novation, merger or otherwise) to any other person’s rights under this Agreement or any other Finance Document (or any interest in those rights) or who, as administrator, liquidator or otherwise, is entitled to exercise those rights; and in particular references to a successor include a

person to whom those rights (or any interest in those rights) are transferred or pass as a result of a merger, division, reconstruction or other reorganisation of it or any other person;

" **tax** " includes any present or future tax, duty, impost, levy or charge of any kind which is imposed by any state, any political sub-division of a state or any local or municipal authority (including any such imposed in connection with exchange controls), and any connected penalty, interest or fine; and

" **war risks** " includes the risk of mines, blocking and trapping, missing vessel, political risks, deprivation, confiscation and all risks excluded by clause 29 of the International Hull Clauses (1/11/02 or 1/11/03), clause 24 of the Institute Time Clauses (Hulls)(1/11/95) or clause 33 of the Institute Time Clauses (Hulls) (1/10/83) or in the Conditions and Plan of the Swedish Club.

1.3 Meaning of "month". A period of one or more "months" ends on the day in the relevant calendar month numerically corresponding to the day of the calendar month on which the period started (" **the numerically corresponding day** "), but:

(a) on the Business Day following the numerically corresponding day if the numerically corresponding day is not a Business Day or, if there is no later Business Day in the same calendar month, on the Business Day preceding the numerically corresponding day; or

(b) on the last Business Day in the relevant calendar month, if the period started on the last Business Day in a calendar month or if the last calendar month of the period has no numerically corresponding day,

and " **month** " and " **monthly** " shall be construed accordingly.

1.4 Meaning of "subsidiary". A company (S) is a subsidiary of another company (P) if:

(a) a majority of the issued shares in S (or a majority of the issued shares in S which carry unlimited rights to capital and income distributions) are directly owned by P or are indirectly attributable to P; or

(b) P has direct or indirect control over a majority of the voting rights attaching to the issued shares of S; or

(c) P has the direct or indirect power to appoint or remove a majority of the directors of S; or

(d) P otherwise has the direct or indirect power to ensure that the affairs of S are conducted in accordance with the wishes of P,

and any company of which S is a subsidiary is a parent company of S.

1.5 General Interpretation.

(a) In this Agreement:

(i) references to, or to a provision of, a Finance Document or any other document are references to it as amended or supplemented, whether before the date of this Agreement or otherwise;

(ii) references to, or to a provision of, any law include any amendment, extension, re-enactment or replacement, whether made before the date of this Agreement or otherwise;

(iii) words denoting the singular number shall include the plural and vice versa; and

(iv) where a determination or opinion is stated to be "conclusive" it shall be binding on the relevant party save for manifest error;

(b) Clauses 1.1 to 1.4 and paragraph (a) of this Clause 1.5 apply unless the contrary intention appears.

(c) The clause headings shall not affect the interpretation of this Agreement.

2 FACILITY

2.1 Amount of facility. Subject to the other provisions of this Agreement, the Lender shall make available to the Borrower a loan facility of up to $221,660,000 in three Tranches as follows:

(a) Tranche A shall be in an amount equal to the lesser of:

(i) $56,000,000; and

(ii) 80 per cent. of the Delivered Cost of Ship A;

(b) Tranche B shall be in an amount equal to the lesser of:

(i) $80,000,000; and

(ii) 80 per cent. of the Delivered Cost of Ship B; and

(c) Tranche C shall be in an amount equal to the lesser of:

(i) $85,600,000; and

(ii) 80 per cent. of the Delivered Cost of Ship C,

Tranche A may be drawn in up to three Advances and each of Tranche B and Tranche C may be drawn in up to four Advances.

2.2 Purpose of Loan. The Borrower undertakes with the Lender to use each Advance only for the purpose stated in Clause 2.1.

2.3 Designated Transactions under the Master Agreement. At any time during the Security Period the Borrower may request the Lender to conclude Designated Transactions for the purpose of hedging the Owners' exposure to interest rate fluctuations for a period of longer than 12 months in the context of its interest payment obligations under this Agreement. If the Borrower requests to conclude a Designated Transaction prior to the delivery of all the Ships, the Lender may request that the Borrower provides or procures the provisions of such security as is acceptable to the Lender unless the notional principal amount of the Designated Transactions does not exceed the amount of the Loan. The entry by the Lender into the Master Agreement does not commit the Lender to conclude Designated Transactions, or even to offer terms for doing so, but does provide a contractual framework within which Designated Transactions may be concluded and secured, assuming that the Lender is willing to conclude any Designated Transaction at the relevant time and that, if that is the case, mutually acceptable terms can be agreed at the relevant time.

3 DRAWDOWN

3.1 Request for Advance. Subject to the following conditions, the Borrower may request an Advance to be made by ensuring that the Lender receives a completed Drawdown Notice

not later than 11.00 a.m. (Basel time) 3 Business Days prior to the intended Drawdown Date.

3.2 Availability. The conditions referred to in Clause 3.1 are that:

(a) a Drawdown Date has to be a Business Day during the Availability Period;

(b) each Advance shall:

(i) subject to Clause 3.2(c), be in an amount that does not exceed the maximum amount of that Advance specified in Schedule 3; and

(ii) be used to part-finance the relevant instalment payable to the Builder pursuant to the relevant Shipbuilding Contract and the relevant Extra Pre-delivery Costs as are specified in Schedule 3;

(c) the aggregate amount of the Advances in respect of a Tranche shall not exceed the maximum amount of that Tranche as set out in Clause 2.1; and

(d) the Borrower shall demonstrate to the satisfaction of the Lender the availability to it of funds in an amount equal to the amount by which the instalment due to the Builder pursuant to the relevant Shipbuilding Contract and the relevant Extra Pre-delivery Costs on the relevant Drawdown Date exceeds the Advance to be made available to the Borrower on that Drawdown Date.

3.3 Drawdown Notice irrevocable. A Drawdown Notice must be signed by a duly authorised person on behalf of the Borrower; and once served, a Drawdown Notice cannot be revoked without the prior consent of the Lender.

3.4 Disbursement of Advance. Subject to the provisions of this Agreement, the Lender shall on each Drawdown Date make the relevant Advance to the Borrower and that payment to the Borrower shall be made to the account of the Builder which the Borrower specifies in the Drawdown Notice.

3.5 Disbursement of Advance to third party. The payment by the Lender under Clause 3.4 to the Builder shall constitute the making of the Advance and the Borrower shall thereupon become indebted, as principal and direct obligor, to the Lender in an amount equal to that Advance.

4 INTEREST

4.1 Payment of normal interest. Subject to the provisions of this Agreement, interest on each Advance in respect of each Interest Period shall be paid by the Borrower on the last day of that Interest Period.

4.2 Normal rate of interest. Subject to the provisions of this Agreement, the rate of interest on each Advance in respect of an Interest Period shall be the aggregate of (a) the Margin, (b) the Mandatory Cost and (c) LIBOR for that Interest Period.

4.3 Payment of accrued interest. In the case of an Interest Period longer than 3 months, accrued interest shall be paid every 3 months during that Interest Period and on the last day of that Interest Period.

4.4 Notification of market disruption. The Lender shall promptly notify the Borrower if no rate is quoted on Reuters BBA Page LIBOR 01 or if for any reason the Lender is unable to obtain Dollars in the London Interbank Market in order to fund an Advance (or any part of it) during any Interest Period, stating the circumstances which have caused such notice to be given.

4.5 **Suspension of drawdown.** If the Lender's notice under Clause 4.4 is served before an Advance is made, the Lender's obligation to make the Advance shall be suspended while the circumstances referred to in the Lender's notice continue.

4.6 **Negotiation of alternative rate of interest.** If the Lender's notice under Clause 4.4 is served after an Advance is made, the Borrower and the Lender shall use reasonable endeavours to agree, within the 30 days after the date on which the Lender serves its notice under Clause 4.4 (the " **Negotiation Period** "), an alternative interest rate or (as the case may be) an alternative basis for the Lender to fund or continue to fund the relevant Advance or Advances during the Interest Period concerned.

4.7 **Application of agreed alternative rate of interest.** Any alternative interest rate or an alternative basis which is agreed during the Negotiation Period shall take effect in accordance with the terms agreed.

4.8 **Alternative rate of interest in absence of agreement.** If an alternative interest rate or alternative basis is not agreed within the Negotiation Period, and the relevant circumstances are continuing at the end of the Negotiation Period, then the Lender shall set an interest period and interest rate representing the cost of funding of the Lender in Dollars or in any available currency of the relevant Advance or Advances plus the Mandatory Cost (if any) and the Margin; and the procedure provided for by this Clause 4.8 shall be repeated if the relevant circumstances are continuing at the end of the interest period so set by the Lender.

4.9 **Notice of prepayment.** If the Borrower does not agree with an interest rate set by the Lender under Clause 4.8, the Borrower may give the Lender not less than 15 Business Days' notice of its intention to prepay the relevant Advance or Advances at the end of the interest period set by the Lender.

4.10 **Prepayment, termination of Commitments.** A notice under Clause 4.9 shall be irrevocable if served 3 business days before prepayment; on the last Business Day of the interest period set by the Lender, the Borrower shall prepay (without premium or penalty) the Loan, together with accrued interest thereon at the applicable rate plus the Margin and the Mandatory Cost (if any).

4.11 **Application of prepayment.** The provisions of Clause 7 shall apply in relation to the prepayment.

5 INTEREST PERIODS

5.1 **Commencement of Interest Periods.** The first Interest Period applicable to an Advance shall commence on the relevant Drawdown Date and each subsequent Interest Period shall commence on the expiry of the preceding Interest Period.

5.2 **Duration of normal Interest Periods.** Subject to Clauses 5.3 and 5.4, each Interest Period in respect of each Advance shall be:

(a) 1, 3, 6, 9 or 12 months as notified by the Borrower to the Lender not later than 11.00 a.m. (Basel time) 3 Business Days before the commencement of the Interest Period;

(b) in the case of the first Interest Period applicable to the second and any subsequent Advance of a Tranche, a period ending on the last day of the then current Interest Period applicable to such Tranche, whereupon all of the Advances in respect of such Tranche shall be consolidated and treated as a single advance;

(c) 3 months, if the Borrower fails to notify the Lender by the time specified in paragraph (a) above; or

(d) such other period as the Lender may agree with the Borrower.

5.3 **Duration of Interest Periods for repayment instalments.** In respect of an amount due to be repaid under Clause 7 on a particular Repayment Date, an Interest Period in relation to the relevant Tranche shall end on that Repayment Date.

5.4 **Non-availability of matching deposits for Interest Period selected.** If, after the Borrower has selected an Interest Period longer than 3 months, the Lender notifies the Borrower by 11.00 a.m. (Basel time) on the second Business Day before the commencement of the Interest Period that it is not satisfied that deposits in Dollars for a period equal to the Interest Period will be available to it in the London Interbank Market when the Interest Period commences, the Interest Period shall be of 6 months.

6 DEFAULT INTEREST

6.1 **Payment of default interest on overdue amounts.** The Borrower shall pay interest in accordance with the following provisions of this Clause 6 on any amount payable by the Borrower under any Finance Document which the Lender, does not receive on or before the relevant date, that is:

(a) the date on which the Finance Documents provide that such amount is due for payment; or

(b) if a Finance Document provides that such amount is payable on demand, the date on which the demand is served; or

(c) if such amount has become immediately due and payable under Clause 18.4, the date on which it became immediately due and

payable.

6.2 **Default rate of interest.** Interest shall accrue on an overdue amount from (and including) the relevant date until the date of actual payment (as well after as before judgment) at the rate per annum determined by the Lender to be 1.0 per cent. above:

(a) in the case of an overdue amount of principal, the higher of the rates set out at paragraphs (a) and (b) of Clause 6.3; or

(b) in the case of any other overdue amount, the rate set out at paragraph (b) of Clause 6.3.

6.3 **Calculation of default rate of interest.** The rates referred to in Clause 6.2 are:

(a) the rate applicable to the overdue principal amount immediately prior to the relevant date (but only for any unexpired part of any then current Interest Period);

(b) the aggregate of the Mandatory Cost (if any) and the Margin plus, in respect of successive periods of any duration (including at call) up to 3 months which the Lender may select from time to time:

(i) LIBOR; or

(ii) if the Lender determines that Dollar deposits for any such period are not being made available to it by leading banks in the London Interbank Market in the ordinary course of business, a rate from time to time determined by the Lender by reference to the cost of funds to the Lender from such other sources as the Lender may from time to time determine.

6.4 **Notification of interest periods and default rates.** The Lender shall promptly notify the Borrower of each interest rate determined by the Lender under Clause 6.3 and of each period selected by the Lender for the purposes of paragraph (b) of that Clause; but this

shall not be taken to imply that the Borrower is liable to pay such interest only with effect from the date of the Lender's notification.

6.5 **Payment of accrued default interest.** Subject to the other provisions of this Agreement, any interest due under this Clause shall be paid on the last day of the period by reference to which it was determined.

6.6 **Compounding of default interest.** Any such interest which is not paid at the end of the period by reference to which it was determined shall thereupon be compounded.

6.7 **Application to Master Agreement** . For the avoidance of doubt this Clause 6 does not apply to any amount payable under the Master Agreement in respect of any continuing Designated Transaction as to which section 2(e) (Default Interest, Other Amounts) of the Master Agreement shall apply.

7 REPAYMENT AND PREPAYMENT

7.1 **Amount of repayment instalments.** The Borrower shall repay the Loan by 28 equal consecutive quarterly instalments of $4,000,000 each and by a balloon instalment of $109,600,000 (the " **Balloon Instalment** ")

Provided that if the amount of the Loan drawndown hereunder is less than $221,600,000, each of the repayment instalments and the Balloon Instalment shall be reduced pro rata by an amount in aggregate equal to the undrawn balance.

7.2 **Repayment Dates.** The first instalment shall be repaid on the earlier of:

(a) the date falling 39 months after the Delivery Date of that last Ship to be delivered to its Owner [or any other later date allowed pursuant to Article VIII of the relevant Shipbuilding Contract]; and

(b) 31 March 2013; and

the last instalment together with the Balloon Instalment shall be paid on the earlier of (i) the date falling on the tenth anniversary of the final Drawdown Date and (ii) 31 December 2019.

7.3 **Final Repayment Date.** On the final Repayment Date, the Borrower shall additionally pay to the Lender all other sums then accrued or owing under any Finance Document.

7.4 **Voluntary prepayment.** Subject to the following conditions, the Borrower may prepay the whole or any part of the Loan on the last day of an Interest Period in respect thereof.

7.5 **Conditions for voluntary prepayment.** The conditions referred to in Clause 7.4 are that:

(a) a partial prepayment shall be $4,000,000 or a multiple thereof;

(b) the Lender has received from the Borrower at least 15 days' prior written notice specifying the amount to be prepaid and the date on which the prepayment is to be made; and

(c) the Borrower has provided evidence satisfactory to the Lender that any consent required by the Borrower in connection with the prepayment has been obtained and remains in force.

7.6 **Effect of notice of prepayment.** A prepayment notice may not be withdrawn or amended without the consent of the Lender, and the amount specified in the prepayment

notice shall become due and payable by the Borrower on the date for prepayment specified in the prepayment notice.

7.7 Mandatory prepayment. The Borrower shall be obliged to prepay the Relevant Amount:

(a) if a Ship is sold or becomes a Total Loss:

(i) in the case of a sale, on or before the date on which the sale is completed by delivery of that Ship to the buyer; or

(ii) in the case of a Total Loss, on the earlier of the date falling 120 days after the Total Loss Date and the date of receipt by the Lender of the proceeds of insurance relating to such Total Loss;

(b) if any of the following occurs, on demand by the Lender:

(i) either a Shipbuilding Contract or a Refund Guarantee is cancelled, terminated, rescinded or suspended or otherwise ceases to remain in full force and effect for any reason; or

(ii) a Shipbuilding Contract is materially amended or varied without the prior written consent of the Lender (not to be unreasonably withheld) except for any such amendment or variation as is permitted by this Agreement or any other relevant Finance Document; or

(iii) a Ship has not for any reason been delivered to, and accepted by, the relevant Owner under the Shipbuilding Contract to which it is a party by the last day of the relevant Availability Period applicable to the Tranche which shall be used to part-finance that Ship.

In this Clause 7.7, " **Relevant Amount** " means the higher of (i) an amount equal to the Relevant Tranche and (ii) an amount which, after giving credit for the amount of the prepayment made pursuant to this Clause 7.7, results in the Security Cover Ratio being equal to the higher of (A) the Security Cover Ratio maintained immediately prior to the event which triggered such prepayment and (B) the Security Cover Ratio referred to in Clause 14.1.

In this Clause 7.7, " **Relevant Tranche** " means the amount that has been made available to finance the acquisition of the Ship which has been sold or becomes a Total Loss or is the subject of the Shipbuilding Contract or Refund Guarantee in relation to which any of the events referred to in clause 7.7(b) has occurred.

7.8 Amounts payable on prepayment. A prepayment shall be made together with accrued interest (and any other amount payable under Clause 20 below or otherwise) in respect of the amount prepaid and, if the prepayment is not made on the last day of an Interest Period together with any sums payable under Clause 20.1(b) but without premium or penalty.

7.9 Application of partial prepayment. Each partial prepayment shall:

(a) if made pursuant to Clause 7.4 be applied in order of maturity first against the repayment instalments outstanding at that time and thereafter the Balloon Instalment, unless otherwise agreed by the Lender; and

(b) if made pursuant to Clause 7.7 be applied first in fully prepaying the Relevant Tranche (as defined in Clause 7.7) and any balance shall be applied pro rata against the repayment instalments referred to in Clause 7.1 for all other Tranches.

7.10 **No reborrowing** . No amount prepaid may be reborrowed.

7.11 **Unwinding of Designated Transactions.** On or prior to any repayment or prepayment under this Clause 7 (other than in the case of prepayment made pursuant to Clause 7.5) or any other provision of this Agreement, the Borrower shall either:

(a) wholly or partially reverse, offset, unwind or otherwise terminate one or more of the continuing Designated Transactions so that the notional principal amount of the continuing Designated Transactions thereafter remaining does not and will not in the future exceed the amount of the Loan as reducing from time to time thereafter pursuant to Clause 7.1; or

(b) provide the Lender with additional security in all respects acceptable to the Lender to secure the amount determined by the Lender to be equal to the difference between the notional principal amount of the continuing Designated Transactions and the amount of the Loan as reducing from time to time thereafter pursuant to Clause 7.1

8 CONDITIONS PRECEDENT

8.1 **Documents, fees and no default.** The Lender's obligation to make an Advance is subject to the following conditions precedent:

(a) that on or before the date of this Agreement, the Lender receives:

(i) the documents described in Part A of Schedule 2 in a form and substance satisfactory to the Lender and its lawyers; and

(ii) the arrangement fee referred to in Clause 19.1;

(b) that, on or before the service of the first Drawdown Notice in respect of each Tranche, the Lender receives the documents described in Part B of Schedule 2 in form and substance satisfactory to it and its lawyers;

(c) that, on or before the service of the second Drawdown Notice in respect of each Tranche, the Lender receives the documents described in Part C of Schedule 2 in form and substance satisfactory to it and its lawyers;

(d) that, on or before the service of the third Drawdown Notice in respect of each of Tranche B and C, the Lender receives the documents described in Part D of Schedule 2 in form and substance satisfactory to it and its lawyers;

(e) that, on or before the service of the Drawdown Notice in respect of the final Advance of each Tranche, the Lender receives the documents described in Part E of Schedule 2 in form and substance satisfactory to it and its lawyers;

(f) that, on or before the service of the Drawdown Notice in respect of the final Advance to be made pursuant to the terms of this Agreement, the Lender receives any accrued (but unpaid) commitment fee payable pursuant to Clause 19.1(b) and has received payment of the expenses referred to in Clause 19.2;

(g) that both at the date of each Drawdown Notice and at each Drawdown Date:

(i) no Event of Default or Potential Event of Default has occurred and is continuing or would result from the borrowing of the relevant Advance; and

(ii) the representations and warranties in Clause 9 and those of the Borrower or any Security Party which are set out in the other Finance Documents would be true

and not misleading if repeated on each of those dates with reference to the circumstances then existing; and

(iii) none of the circumstances contemplated by Clause 4.4 has occurred and is continuing;

(iv) there has been no material adverse change in the financial position, state of affairs or prospects of the Borrower or the Owners in the light of which the Lender considers that there is a significant risk that the Borrower or any Security Party is, or will later become, unable to discharge its liabilities under the Finance Documents to which it is a party as they fall due; and

(h) that, if the ratio set out in Clause 14.1 were applied immediately following the making of an Advance which will be used in financing (inter alia) the delivery instalment payable pursuant the Shipbuilding Contract for a Ship, the Borrower would not be obliged to provide additional security or prepay part of the Loan under that Clause; and

(i) that the Lender has received, and found to be acceptable to it, any further opinions, consents, agreements and documents in connection with the Finance Documents which the Lender may request by notice to the Borrower prior to the relevant Drawdown Date.

8.2 Waiver of conditions precedent. If the Lender at its discretion, permits an Advance to be borrowed before certain of the conditions referred to in Clause 8.1 are satisfied, the Borrower shall ensure that those conditions are satisfied within 5 Business Days after the relevant Drawdown Date (or such longer period as the Lender may specify).

9 REPRESENTATIONS AND WARRANTIES

9.1 General. The Borrower represents and warrants to the Lender as follows.

9.2 Status. The Borrower is a corporation domesticated in and validly existing and in good standing under the laws of the Republic of the Marshall Islands.

9.3 Share capital and ownership. The Borrower has an authorised share capital divided into 205,000,000 shares of $0.01 each divided into 200,000,000 shares of common stock and 5,000,000 shares of preferred stock. The Borrower is the indirect and ultimate owner of all of the issued share capital of each Owner.

9.4 Corporate power. The Borrower (or in the case of paragraphs (a) and (b), each Owner) has the corporate capacity, and has taken all corporate action and obtained all consents necessary for it:

(a) to execute its Shipbuilding Contract, to purchase and pay for its Ship under the relevant Shipbuilding Contract and register its Ship in its name under an Approved Flag;

(b) to enter into, and perform its obligations under, the Charterparty to which it is a party;

(c) to execute the Finance Documents to which the Borrower is a party; and

(d) to borrow under this Agreement, to enter into Designated Transactions under the Master Agreement and to make all the payments contemplated by, and to comply with, those Finance Documents to which the Borrower is a party.

9.5 Consents in force. All the consents referred to in Clause 9.4 remain in force and nothing has occurred which makes any of them liable to revocation.

9.6 **Legal validity; effective Security Interests.** The Finance Documents to which the Borrower is a party, do now or, as the case may be, will, upon execution and delivery (and, where applicable, registration as provided for in the Finance Documents):

(a) constitute the Borrower's legal, valid and binding obligations enforceable against the Borrower in accordance with their respective terms; and

(b) create legal, valid and binding Security Interests enforceable in accordance with their respective terms over all the assets to which they, by their terms, relate, subject to any relevant insolvency laws affecting creditors' rights generally.

9.7 **No third party Security Interests.** Without limiting the generality of Clause 9.6, at the time of the execution and delivery of each Finance Document to which the Borrower is a party:

(a) the Borrower will have the right to create all the Security Interests which that Finance Document purports to create; and

(b) no third party will have any Security Interest (except for Permitted Security Interests) or any other interest, right or claim over, in or in relation to any asset to which any such Security Interest, by its terms, relates.

9.8 **No conflicts.** The execution by the Borrower of each Finance Document to which it is a party, and the borrowing by the Borrower of the Loan, and its compliance with each Finance Document to which it is a party will not involve or lead to a contravention of:

(a) any law or regulation; or

(b) the constitutional documents of the Borrower; or

(c) any contractual or other obligation or restriction which is binding on the Borrower or any of its assets.

9.9 **No withholding taxes.** All payments which the Borrower is liable to make under the Finance Documents to which it is a party may be made without deduction or withholding for or on account of any tax payable under any law of any Pertinent Jurisdiction.

9.10 **No default.** No Event of Default or Potential Event of Default has occurred and is continuing.

9.11 **Information.** All information which has been provided in writing by or on behalf of the Borrower or any Security Party to the Lender in connection with any Finance Document satisfied the requirements of Clause 10.5.

9.12 **No litigation.** No legal or administrative action involving the Borrower has been commenced or taken or, to the Borrower's knowledge, is likely to be commenced or taken which, in either case, would be likely to have a material adverse effect on the Borrower's ability to satisfy and discharge in a timely manner any of its liabilities or obligations under any Finance Document.

9.13 **Validity and completeness of Shipbuilding Contracts.**

(a) The copies of the Shipbuilding Contracts delivered to the Lender before the date of this Agreement are true and complete copies;

(b) each Shipbuilding Contract constitutes valid, binding and enforceable obligations of the Builder and the relevant Owner respectively in accordance with its terms; and

(c) other than those amendments and additions to any of the Shipbuilding Contracts disclosed to the Lender before the date of this Agreement, no amendments or additions to any of the Shipbuilding Contracts have been agreed nor has any Owner or the Builder waived any of their respective rights under the Shipbuilding Contracts.

9.14 **No rebates etc.** There is no agreement or understanding to allow or pay any rebate, premium, commission, discount or other benefit or payment (howsoever described) to the Owners, the Builder or any third party in connection with the purchase by each Owner of the Ship to be owned by it, other than as disclosed to the Lender in writing on or prior to the date of this Agreement.

9.15 **Taxes paid.** The Borrower has paid all taxes applicable to, or imposed on or in relation to the Borrower and its business.

9.16 **Compliance with certain undertakings** . At the date of this Agreement, the Borrower is in compliance with Clauses 10.2, 10.4, 10.9 and 10.12.

9.17 **ISM Code and ISPS Code compliance.** All requirements of the ISM Code and the ISPS Code as they relate to the Borrower, any Owner, the Approved Manager, Yang Ming and any Ship have been complied with.

9.18 **No money laundering.** Without prejudice to the generality of Clause 2.2, in relation to the borrowing by the Borrower of the Loan, the performance and discharge of its obligations and liabilities under the Finance Documents, and the transactions and other arrangements effected or contemplated by the Finance Documents to which the Borrower is a party, the Borrower confirms that it is acting for its own account and that the foregoing will not involve or lead to contravention of any law, official requirement or other regulatory measure or procedure implemented to combat "money laundering" (as defined in Article 1 of the Directive (91/308/EEC) of the Council of the European Communities).

10 GENERAL UNDERTAKINGS

10.1 **General.** The Borrower undertakes with the Lender to comply with the following provisions of this Clause 10 at all times during the Security Period except as the Lender may otherwise permit.

10.2 **Title; negative pledge and pari passu ranking.** The Borrower will:

(a) indirectly hold the entire beneficial interest in, each Owner, free from all Security Interests and other interests and rights of every kind, except for those created by the Finance Documents;

(b) not create or permit to arise any Security Interest over any other asset, present or future other than in the normal course of its business of acquiring, financing and operating vessels; and

(c) procure that its liabilities under the Finance Documents to which it is a party do and will rank at least pari passu with all its other present and future unsecured liabilities, except for liabilities which are mandatorily preferred by law.

10.3 **No disposal of assets.** The Borrower will not transfer, lease or otherwise dispose of:

(a) all or a substantial part of its assets (including without limitation, the shares of the Owners), whether by one transaction or a number of transactions, whether related or not; or

(b) any debt payable to it or any other right (present, future or contingent) to receive a payment, including any right to damages or compensation,

if such transfer, lease or disposal results in a reduction of the Market Value Adjusted Total Assets by at least 50 per cent. (in all other circumstances the Borrower shall be deemed to have complied with its obligations under this Clause 10.3 by providing the Lender with prior written notice of its decision to transfer, lease or otherwise dispose of its assets as aforesaid).

10.4 No other liabilities or obligations to be incurred. The Borrower will not, and will procure that none of the Owners will, incur any liability or obligation except liabilities and obligations:

(a) under the Finance Documents and the Shipbuilding Contract to which each is a party;

(b) under the Master Agreement;

(c) incurred, in the case of each Owner, in the normal course of its business of operating its Ship; and

(d) incurred, in the case of the Borrower, in the normal course of its business of acquiring and financing vessels through its wholly-owned subsidiaries.

10.5 Information provided to be accurate. All financial and other information which is provided in writing by or on behalf of the Borrower under or in connection with any Finance Document will be true and not misleading and will not omit any material fact or consideration.

10.6 Provision of financial statements. The Borrower will send to the Lender:

(a) as soon as possible, but in no event later than 150 days after the end of each Financial Year of the Borrower (commencing with the Financial Year ended 31 December 2007), the audited consolidated accounts of the Borrower's Group for that Financial Year and the audited individual accounts of the Borrower for that Financial Year; and

(b) as soon as possible, but in no event later than 90 days after the end of each financial quarter in each Financial Year of the Borrower, the unaudited consolidated accounts of the Borrower's Group for that 3-month period.

The Lender will consider that the Borrower has fulfilled its obligations under this Clause 10.6 if the Lender is provided with evidence satisfactory to it that the Borrower has filed its accounts with the Securities Exchange Commission (SEC) within the time periods specified in this Clause 10.6.

10.7 Form of financial statements. All accounts (audited and unaudited) delivered under Clause 10.6 will:

(a) be prepared in accordance with all applicable laws and USGAAP consistently applied;

(b) give a true and fair view of the state of affairs of the Borrower or (as the case may be) the Borrower's Group at the date of those accounts and of their or its profit for the period to which those accounts relate; and

(c) fully disclose or provide for all significant liabilities of the Borrower or (as the case may be) the Borrower's Group.

10.8 Shareholder and creditor notices. The Borrower will send the Lender, at the same time as they are despatched, copies of all documents which are despatched:

(a) to the Borrower's creditors generally;

(b) if there is no Event of Default, to its shareholders (or any class of them) which the Borrower is required to despatch by law; and

(c) if there is an Event of Default which is continuing, all documents despatched by the Borrower to its shareholders (or any class of them).

10.9 Consents. The Borrower will maintain in force and promptly obtain or renew (or, as the case may be, will procure that there is maintained in force and promptly obtained or renewed), and will promptly send certified copies to the Lender of, all consents required:

(a) for the Borrower and each Owner to perform its obligations under any Finance Document to which it is a party;

(b) for the validity or enforceability of any Finance Document to which it is a party; and

(c) for each Owner to continue to own and operate the Ship owned by it,

and the Borrower will comply (or procure compliance) with the terms of all such consents.

10.10 Maintenance of Security Interests. The Borrower will:

(a) at its own cost, do all that it reasonably can to ensure that any Finance Document validly creates the obligations and the Security Interests which it purports to create; and

(b) without limiting the generality of paragraph (a) at its own cost, promptly register, file, record or enrol any Finance Document with any court or authority in the Marshall Islands, Liberia, Greece, Panama, Bahamas or Cyprus or such other jurisdiction which the Lender may reasonably require (including, without limitation, any Approved Flag State if at the relevant time a Ship is registered under the laws of such Approved Flag State), pay any stamp, registration or similar tax in any such country in respect of any Finance Document, give any notice or take any other step which, in the opinion of the Lender, is or has become necessary or desirable for any Finance Document to be valid, enforceable or admissible in evidence or to ensure or protect the priority of any Security Interest which it creates.

10.11 Notification of litigation. The Borrower will provide the Lender with details of any legal or administrative action involving the Borrower, any Security Party, the Approved Manager or the Ships, their Earnings or their Insurances as soon as such action is instituted or it becomes apparent to that Borrower that it is likely to be instituted, unless it is clear that the legal or administrative action cannot be considered material in the context of any Finance Document.

10.12 Principal place of business. The Borrower will maintain its place of business, and keep its corporate documents and records, at the address stated at Clause 27.2(a) and the Borrower will not establish, nor do anything as a result of which it would be deemed to have, a place of business in any other country.

10.13 Confirmation of no default. The Borrower will, within 3 Business Days after service by the Lender of a written request, serve on the Lender a notice which is signed by an authorised officer of the Borrower and which:

(a) states that no Event of Default or Potential Event of Default has occurred; or

(b) states that no Event of Default or Potential Event of Default has occurred, except for a specified event or matter, of which all material details are given,

The Lender may serve requests under this Clause 10.13 from time to time; this Clause 10.13 does not affect the Borrower's obligations under Clause 10.14.

10.14 Notification of default. The Borrower will notify the Lender as soon as the Borrower becomes aware of:

(a) the occurrence of an Event of Default or a Potential Event of Default; or

(b) any matter which indicates that an Event of Default or a Potential Event of Default may have occurred,

and will thereafter keep the Lender fully up-to-date with all developments.

10.15 Provision of further information. The Borrower will, as soon as practicable after receiving the request, provide the Lender with any additional financial or other information relating:

(a) to the Borrower, the Ships, their Insurances, their Earnings or the Owners; or

(b) any other matter relevant to, or to any provision of, a Finance Document, which in each case may be requested by the Lender at any time.

10.16 No amendment to the Shipbuilding Contracts. The Borrower will ensure that no Owner shall agree to any material amendment or supplement to, or waive or fail to enforce, a Shipbuilding Contract to which such Owner is a party to or any of its provisions.

10.17 Purchase of further tonnage. The Borrower shall procure that no Owner shall purchase any vessel other than the Ships.

10.18 "Know your customer" requirements. The Borrower shall provide to the Lender (or any of them) such documentation and evidence as may be required by the Lender from time to time to comply with applicable law and regulations and its own internal guidelines in relation to the opening of bank accounts and the identification of its customers.

10.19 Provision of copies and translation of documents. If the Lender so requires, the Borrower will supply the Lender with a certified English translation in respect of any of those documents referred to above, such translation to be prepared by a translator approved by the Lender.

10.20 Tax Lease Structure. The Borrower may place any Ship subject to a mortgage within a tax lease structure, with the prior written consent of the Lender (such consent not to be unreasonably withheld) which shall be subject to, without limitation:

(a) the security position of the Lender in the tax lease structure being no worse than that envisaged by this Agreement;

(b) the Lender being able from a legal and regulatory perspective to participate in the tax lease structure;

(c) the profitability of the Lender not decreasing or deteriorating as a result of the tax lease structure; and

(d) a requirement that the Borrower pay an administration fee to the Lender in a reasonable amount to be agreed between the Borrower and the Lender to compensate the Lender for all additional work which will be required to implement the tax lease structure.

11 CORPORATE UNDERTAKINGS

11.1 General. The Borrower also undertakes with the Lender to comply with the following provisions of this Clause 11 at all times during the Security Period except as the Lender may otherwise permit (such permission not to be unreasonably withheld in the case of Clause 11.3(e)).

11.2 Maintenance of status. The Borrower will maintain its separate corporate existence and remain in good standing under the laws of the Marshall Islands.

11.3 Negative undertakings. The Borrower will not:

(a) change the nature of its business; or

(b) pay any dividend or make any other form of distribution at any time when an Event of Default or a Potential Event of Default has occurred and is continuing or will result from the payment of any dividend or the making of any other form of distribution;

(c) effect any form of redemption, purchase or return of share capital at any time when an Event of Default or a Potential Event of Default has occurred or is continuing or will result from any form of redemption, purchase or return of share capital; or

(d) provide any form of credit or financial assistance to:

(i) a person who is directly or indirectly interested in the Borrower's share or loan capital; or

(ii) any company in or with which such a person is directly or indirectly interested or connected,

or enter into any transaction with or involving such a person or company on terms which are, in any respect, less favourable to the Borrower than those which it could obtain in a bargain made at arms' length **Provided that** this shall not prevent or restrict the Borrower from on-lending the Loan to the Owners; or

(e) enter into any form of amalgamation, merger or de-merger or any form of reconstruction or reorganisation; or

(f) cause the shares of the Borrower to cease to be listed on the New York Stock Exchange.

11.4 Subordination of rights of Borrower. All rights which the Borrower at any time has (whether in respect of the on-lending of the Loan or any other transaction) against any Owner or their assets shall be fully subordinated to the rights of the Lender under the Finance Documents; and in particular, the Borrower shall not during the Security Period:

(a) claim, or in a bankruptcy of any Owner prove for, any amount payable to the Borrower by any Owner , whether in respect of this or any other transaction;

(b) take or enforce any Security Interest for any such amount; or

(c) claim to set-off any such amount against any amount payable by the Borrower to any Owner.

11.5 Financial Covenants. The Borrower shall ensure that at all times:

(a) the ratio of Total Liabilities (after deducting all Cash and Cash Equivalents) to Market Value Adjusted Total Assets (after deducting all Cash and Cash Equivalents) shall not exceed 0.7:1;

(b) the aggregate of all Cash and Cash Equivalents shall not be less than $30,000,000;

(c) the Interest Coverage Ratio shall not be less than 2.5:1;

(d) the Market Value Adjusted Net Worth of the Borrower's Group shall not be less than the higher of $400,000,000 and 30 per cent. of the Market Value Adjusted Total Assets; and

(e) the Book Net Worth of the Borrower's Group shall not be less than $250,000,000.

11.6 Compliance check. Compliance with the undertakings contained in Clause 11.5 shall be determined in each Financial Year:

(a) at the time the Lender receives the Applicable Accounts of the Borrower's Group for the first 6-month period of the Borrower's Group in each Financial Year (pursuant to Clause 10.6(b)), by reference to the unaudited Applicable Accounts for the first two financial quarters in the relevant Financial Year and, in the case of the second 6-month period, by reference to the audited Applicable Accounts of the Borrower's Group in each Financial Year;

(b) at any other time as the Lender may reasonably request by reference to such evidence as the Lender may require to determine and calculate the financial covenants referred to in Clause 11.5.

At the same time as it delivers the Applicable Accounts referred to in this Clause 11.6, the Borrower shall deliver to the Lender a certificate in the form set out in Schedule 4 demonstrating its compliance (or not, as the case may be) with the provisions of Clause 11.5 signed by the chief financial officer of the Borrower.

11.7 Maintenance of ownership of Owners. The Borrower shall remain the ultimate legal and beneficial owner of the entire issued and allotted share capital of each Owner free from any Security Interest.

12 INSURANCE

12.1 General. The Borrower undertakes with the Lender to procure that each Owner will comply with the following provisions of this Clause 12 at all times during the Security Period (after the Ship which is owned or to be owned by that Owner has been delivered to it under the relevant Shipbuilding Contract) except as the Lender may otherwise permit.

12.2 Maintenance of obligatory insurances. The Borrower shall procure that each Owner shall keep the Ship owned by it insured at the expense of that Owner against:

(a) fire and usual marine risks (including hull and machinery and excess risks); and

(b) war risks; and

(c) protection and indemnity risks; and

(d) any other risks against which the Lender considers, having regard to practices and other circumstances prevailing at the relevant time, it would in the opinion of the Lender be reasonable for that Owner to insure and which are specified by the Lender by notice to that Owner.

12.3 Terms of obligatory insurances. The Borrower shall procure that each Owner shall effect such insurances:

(a) in Dollars;

(b) in the case of fire and usual marine risks and war risks, in an amount on an agreed value basis being at least the greater of (i) the Market Value of the Ship owned by it and (ii) together with any other Ship then subject to a Mortgage 120 per cent. of:

(i) the Loan; less

(ii) the aggregate of all Pre-Delivery Advances;

(c) in the case of oil pollution liability risks, for an aggregate amount equal to the highest level of cover from time to time available under basic protection and indemnity club entry and in the international marine insurance market;

(d) in relation to protection and indemnity risks in respect of the full tonnage of the Ship owned by it;

(e) on approved terms; and

(f) through approved brokers and with approved insurance companies and/or underwriters or, in the case of war risks and protection and indemnity risks, in approved war risks and protection and indemnity risks associations.

12.4 Further protections for the Lender. In addition to the terms set out in Clause 12.3, the Borrower shall procure that the obligatory insurances shall:

(a) (except in relation to risks referred to in Clause 12.2(c)) if the Lender so requires name (or be amended to name) the Lender as additional named assured for its rights and interests, warranted no operational interest and with full waiver of rights of subrogation against the Lender, but without the Lender thereby being liable to pay (but having the right to pay) premiums, calls or other assessments in respect of such insurance;

(b) name the Lender as sole loss payee with such directions for payment as the Lender may specify;

(c) provide that all payments by or on behalf of the insurers under the obligatory insurances to the Lender shall be made (other than in respect of premiums due in relation to the Ships) without set-off, counterclaim or deductions or condition whatsoever;

(d) provide that such obligatory insurances shall be primary without right of contribution from other insurances which may be carried by the Lender; and

(e) provide that the Lender may make proof of loss if the Owners fail to do so.

12.5 Renewal of obligatory insurances. The Borrower shall procure that each Owner shall:

(a) at least 21 days before the expiry of any obligatory insurance affected by it:

(i) notify the Lender of the brokers (or other insurers) and any protection and indemnity or war risks association through or with whom that Owner proposes to renew that insurance and of the proposed terms of renewal; and

(ii) obtain the Lender’s approval to the matters referred to in paragraph (i) above;

(b) at least 14 days before the expiry of any obligatory insurance affected by it, renew the insurance in accordance with the Lender's approval pursuant to paragraph (a); and

(c) procure that the approved brokers and/or the war risks and protection and indemnity associations with which such a renewal is effected shall promptly after the renewal notify the Lender in writing of the terms and conditions of the renewal.

12.6 Copies of policies; letters of undertaking. The Borrower shall procure that each Owner shall ensure that all approved brokers provide the Lender with proforma copies of all policies relating to the obligatory insurances which they effect or renew and of a letter or letters of undertaking in a form required by the Lender and including undertakings by the approved brokers that:

(a) they will have endorsed on each policy, immediately upon issue, a loss payable clause and a notice of assignment complying with the provisions of Clause 12.4;

(b) they will hold such policies, and the benefit of such insurances, to the order of the Lender in accordance with the said loss payable clause;

(c) they will advise the Lender immediately of any material change to the terms of the obligatory insurances;

(d) they will notify the Lender, not less than 14 days before the expiry of the obligatory insurances, in the event of their not having received notice of renewal instructions from that Owner or its agents and, in the event of their receiving instructions to renew, they will promptly notify the Lender of the terms of the instructions; and

(e) they will not (other than in respect of premiums due in relation to the other Ship) set off against any sum recoverable in respect of a claim relating to the Ship owned by that Owner under such obligatory insurances any premiums or other amounts due to them or any other person whether in respect of that Ship or otherwise, they waive any lien on the policies or, any sums received under them, which they might have in respect of such premiums or other amounts, and they will not cancel such obligatory insurances by reason of non-payment of such premiums or other amounts, and will arrange for a separate policy to be issued in respect of that Ship forthwith upon being so requested by the Lender.

12.7 Copies of certificates of entry. The Borrower shall procure that each Owner shall ensure that any protection and indemnity and/or war risks associations in which the Ship owned by that Owner is entered provides the Lender with:

(a) a certified copy of the certificate of entry for that Ship; and

(b) a letter or letters of undertaking in such form as may be required by the Lender; and

(c) where required to be issued under the terms of insurance/indemnity provided by that Owner's protection and indemnity association, a certified copy of each United States of America voyage quarterly declaration (or other similar document or documents) made by that Owner in relation to its Ship in accordance with the requirements of such protection and indemnity association; and

(d) a certified copy of each certificate of financial responsibility for pollution by oil or other Environmentally Sensitive Material issued by the relevant certifying authority in relation to that Ship.

12.8 Deposit of original policies. The Borrower shall procure that each Owner shall ensure that all policies relating to obligatory insurances affected by it are deposited with the approved brokers through which the insurances are effected or renewed.

12.9 Payment of premiums. The Borrower shall procure that each Owner shall punctually pay all premiums or other sums payable in respect of the obligatory insurances affected by it and produce all relevant receipts when so required by the Lender.

12.10 Guarantees. The Borrower shall procure that each Owner shall ensure that any guarantees required by a protection and indemnity or war risks association are promptly issued and remain in full force and effect.

12.11 Compliance with terms of insurances. The Borrower shall procure that no Owner does or omits to do (or permits to be done or not to be done) any act or thing which would or might render any obligatory insurance invalid, void, voidable or unenforceable or render any sum payable thereunder repayable in whole or in part; and in particular:

(a) each Owner shall take all necessary action and comply with all requirements which may from time to time be applicable to the obligatory insurances, and (without limiting the obligation contained in Clause 12.7(c) above) ensure that the obligatory insurances are not made subject to any exclusions or qualifications to which the Lender has not given its prior approval;

(b) each Owner shall make any changes relating to the classification or classification society or manager or operator of the Ship owned by it unless approved where applicable by the underwriters of the obligatory insurances;

(c) each Owner shall make all quarterly or other voyage declarations which may be required by the protection and indemnity risks association in which the Ship owned by it is entered to maintain cover for trading to the United States of America and Exclusive Economic Zone (as defined in the United States Oil Pollution Act 1990 or any other applicable legislation); and

(d) no Owner shall employ the Ship owned by it, nor shall allow it to be employed, otherwise than in conformity with the terms and conditions of the obligatory insurances, without first obtaining the consent of the insurers and complying with any requirements (as to extra premium or otherwise) which the insurers specify.

12.12 Alteration to terms of insurances. The Borrower shall procure that no Owner shall either make or agree to any alteration to the terms of any obligatory insurance or waive any right relating to any obligatory insurance.

12.13 Settlement of claims. The Borrower shall procure that no Owner shall settle, compromise or abandon any claim under any obligatory insurance for Total Loss or (subject as herein provided) for a Major Casualty, and shall do all things necessary and provide all documents, evidence and information to enable the Lender to collect or recover any moneys which at any time become payable in respect of the obligatory insurances.

12.14 Provision of copies of communications. If the Lender shall so request in respect of an Owner, the Borrower shall procure that that Owner shall provide the Lender, at the time of each such communication, or as otherwise specified by the Lender, copies of all written communications which may be reasonably requested by the Lender, between that Owner and:

(a) the approved brokers; and

(b) the approved protection and indemnity and/or war risks associations; and

(c) the approved insurance companies and/or underwriters,

which relates directly or indirectly to:

(i) that Owner's obligations relating to the obligatory insurances including, without limitation, all requisite declarations and payments of additional premiums or calls; and

(ii) any credit arrangements made between that Owner and any of the persons referred to in paragraphs (a) or (b) above relating wholly or partly to the effecting or maintenance of the obligatory insurances.

12.15 Provision of information. In addition, the Borrower shall procure that each Owner shall promptly provide the Lender (or any persons which it may designate) with any information which the Lender (or any such designated person) reasonably requests for the purpose of:

(a) obtaining or preparing any report from an independent marine insurance broker as to the adequacy of the obligatory insurances effected or proposed to be effected; and/or

(b) effecting, maintaining or renewing any such insurances as are referred to in Clause 12.16 below or dealing with or considering any matters relating to any such insurances,

and the Borrower shall forthwith upon demand, indemnify the Lender in respect of all fees and other expenses reasonably incurred by or for the account of the Lender in connection with any such report as is referred to in paragraph (a) above.

12.16 Mortgagee's interest and additional perils insurances. The Lender shall effect, maintain and renew all or any of the following insurances, on such terms, conditions, through such insurers and generally in such manner as the Lender may from time to time consider appropriate:

(a) a mortgagee's interest marine insurance in relation to each Ship in an amount of not less than 110 per cent. of the Tranche applicable to that Ship, providing for the indemnification of the Lender for any losses under or in connection with any Finance Document which directly or indirectly result from loss of or damage to any Ship or a liability of any Ship or of any Owner, being a loss or damage which is prima facie covered by an obligatory insurance but in respect of which there is a non-payment (or reduced payment) by the underwriters by reason of, or on the basis of an allegation concerning:

(i) any act or omission on the part of an Owner, of any operator, charterer, manager or sub-manager of the Ship owned by it or of any officer, employee or agent of an Owner or of any such person, including any breach of warranty or condition or any non-disclosure relating to such obligatory insurance;

(ii) any act or omission, whether deliberate, negligent or accidental, or any knowledge or privity of an Owner, any other person referred to in paragraph (i) above, or of any officer, employee or agent of that Owner or of such a person, including the casting away or damaging of the Ship owned by it and/or the Ship owned by it being unseaworthy; and/or

(iii) any other matter capable of being insured against under a mortgagee's interest marine insurance policy whether or not similar to the foregoing;

(b) a mortgagee's interest additional perils policy in relation to each Ship in an amount of not less than 110 per cent. of the Tranche applicable to that Ship, providing for the indemnification of the Lender against, among other things, any possible losses or other consequences of any Environmental Claim, including the risk of expropriation, arrest or any form of detention of a Ship, the imposition of any Security Interest over a Ship and/or

any other matter capable of being insured against under a mortgagee's interest additional perils policy,

and the Borrower shall upon demand fully indemnify the Lender in respect of all premiums and other reasonable expenses which are incurred in connection with or with a view to effecting, maintaining or renewing any such insurance or dealing with, or considering, any matter arising out of any such insurance.

12.17 Review of insurance requirements. The Lender shall be entitled to review after prior consultation with the Borrower the requirements of this Clause 12 from time to time in order to take account of any changes in circumstances after the date of this Agreement which are, in the opinion of the Lender, significant and capable of affecting any Owner or any Ship and its or their insurance (including, without limitation, changes in the availability or the cost of insurance coverage or the risks to which the Owners may be subject).

12.18 Modification of insurance requirements. The Lender shall promptly notify the Borrower and the Owners of any proposed modification under Clause 12.17 to the requirements of this Clause 12 which the Lender reasonably consider appropriate in the circumstances, and such modification shall take effect on and from the date it is notified in writing to the Borrower as an amendment to this Clause 12 and shall bind the Borrower accordingly.

12.19 Compliance with mortgagee's instructions. The Lender shall be entitled (without prejudice to or limitation of any other rights which it may have or acquire under any Finance Document) to require a Ship to remain at any safe port or to proceed to and remain at any safe port designated by the Lender until the relevant Owner implements any amendments to the terms of the obligatory insurances and any operational changes required as a result of a notice served under Clause 12.18 and the Borrower shall procure that the Owners comply with such requirement within a reasonable period or time in the context of the then prevailing circumstances.

13 SHIP COVENANTS

13.1 General. The Borrower also undertakes with the Lender to procure that each Owner complies with the following provisions of this Clause 13 at all times during the Security Period except as the Lender, may otherwise permit (such permission not to be unreasonably withheld in the case of a proposed change of port of registry under the same flag of a Ship).

13.2 Ship's name and registration. Each Owner shall keep the Ship owned by it registered in its name under an Approved Flag; shall not do or allow to be done anything as a result of which such registration might be cancelled or imperilled; and shall not change the name or port of registry of that Ship.

13.3 Repair and classification. Each Owner shall keep the Ship owned by it in a good and safe condition and state of repair:

(a) consistent with first-class ship ownership and management practice;

(b) so as to maintain the highest class with a classification society which is a member of the International Association of Classification Societies and which is acceptable to the Lender free of all overdue recommendations and conditions affecting class; and

(c) so as to comply with all laws and regulations applicable to vessels registered at ports in the Approved Flag State or to vessels trading to any jurisdiction to which that Ship may trade from time to time, including but not limited to the ISM Code, the ISM Code Documentation, the ISPS Code and the ISPS Code Documentation.

13.4 **Modification.** The Borrower shall procure that no Owner shall make any modification or repairs to, or replacement of, the Ship owned by it or equipment installed on her which would or might materially alter the structure, type or performance characteristics of that Ship or materially reduce her value.

13.5 **Removal of parts.** The Borrower shall procure that no Owner shall remove any material part of the Ship owned by it, or any item of equipment installed on, that Ship unless the part or item so removed is forthwith replaced by a suitable part or item which is in the same condition as or better condition than the part or item removed, is free from any Security Interest or any right in favour of any person other than the Lender and becomes on installation on that Ship the property of the relevant Owner and subject to the security constituted by the relevant Mortgage and, as the case may be, the Deed of Covenant **Provided that** an Owner may install equipment owned by a third party if the equipment can be removed without any risk of damage to the Ship owned by it.

13.6 **Surveys.** The Borrower shall procure that each Owner shall submit the Ship owned by it regularly to all periodical or other surveys which may be required for classification purposes and, if so required by the Lender, provide the Lender with copies of all survey reports.

13.7 **Inspection** . The Borrower shall:

(a) ensure that each Owner shall permit the Lender (by surveyors or other persons appointed by it for that purpose) to board the Ship (at the risk of the relevant Owner save where any loss is shown to have been directly and mainly caused by the gross negligence or wilful misconduct of such surveyor or other person) owned by it at all reasonable times to inspect her condition or to satisfy themselves about proposed or executed repairs or to prepare a survey report (at the reasonable cost of the Borrower in respect of such Ship and shall afford all proper facilities for such inspections **Provided that** :

(i) such boarding and inspection does not materially disrupt the relevant Ship's reasonable operation, repairs or maintenance;

(ii) if no Event of Default has occurred the Borrower shall not be required to pay for the cost of a survey report in respect of each Ship more than once every 24 months; and

(b) ensure that each Ship shall, both at the time of the survey referred to in this Clause 13.7 and at all other times throughout the Security Period, be in a good and safe condition and state of repair.

13.8 **Prevention of and release from arrest.** The Borrower shall procure that each Owner shall promptly discharge or settle:

(a) all liabilities which give or may give rise to maritime or possessory liens on or claims enforceable against the Ship owned by it, her Earnings or her Insurances other than such liens and claims arising in the ordinary course of business (which must in any event be discharged in accordance with best ship management practice);

(b) all taxes, dues and other amounts charged in respect of the Ship owned by it, the Earnings or the Insurances; and

(c) all other outgoings whatsoever in respect of the Ship owned by it, the Earnings or the Insurances,

and, forthwith upon receiving notice of the arrest of that Ship, or of her detention in exercise or purported exercise of any lien or claim, the Borrower shall procure that the relevant

Owner of that Ship shall procure her release within 5 Business Days of receiving such notice by providing bail or otherwise as the circumstances may require.

13.9 Compliance with laws etc. The Borrower shall procure that each Owner and the Approved Manager shall:

(a) comply, or procure compliance with the ISM Code, the ISPS Code, all Environmental Laws, the ISPS Code and all other laws or regulations relating to the Ship owned by it, its ownership, operation and management or to the business of that Owner;

(b) not employ the Ship owned by it nor allow her employment in any manner contrary to any law or regulation in any relevant jurisdiction including but not limited to the ISM Code and the ISPS Code; and

(c) in the event of hostilities in any part of the world (whether war is declared or not), not cause or permit the Ship owned by it to enter or trade to any zone which is declared a war zone by any government or by the Ship's war risks insurers unless in the case of such zone where an additional premium would be payable that Owner has (at its expense) effected any special, additional or modified insurance cover required for it to enter or trade to any war zone.

13.10 Provision of information. The Borrower shall procure that each Owner shall promptly provide the Lender with any information which it reasonably requests regarding:

(a) the Ship owned by it, her employment, position, engagements and her Insurances;

(b) the Earnings and payments and amounts due to the master and crew of the Ship owned by it;

(c) any expenses incurred, or likely to be incurred, in connection with the operation, maintenance or repair of the Ship owned by it and any payments made in respect of that Ship;

(d) any towages and salvages; and

(e) that Owners compliance or the compliance, the Approved Manager's compliance, or the compliance of the Ship owned by it with the ISM Code and the ISPS Code,

and, upon the Lender's request, provide copies of any current charter relating to the Ship owned by it and of any current charter guarantee, and of the ISM Code Documentation and the ISPS Code Documentation.

13.11 Notification of certain events. The Borrower shall procure that each Owner shall as soon as it becomes aware of any of the events referred to in this Clause 13.11 notify the Lender by fax, confirmed forthwith by letter of:

(a) any casualty which is or is likely to be or to become a Major Casualty;

(b) any occurrence as a result of which the Ship owned by it has become or is, by the passing of time or otherwise, likely to become a Total Loss;

(c) any requirement or recommendation made by any insurer or classification society or by any competent authority which is not complied with in accordance with its terms (including without limitation, any time limit specified by any insurer or classification society or any competent authority);

(d) any arrest or detention of the Ship owned by it (if the arrest or detention has not been released within 3 Business Days of its imposition or the Borrower or the relevant Owner

considers that the arrest or detention will not be released within 3 Business Day of its imposition), any exercise or purported exercise of any lien on that Ship or her Earnings or her Insurances or any requisition of that Ship for hire;

(e) any intended dry docking of the Ship owned by it which the Owner knows, or reasonably determines, will or may exceed (or has exceeded) 10 days in total;

(f) any Environmental Claim made against that Owner or in connection with the Ship owned by it, or any Environmental Incident;

(g) any claim for breach of the ISM Code or the ISPS Code being made against that Owner and, to the extent that that Owner is aware of such claim, the Approved Manager or otherwise in connection with the Ship owned by it; or

(h) any other matter, event or incident, actual or threatened, the effect of which will or could lead to the ISM Code or the ISPS Code not being complied with, and that Owner shall keep the Lender advised in writing on a regular basis and in such detail as the Lender shall require of that Owner's or any other person's response to any of those events or matters.

13.12 Restrictions on chartering, appointment of managers etc. The Borrower shall procure that no Owner shall in relation to the Ship owned by it:

(a) (other than pursuant to the Charterparty C), let the Ship owned by it on demise charter for any period, without the Lender's written consent, such consent not to be unreasonably withheld;

(b) (other than pursuant to the Charterparty relative to its Ship (in the case of each of Ship A and Ship B), enter into any time or consecutive voyage charter in respect of the Ship owned by it for a term which exceeds, or which by virtue of any optional extensions may exceed, 12 months;

(c) amend, vary or supplement the Charterparty relative to that Ship if as a result of such amendment, variation or supplement (whether alone or in combination with any previous amendments, variations or supplements) the duration of the Charterparty is reduced by more than 1 year or the charter hire is reduced by more than 5 per cent. from that specified in the Charterparty;

(d) charter the Ship owned by it otherwise than on bona fide arm's length terms at the time when the Ship is fixed;

(e) appoint (or permit the appointment of) a manager of the Ship owned by it other than the Approved Manager or agree to any alteration to the terms of the Approved Manager's appointment;

(f) de-activate or lay up the Ship owned by it; or

(g) put the Ship owned by it into the possession of any person for the purpose of work being done upon her in an amount exceeding or likely to exceed $1,000,000 (or the equivalent in any other currency) unless that person has first given to the Lender and in terms satisfactory to it a written undertaking not to exercise any lien on that Ship or her Earnings or her Insurances for the cost of such work or otherwise or other arrangements satisfactory to the Lender are made to ensure that no such lien will be excercised.

13.13 Notice of Mortgage. The Borrower shall procure that each Owner shall keep the Mortgage registered against the Ship owned by it as a valid first priority mortgage or preferred (as the case may be), carry on board that Ship a certified copy of the relevant

Mortgage and place and maintain in a conspicuous place in the navigation room and the Master's cabin of that Ship a framed printed notice stating that that Ship is mortgaged by that Owner to the Lender.

13.14 Sharing of Earnings. The Borrower shall procure that no Owner shall:

(a) enter into any agreement or arrangement for the sharing of any Earnings;

(b) enter into any agreement or arrangement for the postponement of any date on which any Earnings are due; the reduction of the amount of any Earnings or otherwise for the release or adverse alteration of any right of that Owner to any Earnings; or

(c) enter into any agreement or arrangement for the release of, or adverse alteration to, any guarantee or Security Interest relating to any Earnings.

14 SECURITY COVER

14.1 Provision of additional security cover; prepayment of Loan. The Borrower undertakes with the Lender that, if at any time the Lender notifies the Borrower that:

(a) the aggregate Market Value of the Ships subject to a Mortgage; plus

(b) the net realisable value of any additional security previously provided under this Clause 14,

is below 125 per cent. of the aggregate of the Loan and the Swap Exposure, the Borrower will, within 14 Business Days after the date on which the Lender's notice is served, either:

(i) provide, or ensure that a third party provides, additional security acceptable to the Lender which, in the reasonable opinion of the Lender, has a net realisable value at least equal to the shortfall and which consists of either (a) cash pledged to the Lender or (b) a Security Interest (including, but not limited to, a first or second priority or preferred (as the case may be) mortgage over another vessel), covering such asset or assets and documented in such terms as the Lender may, approve or require or (c) assignment of the refund guarantees of newbuildings Fleet Vessels;

(ii) prepay in accordance with Clause 7 such part (at least) of the Loan as will eliminate the shortfall.

14.2 Meaning of additional security. In Clause 14.1 " **security** " means a Security Interest over an asset or assets acceptable to the Lender (whether securing the Borrower's liabilities under the Finance Documents or a guarantee in respect of those liabilities), or a guarantee, letter of credit or other security in respect of the Borrower's liabilities under the Finance Documents.

14.3 Requirement for additional documents. The Borrower shall not be deemed to have complied with paragraph (i) of Clause 14.1 until the Lender has received in connection with the additional security certified copies of documents of the kinds referred to in paragraphs 3, 4 and 5 of Schedule 2, Part A and such legal opinions in terms acceptable to the Lender from such lawyers as they may select.

14.4 Valuation of Fleet Vessel not subject to a long-term charter. The Market Value of a Fleet Vessel which at the relevant time is not subject to a charter or other contract of employment having an unexpired term of at least 9 months with a first class acceptable charterer (in the absolute discretion of the Lender) is that shown by taking the average of two valuations prepared:

(a) as at a date not more than 4 weeks previously;

(b) by 2 Approved Brokers appointed by the Borrower, with both reporting to the Lender;

(c) with or without physical inspection of that Fleet Vessel (as the Lender may require);

(d) on the basis of a sale for prompt delivery for cash on normal arm's length commercial terms as between a willing seller and a willing buyer, free of any existing charter or other contract of employment; and

(e) after deducting the estimated amount of the usual and reasonable expenses which would be incurred in connection with the sale.

Provided that if the difference between the 2 valuations obtained at any one time pursuant to this Clause 14.4 is greater than 10 per cent. a valuation shall be commissioned from a third Approved Broker appointed by the Lender. Such valuation shall be conducted in accordance with this Clause 14.4 and the Market Value of the Fleet Vessel in such circumstances shall be the average of the initial 2 valuations and the valuation provided by the third Approved Broker.

14.5 Valuation of Ship subject to long-term charter. The Market Value of a Fleet Vessel subject to a Mortgage which at the relevant time is subject to a charter or other contract of employment having an unexpired term of at least 9 months with a first class charterer acceptable to the Lender (which acceptance shall not be unreasonably withheld) shall be the aggregate of the present values (as may be

conclusively determined by the Lender) of:

(a) the Bareboat-equivalent Time Charter Income of the Fleet Vessel in respect of the remaining unexpired term of the relevant charter or other contract of employment excluding any periods for which the relevant charter or contract of employment may be renewed at the option of any party (for the purposes of this Clause 14.5, an " **option period** "); and

(b) the current charter-free market value (determined in accordance with Clause 14.4 but subject to the adjustments referred to in this Clause 14.5) of a vessel with identical characteristics to the Fleet Vessel other than its age which shall, for the purposes of this Clause 14.5, be considered to be the age of the Fleet Vessel at the expiration of the charter or other contract of employment to which the Fleet Vessel is subject at the relevant time (excluding any option periods), as such value may be adjusted to take into account the terms of any commitments undertaken by the Owner of the Fleet Vessel which may affect its value.

For the purposes of this Clause 14.5, the discount rate which will apply in calculating the present value of the amounts referred to in paragraphs (a) and (b) will be the applicable Interest Rate Swap Rate for a period equal to the unexpired term of the Fleet Vessel's time charter or other contract of employment (excluding any option periods (rounded up to the nearest integral year)) unless the unexpired term of the Fleet Vessel's charter or other contract of employment (excluding any option periods) is less than 12 months in which the Interest Rate Swap Rate for a period of 12 months will apply.

14.6 Value of additional security. The net realisable value of any additional security which is provided under Clause 14.1 and which consists of a Security Interest over a vessel shall be that shown by a valuation complying with the requirements of Clause 14.4.

14.7 Valuations binding. Any valuation under paragraph (i) of Clause 14.1, Clauses 14.4, 14.5 or 14.6 shall, in the absence of manifest error, be binding and conclusive as regards the Borrower, as shall be any valuation which the Lender makes of a security which does not consist of or include a Security Interest.

14.8 Provision of information. The Borrower shall promptly provide the Lender and any Approved Broker or expert acting under Clause 14.4, 14.5 or 14.6 with any information

which the Lender or the Approved Broker or expert may reasonably request for the purposes of the valuation; and, if the Borrower fails to provide the information by the date specified in the request, the valuation may be made on any basis and assumptions which the Approved Broker or the Lender (or the expert appointed by them) consider prudent.

14.9 Payment of valuation expenses. Without prejudice to the generality of the Borrower's obligations under Clauses 19.2, 19.3 and 19.3, the Borrower shall, on demand, pay the Lender the amount of the fees and expenses of any Approved Broker or expert instructed or approved by the Lender under this Clause and all legal and other expenses incurred by the Lender in connection with any matter arising out of this Clause.

14.10 Frequency of Valuations. The Borrower acknowledges and agrees that the Lender may commission valuations of the Ships at such times as the Lender shall deem necessary and, in any event, not less often than once during each 3-month period of the Security Period **Provided that** in each calendar year one set of valuations of each Ship may be obtained from the electronic services provided by an Approved Broker subject to such electronic services having been previously approved by the Lender in writing.

15 PAYMENTS AND CALCULATIONS

15.1 Currency and method of payments. All payments to be made by the Borrower to the Lender under a Finance Document shall be made:

(a) by not later than 11.00 a.m. (New York City time) on the due date;

(b) in same day Dollar funds settled through the New York Clearing House Interbank Payments System (or in such other Dollar funds and/or settled in such other manner as the Lender shall specify as being customary at the time for the settlement of international transactions of the type contemplated by this Agreement); and

(c) to such account of the Lender with a bank in New York as the Lender may from time to time notify the Borrower.

15.2 Payment on non-Business Day. If any payment by the Borrower under a Finance Document would otherwise fall due on a day which is not a Business Day:

(a) the due date shall be extended to the next succeeding Business Day; or

(b) if the next succeeding Business Day falls in the next calendar month, the due date shall be brought forward to the immediately preceding Business Day,

and interest shall be payable during any extension under paragraph (a) at the rate payable on the original due date.

15.3 Basis for calculation of periodic payments. All interest and commitment fee and any other payments under any Finance Document which are of an annual or periodic nature shall accrue from day to day and shall be calculated on the basis of the actual number of days elapsed and a 360 day year.

15.4 Lender accounts. The Lender shall maintain accounts showing the amounts owing to it by the Borrower and each Security Party under the Finance Documents and all payments in respect of those amounts made by the Borrower and any Security Party.

15.5 Accounts prima facie evidence. If any accounts maintained under Clause 15.4 show an amount to be owing by the Borrower or a Security Party to the Lender, those accounts shall, be prima facie evidence that that amount is owing to the Lender.

16 APPLICATION OF RECEIPTS

16.1 Normal order of application. Except as any Finance Document may otherwise provide, any sums which are received or recovered by the Lender under or by virtue of any Finance Document and the Master Agreement shall be applied:

FIRST: in or towards satisfaction of any amounts then due and payable under the Finance Documents in the following order and proportions:

(i) first, in or towards satisfaction pro rata of all amounts then due and payable to the Lender under the Finance Documents and the Master Agreement other than those amounts referred to at paragraphs (ii) and (iii) (including, but without limitation, all amounts payable by the Borrower under Clauses 19, 20 and 21 of this Agreement or by the Borrower or any Security Party under any corresponding or similar provision in any other Finance Document or in the Master Agreement;

(ii) secondly, in or towards satisfaction pro rata of any and all amounts of interest or default interest payable to the Lender under the Finance Documents and the Master Agreement (and, for this purpose, the expression "interest" shall include any net amount which the Borrower shall have become liable to pay or deliver under section 2(e) (Obligations) of the Master Agreement but shall have failed to pay or deliver to the Lender at the time of application or distribution under this Clause 16); and

(iii) thirdly, in or towards satisfaction pro rata of the Loan and the Swap Exposure calculated as at the actual Early Termination Date applying to each particular Transaction, or if no such Early Termination Date shall have occurred, calculated as if an Early Termination Date occurred on the date of application or distribution hereunder);

SECONDLY: in retention of an amount equal to any amount not then due and payable under any Finance Document or the Master Agreement but which the Lender, by notice to the Borrower and the Security Parties states in its opinion will or may become due and payable in the future and, upon those amounts becoming due and payable, in or towards satisfaction of them in accordance with the foregoing provisions of this Clause;

THIRDLY: any surplus shall be paid to the Borrower or to any other person appearing to be entitled to it.

16.2 Variation of order of application. The Lender may by notice to the Borrower and the Security Parties provide for a different manner of application from that set out in Clause 16.1 either as regards a specified sum or sums or as regards sums in a specified category or categories.

16.3 Notice of variation of order of application. The Lender may give notices under Clause 16.2 from time to time in respect of sums which may be received or recovered in the future.

16.4 Appropriation rights overriden. This Clause 16 and any notice which the Lender gives under Clause 16.2 shall override any right of appropriation possessed, and any appropriation made, by the Borrower or any Security Party.

17 APPLICATION OF EARNINGS

17.1 Payment of Earnings. The Borrower undertakes with the Lender to ensure that, throughout the Security Period (subject only to the provisions of the General Assignments), all the Earnings of a Ship are paid to the Danaos Earnings Account.

17.2 Application of Earnings. The Borrower undertakes with the Lender to procure that money from time to time credited to, or for the time being standing to the credit of, the Danaos Earnings Account shall, unless and until an Event of Default or Potential Event of Default shall have occurred (whereupon the provisions of Clause 16.1 shall be and become applicable), be available for application in the following manner:

(a) in or towards meeting the costs and expenses from time to time incurred by or on behalf of the relevant Owner in connection with the operation of the Ship owned by it;

(b) in or towards making payments of all amounts due and payable by the Borrower under this Agreement other than the payments of principal and interest pursuant to Clauses 7.1 and 4.1; and

(c) as to any surplus from time to time arising on the Danaos Earnings Account following application as aforesaid, to be paid to the relevant Owner or, as the case may be, the Borrower or to whomsoever the Borrower may direct.

17.3 Location of accounts. The Borrower shall promptly:

(a) comply with any requirement of the Lender as to the location or re-location of the Danaos Earnings Account; and

(b) execute of, any documents which the Lender specifies to create or maintain in favour of the Lender a Security Interest over the Danaos Earnings Account.

18 EVENTS OF DEFAULT

18.1 Events of Default. An Event of Default occurs if:

(a) the Borrower or any Security Party fails to pay when due or (if so payable) on demand any sum payable under a Finance Document or under any document relating to a Finance Document; such failure shall not constitute an Event of Default if:

(i) such failure is due to a bank payment transmission error; and

(ii) the Borrower or the relevant Security Party remedies such failure within 3 days or the due date of payment of the relevant amount; or

(b) any breach occurs of Clause 8, 10.3, 11.2, 11.3, 11.4, 11.5, 12.2 or 14.1; or

(c) any breach by the Borrower or any Security Party occurs of any provision of a Finance Document (other than a breach covered by paragraphs (a) or (b) above) if, in the reasonable opinion of the Lender, such default is capable of remedy, and such default is not remedied within 14 Business Days after written notice from the Lender requesting action to remedy the same; or

(d) (subject to any applicable grace period specified in the Finance Document) any breach (which the Lender considers, in its discretion, to be material) by the Borrower or any Security Party occurs of any provision of a Finance Document (other than a breach covered by paragraphs (a), (b) or (c) above); or

(e) any representation, warranty or statement (which the Lender considers, in its discretion, to be material) made by, or by an officer of, the Borrower or a Security Party in a Finance Document or in a Drawdown Notice or any other notice or document relating to a Finance Document is untrue or misleading when it is made such failure shall not constitute an Event of Default if an innocent misrepresentation has been made and which, if capable of remedy, is remedied within 10 Business Days of its occurrence unless such innocent misrepresentation is made on a Drawdown Date; or

(f) any of the following occurs in relation to any Financial Indebtedness of a Relevant Person (other than the Borrower) or any Financial Indebtedness of the Borrower of at least $1,000,000 (or the equivalent in another currency) in aggregate in the case of any Financial Indebtedness falling within paragraph (a) of the definition of that term or any Financial Indebtedness falling within all other paragraphs of the definition of that term (or, when aggregated with any Financial Indebtedness falling within paragraph (a) of that term) of at least $10,000,000 in aggregate (or the equivalent in another currency):

(i) any Financial Indebtedness of a Relevant Person is not paid when due or, if so payable, on demand; or

(ii) any Financial Indebtedness of a Relevant Person becomes due and payable or capable of being declared due and payable prior to its stated maturity date as a consequence of any event of default; or

(iii) a lease, hire purchase agreement or charter creating any Financial Indebtedness of a Relevant Person is lawfully terminated by the lessor or owner or becomes capable of being lawfully terminated as a consequence of any termination event; or

(iv) any overdraft, loan, note issuance, acceptance credit, letter of credit, guarantee, foreign exchange or other facility, or any swap or other derivative contract or transaction, relating to any Financial Indebtedness of a Relevant Person ceases to be available or becomes capable of being terminated as a result of any event of default, or cash cover is required, or becomes capable of being required, in respect of such a facility as a result of any event of default; or

(v) any Security Interest securing any Financial Indebtedness of a Relevant Person becomes enforceable; or

(g) any of the following occurs in relation to a Relevant Person:

(i) a Relevant Person becomes unable to pay its debts as they fall due; or

(ii) any assets of a Relevant Person are subject of any form of execution, attachment, arrest, sequestration or distress in respect of a sum of, or sums aggregating, $100,000 (or $10,000,000 in the case of the Borrower) or more or the equivalent in another currency; or

(iii) any administrative or other receiver is appointed over any asset of a Relevant Person; or

(iv) a Relevant Person makes any formal declaration of bankruptcy or any formal statement to the effect that it is insolvent or likely to become insolvent, or a winding up or administration order is made in relation to a Relevant Person, or the members or directors of a Relevant Person pass a resolution to the effect that it should be wound up, placed in administration or cease to carry on business, save that this paragraph does not apply to a fully solvent winding up of a Relevant Person other than the Borrower or an Owner which is, or is to be, effected for the purposes of an amalgamation or reconstruction previously approved by the Lender and effected not later than 3 months after the commencement of the winding up; or

(v) a petition is presented in any Pertinent Jurisdiction for the winding up or administration, or the appointment of a provisional liquidator, of a Relevant Person unless, in the case of an involuntary petition, the petition is being contested in good faith and on substantial grounds and is dismissed or withdrawn within 30 days of the presentation of the petition; or

(vi) a Relevant Person petitions a court, or presents any proposal for, any form of judicial or non-judicial suspension or deferral of payments, reorganisation of its debt (or certain of its debt) or arrangement with all or a substantial proportion (by number or value) of its creditors or of any class of them or any such suspension or deferral of payments, reorganisation or arrangement is effected by court order, contract or otherwise; or

(vii) any meeting of the members or directors of a Relevant Person is summoned for the purpose of considering a resolution or proposal to authorise or take any action of a type described in paragraphs (iii), (iv), (v) or (vi); or

(viii) in a Pertinent Jurisdiction other than England, any event occurs or any procedure is commenced which, in the reasonable opinion of the Lender, is similar to any of the foregoing; or

(h) the Borrower ceases, or threatens to cease, to carry on all or a substantial part of its business or, as a result of intervention by or under the authority of any government, the business of the Borrower is wholly or partially curtailed or suspended, or all or a substantial part of the assets or undertaking of the Borrower is seized, nationalised, expropriate of compulsorily acquired; or

(i) it becomes unlawful in any Pertinent Jurisdiction or impossible:

(i) for the Borrower or any Security Party to discharge any liability under a Finance Document or to comply with any other obligation which the Lender considers material under a Finance Document; or

(ii) for the Lender to exercise or enforce any right under, or to enforce any Security Interest created by, a Finance Document; or

(j) any consent necessary to enable any Owner or YM to own, operate or charter the Ship owned by it or to enable the Borrower, any Owner or any Security Party to comply with any provision which the Lender considers material of a Finance Document, any Charterparty or a Shipbuilding Contract is not granted, expires without being renewed, is revoked or becomes liable to revocation or any condition of such a consent is not fulfilled if this materially affects the security position of the Lender (or any of them) or the ability of the Borrower or a Security Party to timely discharge and/or perform its or their liabilities and obligations (or any of them) under any Finance Document; or

(k) if, without the prior consent of the Lender, members of Dr John Coustas' family (either directly and/or through companies beneficially owned by members of the Dr John Coustas' family and/or trusts or foundations of which members of the Dr John Coustas' family are beneficiaries) own and control less than 51 per cent. of the issued voting share capital of the Borrower; or

(l) if, without the prior consent of the Lender, the shares of the Borrower cease to be listed on the New York Stock Exchange; or

(m) it appears to the Lender that, without its prior consent, a change has occurred or probably has occurred after the date of this Agreement in the ultimate beneficial ownership of any of the shares in any Owner or in the ultimate control of the voting rights attaching to any of those shares; or

(n) any provision which the Lender considers material of a Finance Document proves to have been or becomes invalid or unenforceable, or a Security Interest created by a Finance Document proves to have been or becomes invalid or unenforceable or such a Security Interest proves to have ranked after, or loses its priority to, another Security Interest or any other third party claim or interest; or

(o) the security constituted by a Finance Document is in any way imperilled or in jeopardy unless within 14 Business Days of the security being so imperilled or jeopardised (i) the Borrower or a Security Party provides to the Lender security in the form of a new Finance Document which, in the opinion of the Lenders, is equivalent to that constituted by the Finance Document which has become imperilled or jeopardised or (ii) the security ceases to be imperilled or in jeopardy; or

(p) any of the Charterparties is terminated or becomes invalid or unenforceable or otherwise ceases to be in full force and effect for any reason prior to its stated termination date and the relevant Charterparty is not replaced within 30 days (or 60 days if the relevant Ship may not be chartered due to a defect or is drydocked for repairs) by another charter having similar characteristics to that Charterparty and with a charterer, in a form and on terms acceptable to the Lender; or

(q) any of the Charterers ceases to be a party to the Charterparty entered into by it unless the obligations of any replacement charterer are guaranteed by the original Charterer (on terms satisfactory to the Lender);

(r) the Master Agreement is terminated, cancelled, suspended, rescinded or revoked or otherwise ceases to remain in full force and effect for any reason except with the consent of the Lender; or

(s) for any reason whatsoever, any Ship ceases to be managed by the Approved Manager on terms in all respects approved by the Lender; or

(t) an Event of Default (as defined in Section 14 of the Master Agreement) occurs; or

(u) any other event occurs or any other circumstances arise or develop including, without limitation:

(i) a change in the financial position, state of affairs or prospects of the Borrower or any Owner; or

(ii) any accident or other event involving any Ship or another vessel owned, chartered or operated by a Relevant Person;

in the light of which the Lender considers that there is a material risk that the Borrower is, or will later become, unable to discharge its liabilities under the Finance Documents as they fall due.

18.2 Actions following an Event of Default. On, or at any time after, the occurrence of an Event of Default which is continuing, the Lender may:

(a) serve on the Borrower a notice stating that all obligations of the Lender to the Borrower under this Agreement are terminated; and/or

(b) serve on the Borrower a notice stating that the Loan, all accrued interest and all other amounts accrued or owing under this Agreement are immediately due and payable or are due and payable on demand; and/or

(c) take any other action which, as a result of the Event of Default or any notice served under paragraph (a) or (b) above, the Lender is entitled to take under any Finance Document or any applicable law.

18.3 Termination of Commitment. On the service of a notice under paragraph (a) of Clause 18.2, the Commitment and all other obligations of the Lender to the Borrower under this Agreement shall terminate.

18.4 **Acceleration of Loan.** On the service of a notice under paragraph (b) of Clause 18.2, the Loan, all accrued interest and all other amounts accrued or owing from the Borrower or any Security Party under this Agreement and every other Finance Document shall become immediately due and payable or, as the case may be, payable on demand.

18.5 **Multiple notices; action without notice.** The Lender may serve notices under paragraphs (a) and (b) of Clause 18.2 simultaneously or on different dates and the Lender may take any action referred to in that Clause if no such notice is served or simultaneously with or at any time after the service of both or either of such notices.

18.6 **Exclusion of Lender liability.** Neither the Lender, nor any receiver or manager appointed by the Lender, shall have any liability to the Borrower or a Security Party:

(a) for any loss caused by an exercise of rights under, or enforcement of a Security Interest created by, a Finance Document or by any failure or delay to exercise such a right or to enforce such a Security Interest; or

(b) as mortgagee in possession or otherwise, for any income or principal amount which might have been produced by or realised from any asset comprised in such a Security Interest or for any reduction (however caused) in the value of such an asset,

except that this does not exempt the Lender or a receiver or manager from liability for losses shown to have been caused by the gross negligence or the wilful misconduct of the Lender's own officers and employees or (as the case may be) such receiver's or manager's own partners or employees.

18.7 **Relevant Persons.** In this Clause 18 " **a Relevant Person** " means the Borrower, Security Party and any company which is a subsidiary of the Borrower or a Security Party or of which a Security Party is a subsidiary but excluding any company which is dormant and the value of whose gross assets is $50,000 or less.

18.8 **Interpretation.** In Clause 18.1(f) references to an event of default or a termination event include any event, howsoever described, which is similar to an event of default in a facility agreement or a termination event in a finance lease; and in Clause 18.1(g) " **petition** " includes an application.

19 FEES AND EXPENSES

19.1 **Arrangement and commitment fees.** The Borrower shall pay to the Lender:

(a) a non-refundable arrangement fee of $775,600 on 28 March 2008; and

(b) a commitment fee at the rate of 0.25 per cent. per annum on the undrawn balance of the Loan during the period from (and including) the earlier of (i) the date of this Agreement and (ii) 1 June 2008 up to and including the earlier of (i) the final Drawdown Date and (ii) the last day of the Availability Period for Tranche C, such commitment fee to be payable every 3 months in arrears and on the last day of such period.

19.2 **Costs of negotiation, preparation etc.** The Borrower shall pay to the Lender on its demand the amount of all expenses reasonably incurred by the Lender in connection with the negotiation, preparation, execution or registration of any Finance Document or any related document or with any transaction contemplated by a Finance Document or a related document.

19.3 **Costs of variations, amendments, enforcement etc.** The Borrower shall pay to the Lender, on the Lender's demand, the amount of all expenses incurred by the Lender in connection with:

(a) any amendment or supplement to a Finance Document, or any proposal for such an amendment to be made;

(b) any consent or waiver by the Lender under or in connection with a Finance Document, or any request for such a consent or waiver;

(c) the valuation of any security provided or offered under Clause 14 or any other matter relating to such security; or

(d) any step taken by the Lender with a view to the protection, exercise or enforcement of any right or Security Interest created by a Finance Document or for any similar purpose.

There shall be recoverable under paragraph (d) the full amount of all legal expenses, whether or not such as would be allowed under rules of court or any taxation or other procedure carried out under such rules.

19.4 Documentary taxes. The Borrower shall promptly pay any tax payable on or by reference to any Finance Document, and shall, on the Lender's demand, fully indemnify the Lender against any liabilities and expenses resulting from any failure or delay by the Borrower to pay such a tax.

19.5 Certification of amounts. A notice which is signed by an officer of the Lender, which states that a specified amount, or aggregate amount, is due to the Lender under this Clause 19 and which indicates (without necessarily specifying a detailed breakdown) the matters in respect of which the amount, or aggregate amount, is due shall be prima facie evidence that the amount, or aggregate amount, is due save in the case of manifest error.

20 INDEMNITIES

20.1 Indemnities regarding borrowing and repayment of Loan. The Borrower shall fully indemnify the Lender on the Lender's demand in respect of all expenses, liabilities and losses (including, without limitation, any loss of Margin) which are incurred by the Lender, or which the Lender reasonably and with due diligence estimates that it will incur, as a result of or in connection with:

(a) an Advance not being borrowed on the date specified in the Drawdown Notice for any reason other than a default by the Lender;

(b) the receipt or recovery of all or any part of the Loan or an overdue sum otherwise than on the last day of an Interest Period or other relevant period;

(c) any failure (for whatever reason) by the Borrower to make payment of any amount due under a Finance Document on the due date or, if so payable, on demand (after giving credit for any default interest paid by the Borrower on the amount concerned under Clause 6); and

(d) the occurrence and/or continuance of an Event of Default or a Potential Event of Default and/or the acceleration of repayment of the Loan under Clause 18,

and in respect of any tax (other than tax on its overall net income) for which the Lender is liable in connection with any amount paid or payable to the Lender (whether for its own account or otherwise) under any Finance Document.

20.2 Breakage costs. Without limiting its generality, Clause 20.1 covers any liability, expense or loss, including a loss of a prospective profit, incurred by the Lender:

(a) in liquidating or employing deposits from third parties acquired or arranged to fund or maintain all or any part of the Loan and/or any overdue amount (or an aggregate amount which includes the Loan or any overdue amount); and

(b) in terminating, or otherwise in connection with, any interest and/or currency swap or any other transaction entered into (whether with another legal entity or with another office or department of the Lender) to hedge any exposure arising under this Agreement or that part which the Lender determines is fairly attributable to this Agreement of the amount of the liabilities, expenses or losses (including losses of prospective profits) incurred by it in terminating, or otherwise in connection with, a number of transactions of which this Agreement is one.

20.3 Miscellaneous indemnities. The Borrower shall fully indemnify the Lender on its demand in respect of all claims, demands, proceedings, liabilities, taxes, losses and expenses of every kind (" **liability items** ") which may be made or brought against, or incurred by, the Lender in any country, in relation to:

(a) any action taken, or omitted or neglected to be taken, under or in connection with any Finance Document by the Lender or by any receiver appointed under a Finance Document; and

(b) any other event, matter or question which occurs or arises at any time during the Security Period and which has any connection with, or any bearing on, any Finance Document, any payment or other transaction relating to a Finance Document or any asset covered (or previously covered) by a Security Interest created (or intended to be created) by a Finance Document,

other than liability items which are shown to have been caused by the gross negligence or the wilful misconduct of the Lender's own officers or employees.

20.4 Environmental Indemnity. Without prejudice to its generality, Clause 20.3 covers any claims, demands, proceedings, liabilities, taxes, losses or expenses of every kind which arise, or are asserted, under or in connection with any law relating to safety at sea, pollution or the protection of the environment, the ISM Code or the ISPS Code.

20.5 Currency indemnity. If any sum due from the Borrower or any Security Party to the Lender under a Finance Document or under any order or judgment relating to a Finance Document has to be converted from the currency in which the Finance Document provided for the sum to be paid (the " **Contractual Currency** ") into another currency (the " **Payment Currency** ") for the purpose of:

(a) making or lodging any claim or proof against the Borrower or any Security Party, whether in its liquidation, any arrangement involving it or otherwise; or

(b) obtaining an order or judgment from any court or other tribunal; or

(c) enforcing any such order or judgment,

the Borrower shall indemnify the Lender against the loss arising when the amount of the payment actually received by the Lender is converted at the available rate of exchange into the Contractual Currency.

In this Clause 20.5, the " **available rate of exchange** " means the rate at which the Lender concerned is able at the opening of business (London time) on the Business Day after it receives the sum concerned to purchase the Contractual Currency with the Payment Currency.

This Clause 20.5 creates a separate liability of the Borrower which is distinct from its other liabilities under the Finance Documents and which shall not be merged in any judgment or order relating to those other liabilities.

20.6 **Application of Master Agreement.** For the avoidance of doubt, Clause 20.5 does not apply in respect of sums due from the Borrower to the Lender under or in connection with the Master Agreement as to which sums the provisions of Section 8 (Contractual Currency) of the Master Agreement shall apply.

20.7 **Certification of amounts.** A notice which is signed by 2 officers of the Lender, which states that a specified amount, or aggregate amount, is due to the Lender under this Clause 20 and which indicates (without necessarily specifying a detailed breakdown) the matters in respect of which the amount, or aggregate amount, is due shall be prima facie evidence that the amount, or aggregate amount, is due.

21 NO SET-OFF OR TAX DEDUCTION

21.1 **No deductions.** All amounts due from the Borrower under a Finance Document shall be paid:

(a) without any form of set-off, cross-claim or condition; and

(b) free and clear of any tax deduction except a tax deduction which the Borrower is required by law to make.

21.2 **Grossing-up for taxes.** If the Borrower is required by law to make a tax deduction from any payment:

(a) the Borrower shall notify the Lender as soon as it becomes aware of the requirement;

(b) the Borrower shall pay the tax deducted to the appropriate taxation authority promptly, and in any event before any fine or penalty arises; and

(c) the amount due in respect of the payment shall be increased by the amount necessary to ensure that the Lender receives and retains (free from any liability relating to the tax deduction) a net amount which, after the tax deduction, is equal to the full amount which it would otherwise have received.

21.3 **Evidence of payment of taxes.** Within 1 month after making any tax deduction, the Borrower shall deliver to the Lender documentary evidence satisfactory to the Lender that the tax had been paid to the appropriate taxation authority.

21.4 **Exclusion of tax on overall net income.** In this Clause 21 " **tax deduction** " means any deduction or withholding for or on account of any present or future tax except tax on the Lender's overall net income.

21.5 **Application of Master Agreement.** For the avoidance of doubt, Clause 21 does not apply in respect of sums due from the Borrower under or in connection with the Master Agreement as to which sums the provisions of Section 2(d) (Deduction or Withholding for Tax) of the Master Agreement shall apply.

22 ILLEGALITY, ETC

22.1 **Illegality.** This Clause 22 applies if the Lender notifies the Borrower that it has become, or will with effect from a specified date, become:

(a) unlawful or prohibited as a result of the introduction of a new law, an amendment to an existing law or a change in the manner in which an existing law is or will be interpreted or applied; or

(b) contrary to, or inconsistent with, any regulation,

for the Lender to maintain or give effect to any of its obligations under this Agreement in the manner contemplated by this Agreement.

22.2 **Notification and effect of illegality.** On the Lender notifying the Borrower under Clause 22.1, the Commitment shall terminate; and thereupon or, if later, on the date specified in the Lender's notice under Clause 22.1 as the date on which the notified event would become effective, the Borrower shall prepay the Loan in full in accordance with Clause 7.

23 INCREASED COSTS

23.1 **Increased costs.** This Clause 23 applies if the Lender notifies the Borrower that the Lender considers that as a result of:

(a) the introduction or alteration after the date of this Agreement of a law or a regulation, or an alteration after the date of this Agreement in the manner in which a law or regulation is interpreted or applied (disregarding any effect which relates to the application to payments under this Agreement of a tax on the Lender's overall net income); or

(b) the effect of complying with any law or regulation (including any which relates to capital adequacy or liquidity controls or which affects the manner in which the Notifying Lender allocates capital resources to its obligations under this Agreement including, without limitation, the implementation of any regulations which may replace, amend and/or supplement those set out in the statement of the Basel Committee on Banking Regulations and Supervisory Practices dated July 1988 and entitled "International Convergence of Capital Measurement and Capital Structures") which is introduced, or altered, or the interpretation or application of which is altered, after the date of this Agreement,

the Lender (or a parent company of it) has incurred or will incur an " **increased cost** ", that is to say:

(i) an additional or increased cost incurred as a result of, or in connection with, the Lender having entered into, or being a party to, this Agreement, of funding or maintaining the Loan or performing its obligations under this Agreement, or of having outstanding all or any part of the Loan or other unpaid sums; or

(ii) a reduction in the amount of any payment to the Lender under this Agreement or in the effective return which such a payment represents to the Lender or on its capital;

(iii) an additional or increased cost of funding all or maintaining all or any of the advances comprised in a class of advances formed by or including the Loan or (as the case may require) the proportion of that cost attributable to the Loan; or

(iv) a liability to make a payment, or a return foregone, which is calculated by reference to any amounts received or receivable by the Lender under this Agreement,

but not an item attributable to a change in the rate of tax on the overall net income of the Notifying Lender (or a parent company of it) or an item covered by the indemnity for tax in Clause 20.1 or by Clause 21.

For the purposes of this Clause 23.1 the Lender may in good faith allocate or spread costs and/or losses among its assets and liabilities (or any class thereof) on such basis as it considers appropriate.

23.2 Payment of increased costs. The Borrower shall pay to the Lender, on the Lender's demand, the amounts which the Lender from time to time notifies the Borrower that is necessary to compensate it for the increased cost.

23.3 Notice of prepayment. If the Borrower is not willing to continue to compensate the Lender for the increased cost under Clause 23.2, the Borrower may give the Lender not less than 15 days' notice of its intention to prepay the Loan at the end of an Interest Period.

23.4 Prepayment; termination of Commitment. A notice under Clause 23.3 shall be irrevocable; and on the date specified in the Borrower's notice of intended prepayment, the Borrower shall prepay (without premium or penalty) the Loan together with accrued interest thereon at the applicable rate plus the Margin.

23.5 Application of prepayment. Clause 7 shall apply in relation to the prepayment.

24 SET-OFF

24.1 Application of credit balances. The Lender may without prior notice but following the occurrence of an Event of Default which is continuing:

(a) apply any balance (whether or not then due) which at any time stands to the credit of any account in the name of the Borrower at any office in any country of the Lender in or towards satisfaction of any sum then due from the Borrower to the Lender under any of the Finance Documents; and

(b) for that purpose:

(i) break, or alter the maturity of, all or any part of a deposit of the Borrower;

(ii) convert or translate all or any part of a deposit or other credit balance into Dollars; and

(iii) enter into any other transaction or make any entry with regard to the credit balance which the Lender considers appropriate.

24.2 Existing rights unaffected. The Lender shall not be obliged to exercise any of its rights under Clause 24.1; and those rights shall be without prejudice and in addition to any right of set-off, combination of accounts, charge, lien or other right or remedy to which the Lender is entitled (whether under the general law or any document).

25 TRANSFERS AND CHANGES IN LENDING OFFICES

25.1 Transfer by Borrower. The Borrower may not, without the prior consent of the Lender:

(a) transfer any of its rights or obligations under any Finance Document; or

(b) enter into any merger, de-merger or other reorganisation, or carry out any other act, as a result of which any of its rights or liabilities would vest in, or pass to, another person.

25.2 Assignment by Lender. The Lender may assign all or any of the rights and interests which it has under or by virtue of the Finance Documents without the consent of the Borrower.

25.3 **Rights of assignee.** In respect of any breach of a warranty, undertaking, condition or other provision of a Finance Document, or any misrepresentation made in or in connection with a Finance Document, a direct or indirect assignee of any of the Lender's rights or interests under or by virtue of the Finance Documents shall be entitled to recover damages by reference to the loss incurred by that assignee as a result of the breach or misrepresentation irrespective of whether the Lender would have incurred a loss of that kind or amount.

25.4 **Sub-participation; subrogation assignment.** The Lender may sub-participate all or any part of its rights and/or obligations under or in connection with the Finance Documents without the consent of, or any notice to, the Borrower or any Security Party and the Lender may assign, all or any part of those rights to an insurer or surety who has become subrogated to them.

25.5 **Disclosure of information.** The Lender may provide or disclose to an actual or potential assignee or sub-participant or any person who may otherwise enter into or propose to enter into contractual relations with that Lender in connection with this Agreement or to any other person as required by any applicable law or regulation, a copy of this Agreement, copies of all information provided by the Borrower or any of the Security Parties under or in connection with each Finance Document, details of drawings made by the Borrower under this Agreement and information regarding the performance by the Borrower and the Security Parties of their obligations under this Agreement and the other Finance Documents.

25.6 **Change of lending office.** The Lender may change its lending office by giving notice to the Borrower and the change shall become effective on the later of:

(a) the date on which the Borrower receives the notice; and

(b) the date, if any, specified in the notice as the date on which the change will come into effect.

26 VARIATIONS AND WAIVERS

26.1 **Variations, waivers etc. by Lender.** Subject to Clause 26.2, a document shall be effective to vary, waive, suspend or limit any provision of a Finance Document, or the Lender's rights or remedies under such a provision or the general law, only if the document is signed, or specifically agreed to by fax, by the Borrower and by the Lender and, if the document relates to a Finance Document to which a Security Party is party, by that Security Party.

26.2 **Exclusion of other or implied variations.** Except for a document which satisfies the requirements of Clauses 26.1 no document, and no act, course of conduct, failure or neglect to act, delay or acquiescence on the part of the Lender (or any person acting on its behalf) shall result in the Lender (or any person acting on its behalf) being taken to have varied, waived, suspended or limited, or being precluded (permanently or temporarily) from enforcing, relying on or exercising:

(a) a provision of this Agreement or another Finance Document; or

(b) an Event of Default; or

(c) a breach by the Borrower or a Security Party of an obligation under a Finance Document or the general law; or

(d) any right or remedy conferred by any Finance Document or by the general law,

and there shall not be implied into any Finance Document any term or condition requiring any such provision to be enforced, or such right or remedy to be exercised, within a certain or reasonable time.

27 NOTICES

27.1 General. Unless otherwise specifically provided, any notice under or in connection with any Finance Document shall be given by letter or fax; and references in the Finance Documents to written notices, notices in writing and notices signed by particular persons shall be construed accordingly.

27.2 Addresses for communications. A notice shall be sent:

(a) to the Borrower:
c/o Approved Manager
Akti Kondyli 14
185 45 Piraeus
Greece
Fax No: +30 210 422 0853

(b) to the Lender:
Credit Suisse
St. Alban-Graben 1-3
PO Box CH-4002
Basel
Switzerland
Fax No: +41 61 266 7939

or to such other address as the relevant party may notify the other.

27.3 Effective date of notices. Subject to Clauses 27.4 and 27.5:

(a) a notice which is delivered personally or posted shall be deemed to be served, and shall take effect, at the time when it is delivered; and

(b) a notice which is sent by fax shall be deemed to be served, and shall take effect, 2 hours after its transmission is completed.

27.4 Service outside business hours. However, if under Clause 27.3 a notice would be deemed to be served:

(a) on a day which is not a business day in the place of receipt; or

(b) on such a business day, but after 5 p.m. local time,

the notice shall (subject to Clause 27.5) be deemed to be served, and shall take effect, at 9 a.m. on the next day which is such a business day.

27.5 Illegible notices. Clauses 27.3 and 27.4 do not apply if the recipient of a notice notifies the sender within one hour after the time at which the notice would otherwise be deemed to be served that the notice has been received in a form which is illegible in a material respect.

27.6 Valid notices. A notice under or in connection with a Finance Document shall not be invalid by reason that its contents or the manner of serving it does not comply with the requirements of this Agreement or, where appropriate, any other Finance Document under which it is served if the failure to serve it in accordance with the requirements of this Agreement or other Finance Document, as the case may be, has not caused any party to suffer any significant loss or prejudice.

27.7 **English language.** Any notice under or in connection with a Finance Document shall be in English.

27.8 **Meaning of "notice".** In this Clause "notice" includes any demand, consent, authorisation, approval, instruction, waiver or other communication.

28 SUPPLEMENTAL

28.1 **Rights cumulative, non-exclusive.** The rights and remedies which the Finance Documents give to the Lender are:

(a) cumulative;

(b) may be exercised as often as appears expedient; and

(c) shall not, unless a Finance Document explicitly and specifically states so, be taken to exclude or limit any right or remedy conferred by any law.

28.2 **Severability of provisions.** If any provision of a Finance Document is or subsequently becomes void, unenforceable or illegal, that shall not affect the validity, enforceability or legality of the other provisions of that Finance Document or of the provisions of any other Finance Document.

28.3 **Counterparts.** A Finance Document may be executed in any number of counterparts.

28.4 **Benefit and binding effect** . The terms of this Agreement shall be binding upon, and shall enure to the benefit of, the parties hereto and their respective (including subsequent) successors and permitted assigns and transferees.

28.5 **Third party rights.** A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

29 LAW AND JURISDICTION

29.1 **English law.** This Agreement shall be governed by, and construed in accordance with, English law.

29.2 **Exclusive English jurisdiction.** Subject to Clause 29.3, the courts of England shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Agreement.

29.3 **Choice of forum for the exclusive benefit of the Lender.** Clause 29.2 is for the exclusive benefit of the Lender, which reserves the right:

(a) to commence proceedings in relation to any matter which arises out of or in connection with this Agreement in the courts of any country other than England and which have or claim jurisdiction to that matter; and

(b) to commence such proceedings in the courts of any such country or countries concurrently with or in addition to proceedings in England or without commencing proceedings in England.

The Borrower shall not commence any proceedings in any country other than England in relation to a matter which arises out of or in connection with this Agreement.

29.4 **Process agent.** The Borrower irrevocably appoints Danaos Management Consultants at their office for the time being, presently at 4 Staple Inn, Holborrn, London WC1V 7QU,

England to act as its process agent to receive and accept on its behalf any process or other document relating to any proceedings in the English courts which are connected with this Agreement.

29.5 Lender rights unaffected. Nothing in this Clause 29 shall exclude or limit any right which the Lender may have (whether under the law of any country, an international convention or otherwise) with regard to the bringing of proceedings, the service of process, the recognition or enforcement of a judgment or any similar or related matter in any jurisdiction.

29.6 Meaning of "proceedings". In this Clause 29, " **proceedings** " means proceedings of any kind, including an application for a provisional or protective measure.

THIS AGREEMENT has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1

DRAWDOWN NOTICE

To: Credit Suisse
St. Alban-Graben 1-3
PO Box CH-4002
Basel
Switzerland
Fax No: +41 61 266 7939

2008

DRAWDOWN NOTICE

1 We refer to the loan agreement (the " **Loan Agreement** ") dated 2008 and made between us, the Borrower and you, the Lender, in connection with a facility of up to US$221,600,000. Terms defined in the Loan Agreement have their defined meanings when used in this Drawdown Notice.

2 We request to borrow the [ ] Advance of Tranche [ ] as follows:

(a) Amount: US$[ ];

(b) Drawdown Date: [ ];

(c) Duration of the first Interest Period shall be [ ] months;

(d) Payment instructions : account of [ ] and numbered [ ] with [ ] of [ ].

3 We represent and warrant that:

(a) the representations and warranties in Clause 9 of the Loan Agreement would remain true and not misleading if repeated on the date of this notice with reference to the circumstances now existing; and

(b) no Event of Default or Potential Event of Default has occurred or will result from the borrowing of the Loan.

4 This notice cannot be revoked without your prior consent.

5 We authorise you to deduct any fees including the arrangement fee and any accrued commitment fee referred to in Clause 19 from the amount of the Advance.

Attorney-in-Fact
for and on behalf of
DANAOS CORPORATION

SCHEDULE 2

CONDITION PRECEDENT DOCUMENTS

In this Schedule 2 " **Relevant Ship** " means, in relation to a Tranche of an Advance to be made under such Tranche, the Ship which is to be part-financed by that Tranche.

PART A

The following are the documents referred to in Clause 8.1(a).

1 A duly executed original of each Guarantee, the Master Agreement, the Master Agreement Assignment and the Danaos Earnings Account Pledge.

2 Certified copies of the certificate of incorporation and constitutional documents of the Borrower and each Owner.

3 Copies of resolutions of the shareholders and directors of each Owner authorising the execution of each of the Finance Documents to which that Owner is a party and, in the case of each Owner ratifying the execution of the Shipbuilding Contracts.

4 Evidence that the Danaos Earnings Account has been duly opened with the Lender by the Borrower.

5 The original of any power of attorney under which any Finance Document is executed on behalf of the Borrower or each Owner.

6 Copies of all consents which the Borrower or any Security Party requires to enter into, or make any payment under, any Finance Document or any Shipbuilding Contract.

7 Original Refund Guarantees.

8 Documentary evidence that the agent for service of process named in Clause 29 has accepted its appointment.

9 Favourable legal opinions from lawyers appointed by the Lender on such matters concerning the laws of the Marshall Islands, Liberia and Korea and such other relevant jurisdictions as the Lender may require.

10 Copies of each Charterparty duly executed by the parties thereto.

11 If the Lender so requires, in respect of any of the documents referred to above, a certified English translation prepared by a translator approved by the Lender.

PART B

The following are the documents referred to in Clause 8.1(b).

1 A duly executed original of the Predelivery Security Assignment for the Relevant Ship (and of each document required to be delivered pursuant thereto).

2 Documentary evidence that the steel-cutting of the Relevant Ship has commenced in accordance with the relevant Shipbuilding Contract.

3 A duly issued invoice from the relevant Builder showing all sums due and payable to that Builder pursuant to Article II.4(b) of Shipbuilding Contract A, Article X.2(b) of

Shipbuilding Contract B or, as the case may be, Article X.1(b) of Shipbuilding Contract C upon steel-cutting of the Relevant Ship.

4 Written confirmation from the relevant Owner and the Approved Manager that they have irrevocably accepted and approved the building works which have been completed on the Relevant Ship up to the date of her steel cutting.

PART C

The following are the documents referred to in Clause 8.1(c).

1 Documentary evidence that the keel of the Relevant Ship has been laid in accordance with the relevant Shipbuilding Contract.

2 A duly issued invoice from the relevant Builder showing all sums due and payable to that Builder pursuant to Article II.4(c) of Shipbuilding Contract A, Article X.2(c) of Shipbuilding Contract B or, as the case may be, Article X.1(c) of Shipbuilding Contract C upon keel-laying of the Relevant Ship.

3 Written confirmation from the relevant Owner and the Approved Manager that they have irrevocably accepted and approved the building works which have been completed on the Relevant Ship up to the date of her keel-laying.

PART D

The following are the documents referred to in Clause 8.1(d).

1 Documentary evidence that the Relevant Ship has been launched accordance with the relevant Shipbuilding Contract.

2 A duly issued invoice from the relevant Builder showing all sums due and payable to that Builder pursuant to Article X.2(d) of the Shipbuilding Contract B or, as the case may be, Article X.1(d) of the Shipbuilding Contract C upon launching of the Relevant Ship.

3 Written confirmation from the relevant Owner and the Approved Manager that they have irrevocably accepted and approved the building works which have been completed on the Relevant Ship up to the date of her launching.

PART E

The following are the documents referred to in Clause 8.1(e).

1 A duly executed original of the Mortgage, the Deed of Covenant (if applicable), the General Assignment and the Charterparty Security Assignment (and of each document to be delivered under each of them) in respect of the Relevant Ship.

2 A duly executed certified true copy of the Bareboat Charter Security Agreement (and of each document to be delivered thereunder) if the Relevant Ship is Ship C.

3 Documentary evidence that:

(a) the Relevant Ship has been unconditionally delivered by the relevant Builder to, and accepted by, the relevant Owner under the relevant Shipbuilding Contract, and the full purchase price payable under the relevant Shipbuilding Contract (in addition to the part being financed by the relevant Tranche) has been duly paid;

(b) the Relevant Ship has been unconditionally delivered by its Owner to, and accepted by, its Charterer for operation under the Charterparty relative to that Ship;

(c) the Relevant Ship is definitively and permanently registered in the name of the relevant Owner under an Approved Flag;

(d) the Relevant Ship is in the absolute and unencumbered ownership of the relevant Owner save as contemplated by the Finance Documents;

(e) the Relevant Ship maintains the highest available class with a classification society which is a member of the International Association of Classification Societies and which his acceptable to the Lender free of all overdue recommendations and conditions affecting the class;

(f) the Mortgage and (if applicable) the Deed of Covenant in respect of the Relevant Ship have been duly registered against the Relevant Ship as a valid first preferred or priority ship mortgage and (if applicable) collateral deed of covenant in accordance with the laws of the applicable Approved Flag State; and

(g) the Relevant Ship is insured in accordance with the provisions of this Agreement and all requirements therein in respect of insurances have been complied with.

4 Documents establishing that the Relevant Ship will, as from its Delivery Date, be managed by the Approved Manager on terms acceptable to the Lender, together with:

(a) the Approved Manager's Undertaking in respect of the Relevant Ship; and

(b) copies of the document of compliance (DOC), and the safety management certificate (SMC) pursuant to the ISM Code and International Ship Security Certificate issued pursuant to the ISPS Code in relation to the Ship, the relevant Owner and/or the Approved Manager and/or YM.

5 A valuation of the Relevant Ship addressed to the Lender and dated no earlier than 30 days prior to the relevant Delivery Date, stated to be for the purposes of this Agreement and prepared in accordance with Clause 14 which shows the value of the Relevant Ship in an amount acceptable to the Lender.

6 A favourable opinion (at the cost of the Borrower) from an independent insurance consultant acceptable to the Lender on such matters relating to the insurances for the Relevant Ship as the Lender may require.

7 A written statement, satisfactory to the Lender, evidencing the calculation of the Delivered Cost of each Ship (with a detailed breakdown of the Extra Pre-Delivery Costs for each Ship) signed by the chief financial officer of the Borrower.

8 Favourable legal opinions from lawyers appointed by the Lender on such matters concerning the laws of the Marshall Islands, Liberia and the Approved Flag State and such other relevant jurisdictions as the Lender may require

Every copy document delivered under this Schedule shall be certified as a true and up to date copy by a director or the secretary (or equivalent officer) of the relevant Owner.

SCHEDULE 3

AMOUNT OF ADVANCES

Ship A

Stage of Construction	Amount due to Yard under Shipbuilding Contract ($)	Extra Pre-Delivery Costs ($)	Maximum amount of Advance ($)
Steel-cutting	6,380,000	0.00	6,380,000
Keel-laying	6,380,000	0.00	6,380,000
Delivery	38,280,000	4,960,000	43,240,000
Total		**4,960,000**	**56,000,000**

Ship B

	Amount due to Yard under	Extra Pre-	Maximum

Stage of Construction	Shipbuilding Contract ($)	Delivery Costs ($)	amount of Advance ($)
Steel-cutting	18,300,000	0.00	18,300,000
Keel-laying	9,150,000	0.00	9,150,000
Launching	9,150,000	0.00	9,150,000
Delivery	36,600,000	6,800,000	43,400,000
Total		**6,800,000**	**80,000,000**

Ship C

Stage of Construction	Amount due to Yard under Shipbuilding Contract ($)	Extra Pre-Delivery Costs ($)	Maximum amount of Advance ($)
Steel-cutting	9,900,000	0.00	9,900,000
Keel-laying	9,900,000	0.00	9,900,000
Launching	9,900,000	0.00	9,900,000
Delivery	49,500,000	6,400,000	55,900,000
Total		**6,400,000**	**85,600,000**

SCHEDULE 4

FORM OF COMPLIANCE CERTIFICATE

To: Credit Suisse
St. Alban-Graben 1-3
PO Box CH-4002 Basel
Switzerland

Attn:

2008

Dear Sirs,

We refer to a loan agreement 2008 (the " **Loan Agreement** ") made between yourselves as lender and ourselves as borrower in relation to a loan facility of up to $221,600,000 in aggregate.

Words and expressions defined in the Loan Agreement shall have the same meaning when used in this compliance certificate.

We enclose with this certificate a copy of the [audited]/[unaudited] consolidated accounts for the Borrower's Group for the [Financial Year] [6-month period] ended [•]. The accounts (i) have been prepared in accordance with all applicable laws and USGAAP all consistently applied, (ii) give a true and fair view of the state of affairs of the Borrower's Group at the date of the accounts and of its profit for the period to which the accounts relate and (iii) fully disclose or provide for all significant liabilities of the Borrower's Group.

We also enclose copies of the valuations of all the Fleet Vessels which were used in calculating the Market Value Adjusted Total Assets of the Borrower's Group as at [•].

The Borrower represents that no Event of Default or Potential Event of Default has occurred as at the date of this certificate [except for the following matter or event [*set out all material details of matter or event*]]. In addition as of [•], the Borrower confirms compliance with the financial covenants set out in Clause 11.5 of the Loan Agreement for the [12][6] months ending as of the date to which the enclosed accounts are prepared.

We now certify that, as at [•]:

(a) the ratio of Total Liabilities (after deducting all Cash and Cash Equivalents) to Market Value Adjusted Total Assets (after deducting all Cash and Cash Equivalents) is [•]:[•];

(b) the aggregate of all Cash and Cash Equivalents is $[•];

(c) the Interest Coverage Ratio is [•]:[•];

(d) the Market Value Adjusted Net Worth of the Borrower's Group is $[•]; and

(e) the Book Net Worth of the Borrower's Group is $[•].

This certificate shall be governed by, and construed in accordance with, English law.

_____

[•]
Chief Financial Officer of
Danaos Corporation

SCHEDULE 5

MANDATORY COST FORMULA

1 The Mandatory Cost is an addition to the interest rate to compensate Lenders for the cost of compliance with (a) the requirements of the Financial Services Authority (or any other authority which replaces all or any of its functions) or (b) the requirements of the European Central Bank.

2 On the first day of each Interest Period (or as soon as possible thereafter) the Facility Agent shall calculate, as a percentage rate, a rate (the **"Additional Cost Rate"**) for each Lender, in accordance with the paragraphs set out below. The Mandatory Cost will be calculated by the Facility Agent as a weighted average of the Lenders' Additional Cost Rates (weighted in proportion to the percentage participation of each Lender in the Loan) and will be expressed as a percentage rate per annum.

3 The Additional Cost Rate for any Lender lending from a lending office in a Participating Member State will be the percentage notified by that Lender to the Facility Agent. This percentage will be certified by that Lender in its notice to the Facility Agent to be its reasonable determination of the cost (expressed as a percentage of that Lender's participation in the Loan) of complying with the minimum reserve requirements of the European Central Bank in respect of loans made from that lending office.

4 The Additional Cost Rate for any Lender lending from a lending office in the United Kingdom will be calculated by the Facility Agent as follows:

$$\frac{E \times 0.01}{300} \text{ per cent. per annum}$$

Where:

E is designed to compensate Lenders for amounts payable under the Fees Rules and is calculated by the Facility Agent as being the average of the most recent rates of charge supplied by the Lenders to the Facility Agent pursuant to paragraph 6 below and expressed in pounds per £1,000,000.

5 For the purposes of this Schedule:

(a) " **Special Deposits** " has the meaning given to it from time to time under or pursuant to the Bank of England Act 1998 or (as may be appropriate) by the Bank of England;

(b) " **Fees Rules** " means the rules on periodic fees contained in the FSA Supervision Manual or such other law or regulation as may be in force from time to time in respect of the payment of fees for the acceptance of deposits;

(a) " **Fee Tariffs** " means the fee tariffs specified in the Fees Rules under the activity group A.1 Deposit acceptors (ignoring any minimum fee or zero rated fee required pursuant to the Fees Rules but taking into account any applicable discount rate);

(b) " **Participating Member State** " means any member state of the European Union that adopts or has adopted the euro as its lawful currency in accordance with legislation of the European Union relating to European Monetary Union; and

(c) " **Tariff Base** " has the meaning given to it in, and will be calculated in accordance with, the Fees Rules.

6 If requested by the Facility Agent, each Lender lending from a lending office in the United Kingdom shall, as soon as practicable after publication by the Financial Services Authority, supply to the Facility Agent, the rate of charge payable by that Lender to the Financial Services Authority pursuant to the Fees Rules in respect of the relevant financial year of the Financial Services Authority (calculated for this purpose by that Lender as being the average of the Fee Tariffs applicable to that Lender for that financial year) and expressed in pounds per £1,000,000 of the Tariff Base of that Lender.

7 Each Lender shall supply any information required by the Facility Agent for the purpose of calculating its Additional Cost Rate. In particular, but without limitation, each Lender shall supply the following information in writing on or prior to the date on which it becomes a Lender:

(a) the jurisdiction of its lending office; and

(c) any other information that the Facility Agent may reasonably require for such purpose.

Each Lender shall promptly notify the Facility Agent in writing of any change to the information provided by it pursuant to this paragraph.

8 The rates of charge of each Lender lending from a lending office in the United Kingdom for the purpose of calculating E shall be determined by the Facility Agent based upon the information supplied to it pursuant to paragraph 6 above and on the assumption that, unless a Lender notifies the Facility Agent to the contrary, each Lender's obligations in relation to cash ratio deposits and Special Deposits are the same as those of a typical bank from its jurisdiction of incorporation with a lending office in the same jurisdiction as its lending office.

9 The Facility Agent shall have no liability to any person if such determination results in an Additional Cost Rate which over or under compensates any Lender and shall be entitled to assume that the information provided by any Lender pursuant to paragraphs 3, 6 and 7 above is true and correct in all respects.

10 The Facility Agent shall distribute the additional amounts received as a result of the Mandatory Cost to the Lenders on the basis of the Additional Cost Rate for each Lender based on the information provided by each Lender pursuant to paragraphs 3, 6 and 7 above.

11 Any determination by the Facility Agent pursuant to this Schedule in relation to a formula, the Mandatory Cost, an Additional Cost Rate or any amount payable to a Lender shall, in the absence of manifest error, be conclusive and binding on all parties.

The Facility Agent may from time to time, after consultation with the Borrower and the Lenders, determine and notify to all parties any amendments which are required to be made to this Schedule in order to comply with any change in law, regulation or any requirements from time to time imposed by the Financial Services Authority or the European Central Bank (or, in any case, any other authority which replaces all or any of its functions) and any such determination shall, in the absence of manifest error, be conclusive and binding on all parties

SCHEDULE 6

DESIGNATION NOTICE

To: Credit Suisse
St. Alban - Graben 1-3
P.O. Box, CH-4002
Basel
Switzerland

[date]

Dear Sirs

Loan Agreement dated January 2005 made between (i) ourselves as Borrower and (ii) yourselves as Lender (the "Loan Agreement")

We refer to:

1. the Loan Agreement;

2. the Master Agreement; and

3. a Confirmation delivered pursuant to the said Master Agreement dated [•].

In accordance with the terms of the Loan Agreement, we hereby give you notice of the said Confirmation and hereby confirm that the Transaction evidenced by it will be designated as a "Designated Transaction" for the purposes of the Loan Agreement and the Finance Documents.

Yours faithfully,

_____

for and on behalf of
DANAOS CORPORATION

EXECUTION PAGE

BORROWER

SIGNED by Mr. Iraklis Prokopakis	)	
for and on behalf of	)	
DANAOS CORPORATION	)	/s/ Iraklis Prokopakis
in the presence of:	)	

LENDER

SIGNED by	)	
for and on behalf of	)	
CREDIT SUISSE	)	/s/ Credit Suisse
in the presence of:	)	

Exhibit 4.15

Date 30 May 2008

DANAOS CORPORATION
as Borrower

- and -

THE BANKS AND FINANCIAL INSTITUTIONS
listed in Schedule 1
as Lenders

- and -

DEUTSCHE BANK AG FILIALE DEUTSCHLANDGESCHÄFT
as Agent and
Security Trustee

- and -

DEUTSCHE BANK AG
as Swap Bank

LOAN AGREEMENT

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relating to a senior secured term loan facility of up to US$180,000,000 to provide pre and post-delivery finance for the acquisition of three container carrier newbuildings having Builder's Hull Nos. HN 1670, HN 1671 and HN 1672 currently under construction at Samsung Heavy Industries Co. Ltd.

WATSON FARLEY & WILLIAMS
Piraeus

INDEX

THIS LOAN AGREEMENT is made on 2008

BETWEEN :

(1) **DANAOS CORPORATION** being a corporation domesticated and existing under the laws of the Republic of the Marshall Islands whose registered office is at Trust Company House, Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, the Marshall Islands as **Borrower** .

(2) **THE BANKS AND FINANCIAL INSTITUTIONS** listed in Schedule 1, as **Lenders** .

(3) **DEUTSCHE BANK AG FILIALE DEUTSCHLANDGESCHÄFT** acting through its office at Ludwig-Erhard-Straße 1, D-20459, Hamburg, Germany as **Agent** and **Security Trustee** .

(4) **DEUTSCHE BANK AG** acting through its office at Theodor-Heuss-Allee 70, 60486 Frankfurt am Main, Germany as **Swap Bank** .

WHEREAS

The Lenders have agreed to make available to the Borrower a senior secured term loan facility of up to US$180,000,000 for the purpose of part-financing the Contract Price of each Ship. The facility shall be divided into three Tranches, Tranche A may be made available in up to two Advances and each of Tranche B and Tranche C may be made available in up to three Advances.

The Borrower may, if it wishes, from time to time hedge its exposure under this Agreement to interest rate fluctuations by entering into interest rate swap transactions with the Swap Bank.

IT IS AGREED as follows:

1 INTERPRETATION

1.1 Definitions. Subject to Clause 1.5, in this Agreement:

" **Advance** " means the principal amount of each borrowing by the Borrower under this Agreement;

" **Affected Lender** " has the meaning given in Clause 5.7;

" **Agency and Trust Agreement** " means the agency and trust agreement executed or to be executed between the Borrower, the Lenders, the Swap Bank, the Agent and the Security Trustee in such form as the Lenders may approve or require;

" **Agent** " means Deutsche Bank AG Filiale Deutschlandgeschäft, in its capacity as agent for the Lenders under the Finance Documents, or any successor of it in such capacity appointed under clause 5 of the Agency and Trust Agreement;

" **Applicable Accounts** " means, in relation to a Compliance Date or an accounting period, the consolidated balance sheets and related consolidated statements of stockholders' equity, income and cash flows, together with related notes, of the Borrower's Group set out in the annual financial statements or quarterly financial statements of the Borrower's Group prepared as of the Compliance Date or, as the case may be, the last day of the accounting period in question (and which the Borrower is obliged to deliver to the Agent pursuant to Clause 11.6 and which accounts are to be prepared in accordance with Clause 11.7);

" **Approved Broker** " means each of Braemar Seascope Ltd., Howe Robinson & Co. Ltd., H. Clarkson & Company Limited, Simpson Spence & Young, Maersk Broker K/S and any

other independent sale and purchase shipbroker as may be approved by the Agent from time to time;

" **Approved Flag** " means such flag as the Lenders may, in their absolute discretion, approve as the flag on which a Ship shall be registered;

" **Approved Flag State** " means any country in which the Lenders may, in their sole and absolute discretion, approve that a Ship be registered;

" **Approved Manager** " means, in relation to a Ship, Danaos Shipping Co. Ltd., a company incorporated in Cyprus having its registered office at Libra House, 16 P. Caterari Street, Nicosia, Cyprus or any other company which the Agent may approve from time to time as the commercial, technical and/or operational manager of that Ship;

" **Approved Manager's Undertaking** " means in relation to each Ship, a letter of undertaking executed or to be executed by the Approved Manager in favour of the Security Trustee and in the terms required by the Lenders, agreeing certain matters in relation to the Approved Manager serving as the manager of the Ship and subordinating its rights against such Ship and the Owner thereof to the rights of the Creditor Parties under the Finance Documents, in such form as the Lenders may approve or require;

" **Availability Period** " means the period commencing on the date of this Agreement and ending on:

(a) 31 December 2008; or

(b) if earlier, the date on which the Total Commitments are fully borrowed, cancelled or terminated,

(or in any such case, such later date as the Agent may, with the authorisation of all the Lenders, agree with the Borrower)

" **Balticsea** " means Balticsea Marine Inc., a corporation incorporated and existing under the laws of Liberia and having its registered office at 80 Broad Street, Monrovia, Liberia;

" **Bareboat - equivalent Time Charter Income"** means, in relation to each Ship, the aggregate charter hire due and payable to the Owner of that Ship for the remaining unexpired term of the Charter or other contract of employment relative to that Ship at the relevant time (excluding any option periods (as that term is defined in Clause 15.4(a)) less the aggregate operating expenses of that Ship as determined by the Borrower and certified to the satisfaction of the Agent for the same period;

" **Bayview** " means Bayview Shipping Inc., a corporation incorporated and existing under the laws of Liberia and having its registered office at 80 Broad Street, Monrovia, Liberia;

" **Book Net Worth** " means, as of any Compliance Date, the aggregate of value of the stockholders' equity of the Borrower's Group as shown in the Applicable Accounts;

" **Borrower** " means Danaos Corporation, a corporation domesticated and existing under the laws of the Marshall Islands and having its registered office at Trust Company House, Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, the Marshall Islands (and includes its successors);

" **Borrower's Group** " means the Borrower and each of its subsidiaries;

" **Builder** " means Samsung Heavy Industries Co. Ltd., a company organised and existing under the laws of the Republic of Korea, with its registered office at 647-9, Yeoksam-Dong, Kangnam-ku, Seoul, Korea;

" **Business Day** " means a day on which banks are open in Hamburg, Piraeus, London and (in relation to any payment to be made to the Builder) Seoul and in respect of a day on which a payment is required to be made under a Finance Document, also in New York City;

" **Cash and Cash Equivalents** " means the aggregate of:

(a) the amount of freely available credit balances on any deposit or current account;

(b) the market value of transferable certificates of deposit in a freely convertible currency acceptable to the Agent issued by a prime international bank; and

(c) the market value of equity securities (if and to the extent that the Agent is satisfied that such equity securities are readily saleable for cash and that there is a ready market therefor) and investment grade debt securities which are publicly traded on a major stock exchange or investment market (valued at market value as at any applicable date of determination);

in each case owned free of any Security Interest (other than a Security Interest in favour of the Security Trustee) by the Borrower or any of its subsidiaries where:

(i) the market value of any asset specified in paragraph (b) and (c) shall be the bid price quoted for it on the relevant calculation date by the Agent; and

(ii) the amount or value of any asset denominated in a currency other than Dollars shall be converted into Dollars using the Agent's spot rate for the purchase of Dollars with that currency on the relevant calculation date;

" **Channelview** " means Channelview Marine Inc., a corporation incorporated and existing under the laws of Liberia and having its registered office at 80 Broad Street, Monrovia, Liberia;

"Charterparties" means, together, Charterparty A, Charterparty B and Charterparty C, and in the singular means any of them;

" **Charterparty A** " means the time charterparty dated 17 May 2006 made or to be made between Bayview and ZIM as charterer in respect of Ship A for a duration of at least 12 years at a net daily charter hire rate of at least $22,785 on terms acceptable in all respects to the Lenders;

" **Charterparty B** " means the time charterparty dated 17 May 2006 made or to be made between Channelview and ZIM as charterer in respect of Ship B for a duration of at least 12 years at a net daily charter hire rate of at least $22,785 on terms acceptable in all respects to the Lenders;

" **Charterparty C** " means the time charterparty dated 17 May 2006 made or to be made between Balticsea and ZIM as charterer in respect of Ship C for a duration of at least 12 years at a net daily charter hire rate of at least $22,785 on terms acceptable in all respects to the Lenders;

" **Charterparty Assignment** " means, in relation to a Ship, a deed of assignment of the rights of the relevant Owner in respect of a Charterparty relating thereto, in such form as the Lenders may approve or require and in the plural means all of them;

" **Commitment** " means, in relation to a Lender, the amount set opposite its name in Schedule 1, or, as the case may require, the amount specified in the relevant Transfer Certificate, as that amount may be reduced, cancelled or terminated in accordance with this

Agreement (and " **Total Commitments** " means the aggregate of the Commitments of all the Lenders);

" **Compliance Date** " means 31 March, 30 June, 30 September and 31 December in each calendar year (or such other dates as of which the Borrower prepares the consolidated financial statements which it is required to deliver pursuant to Clause 11.6);

" **Confirmation** " and " **Early Termination Date** ", in relation to any continuing Transaction, have the meanings given in the Master Agreement;

" **Consolidated Debt** " means the aggregate amount of Debt due by the members of the Group (other than any such Debt owing by any member of the Group to another member of the Group) as stated in the then most recent Applicable Accounts;

" **Contract Price** " has, in relation to each Ship, the meaning given in Article II of the Shipbuilding Contract in respect of that Ship (as the same may be adjusted in accordance to that Shipbuilding Contract);

" **Contractual Currency** " has the meaning given in Clause 21.5;

" **Contribution** " means, in relation to a Lender, the part of the Loan which is owing to that Lender;

" **Creditor Party** " means the Agent, the Security Trustee, the Swap Bank and each Lender whether as at the date of this Agreement or at any later time;

" **Danaos Earnings Account** " means an account in the name of the Borrower with the Agent in Hamburg (or any other office of the Agent which is designated by it as the Danaos Earnings Account for the purposes of this Agreement);

" **Danaos Earnings Account Pledge** " means the deed containing, inter alia, a charge in respect of the Danaos Earnings Account executed or to be executed by the Borrower in favour of the Security Trustee and the Lenders in such form as the Lenders may approve or require;

" **Debt** " means in relation to any member of the Group (the " **debtor** "):

(a) Financial Indebtedness of the debtor;

(b) liability for any credit to the debtor from a supplier of goods or services or under any instalment purchase or payment plan or other similar arrangement;

(c) contingent liabilities of the debtor (including without limitation any taxes or other payments under dispute) which have been or, under GAAP, should be recorded in the notes to the Applicable Accounts;

(d) deferred tax of the debtor; and

(e) liability under a guarantee, indemnity or similar obligation entered into by the debtor in respect of a liability of another person who is not a member of the Group which would fall within (a) to (d) if the references to the debtor referred to the other person;

" **Deed of Covenant** " means, in relation to a Ship, a deed of covenant collateral to the Mortgage for that Ship, in such form as the Lenders may approve or require, and in the plural means all of them;

" **Delivery Date** " means, in relation to a Ship, the date on which title to and possession of that Ship is transferred from the Builder to the relevant Owner;

" **Dollars** " and " **$** " means the lawful currency for the time being of the United States of America;

" **Drawdown Date** " means, in relation to an Advance, the date requested by the Borrower for the Advance to be made, or (as the context requires) the date on which the Advance is actually made;

" **Drawdown Notice** " means a notice in the form set out in Schedule 2 (or in any other form which the Agent approves or reasonably requires);

" **Earnings** " means, in relation to a Ship, all moneys whatsoever which are now, or later become, payable (actually or contingently) to the Owner owning the Ship or the Security Trustee and which arise out of the use or operation of the Ship, including (but not limited to):

(a) all freight, hire and passage moneys, compensation payable to the Owner owning the Ship or the Security Trustee in the event of requisition of the Ship for hire, remuneration for salvage and towage services, demurrage and detention moneys and damages for breach (or payments for variation or termination) of any charterparty or other contract for the employment of the Ship;

(b) all moneys which are at any time payable under the Insurances in respect of loss of earnings; and

(c) if and whenever the Ship is employed on terms whereby any moneys falling within paragraphs (a) or (b) above are pooled or shared with any other person, that proportion of the net receipts of the relevant pooling or sharing arrangement which is attributable to the Ship;

" **EBITDA** " means, in respect of the relevant period, the Net Income of the Borrower's Group before interest, taxes, depreciation and amortisation and any capital gains or losses realised from the sale of any Fleet Vessels as shown in the Applicable Accounts;

" **Environmental Claim** " means:

(a) any claim by any governmental, judicial or regulatory authority which arises out of an Environmental Incident or an alleged Environmental Incident or which relates to any Environmental Law; or

(b) any claim by any other person which relates to an Environmental Incident or to an alleged Environmental Incident,

and " **claim** " means a claim for damages, compensation, fines, penalties or any other payment of any kind whether or not similar to the foregoing; an order or direction to take, or not to take, certain action or to desist from or suspend certain action; and any form of enforcement or regulatory action, including the arrest or attachment of any asset;

" **Environmental Incident** " means, in relation to each Ship:

(a) any release of Environmentally Sensitive Material from a Ship; or

(b) any incident in which Environmentally Sensitive Material is released from a vessel other than a Ship and which involves a collision between that Ship and such other vessel or some other incident of navigation or operation, in either case, in connection with which that Ship is actually or potentially liable to be arrested,

attached, detained or injuncted and/or that Ship or any Owner and/or any operator or manager is at fault or allegedly at fault or otherwise liable to any legal or administrative action; or

(c) any other incident in which Environmentally Sensitive Material is released otherwise than from a Ship and in connection with which a Ship is actually or potentially liable to be arrested and/or where any Owner and/or any operator or manager of a Ship is at fault or allegedly at fault or otherwise liable to any legal or administrative action;

" **Environmental Law** " means any law relating to pollution or protection of the environment, to the carriage of Environmentally Sensitive Material or to actual or threatened releases of Environmentally Sensitive Material;

" **Environmentally Sensitive Material** " means oil, oil products and any other substance (including any chemical, gas or other hazardous or noxious substance) which is (or is capable of being or becoming) polluting, toxic or hazardous;

" **Event of Default** " means any of the events or circumstances described in Clause 19.1;

" **Finance Documents** " means:

(a) this Agreement;

(b) the Master Agreement;

(c) the Guarantees;

(d) the Agency and Trust Agreement;

(e) the Master Agreement Assignment;

(f) the Predelivery Security Assignments;

(g) the General Assignments;

(h) the Mortgages;

(i) any Deeds of Covenants;

(j) the Danaos Earnings Account Pledge;

(k) the Charterparty Assignments;

(l) the Approved Manager's Undertakings; and

(m) any other document (whether creating a Security Interest or not) which is executed at any time by the Borrower, an Owner or any other person as security for, or to establish any form of subordination or priorities arrangement in relation to, any amount payable to the Lenders under this Agreement or any of the documents referred to in this definition;

" **Financial Indebtedness** " means, in relation to a person (the " **debtor** "), a liability of the debtor:

(a) for principal, interest or any other sum payable in respect of any moneys borrowed or raised by the debtor;

(b) under any loan stock, bond, note or other security issued by the debtor;

(c) under any acceptance credit, guarantee or letter of credit facility made available to the debtor;

(d) under a financial lease, a deferred purchase consideration arrangement or any other agreement having the commercial effect of a borrowing or raising of money by the debtor; or

(e) under any foreign exchange transaction interest or currency swap or any other kind of derivative transaction entered into by the debtor; or

(f) under a guarantee, indemnity or similar obligation entered into by the debtor in respect of a liability of another person which would fall within paragraphs (a) to (e) if the references to the debtor referred to the other person;

" **Financial Year** " means, in relation to the Borrower's Group and each Owner, each period of 1 year commencing on 1 January in respect of which its audited accounts are or ought to be prepared;

" **Fleet Vessels** " means, together, all of the vessels (including, but not limited to, the Ships) from time to time owned or leased by members of the Borrower's Group which, at the relevant time, are included within the Total Assets of the Borrower's Group in the balance sheet of the Applicable Accounts or which would be included within the balance sheet if the Applicable Accounts were required to be prepared at that time and in the singular means any of them;

" **General Assignment** " means, in relation to a Ship, a general assignment of the Earnings, the Insurances and any Requisition Compensation of that Ship, in such form as the Lenders may approve or require, and in the plural means all of them;

" **Guarantee** " means, in relation to an Owner, an irrevocable and unconditional guarantee to be given by that Owner in favour of the Security Trustee, guaranteeing the obligations of the Borrower under this Agreement, the Master Agreement and the other Finance Documents, in such form as the Lenders may approve or require, and in the plural means all of them;

" **Insurances** " means, in relation to a Ship:

(a) all policies and contracts of insurance, including entries of such Ship in any protection and indemnity or war risks association, which are effected in respect of such Ship, her Earnings or otherwise in relation to her; and

(b) all rights and other assets relating to, or derived from, any of the foregoing, including any rights to a return of a premium;

" **Interest Coverage Ratio** " means, in relation to a Compliance Date or an accounting period, the ratio of (a) EBITDA of the Borrower's Group to (b) the Net Interest Expenses (on a trailing 12-month basis);

" **Interest Period** " means in relation to an Advance, a period determined in accordance with Clause 6;

" **Interest Rate Swap Rate** " means, for any applicable period:

(a) the rate per annum equal to the offered quotation for deposits in Dollars for a period equal to, or as near as possible equal to, the relevant applicable period which appears on the appropriate page of the Reuters Monitor Money Rates

Service on the second Business Day prior to the commencement of the applicable period; or

(b) if no rate is quoted on the appropriate page of the Reuters Monitor Money Rates Service, the rate per annum determined by the Agent to be the Interest Rate Swap Rate for a period equal to, or as near as possible equal to, the relevant applicable period;

" **ISM Code** " means, in relation to its application to the Approved Manager, each Owner, its Ship and its operation:

(a) 'The International Management Code for the Safe Operation of Ships and for Pollution Prevention', currently known or referred to as the 'ISM Code', adopted by the Assembly of the International Maritime Organisation by Resolution A.741(18) on 4 November 1993 and incorporated on 19 May 1994 into chapter IX of the International Convention for the Safety of Life at Sea 1974 (SOLAS 1974); and

(b) all further resolutions, circulars, codes, guidelines, regulations and recommendations which are now or in the future issued by or on behalf of the International Maritime Organisation or any other entity with responsibility for implementing the ISM Code, including without limitation, the 'Guidelines on implementation or administering of the International Safety Management (ISM) Code by Administrations' produced by the International Maritime Organisation pursuant to Resolution A.788(19) adopted on 25 November 1995,

as the same may be amended, supplemented or replaced from time to time;

" **ISM Code Documentation** " includes:

(a) the document of compliance (DOC) and safety management certificate (SMC) issued pursuant to the ISM Code in relation to the Ships or any of them within the periods specified by the ISM Code; and

(b) all other documents and data which are relevant to the ISM SMS and its implementation and verification which the Agent may require; and

(c) any other documents which are prepared or which are otherwise relevant to establish and maintain the Ships' or the Owners' compliance with the ISM Code which the Agent may require;

" **ISM SMS** " means the safety management system for each Ship which is required to be developed, implemented and maintained by the Owner of that Ship under the ISM Code;

" **ISPS Code** " means the International Ship and Port Facility Security Code adopted by the International Maritime Organisation Assembly as the same may be amended or supplemented from time to time;

" **ISSC** " means a valid and current International Ship Security Certificate issued under the ISPS Code;

" **Lender** " means, subject to Clause 26.6:

(a) a bank or financial institution listed in Schedule 1 and acting through its branch indicated in Schedule 1 (or through another branch notified to the Agent under Clause 26.14) unless it has delivered a Transfer Certificate or Certificates covering the entire amounts of its Commitment and its Contribution; and

(b) the holder for the time being of a Transfer Certificate;

(and includes their respective successors);

" **LIBOR** " means, for an Interest Period:

(a) the rate per annum equal to the offered quotation for deposits in Dollars for a period equal to, or as near as possible equal to, the relevant Interest Period which appears on Reuters BBA Page LIBOR 01 at or about 11.00 a.m. (London time) on the second Business Day prior to the commencement of that Interest Period (and, for the purposes of this Agreement, "Reuters BBA Page LIBOR 01" means the display designated as "Reuters BBA Page LIBOR 01" on the Reuters Money News Service or such other page as may replace Reuters BBA Page LIBOR 01 on that service for the purpose of displaying rates comparable to that rate or on such other service as may be nominated by the British Bankers' Association as the information vendor for the purpose of displaying British Bankers' Association Interest Settlement Rates for Dollars); or

(b) if no rate is quoted on Reuters BBA Page LIBOR 01 or the rate quoted on Reuters BBA Page LIBOR 01 does not represent the cost of funding of any Lender, the rate per annum determined by the Agent to be the arithmetic mean (rounded upwards, if necessary, to the nearest one-sixteenth of one per cent.) of the rates per annum notified to the Agent by each Lender as the rate at which deposits in Dollars are offered to the Lender by leading banks in the London Interbank Market at the Lender's request at or about 11.00 a.m. (London time) on the second Business Day prior to the commencement of that Interest Period for a

period equal to that Interest Period and for delivery on the first Business Day of it;

" **Loan** " means the aggregate principal amount of the Advances for the time being outstanding under this Agreement;

" **Major Casualty** " means, in relation to a Ship, any casualty to the Ship in respect of which the claim or the aggregate of the claims against all insurers, before adjustment for any relevant franchise or deductible, exceeds $1,000,000 or the equivalent in any other currency;

" **Majority Lenders** " means:

(a) at any time when no Advances are outstanding, Lenders whose Commitments total 67 per cent. of the Total Commitments; and

(b) at any other time, Lenders whose Contributions total 67 per cent. of the Loan;

" **Margin** " means 0.685 per cent. per annum;

"Market Value" means, in respect of each Ship and each Fleet Vessel, the market value thereof determined from time to time in accordance with Clause 15.3 (or as the case may be Clause 15.4);

" **Market Value Adjusted Net Worth** " means, at any time, the amount by which the Market Value Adjusted Total Assets exceed the Total Liabilities;

" **Market Value Adjusted Total Assets** " means, at any time, the Total Assets adjusted to reflect the Market Value of all Fleet Vessels (by substituting the value of each Fleet Vessel as specified in the Applicable Accounts with the Market Value of that Fleet Vessel as at the relevant Compliance Date);

" **Master Agreement** " means the master agreement (on the 2002 ISDA (Multicurrency - Crossborder) form) made or to be made between the Borrower and the Swap Bank and includes all Transactions from time to time entered into and Confirmations from time to time exchanged thereunder;

" **Master Agreement Assignment** " means the assignment of the Master Agreement executed or to be executed by the Borrower, in such form as the Lenders may approve or require;

" **Mortgage** " means, in relation to a Ship, the first priority or preferred (as the case may be) ship mortgage on the Ship under an Approved Flag executed or to be executed by the Owner of the Ship in favour of the Security Trustee, in such form as the Lenders may approve or require;

" **Negotiation Period** " has the meaning given in Clause 5.10;

" **Net Income** " means, in relation to each Financial Year of the Borrower, the net income of the Borrower's Group appearing in the Applicable Accounts for that Financial Year;

" **Net Interest Expenses** " means, as of any Compliance Date, the aggregate of all interest, commitment and other fees, commissions, discounts and other costs, charges or expenses accruing due from all the members the Borrower's Group during that accounting period less interest income received, determined on a consolidated basis in accordance with USGAAP and as shown in the consolidated statements of income for the Borrower's Group in the Applicable Accounts;

" **Owners** " means together Balticsea, Bayview and Channelview, and in the singular means any of them;

" **Payment Currency** " has the meaning given in Clause 21.5;

" **Pertinent Jurisdiction** ", in relation to a company, means:

(a) England and Wales;

(b) the country under the laws of which the company is incorporated or formed;

(c) a country in which the company's central management and control is or has recently been exercised;

(d) a country in which the overall net income of the company is subject to corporation tax, income tax or any similar tax;

(e) a country in which assets of the company (other than securities issued by, or loans to, related companies) having a substantial value are situated, in which the company maintains a permanent place of business, or in which a Security Interest created by the company must or should be registered in order to ensure its validity or priority; and

(f) a country the courts of which have jurisdiction to make a winding up, administration or similar order in relation to the company or which would have such jurisdiction if their assistance were requested by the courts of a country referred to in paragraphs (b) or (c) above;

" **Potential Event of Default** " means an event or circumstance which, with the giving of any notice, the lapse of time, a determination of the Majority Lenders (in the case of any provision of this Agreement or any of the other Finance Documents which is made subject

to the determination of the Majority Lenders) and/or the satisfaction of any other condition, would constitute an Event of Default;

" **Predelivery Security Assignment** " means, in relation to an Owner, an assignment of the Shipbuilding Contract and of the Refund Guarantee relevant to that Owner, to be given by that Owner in favour of the Security Trustee, in such form as the Lenders may approve or require;

" **Quotation Date** " means, in relation to any Interest Period (or any other period for which an interest rate is to be determined under any provision of a Finance Document), the day on which quotations would ordinarily be given by leading banks in the London Interbank Market for deposits in the currency in relation to which such rate is to be determined for delivery on the first day of that Interest Period or other period;

" **Refund Guarantee A** " means the irrevocable and unconditional refund guarantee issued or to be issued by the Refund Guarantor in favour of Bayview in relation to each stage payment made or to be made by Bayview to the Builder pursuant to the Shipbuilding Contract A prior to the relevant Delivery Date;

" **Refund Guarantee B** " means the irrevocable and unconditional refund guarantee issued or to be issued by the Refund Guarantor in favour of Channelview in relation to each stage payment made or to be made by Channelview to the Builder pursuant to the Shipbuilding Contract B prior to the relevant Delivery Date;

" **Refund Guarantee C** " means the irrevocable and unconditional refund guarantee issued or to be issued by the Refund Guarantor in favour of Balticsea in relation to each stage payment made or to be made by Balticsea to the Builder pursuant to the Shipbuilding Contract C prior to the relevant Delivery Date;

" **Refund Guarantees** " means, together, Refund Guarantee A, Refund Guarantee B and Refund Guarantee C and in the singular means any of them;

" **Refund Guarantor** " means The Export-Import Bank of Korea acting through its office at 16-1, Yoido-Dong, Yeongdeungpo-Gu, Seoul, 150-996, Korea;

" **Relevant Person** " has the meaning given in Clause 19.9;

" **Repayment Date** " means a date on which a repayment is required to be made under Clause 8;

" **Requisition Compensation** " includes all compensation or other moneys payable by reason of any act or event such as is referred to in paragraph (b) of the definition of "Total Loss";

" **Secured Liabilities** " means all liabilities which the Borrower, the Security Parties or any of them have, at the date of this Agreement or at any later time or times, under or by virtue of the Finance Documents or any judgement relating to the Finance Documents; and for this purpose, there shall be disregarded any total or partial discharge of these liabilities, or variation of their terms, which is effected by, or in connection with, any bankruptcy, liquidation, arrangement or other procedure under the insolvency laws of any country;

" **Security Cover Ratio** " means the ratio (expressed as a percentage) which is determined at any time by comparing (i) the aggregate of the amounts referred to in paragraphs (a) and (b) of Clause 15.1 to (ii) the aggregate of the Loan and the Swap Exposure;

" **Security Interest** " means:

(a) a mortgage, charge (whether fixed or floating) or pledge, any maritime or other lien or any other security interest of any kind;

(b) the rights of the plaintiff under an action *in rem* in which the vessel concerned has been arrested or a writ has been issued or similar step taken; and

(c) any arrangement entered into by a person (A) the effect of which is to place another person (B) in a position which is similar, in economic terms, to the position in which B would have been had he held a security interest over an asset of A;

" **Security Party** " means the Owners and any other person (except a Creditor Party) who, as a surety or mortgagor, as a party to any subordination or priorities arrangement, or in any similar capacity, executes a document falling within the final paragraph of the definition of "Finance Documents";

" **Security Period** " means the period commencing on the date of this Agreement and ending on the date on which the Agent notifies the Borrower, the Security Parties, the Lenders and the other Creditor Parties (which notice the Agent shall give when the conditions set out below are satisfied) that:

(a) all amounts which have become due for payment by the Borrower or any Security Party under the Finance Documents have been paid;

(b) no amount is owing or has accrued (without yet having become due for payment) under any Finance Document;

(c) neither the Borrower nor any Security Party has any future or contingent liability under Clause 20, 21 or 22 below or any other provision of this Agreement or another Finance Document; and

(d) the Agent, the Security Trustee and the Lenders do not consider that there is a significant risk that any payment or transaction under a Finance Document would be set aside, or would have to be reversed or adjusted, in any present or possible future bankruptcy of the Borrower or a Security Party or in any present or possible future proceeding relating to a Finance Document or any asset covered (or previously covered) by a Security Interest created by a Finance Document;

" **Security Trustee** " means Deutsche Bank AG Filiale Deutschlandgeschäft, in its capacity as security trustee for the Lenders and the Swap Bank under the Finance Documents, or any successor of it in such capacity appointed under clause 5 of the Agency and Trust Agreement;

" **Ship A** " means the 4,250 TEU container carrier newbuilding currently being constructed by the Builder and having Builder's Hull No. 1670 to be purchased by Bayview pursuant to Shipbuilding Contract A and registered in the ownership of Bayview under an Approved Flag with the name "ZIM RIO GRANDE";

" **Ship B** " means the 4,250 TEU container carrier newbuilding currently being constructed by the Builder and having Builder's Hull No. 1671 to be purchased by Channelview pursuant to Shipbuilding Contract B and registered in the ownership of Channelview under an Approved Flag with the name "ZIM SAO PAOLO";

" **Ship C** " means the 4,250 TEU container carrier newbuilding currently being constructed by the Builder and having Builder's Hull No. 1672 to be purchased by Balticsea pursuant to Shipbuilding Contract C and registered in the ownership of Balticsea under an Approved Flag with the name "ZIM KINGSTON";

" **Shipbuilding Contract A** " means the shipbuilding contract dated 28 March 2006 and made between the Builder and Bayview for the construction by the Builder of Ship A and its purchase by Bayview, as supplemented from time to time;

" **Shipbuilding Contract B** " means the shipbuilding contract dated 28 March 2006 and made between the Builder and Channelview, for the construction by the Builder of Ship B and its purchase by Channelview, as supplemented from time to time;

" **Shipbuilding Contract C** " means the shipbuilding contract dated 28 March 2006 and made between the Builder and Balticsea, for the construction by the Builder of Ship C and its purchase by Balticsea, as supplemented from time to time;

" **Shipbuilding Contracts** " means, together, Shipbuilding Contract A, Shipbuilding Contract B and Shipbuilding Contract C, and in the singular means any of them;

" **Ships** " means, together, Ship A, Ship B and Ship C, and in the singular means any of them;

" **Swap Bank** " means Deutsche Bank AG, acting through its office at Theodor-Heuss-Allee 70, 60486 Frankfurt am Main, Germany;

" **Swap Exposure** " means, as at any relevant date the amount certified by the Swap Bank to the Agent to be the aggregate net amount in Dollars which would be payable by the Borrower to the Swap Bank under (and calculated in accordance with) section 6(e) (Payments on Early Termination) of the Master Agreement if an Early Termination Date had occurred on the relevant date in relation to all continuing Transactions entered into between the Borrower and the Swap Bank;

" **Total Assets** " means, as of any Compliance Date, the aggregate value of all assets of the Borrower's Group included in the Applicable Accounts as "current assets" and the value of all investments (valued in accordance with USGAAP) and all other tangible and intangible assets of the Borrower's Group properly included in the Applicable Accounts as "fixed assets" in accordance with USGAAP;

" **Total Liabilities** " means, as of any Compliance Date, Total Assets less Book Net Worth;

" **Total Loss** " means, in relation to a Ship:

(a) actual, constructive, compromised, agreed or arranged total loss of that Ship;

(b) any expropriation, confiscation, requisition or acquisition of the Ship, whether for full consideration, a consideration less than her proper value, a nominal consideration or without any consideration, which is effected by any government or official authority or by any person or persons claiming to be or to represent a government or official authority, excluding a requisition for hire for a fixed period not exceeding one year without any right to an extension;

(c) any condemnation of the Ship by any tribunal or by any person or person claiming to be a tribunal;

(d) any arrest, capture, seizure or detention of the Ship (including any hijacking or theft) unless she is within 30 days redelivered to the full control of the Owner owning the Ship;

" **Total Loss Date** " means, in relation to a Ship:

(a) in the case of an actual loss of the Ship, the date on which it occurred or, if that is unknown, the date when the Ship was last heard of;

(b) in the case of a constructive, compromised, agreed or arranged total loss of the Ship, the earliest of:

(i) the date on which a notice of abandonment is given to the insurers; and

(ii) the date of any compromise, arrangement or agreement made by or on behalf of the Owner owning the Ship, with the Ship's insurers in which the insurers agree to treat the Ship as a total loss; and

(c) in the case of any other type of total loss, on the date (or the most likely date) on which it appears to the Agent that the event constituting the total loss occurred;

" **Tranche A** " means the aggregate of the Advances to be made available by the Lenders to the Borrower to assist Bayview in its acquisition of Ship A or, as the context may require, the aggregate principal amount thereof outstanding at the relevant time under this Agreement;

" **Tranche B** " means the aggregate of the Advances to be made available by the Lenders to the Borrower to assist Channelview in its acquisition of Ship B or, as the context may require, the aggregate principal amount thereof outstanding at the relevant time under this Agreement;

" **Tranche C** " means the aggregate of the Advances to be made available by the Lenders to the Borrower to assist Balticsea in its acquisition of Ship C or, as the context may require, the aggregate principal amount thereof outstanding at the relevant time under this Agreement;

" **Tranches** " means, together, Tranche A, Tranche B and Tranche C, and in the singular means any of them;

" **Transaction** " has the meaning given in the Master Agreement;

" **Transfer Certificate** " has the meaning given in Clause 26.2;

" **Trust Property** " has the meaning given in clause 3.1 of the Agency and Trust Agreement; and

" **ZIM** " means Zim Israel Intergrated Shipping Services Ltd., a company having its principal office at 7-9 Pal Yam Avenue, P.O. Box 1723, Haifa, 31016, Israel.

1.2 Construction of certain terms. In this Agreement:

" **approved** " means, for the purpose of Clause 13, approved in writing by the Agent, with the authorisation of the Majority Lenders;

" **asset** " includes every kind of property, asset, interest or right, including any present, future or contingent right to any revenues or other payment;

" **company** " includes any partnership, joint venture and unincorporated association;

" **consent** " includes an authorisation, consent, approval, resolution, licence, exemption, filing, registration, notarisation and legalisation;

" **contingent liability** " means a liability which is not certain to arise and/or the amount of which remains unascertained;

“ **document** ” includes a deed; also a letter, fax or telex;

“ **excess risks** ” means, in relation to a Ship, (i) the proportion of claims for general average, salvage and salvage charges which are not recoverable as a result of the value at which that Ship is assessed for the purpose of such claims exceeding her hull and machinery insured value and (ii) collision liabilities not recoverable in full under the applicable hull and machinery insurance by reason of such liabilities exceeding such proportion of the insured value of that Ship as is covered thereunder;

“ **expense** ” means any kind of cost, charge or expense (including all legal costs, charges and expenses) and any applicable value added or other tax;

“ **law** ” includes any form of delegated legislation, any order or decree, any treaty or international convention and any regulation or resolution of the Council of the European Union, the European Commission, the United Nations or its Security Council;

“ **legal or administrative action** ” means any legal proceeding or arbitration and any administrative or regulatory action or investigation;

“ **liability** ” includes every kind of debt or liability (present or future, certain or contingent), whether incurred as principal or surety or otherwise;

“ **months** ” shall be construed in accordance with Clause 1.3;

“ **obligatory insurances** ” means, in relation to a Ship, all insurances effected, or which the Owner owning the Ship is obliged to effect, under Clause 13 below or any other provision of this Agreement or another Finance Document;

“ **parent company** ” has the meaning given in Clause 1.4;

“ **person** ” includes any company; any state, political sub-division of a state and local or municipal authority; and any international organisation;

“ **policy** ”, in relation to any insurance, includes a slip, cover note, certificate of entry or other document evidencing the contract of insurance or its terms;

“ **protection and indemnity risks** ” means the usual risks and legal liabilities to third parties covered under the terms and conditions of club rules as updated and/or amended from time to time by a protection and indemnity club, which is a member of the international group of protection and indemnity associations (IGA) including, but not limited to, pollution, passenger and crew claims, freight, demurrage and detention risks and the proportion (if any) of any sums payable to any other person or persons in case of collision which are not recoverable under the hull and machinery policies;

“ **regulation** ” includes any regulation, rule, official directive, request or guideline (either having the force of law or compliance with which is reasonable in the ordinary course of business of the party concerned) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;

“ **subsidiary** ” has the meaning given in Clause 1.4;

“ **successor** ” includes any person who is entitled (by assignment, novation, merger or otherwise) to any other person’s rights under this Agreement or any other Finance Document (or any interest in those rights) or who, as administrator, liquidator or otherwise, is entitled to exercise those rights; and in particular references to a successor include a person to whom those rights (or any interest in those rights) are transferred or pass as a result of a merger, division, reconstruction or other reorganisation of it or any other person;

" **tax** " includes any present or future tax, duty, impost, levy or charge of any kind which is imposed by any state, any political sub-division of a state or any local or municipal authority (including any such imposed in connection with exchange controls), and any connected penalty, interest or fine; and

" **war risks** " means the insurances of all risks according to Institute War and Strikes Clauses (Hulls-Time) (1/10/83) or (1/11/95), or equivalent conditions as any of the aforesaid is updated and/or amended from time to time including, but not limited to, mines, war risks P&I, terrorism, blocking and trapping, missing vessels, confiscation, deprivation, political risks and all risks excluded from the standard form of English or other marine policies by the free of capture and seizure (F.C. & S.) clause.

1.3 Meaning of "month". A period of one or more "months" ends on the day in the relevant calendar month numerically corresponding to the day of the calendar month on which the period started (" **the numerically corresponding day** "), but:

(a) on the Business Day following the numerically corresponding day if the numerically corresponding day is not a Business Day or, if there is no later Business Day in the same calendar month, on the Business Day preceding the numerically corresponding day; or

(b) on the last Business Day in the relevant calendar month, if the period started on the last Business Day in a calendar month or if the last calendar month of the period has no numerically corresponding day,

and " **month** " and " **monthly** " shall be construed accordingly.

1.4 Meaning of "subsidiary". A company (S) is a subsidiary of another company (P) if:

(a) a majority of the issued shares in S (or a majority of the issued shares in S which carry unlimited rights to capital and income distributions) are directly owned by P or are indirectly attributable to P; or

(b) P has direct or indirect control over a majority of the voting rights attaching to the issued shares of S; or

(c) P has the direct or indirect power to appoint or remove a majority of the directors of S; or

(d) P otherwise has the direct or indirect power to ensure that the affairs of S are conducted in accordance with the wishes of P,

and any company of which S is a subsidiary is a parent company of S.

1.5 General Interpretation.

(a) In this Agreement:

(i) references to, or to a provision of, a Finance Document or any other document are references to it as amended or supplemented, whether before the date of this Agreement or otherwise;

(ii) references to, or to a provision of, any law include any amendment, extension, re-enactment or replacement, whether made before the date of this Agreement or otherwise;

(iii) words denoting the singular number shall include the plural and vice versa; and

(iv) where a determination or opinion is stated to be "conclusive" it shall be binding on the relevant party save for manifest error;

(b) Clauses 1.1 to 1.4 and paragraph (a) of this Clause 1.5 apply unless the contrary intention appears.

(c) The clause headings shall not affect the interpretation of this Agreement.

2 FACILITY

2.1 Amount of facility. Subject to the other provisions of this Agreement, the Lenders shall make available to the Borrower a senior secured term loan facility of up to $180,000,000 in three Tranches. Each Tranche shall be in the amount of up to $60,000,000.

Tranche A may be drawn in up to two Advances and each of Tranche B and Tranche C may be drawn in up to three Advances, each in the maximum amount specified in Schedule 4 of this Agreement.

2.2 Lenders' participations in Advances. Subject to the other provisions of this Agreement, each Lender shall participate in each Advance in the proportion which, as at the relevant Drawdown Date, its Commitment bears to the Total Commitments.

2.3 Transactions under the Master Agreement. The Borrower shall provide the Swap Bank with a right of first refusal at any time to conclude Transactions for the purpose of hedging the Borrower's interest payment obligations under this Agreement. The Borrower agrees that signature of a Master Agreement does not commit either the Swap Bank to conclude Transactions, or even to offer terms for doing so, but does provide a contractual framework within which Transactions may be concluded and secured, assuming that, in relation to each proposed Transaction, mutually acceptable terms can then be agreed at the relevant time.

3 POSITION OF THE LENDERS, THE SWAP BANK AND THE MAJORITY LENDERS

3.1 Interests of Lenders and Swap Bank several. The rights of the Lenders and the Swap Bank under this Agreement and the Master Agreement are several; accordingly:

(a) each Lender shall be entitled to sue for any amount which has become due and payable by the Borrower to it under this Agreement; and

(b) the Swap Bank shall be entitled to sue for any amount which has become due and payable by the Borrower to it under the Master Agreement,

without joining the Agent, the Security Trustee, any other Lender or the Swap Bank as additional parties in the proceedings.

3.2 Proceedings by individual Lender or Swap Bank. However, without the prior consent of the Majority Lenders, no Lender and the Swap Bank may bring proceedings in respect of:

(a) any other liability or obligation of the Borrower or a Security Party under or connected with a Finance Document or the Master Agreement; or

(b) any misrepresentation or breach of warranty by the Borrower or a Security Party in or connected with a Finance Document or the Master Agreement.

3.3 **Obligations several.** The obligations of the Lenders under this Agreement and of the Swap Bank under the Master Agreement are several; and a failure of a Lender to perform its obligations under this Agreement or of the Swap Bank to perform its obligations under the Master Agreement shall not result in:

(a) the obligations of the other Lenders being increased; nor

(b) the Borrower, any Security Party or any other Creditor Party being discharged (in whole or in part) from its obligations under any Finance Document;

and in no circumstances shall a Lender or the Swap Bank have any responsibility for a failure of another Lender or the Swap Bank to perform its obligations under this Agreement or the Master Agreement.

3.4 **Parties bound by certain actions of Majority Lenders.** Every Lender, the Swap Bank, the Borrower and each Security Party shall be bound by:

(a) any determination made, or action taken, by the Majority Lenders under any provision of a Finance Document;

(b) any instruction or authorisation given by the Majority Lenders to the Agent or the Security Trustee under or in connection with any Finance Document;

(c) any action taken (or in good faith purportedly taken) by the Agent or the Security Trustee in accordance with such an instruction or authorisation.

3.5 **Reliance on action of Agent.** However, the Borrower and each Security Party:

(a) shall be entitled to assume that the Majority Lenders have duly given any instruction or authorisation which, under any provision of a Finance Document, is required in relation to any action which the Agent has taken or is about to take; and

(b) shall not be entitled to require any evidence that such an instruction or authorisation has been given.

3.6 **Construction.** In Clauses 3.4 and 3.5 references to action taken include (without limitation) the granting of any waiver or consent, an approval of any document and an agreement to any matter.

4 DRAWDOWN

4.1 **Request for Advance.** Subject to the following conditions, the Borrower may request an Advance to be made by ensuring that the Agent receives a completed Drawdown Notice not later than 11.00 a.m. (Hamburg time) 3 Business Days prior to the intended Drawdown Date.

4.2 **Availability.** The conditions referred to in Clause 4.1 are that:

(a) a Drawdown Date has to be a Business Day during the Availability Period;

(b) each Advance shall:

(i) subject to Clause 4.2(c), be in an amount that does not exceed the maximum amount of that Advance specified in Schedule 4; and

(ii) be used to part-finance the relevant instalment payable to the Builder pursuant to the relevant Shipbuilding Contract as are specified in Schedule 4;

(c) the aggregate amount of the Advances in respect of a Tranche shall not exceed the maximum amount of that Tranche as set out in Clause 2.1; and

(d) the Borrower shall demonstrate to the satisfaction of the Lenders the availability to it of funds in an amount equal to the amount by which the instalment due to the Builder pursuant to the relevant Shipbuilding Contract on the relevant Drawdown Date exceeds the Advance to be made available to the Borrower on that Drawdown Date.

4.3 Purpose of Advances. The Borrower undertakes with each Creditor Party to use each Advance only for the purposes stated in the Recitals to this Agreement.

4.4 Notification to Lenders of receipt of Drawdown Notice. The Agent shall promptly notify the Lenders it has received a Drawdown Notice and the Agent shall inform each Lender of:

(a) the amount of the Advance and the Drawdown Date;

(b) the amount of that Lender's participation in the Advance; and

(c) the duration of the first Interest Period relative to such Advance.

4.5 Drawdown Notice irrevocable. A Drawdown Notice must be signed by a duly authorised person on behalf of the Borrower; and once served, a Drawdown Notice cannot be revoked without the prior consent of the Agent, acting with the authorisation of the Majority Lenders.

4.6 Lenders to make available Contributions. Subject to the provisions of this Agreement, each Lender shall, on and with value on each Drawdown Date, make available to the Agent for the account of the Borrower the amount due from that Lender on that Drawdown Date under Clause 2.2.

4.7 Disbursement of Advance. Subject to the provisions of this Agreement, the Agent shall, on and with value on each Drawdown Date, pay to the Borrower the amounts which the Agent receives from the Lenders under Clause 4.6 and that payment to the Borrower shall be made to the account of the Builder which the Borrower specifies in the Drawdown Notice.

4.8 Disbursement of Advance to third party. The payment by the Agent under Clause 4.7 to the Builder shall constitute the making of the Advance and the Borrower shall thereupon become indebted, as principal and direct obligor, to the Lenders in an amount equal to that Advance.

4.9 Consolidation of Tranches. On the date falling 3 months after the Drawdown Date of the final Tranche, all Tranches shall be consolidated into a single Tranche.

5 INTEREST

5.1 Payment of normal interest. Subject to the provisions of this Agreement, interest on each Advance or (following the consolidation of the Tranches pursuant to Clause 4.9) the Loan in respect of each Interest Period shall be paid by the Borrower on the last day of that Interest Period.

5.2 Normal rate of interest. Subject to the provisions of this Agreement, the rate of interest on each Advance or, as the case may be, the Loan in respect of an Interest Period shall be the aggregate of (a) the Margin and (b) LIBOR for that Interest Period.

5.3 Payment of accrued interest. In the case of an Interest Period longer than 3 months, accrued interest shall be paid every 3 months during that Interest Period and on the last day of that Interest Period.

5.4 Notification of Interest Periods and rates of normal interest. The Agent shall notify the Borrower and each Lender of:

(a) each rate of interest; and

(b) the duration of each Interest Period;

as soon as reasonably practicable after each is determined.

5.5 Obligation of Lenders to quote. Each Lender shall, if the circumstances referred to in paragraph (b) of the definition of LIBOR arise at any time, use all reasonable efforts to supply any quotation required of it for the purposes of fixing a rate of interest under this Agreement.

5.6 **Absence of quotations by Lenders.** If any Lender fails to supply a quotation when required, the Agent shall determine LIBOR on the basis of the quotations supplied by the other Lender or Lenders; but if at least half of the total number of Lenders at any time fail to provide a quotation, the relevant rate of interest shall be set in accordance with the following provisions of this Clause 5.

5.7 **Market disruption.** The following provisions of this Clause 5 apply if:

(a) no rate is quoted on the appropriate page of the Reuters BBA Page LIBOR 01 and at least half of the total number of Lenders at any time do not, before 1.00 p.m. (London time) on the Quotation Date for an Interest Period, provide quotations to the Agent in order to fix LIBOR; or

(b) at least 1 Business Day before the start of an Interest Period, any Lender notifies the Agent that LIBOR fixed by the Agent would not accurately reflect the cost to that Lender of funding its respective Contributions (or any part of them) during the Interest Period in the London Interbank Market at or about 11.00 a.m. (London time) on the Quotation Date for an Interest Period; or

(c) at least 1 Business Day before the start of an Interest Period, the Agent is notified by a Lender (the " **Affected Lender** ") that for any reason it is unable to obtain Dollars in the London Interbank Market in order to fund its Contribution (or any part of it) during the Interest Period.

5.8 **Notification of market disruption.** The Agent shall promptly notify the Borrower and each of the Lenders stating the circumstances falling within Clause 5.7 which have caused its notice to be given.

5.9 **Suspension of drawdown.** If the Agent's notice under Clause 5.8 is served on the Borrower before an Advance is made:

(a) in a case falling within paragraphs (a) or (b) of Clause 5.7, the Lenders' obligations to make, and the Borrower's obligation to borrow, that Advance; and

(b) in a case falling within paragraph (c) of Clause 5.7, the Affected Lender's obligation to participate in the Advance;

shall be suspended while the circumstances referred to in the Agent's notice continue.

5.10 **Negotiation of alternative rate of interest.** If the Agent's notice under Clause 5.8 is served on the Borrower after an Advance is made, the Borrower, the Agent and the Lenders or (as the case may be) the Affected Lender shall use reasonable endeavours to agree, within the 30 days after the date on which the Agent serves its notice under Clause 5.8 (the " **Negotiation Period** "), an alternative interest rate or (as the case may be) an alternative basis for the Lenders or (as the case may be) the Affected Lender to fund or continue to fund their or its Contribution during the Interest Period concerned.

5.11 **Application of agreed alternative rate of interest.** Any alternative interest rate or an alternative basis which is agreed during the Negotiation Period shall take effect in accordance with the terms agreed.

5.12 **Alternative rate of interest in absence of agreement** . If an alternative interest rate or alternative basis is not agreed within the Negotiation Period, and the relevant circumstances are continuing at the end of the Negotiation Period, then the Agent shall, with the agreement of each Lender or (as the case may be) the Affected Lender, set an interest period and interest rate representing the cost of funding of the Lenders or (as the case may be) the Affected Lender in Dollars or in any available currency of their or its Contribution plus the Margin; and the procedure provided for by this Clause 5.12 shall be repeated if the relevant circumstances are continuing at the end of the interest period so set by the Agent.

5.13 **Notice of prepayment.** If the Borrower does not agree with an interest rate set by the Agent under Clause 5.12, the Borrower may give the Agent not less than 15 Business Days' notice of its intention to prepay.

5.14 **Prepayment; termination of Commitments** . A notice under Clause 5.13 shall be irrevocable if served 3 Business Days before payment; the Agent shall promptly notify the Lenders or (as the case may require) the Affected Lender of the Borrower's notice of intended prepayment; and:

(a) on the date on which the Agent serves that notice, the Total Commitments or (as the case may require) the Commitment of the Affected Lender shall be cancelled; and

(b) on the date specified in its notice of intended prepayment, the Borrower shall prepay (without premium or penalty) the Loan or, as the case may be, the Affected Lender's Contribution, together with accrued interest thereon at the applicable rate plus the Margin and, if the prepayment or repayment is not made on the last Business Day of the interest period set by the Agent, any sums payable under Clause 21.1(b).

5.15 **Application of prepayment.** The provisions of Clause 8 shall apply in relation to the prepayment.

6 INTEREST PERIODS

6.1 **Commencement of Interest Periods.** The first Interest Period applicable to an Advance shall commence on the relevant Drawdown Date and each subsequent Interest Period shall commence on the expiry of the preceding Interest Period.

6.2 **Duration of normal Interest Periods.** Subject to Clauses 6.3 and 6.4, each Interest Period in respect of each Advance shall be:

(a) 3 or 6 months as notified by the Borrower to the Agent not later than 11.00 a.m. (Hamburg time) 3 Business Days before the commencement of the Interest Period;

(b) in the case of the first Interest Period applicable to the second and any subsequent Advance of a Tranche, a period ending on the last day of the then current Interest Period

applicable to such Tranche, whereupon all of the Advances in respect of such Tranche shall be consolidated and treated as a single advance;

(c) in the case of the first Interest Period applicable to the second and subsequent Tranche, a period ending on the last day of the then current Interest Period applicable to the first Tranche, whereupon all of the Tranches shall be consolidated and treated as a single tranche;

(d) 3 months, if the Borrower fails to notify the Agent by the time specified in paragraph (a) above; or

(e) such other period as the Agent may, with the authorisation of all the Lenders, agree with the Borrower.

6.3 Duration of Interest Periods for repayment instalments. In respect of an amount due to be repaid under Clause 8 on a particular Repayment Date, an Interest Period in relation to the relevant Tranche shall end on that Repayment Date.

6.4 Non-availability of matching deposits for Interest Period selected. If, after the Borrower has selected (and the Lenders have agreed) an Interest Period longer than 3 months, any Lender notifies the Agent by 11.00 a.m. (Hamburg time) on the second Business Day before the commencement of the Interest Period that it is not satisfied that deposits in Dollars for a period equal to the Interest Period will be available to it in the London Interbank Market when the Interest Period commences, the Interest Period shall be of 6 months.

7 DEFAULT INTEREST

7.1 Payment of default interest on overdue amounts. The Borrower shall pay interest in accordance with the following provisions of this Clause 7 on any amount payable by the Borrower under any Finance Document which the Agent, the Security Trustee or any other designated payee, does not receive on or before the relevant date, that is:

(a) the date on which the Finance Documents provide that such amount is due for payment; or

(b) if a Finance Document provides that such amount is payable on demand, the date on which the demand is served; or

(c) if such amount has become immediately due and payable under Clause 19.4, the date on which it became immediately due and payable.

7.2 Default rate of interest. Interest shall accrue on an overdue amount from (and including) the relevant date until the date of actual payment (as well after as before judgment) at the rate per annum determined by the Agent to be 2 per cent. above:

(a) in the case of an overdue amount of principal, the higher of the rates set out at paragraphs (a) and (b) of Clause 7.3; or

(b) in the case of any other overdue amount, the rate set out at paragraph (b) of Clause 7.3.

7.3 Calculation of default rate of interest. The rates referred to in Clause 7.2 are:

(a) the rate applicable to the overdue principal amount immediately prior to the relevant date (but only for any unexpired part of any then current Interest Period);

(b) the Margin plus, in respect of successive periods of any duration (including at call) up to 3 months which the Agent may select from time to time:

(i) LIBOR; or

(ii) if the Agent (after consultation with all the Lenders) determines that Dollar deposits for any such period are not being made available to any Lender by leading banks in the London Interbank Market in the ordinary course of business, a rate from time to time determined by the Agent by reference to the cost of funds to the Agent from such other sources as the Agent (after consultation with all the Lenders) may from time to time determine.

7.4 Notification of interest periods and default rates. The Agent shall promptly notify the Lenders and the Borrower of each interest rate determined by the Agent under Clause 7.3 and of each period selected by the Agent for the purposes of paragraph (b) of that Clause; but this shall not be taken to imply that the Borrower is liable to pay such interest only with effect from the date of the Agent's notification.

7.5 Payment of accrued default interest. Subject to the other provisions of this Agreement, any interest due under this Clause shall be paid on the last day of the period by reference to which it was determined and the payment shall be made to the Agent for the account of the Creditor Party to which the overdue amount is due.

7.6 Compounding of default interest. Any such interest which is not paid at the end of the period by reference to which it was determined shall thereupon be compounded.

7.7 Application to Master Agreement . For the avoidance of doubt this Clause 7 does not apply to any amount payable under the Master Agreement in respect of any continuing Transaction as to which section 9(h)(i)(1) (Interest on Defaulted Payments) of the Master Agreement shall apply.

8 REPAYMENT AND PREPAYMENT

8.1 Amount of repayment instalments. The Borrower shall repay the Loan by 32 equal consecutive quarterly instalments of $2,500,000 each and by a balloon instalment of $100,000,000 (the " **Balloon Instalment** ") **Provided that** if the amount of the Loan drawndown hereunder is less than $180,000,000, each of the repayment instalments and the Balloon Instalment shall be reduced pro rata by an amount in aggregate equal to the undrawn balance.

8.2 Repayment Dates. The first instalment shall be repaid on 31 December 2010 and the last instalment together with the Balloon Instalment shall be paid on the earlier of (i) the date falling on the tenth anniversary of the final Drawdown Date and (ii) 31 May 2019.

8.3 Final Repayment Date. On the final Repayment Date, the Borrower shall additionally pay to the Agent for the account of the Creditor Parties all other sums then accrued or owing under any Finance Document.

8.4 Voluntary prepayment. Subject to the following conditions, the Borrower may prepay the whole or any part of the Loan on the last day of an Interest Period in respect thereof.

8.5 Conditions for voluntary prepayment. The conditions referred to in Clause 8.4 are that:

(a) a partial prepayment shall be $5,000,000 or a multiple thereof;

(b) the Agent has received from the Borrower at least 3 Business Days' prior written notice specifying the amount to be prepaid and the date on which the prepayment is to be made; and

(c) the Borrower has provided evidence satisfactory to the Agent that any consent required by the Borrower in connection with the prepayment has been obtained and remains in force.

8.6 Effect of notice of prepayment. A prepayment notice may not be withdrawn or amended without the consent of the Agent, given with the authorisation of the Majority Lenders, and the amount specified in the prepayment notice shall become due and payable by the Borrower on the date for prepayment specified in the prepayment notice.

8.7 Mandatory prepayment. The Borrower shall be obliged to prepay the Relevant Tranche:

(a) if a Ship is sold or becomes a Total Loss:

(i) in the case of a sale, on or before the date on which the sale is completed by delivery of that Ship to the buyer; or

(ii) in the case of a Total Loss, on the earlier of the date falling 120 days after the Total Loss Date and the date of receipt by the Security Trustee of the proceeds of insurance relating to such Total Loss;

(b) if any of the following occurs, on demand by the Agent:

(i) either a Shipbuilding Contract or a Refund Guarantee is cancelled, terminated, rescinded or suspended or otherwise ceases to remain in full force and effect for any reason; or

(ii) a Shipbuilding Contract is materially amended or varied without the prior written consent of the Agent except for any such amendment or variation as is permitted by this Agreement or any other relevant Finance Document; or

(iii) a Ship has not for any reason been delivered to, and accepted by, the relevant Owner under the Shipbuilding Contract to which it is a party 210 days after the scheduled delivery date specified in Article VII of the relevant Shipbuilding Contract.

In this Clause 8.7, " **Relevant Tranche** " means, in relation to a Ship, the Tranche which has been made available hereunder to finance that Ship.

8.8 Amounts payable on prepayment. A prepayment shall be made together with accrued interest (and any other amount payable under Clause 21 below or otherwise) in respect of the amount prepaid and, if the prepayment is not made on the last day of an Interest Period together with any sums payable under Clause 21.1(b) but without premium or penalty.

8.9 Application of partial prepayment. Each partial prepayment shall if made pursuant to Clause 8.4 be applied in order of maturity first against the repayment instalments outstanding at that time and thereafter the Balloon Instalment, unless otherwise agreed by the Lenders.

8.10 No reborrowing . No amount prepaid may be reborrowed.

8.11 Unwinding of Transactions. On or prior to any repayment or prepayment under this Clause 8 or any other provision of this Agreement, the Borrower shall, unless otherwise agreed by the Lenders, wholly or partially reverse, offset, unwind or otherwise terminate one or more of the continuing Transactions so that the notional principal amount of the continuing Transactions thereafter remaining does not and will not in the future exceed the amount of the Loan as reducing from time to time thereafter pursuant to Clause 8.1.

9 CONDITIONS PRECEDENT

9.1 Documents, fees and no default. Each Lender's obligation to make an Advance is subject to the following conditions precedent:

(a) that on or before the date of this Agreement, the Agent receives:

(i) the documents described in Part A of Schedule 3 in a form and substance satisfactory to the Agent and its lawyers; and

(ii) the arrangement fee referred to in Clause 20.1;

(b) that, on or before the service of the Drawdown Notice in respect of the first Advance of Tranche A, the Agent receives the documents described in Part B of Schedule 3 in form and substance satisfactory to it and its lawyers;

(c) that, on or before the service of the Drawdown Notice in respect of the first Advance of Tranches B and C, the Agent receives the documents described in Part C of Schedule 3 in form and substance satisfactory to it and its lawyers;

(d) that, on or before the service of the Drawdown Notice in respect of the second Advance of Tranche B and C, the Agent receives the documents described in Part D of Schedule 3 in form and substance satisfactory to it and its lawyers;

(e) that, on or before the service of the Drawdown Notice in respect of the final Advance of each Tranche, the Agent receives the documents described in Part E of Schedule 3 in form and substance satisfactory to it and its lawyers;

(f) that, on or before the service of the Drawdown Notice in respect of the final Advance to be made pursuant to the terms of this Agreement, the Agent receives any accrued (but unpaid) commitment fee payable pursuant to Clause 20.1(b) and has received payment of the expenses referred to in Clause 20.2;

(g) that both at the date of each Drawdown Notice and at each Drawdown Date:

(i) no Event of Default or Potential Event of Default has occurred and is continuing or would result from the borrowing of the relevant Advance; and

(ii) the representations and warranties in Clause 10 and those of the Borrower or any Security Party which are set out in the other Finance Documents would be true and not misleading if repeated on each of those dates with reference to the circumstances then existing; and

(iii) none of the circumstances contemplated by Clause 5.7 has occurred and is continuing;

(iv) there has been no material adverse change in the financial position, state of affairs or prospects of the Borrower or the Owners in the light of which the Agent considers that there is a significant risk that the Borrower or any Security Party is, or will later become, unable to discharge its liabilities under the Finance Documents to which it is a party as they fall due; and

(h) that, if the ratio set out in Clause 15.1 were applied immediately following the making of an Advance which will be used in financing (inter alia) the delivery instalment payable pursuant the Shipbuilding Contract for a Ship, the Borrower would not be obliged to provide additional security or prepay part of the Loan under that Clause; and

(i) that the Agent has received, and found to be acceptable to it, any further opinions, consents, agreements and documents in connection with the Finance Documents which the Agent may, with the authorisation of the Majority Lenders, may request by notice to the Borrower prior to the relevant Drawdown Date.

9.2 Waiver of conditions precedent. If the Majority Lenders at their discretion, permit an Advance to be borrowed before certain of the conditions referred to in Clause 9.1 are satisfied, the Borrower shall ensure that those conditions are satisfied within 5 Business Days after the relevant Drawdown Date (or such longer period as the Agent, with the authorisation of the Majority Lenders specifies).

10 REPRESENTATIONS AND WARRANTIES

10.1 General. The Borrower represents and warrants to each Creditor Party as follows.

10.2 Status. The Borrower is a corporation incorporated in and validly existing and in good standing under the laws of the Republic of the Marshall Islands.

10.3 Share capital and ownership. The Borrower has an authorised share capital divided into 205,000,000 shares of $0.01 each divided into 200,000,000 shares of common stock and 5,000,000 shares of preferred stock. The Borrower is the indirect and ultimate owner of all of the issued share capital of each Owner.

10.4 Corporate power. The Borrower (or in the case of paragraphs (a) and (b), each Owner) has the corporate capacity, and has taken all corporate action and obtained all consents necessary for it:

(a) to execute its Shipbuilding Contract, to purchase and pay for its Ship under the relevant Shipbuilding Contract and register its Ship in its name under an Approved Flag;

(b) to enter into, and perform its obligations under, the Charterparty to which it is a party;

(c) to execute the Finance Documents to which the Borrower is a party; and

(d) to borrow under this Agreement, to enter into Transactions under the Master Agreement and to make all the payments contemplated by, and to comply with, those Finance Documents to which the Borrower is a party.

10.5 Consents in force. All the consents referred to in Clause 10.4 remain in force and nothing has occurred which makes any of them liable to revocation.

10.6 Legal validity; effective Security Interests. The Finance Documents to which the Borrower is a party, do now or, as the case may be, will, upon execution and delivery (and, where applicable, registration as provided for in the Finance Documents):

(a) constitute the Borrower's legal, valid and binding obligations enforceable against the Borrower in accordance with their respective terms; and

(b) create legal, valid and binding Security Interests enforceable in accordance with their respective terms over all the assets to which they, by their terms, relate,

subject to any relevant insolvency laws affecting creditors' rights generally.

10.7 No third party Security Interests. Without limiting the generality of Clause 10.6, at the time of the execution and delivery of each Finance Document to which the Borrower is a party:

(a) the Borrower will have the right to create all the Security Interests which that Finance Document purports to create; and

(b) no third party will have any Security Interest (except for Permitted Security Interests) or any other interest, right or claim over, in or in relation to any asset to which any such Security Interest, by its terms, relates.

10.8 No conflicts. The execution by the Borrower of each Finance Document to which it is a party, the borrowing by the Borrower of the Loan, and its compliance with each Finance Document to which it is a party will not involve or lead to a contravention of:

(a) any law or regulation; or

(b) the constitutional documents of the Borrower; or

(c) any contractual or other obligation or restriction which is binding on the Borrower or any of its assets.

10.9 No withholding taxes. All payments which the Borrower is liable to make under the Finance Documents to which it is a party may be made without deduction or withholding for or on account of any tax payable under any law of any Pertinent Jurisdiction.

10.10 No default. No Event of Default or Potential Event of Default has occurred and is continuing.

10.11 Information. All information which has been provided in writing by or on behalf of the Borrower or any Security Party to any Creditor Party in connection with any Finance Document satisfied the requirements of Clause 11.5.

10.12 No litigation. No legal or administrative action involving the Borrower has been commenced or taken or, to the Borrower's knowledge, is likely to be commenced or taken which, in either case, would be likely to have a material adverse effect on the Borrower's ability to satisfy and discharge in a timely manner any of its liabilities or obligations under any Finance Document.

10.13 Validity and completeness of Shipbuilding Contracts.

(a) The copies of the Shipbuilding Contracts delivered to the Agent before the date of this Agreement are true and complete copies;

(b) each Shipbuilding Contract constitutes valid, binding and enforceable obligations of the Builder and the relevant Owner respectively in accordance with its terms; and

(c) other than those amendments and additions to any of the Shipbuilding Contracts disclosed to the Agent before the date of this Agreement, no amendments or additions to any of the Shipbuilding Contracts have been agreed nor has any Owner or the Builder waived any of their respective rights under the Shipbuilding Contracts.

10.14 No rebates etc. There is no agreement or understanding to allow or pay any rebate, premium, commission, discount or other benefit or payment (howsoever described) to the Owners, the Builder or any third party in connection with the purchase by each Owner of the Ship to be owned by it, other than as disclosed to the Agent in writing on or prior to the date of this Agreement.

10.15 Taxes paid. The Borrower has paid all taxes applicable to, or imposed on or in relation to the Borrower and its business.

10.16 **Compliance with certain undertakings** . At the date of this Agreement, the Borrower is in compliance with Clauses 11.2, 11.4, 11.9 and 11.12.

10.17 **ISM Code and ISPS Code compliance.** All requirements of the ISM Code and the ISPS Code as they relate to the Borrower, any Owner, the Approved Manager, ZIM and any Ship have been complied with.

10.18 **No money laundering.** Without prejudice to the generality of Clause 4.3, in relation to the borrowing by the Borrower of the Loan, the performance and discharge of its obligations and liabilities under the Finance Documents, and the transactions and other arrangements effected or contemplated by the Finance Documents to which the Borrower is a party, the Borrower confirms that it is acting for its own account and that the foregoing will not involve or lead to contravention of any law, official requirement or other regulatory measure or procedure implemented to combat "money laundering" (as defined in Article 1 of the Directive (91/308/EEC) of the Council of the European Communities).

11 GENERAL UNDERTAKINGS

11.1 **General.** The Borrower undertakes with each Creditor Party to comply with the following provisions of this Clause 11 at all times during the Security Period except as the Agent may, with the authorisation of the Majority Lenders, otherwise permit.

11.2 **Title; negative pledge and pari passu ranking.** The Borrower will:

(a) indirectly hold the entire beneficial interest in, each Owner, free from all Security Interests and other interests and rights of every kind, except for those created by the Finance Documents;

(b) not create or permit to arise any Security Interest over any other asset, present or future (including, but not limited to the Borrowers rights against the Swap Bank under the Master Agreement or all or any part of the Borrower's interest in any amount payable to the Borrower by the Swap Bank under the Master Agreement) other than in the normal course of its business of acquiring, financing and operating vessels; and

(c) procure that its liabilities under the Finance Documents to which it is a party do and will rank at least pari passu with all its other present and future unsecured liabilities, except for liabilities which are mandatorily preferred by law.

11.3 **No disposal of assets.** The Borrower will not transfer, lease or otherwise dispose of:

(a) all or a substantial part of its assets (including without limitation, the shares of the Owners), whether by one transaction or a number of transactions, whether related or not; or

(b) any debt payable to it or any other right (present, future or contingent) to receive a payment, including any right to damages or compensation,

if such transfer, lease or disposal results in a reduction of the Market Value Adjusted Total Assets by at least 50 per cent. (in all other circumstances the Borrower shall be deemed to have complied with its obligations under this Clause 11.3 by providing the Agent with prior written notice of its decision to transfer, lease or otherwise dispose of its assets as aforesaid).

11.4 **No other liabilities or obligations to be incurred.** The Borrower will not, and will procure that none of the Owners will, incur any liability or obligation except liabilities and obligations:

(a) under the Finance Documents and the Shipbuilding Contract to which each is a party;

(b) under the Master Agreement;

(c) incurred, in the case of each Owner, in the normal course of its business of operating its Ship; and

(d) incurred, in the case of the Borrower, in the normal course of its business of acquiring and financing vessels through its wholly-owned subsidiaries.

11.5 Information provided to be accurate. All financial and other information which is provided in writing by or on behalf of the Borrower under or in connection with any Finance Document will be true and not misleading and will not omit any material fact or consideration.

11.6 Provision of financial statements. The Borrower will send to the Agent:

(a) as soon as possible, but in no event later than 180 days after the end of each Financial Year of the Borrower (commencing with the Financial Year ended 31 December 2007), the audited consolidated accounts of the Borrower's Group for that Financial Year and the audited individual accounts of the Borrower for that Financial Year; and

(b) as soon as possible, but in no event later than 90 days after the end of each financial quarter in each Financial Year of the Borrower, the unaudited consolidated accounts of the Borrower's Group for that 3-month period.

The Agent will consider that the Borrower has fulfilled its obligations under this Clause 11.6 if the Borrower has filed its accounts with the Securities Exchange Commission (SEC) within the time periods specified in this Clause 11.6.

11.7 Form of financial statements. All accounts (audited and unaudited) delivered under Clause 11.6 will:

(a) be prepared in accordance with all applicable laws and USGAAP consistently applied;

(b) give a true and fair view of the state of affairs of the Borrower or (as the case may be) the Borrower's Group at the date of those accounts and of its profit for the period to which those accounts relate; and

(c) fully disclose or provide for all significant liabilities of the Borrower or (as the case may be) the Borrower's Group.

11.8 Shareholder and creditor notices. The Borrower will send the Agent, at the same time as they are despatched, copies of all documents which are despatched:

(a) to the Borrower's creditors generally;

(b) if there is no Event of Default, to its shareholders (or any class of them) which the Borrower is required to despatch by law; and

(c) if there is an Event of Default which is continuing, all documents despatched by the Borrower to its shareholders (or any class of them).

11.9 Consents. The Borrower will maintain in force and promptly obtain or renew (or, as the case may be, will procure that there is maintained in force and promptly obtained or renewed), and will promptly send certified copies to the Agent of, all consents required:

(a) for the Borrower and each Owner to perform its obligations under any Finance Document to which it is a party;

(b) for the validity or enforceability of any Finance Document to which it is a party; and

(c) for each Owner to continue to own and operate the Ship owned by it,

and the Borrower will comply (or procure compliance) with the terms of all such consents.

11.10 Maintenance of Security Interests. The Borrower will:

(a) at its own cost, do all that it reasonably can to ensure that any Finance Document validly creates the obligations and the Security Interests which it purports to create; and

(b) without limiting the generality of paragraph (a) at its own cost, promptly register, file, record or enrol any Finance Document with any court or authority in the Marshall Islands, Liberia, Greece, Panama, Bahamas or Cyprus or such other jurisdiction which the Lenders may reasonably require (including, without limitation, any Approved Flag State if at the relevant time a Ship is registered under the laws of such Approved Flag State), pay any stamp, registration or similar tax in any such country in respect of any Finance Document,

give any notice or take any other step which, in the opinion of the Majority Lenders, is or has become necessary or desirable for any Finance Document to be valid, enforceable or admissible in evidence or to ensure or protect the priority of any Security Interest which it creates.

11.11 Notification of litigation. The Borrower will provide the Agent with details of any legal or administrative action involving the Borrower, any Security Party, the Approved Manager or the Ships, their Earnings or their Insurances as soon as such action is instituted or it becomes apparent to that Borrower that it is likely to be instituted, unless it is clear that the legal or administrative action cannot be considered material in the context of any Finance Document.

11.12 Principal place of business. The Borrower will maintain its place of business, and keep its corporate documents and records, at the address stated at Clause 28.2(a) and the Borrower will not establish, nor do anything as a result of which it would be deemed to have, a place of business in any other country.

11.13 Confirmation of no default. The Borrower will, within 3 Business Days after service by the Agent of a written request, serve on the Agent a notice which is signed by an authorised officer of the Borrower and which:

(a) states that no Event of Default or Potential Event of Default has occurred; or

(b) states that no Event of Default or Potential Event of Default has occurred, except for a specified event or matter, of which all material details are given,

The Agent may serve requests under this Clause 11.13 from time to time; this Clause 11.13 does not affect the Borrower's obligations under Clause 11.14.

11.14 Notification of default. The Borrower will notify the Agent as soon as the Borrower becomes aware of:

(a) the occurrence of an Event of Default or a Potential Event of Default; or

(b) any matter which indicates that an Event of Default or a Potential Event of Default may have occurred,

and will thereafter keep the Agent fully up-to-date with all developments.

11.15 Provision of further information. The Borrower will, as soon as practicable after receiving the request, provide the Agent with any additional financial or other information relating:

(a) to the Borrower, the Ships, their Insurances, their Earnings or the Owners; or

(b) any other matter relevant to, or to any provision of, a Finance Document, which in each case may be requested by the Agent or the Security Trustee (through the Agent) by any Lender at any time.

11.16 No amendment to the Shipbuilding Contracts. The Borrower will ensure that no Owner shall agree to any material amendment or supplement to, or waive or fail to enforce, a Shipbuilding Contract to which such Owner is a party to or any of its provisions.

11.17 Purchase of further tonnage. The Borrower shall procure that no Owner shall purchase any vessel other than the Ships.

11.18 "Know your customer" requirements. The Borrower shall provide to the Agent such documentation and evidence as may be required by any Lender from time to time to comply with applicable law and regulations and its own internal guidelines in relation to the opening of bank accounts and the identification of its customers.

11.19 Provision of copies and translation of documents. The Borrower will supply the Agent with a sufficient number of copies of the documents referred to above to provide 1 copy for each Creditor Party; and if the Agent so requires in respect of any of those documents, the Borrower will provide a certified English translation prepared by a translator approved by the Agent.

11.20 Charterparties. If any of the Charterparties is terminated or becomes invalid or unenforceable or otherwise ceases to be in full force and effect for any reason prior to its stated termination date, the Borrower shall procure that the relevant Charterparty is replaced within 30 days (or 60 days if the relevant Ship may not be chartered due to a defect or is drydocked or is being repaired) by another charter having similar characteristics to the relevant Charterparty with a charterer and in a form and on terms in all respects acceptable to the Lenders.

12 CORPORATE UNDERTAKINGS

12.1 General. The Borrower also undertakes with each Creditor Party to comply with the following provisions of this Clause 12 at all times during the Security Period except as the Agent may, with the authorisation of the Majority Lenders, may otherwise permit (such permission not to be unreasonably withheld in the case of Clause 12.3(e)).

12.2 Maintenance of status. The Borrower will maintain its separate corporate existence and remain in good standing under the laws of the Marshall Islands.

12.3 Negative undertakings. The Borrower will not:

(a) change the nature of its business; or

(b) pay any dividend or make any other form of distribution at any time when an Event of Default or a Potential Event of Default has occurred and is continuing or will result from the payment of any dividend or the making of any other form of distribution;

(c) effect any form of redemption, purchase or return of share capital at any time when an Event of Default or a Potential Event of Default has occurred or is continuing or will result from any form of redemption, purchase or return of share capital; or

(d) provide any form of credit or financial assistance to:

(i) a person who is directly or indirectly interested in the Borrower's share or loan capital; or

(ii) any company in or with which such a person is directly or indirectly interested or connected,

or enter into any transaction with or involving such a person or company on terms which are, in any respect, less favourable to the Borrower than those which it could obtain in a bargain made at arms' length **Provided that** this shall not prevent or restrict the Borrower from on-lending the Loan to the Owners; or

(e) enter into any form of amalgamation, merger or de-merger or any form of reconstruction or reorganisation; or

(f) cause the shares of the Borrower to cease to be listed on the New York Stock Exchange.

12.4 Subordination of rights of Borrower. All rights which the Borrower at any time has (whether in respect of the on-lending of the Loan or any other transaction) against any Owner or their assets shall be fully subordinated to the rights of the Creditor Parties under the Finance Documents; and in particular, the Borrower shall not during the Security Period:

(a) claim, or in a bankruptcy of any Owner prove for, any amount payable to the Borrower by any Owner , whether in respect of this or any other transaction;

(b) take or enforce any Security Interest for any such amount; or

(c) claim to set-off any such amount against any amount payable by the Borrower to any Owner.

12.5 Financial Covenants. The Borrower shall ensure that at all times:

(a) the ratio of Total Liabilities (after deducting all Cash and Cash Equivalents) to Market Value Adjusted Total Assets (after deducting all Cash and Cash Equivalents) shall not exceed 0.7:1;

(b) the aggregate of all Cash and Cash Equivalents shall be not less than the higher of $500,000 per Fleet Vessel and 3 per cent. of the Consolidated Debt;

(c) the Interest Coverage Ratio shall not be less than 2.5:1; and

(d) the Market Value Adjusted Net Worth of the Borrower's Group shall not be less than $400,000,000.

12.6 Compliance check. Compliance with the undertakings contained in Clause 12.5 shall be determined in each Financial Year:

(a) at the time the Agent receives the Applicable Accounts of the Borrower's Group for the first 6-month period of the Borrower's Group in each Financial Year (pursuant to Clause 11.6(b)), by reference to the unaudited Applicable Accounts for the first two financial

quarters in the relevant Financial Year and, in the case of the second 6-month period, by reference to the audited Applicable Accounts of the Borrower's Group in each Financial Year;

(b) at any other time as the Agent may reasonably request by reference to such evidence as the Lenders may require to determine and calculate the financial covenants referred to in Clause 12.5.

At the same time as it delivers the Applicable Accounts referred to in this Clause 12.6, the Borrower shall deliver to the Agent a certificate in the form set out in Schedule 6 demonstrating its compliance (or not, as the case may be) with the provisions of Clause 12.5 signed by the chief financial officer of the Borrower.

12.7 Maintenance of ownership of Owners. The Borrower shall remain the ultimate legal and beneficial owner of the entire issued and allotted share capital of each Owner free from any Security Interest.

13 INSURANCE

13.1 General. The Borrower undertakes with each Creditor Party to procure that each Owner will comply with the following provisions of this Clause 13 at all times during the Security Period (after the Ship which is owned or to be owned by that Owner has been delivered to it under the relevant Shipbuilding Contract) except as the Agent may, with the authorisation of the Majority Lenders, otherwise permit.

13.2 Maintenance of obligatory insurances. The Borrower shall procure that each Owner shall keep the Ship owned by it insured at the expense of that Owner against:

(a) fire and usual marine risks for hull and machinery including excess risks; and

(b) war risks (including war risks, P&I and terrorism); and

(c) protection and indemnity risks; and

(d) any other risks against which the Security Trustee considers, having regard to practices and other circumstances prevailing at the relevant time, it would in the opinion of the Security Trustee be reasonable for that Owner to insure and which are specified by the Security Trustee by notice to that Owner.

13.3 Terms of obligatory insurances. The Borrower shall procure that each Owner shall effect such insurances:

(a) in Dollars;

(b) in the case of fire and usual marine risks and war risks, in an amount on an agreed value basis being at least the greater of (i) the Market Value of the Ship owned by it and (ii) together with any other Ship then subject to a Mortgage 120 per cent. of the Loan;

(c) in the case of oil pollution liability risks, for an aggregate amount equal to the highest level of cover from time to time available under basic protection and indemnity club entry and in the international marine insurance market;

(d) in relation to protection and indemnity risks in respect of the full tonnage of the Ship owned by it;

(e) on approved terms; and

(f) through approved brokers and with approved insurance companies and/or underwriters or, in the case of war risks and protection and indemnity risks, in approved war risks and protection and indemnity risks associations.

13.4 Further protections for the Creditor Parties. In addition to the terms set out in Clause 13.3, the Borrower shall procure that the obligatory insurances shall:

(a) (except in relation to risks referred to in Clause 13.2(c)) if the Security Trustee so requires name (or be amended to name) the Security Trustee as additional named assured for its rights and interests, warranted no operational interest and with full waiver of rights of subrogation against the Security Trustee, but without the Security Trustee thereby being liable to pay (but having the right to pay) premiums, calls or other assessments in respect of such insurance;

(b) name the Security Trustee as sole loss payee with such directions for payment as the Security Trustee may specify;

(c) provide that all payments by or on behalf of the insurers under the obligatory insurances to the Security Trustee shall be made (other than in respect of premiums due in relation to the Ships) without set-off, counterclaim or deductions or condition whatsoever;

(d) provide that such obligatory insurances shall be primary without right of contribution from other insurances which may be carried by the Security Trustee or any other Creditor Party; and

(e) provide that the Security Trustee may make proof of loss if the Owners fail to do so.

13.5 Renewal of obligatory insurances. The Borrower shall procure that each Owner shall:

(a) at least 21 days before the expiry of any obligatory insurance affected by it:

(i) notify the Security Trustee of the brokers (or other insurers) and any protection and indemnity or war risks association through or with whom that Owner proposes to renew that insurance and of the proposed terms of renewal; and

(ii) obtain the Security Trustee's approval to the matters referred to in paragraph (i) above;

(b) at least 14 days before the expiry of any obligatory insurance effected by it, renew the insurance in accordance with the Security Trustee's approval pursuant to paragraph (a); and

(c) procure that the approved brokers and/or the war risks and protection and indemnity associations with which such a renewal is effected shall promptly after the renewal notify the Security Trustee in writing of the terms and conditions of the renewal.

13.6 Copies of policies; letters of undertaking. The Borrower shall procure that each Owner shall ensure that all approved brokers provide the Security Trustee with pro forma copies of all policies relating to the obligatory insurances which they effect or renew and of a letter or letters of undertaking in a form required by the Security Trustee and including undertakings by the approved brokers that:

(a) they will have endorsed on each policy, immediately upon issue, a loss payable clause and a notice of assignment complying with the provisions of Clause 13.4;

(b) they will hold such policies, and the benefit of such insurances, to the order of the Security Trustee in accordance with the said loss payable clause;

(c) they will advise the Security Trustee immediately of any material change to the terms of the obligatory insurances;

(d) they will notify the Security Trustee, not less than 14 days before the expiry of the obligatory insurances, in the event of their not having received notice of renewal instructions from that Owner or its agents and, in the event of their receiving instructions to renew, they will promptly notify the Security Trustee of the terms of the instructions; and

(e) they will not set off against any sum recoverable in respect of a claim relating to the Ship owned by that Owner under such obligatory insurances any premiums or other amounts due to them or any other person whether in respect of that Ship or otherwise, they waive any lien on the policies or, any sums received under them, which they might have in respect of such premiums or other amounts, and they will not cancel such obligatory insurances by reason of non-payment of such premiums or other amounts, and will arrange for a separate policy to be issued in respect of that Ship forthwith upon being so requested by the Security Trustee.

13.7 Copies of certificates of entry. The Borrower shall procure that each Owner shall ensure that any protection and indemnity and/or war risks associations in which the Ship owned by that Owner is entered provides the Security Trustee with:

(a) a certified copy of the certificate of entry for that Ship; and

(b) a letter or letters of undertaking in such form as may be required by the Security Trustee; and

(c) where required to be issued under the terms of insurance/indemnity provided by that Owner's protection and indemnity association, a certified copy of each United States of America voyage quarterly declaration (or other similar document or documents) made by that Owner in relation to its Ship in accordance with the requirements of such protection and indemnity association; and

(d) a certified copy of each certificate of financial responsibility for pollution by oil or other Environmentally Sensitive Material issued by the relevant certifying authority in relation to that Ship.

13.8 Deposit of original policies. The Borrower shall procure that each Owner shall ensure that all policies relating to obligatory insurances effected by it are deposited with the approved brokers through which the insurances are effected or renewed.

13.9 Payment of premiums. The Borrower shall procure that each Owner shall punctually pay all premiums or other sums payable in respect of the obligatory insurances affected by it and produce all relevant receipts when so required by the Security Trustee.

13.10 Guarantees. The Borrower shall procure that each Owner shall ensure that any guarantees required by a protection and indemnity or war risks association are promptly issued and remain in full force and effect.

13.11 Compliance with terms of insurances. The Borrower shall procure that no Owner does or omits to do (or permits to be done or not to be done) any act or thing which would or might render any obligatory insurance invalid, void, voidable or unenforceable or render any sum payable thereunder repayable in whole or in part; and in particular:

(a) each Owner shall take all necessary action and comply with all requirements which may from time to time be applicable to the obligatory insurances, and (without limiting the obligation contained in Clause 13.7(c) above) ensure that the obligatory insurances are

not made subject to any exclusions or qualifications to which the Security Trustee has not given its prior approval;

(b) each Owner shall make any changes relating to the classification or classification society or manager or operator of the Ship owned by it unless approved where applicable by the underwriters of the obligatory insurances;

(c) each Owner shall make all quarterly or other voyage declarations which may be required by the protection and indemnity risks association in which the Ship owned by it is entered to maintain cover for trading to the United States of America and Exclusive Economic Zone (as defined in the United States Oil Pollution Act 1990 or any other applicable legislation); and

(d) no Owner shall employ the Ship owned by it, nor shall allow it to be employed, otherwise than in conformity with the terms and conditions of the obligatory insurances, without first obtaining the consent of the insurers and complying with any requirements (as to extra premium or otherwise) which the insurers specify.

13.12 Alteration to terms of insurances. The Borrower shall procure that no Owner shall either make or agree to any alteration to the terms of any obligatory insurance or waive any right relating to any obligatory insurance.

13.13 Settlement of claims. The Borrower shall procure that no Owner shall settle, compromise or abandon any claim under any obligatory insurance for Total Loss or (subject as herein provided) for a Major Casualty, and shall do all things necessary and provide all documents, evidence and information to enable the Security Trustee to collect or recover any moneys which at any time become payable in respect of the obligatory insurances.

13.14 Provision of copies of communications. If the Security Trustee shall so request in respect of an Owner, the Borrower shall procure that that Owner shall provide the Security Trustee, at the time of each such communication, or as otherwise specified by the Security Trustee, copies of all written communications which may be reasonably requested by the Security Trustee, between that Owner and:

(a) the approved brokers; and

(b) the approved protection and indemnity and/or war risks associations; and

(c) the approved insurance companies and/or underwriters,

which relates directly or indirectly to:

(i) that Owner's obligations relating to the obligatory insurances including, without limitation, all requisite declarations and payments of additional premiums or calls; and

(ii) any credit arrangements made between that Owner and any of the persons referred to in paragraphs (a) or (b) above relating wholly or partly to the effecting or maintenance of the obligatory insurances.

13.15 Provision of information. In addition, the Borrower shall procure that each Owner shall promptly provide the Security Trustee (or any persons which it may designate) with any information which the Security Trustee (or any such designated person) reasonably requests for the purpose of:

(a) obtaining or preparing any report from an independent marine insurance broker as to the adequacy of the obligatory insurances effected or proposed to be effected; and/or

(b) effecting, maintaining or renewing any such insurances as are referred to in Clause 13.16 below or dealing with or considering any matters relating to any such insurances,

and the Borrower shall forthwith upon demand, indemnify the Security Trustee in respect of all fees and other expenses reasonably incurred by or for the account of the Security Trustee in connection with any such report as is referred to in paragraph (a) above.

13.16 Mortgagees interest insurance and mortgagees interest insurance additional perils (pollution). The Security Trustee shall effect, maintain and renew all or any of the following insurances, on such terms, conditions, through such insurers and generally in such manner as the Security Trustee may from time to time consider appropriate:

(a) a mortgagees interest insurance in relation to each Ship in an amount of not less than 110 per cent. of the Tranche applicable to that Ship, providing for the indemnification of the Creditor Parties for any losses under or in connection with any Finance Document which directly or indirectly result from loss of or damage to any Ship or a liability of any Ship or of any Owner, being a loss or damage which is prima facie covered by an obligatory insurance but in respect of which there is a non-payment (or reduced payment) by the underwriters by reason of, or on the basis of an allegation concerning:

(i) any act or omission on the part of an Owner, of any operator, charterer, manager or sub-manager of the Ship owned by it or of any officer, employee or agent of an Owner or of any such person, including any breach of warranty or condition or any non-disclosure relating to such obligatory insurance;

(ii) any act or omission, whether deliberate, negligent or accidental, or any knowledge or privity of an Owner, any other person referred to in paragraph (i) above, or of any officer, employee or agent of that Owner or of such a person, including the casting away or damaging of the Ship owned by it and/or the Ship owned by it being unseaworthy; and/or

(iii) any other matter capable of being insured against under a mortgagees interest marine insurance policy whether or not similar to the foregoing;

(b) a mortgagees interest insurance additional perils (pollution) policy in relation to each Ship in an amount of not less than 100 per cent. of the Tranche applicable to that Ship, providing for the indemnification of the Creditor Parties against, among other things, any possible losses or other consequences of any Environmental Claim, including the risk of expropriation, arrest or any form of detention of a Ship, the imposition of any Security Interest over a Ship and/or any other matter capable of being insured against under a mortgagees interest insurance additional perils (pollution),

and the Borrower shall upon demand fully indemnify the Security Trustee in respect of all premiums and other reasonable expenses which are incurred in connection with or with a view to effecting, maintaining or renewing any such insurance or dealing with, or considering, any matter arising out of any such insurance.

13.17 Review of insurance requirements. The Security Trustee shall be entitled to review after prior consultation with the Borrower the requirements of this Clause 13 from time to time in order to take account of any changes in circumstances after the date of this Agreement which are, in the opinion of the Security Trustee, significant and capable of affecting any Owner or any Ship and its or their insurance (including, without limitation, changes in the availability or the cost of insurance coverage or the risks to which the Owners may be subject).

13.18 Modification of insurance requirements. The Security Trustee shall promptly notify the Borrower and the Owners of any proposed modification under Clause 13.17 to the requirements of this Clause 13 which the Security Trustee reasonably considers

appropriate in the circumstances, and such modification shall take effect on and from the date it is notified in writing to the Borrower as an amendment to this Clause 13 and shall bind the Borrower accordingly.

13.19 Compliance with mortgagee's instructions. The Security Trustee shall be entitled (without prejudice to or limitation of any other rights which it may have or acquire under any Finance Document) to require a Ship to remain at any safe port or to proceed to and remain at any safe port designated by the Security Trustee until the relevant Owner implements any amendments to the terms of the obligatory insurances and any operational changes required as a result of a notice served under Clause 13.18 and the Borrower shall procure that the Owners comply with such requirement within a reasonable period or time in the context of the then prevailing circumstances.

14 SHIP COVENANTS

14.1 General. The Borrower also undertakes with each Creditor Party to procure that each Owner complies with the following provisions of this Clause 14 at all times during the Security Period except as the Agent may, with the authorisation of the Majority Lenders, otherwise permit (such permission not to be unreasonably withheld in the case of a proposed change of port of registry under the same flag of a Ship).

14.2 Ship's name and registration. Each Owner shall keep the Ship owned by it registered in its name under an Approved Flag; shall not do or allow to be done anything as a result of which such registration might be cancelled or imperilled; and shall not change the name or port of registry of that Ship.

14.3 Repair and classification. Each Owner shall keep the Ship owned by it in a good and safe condition and state of repair:

(a) consistent with first-class ship ownership and management practice;

(b) so as to maintain the highest class with a classification society which is a member of the International Association of Classification Societies and which is acceptable to the Agent (acting upon the instructions of the Majority Lenders) free of all overdue recommendations and conditions affecting class; and

(c) so as to comply with all laws and regulations applicable to vessels registered at ports in the Approved Flag State or to vessels trading to any jurisdiction to which that Ship may trade from time to time, including but not limited to the ISM Code, the ISM Code Documentation, the ISPS Code and the ISPS Code Documentation.

14.4 Modification. The Borrower shall procure that no Owner shall make any modification or repairs to, or replacement of, the Ship owned by it or equipment installed on her which would or might materially alter the structure, type or performance characteristics of that Ship or materially reduce her value.

14.5 Removal of parts. The Borrower shall procure that no Owner shall remove any material part of the Ship owned by it, or any item of equipment installed on, that Ship unless the part or item so removed is forthwith replaced by a suitable part or item which is in the same condition as or better condition than the part or item removed, is free from any Security Interest or any right in favour of any person other than the Security Trustee and becomes on installation on that Ship the property of the relevant Owner and subject to the security constituted by the relevant Mortgage and, as the case may be, the Deed of Covenant **Provided that** an Owner may install equipment owned by a third party if the equipment can be removed without any risk of damage to the Ship owned by it.

14.6 Surveys. The Borrower shall procure that each Owner shall submit the Ship owned by it regularly to all periodical or other surveys which may be required for classification

purposes and, if so required by the Security Trustee, provide the Security Trustee with copies of all survey reports.

14.7 Inspection . The Borrower shall:

(a) ensure that each Owner shall permit the Security Trustee (by surveyors or other persons appointed by it for that purpose) to board the Ship (at the risk of the relevant Owner save where any loss is shown to have been directly and mainly caused by the gross negligence or wilful misconduct of such surveyor or other person) owned by it at all reasonable times to inspect her condition or to satisfy themselves about proposed or executed repairs or to prepare a survey report (at the reasonable cost of the Borrower) in respect of such Ship and shall afford all proper facilities for such inspections **Provided that** :

(i) such boarding and inspection does not materially disrupt the relevant Ship's reasonable operation, repairs or maintenance;

(ii) if no Event of Default has occurred the Borrower shall not be required to pay for the cost of a survey report in respect of each Ship more than once every 24 months; and

(b) ensure that each Ship shall, both at the time of the survey referred to in this Clause 14.7 and at all other times throughout the Security Period, be in a good and safe condition and state of repair.

14.8 Prevention of and release from arrest. The Borrower shall procure that each Owner shall promptly discharge or settle:

(a) all liabilities which give or may give rise to maritime or possessory liens on or claims enforceable against the Ship owned by it, her Earnings or her Insurances other than such liens and claims arising in the ordinary course of business (which must in any event be discharged in accordance with best ship management practice);

(b) all taxes, dues and other amounts charged in respect of the Ship owned by it, the Earnings or the Insurances; and

(c) all other outgoings whatsoever in respect of the Ship owned by it, the Earnings or the Insurances,

and, forthwith upon receiving notice of the arrest of that Ship, or of her detention in exercise or purported exercise of any lien or claim, the Borrower shall procure that the relevant Owner of that Ship shall procure her release within 5 Business Days of receiving such notice by providing bail or otherwise as the circumstances may require.

14.9 Compliance with laws etc. The Borrower shall procure that each Owner and the Approved Manager shall:

(a) comply, or procure compliance with the ISM Code, the ISPS Code, all Environmental Laws, the ISPS Code and all other laws or regulations relating to the Ship owned by it, its ownership, operation and management or to the business of that Owner;

(b) not employ the Ship owned by it nor allow her employment in any manner contrary to any law or regulation in any relevant jurisdiction including but not limited to the ISM Code and the ISPS Code; and

(c) in the event of hostilities in any part of the world (whether war is declared or not), not cause or permit the Ship owned by it to enter or trade to any zone which is declared a war zone by any government or by the Ship's war risks insurers unless in the case of such zone where an additional premium would be payable that Owner has (at its expense)

effected any special, additional or modified insurance cover required for it to enter or trade to any war zone.

14.10 Provision of information. The Borrower shall procure that each Owner shall promptly provide the Agent with any information which it reasonably requests regarding:

(a) the Ship owned by it, her employment, position, engagements and her Insurances;

(b) the Earnings and payments and amounts due to the master and crew of the Ship owned by it;

(c) any expenses incurred, or likely to be incurred, in connection with the operation, maintenance or repair of the Ship owned by it and any payments made in respect of that Ship;

(d) any towages and salvages; and

(e) that Owner's compliance, the Approved Manager's compliance or the compliance of the Ship owned by it with the ISM Code and the ISPS Code,

and, upon the Agent's request, provide copies of any current charter relating to the Ship owned by it and of any current charter guarantee, and of the ISM Code Documentation and the ISPS Code Documentation.

14.11 Notification of certain events. The Borrower shall procure that each Owner shall as soon as it becomes aware of any of the events referred to in this Clause 14.11 notify the Agent by fax, confirmed forthwith by letter of:

(a) any casualty which is or is likely to be or to become a Major Casualty;

(b) any occurrence as a result of which the Ship owned by it has become or is, by the passing of time or otherwise, likely to become a Total Loss;

(c) any requirement or recommendation made by any insurer or classification society or by any competent authority which is not complied with in accordance with its terms (including without limitation, any time limit specified by any insurer or classification society or any competent authority);

(d) any arrest or detention of the Ship owned by it (if the arrest or detention has not been released within 3 Business Days of its imposition or the Borrower or the relevant Owner considers that the arrest or detention will not be released within 3 Business Day of its imposition), any exercise or purported exercise of any lien on that Ship or her Earnings or her Insurances or any requisition of that Ship for hire;

(e) any intended dry docking of the Ship owned by it which the Owner knows, or reasonably determines, will or may exceed (or has exceeded) 10 days in total;

(f) any Environmental Claim made against that Owner or in connection with the Ship owned by it, or any Environmental Incident;

(g) any claim for breach of the ISM Code or the ISPS Code being made against that Owner and, to the extent that that Owner is aware of such claim, the Approved Manager or otherwise in connection with the Ship owned by it; or

(h) any other matter, event or incident, actual or threatened, the effect of which will or could lead to the ISM Code or the ISPS Code not being complied with,

and that Owner shall keep the Agent advised in writing on a regular basis and in such detail as the Agent shall require of that Owner's or any other person's response to any of those events or matters.

14.12 Restrictions on chartering, appointment of managers etc. The Borrower shall procure that no Owner shall in relation to the Ship owned by it:

(a) let the Ship owned by it on demise charter for any period, without the Agent's written consent, such consent not to be unreasonably withheld;

(b) (other than pursuant to the Charterparty relative to its Ship), enter into any time or consecutive voyage charter in respect of the Ship owned by it for a term which exceeds, or which by virtue of any optional extensions may exceed, 12 months;

(c) amend, vary or supplement the Charterparty relative to that Ship if as a result of such amendment, variation or supplement (whether alone or in combination with any previous amendments, variations or supplements) the duration of the Charterparty is reduced by more than 2 years, or the charter hire is reduced by more than 5 per cent., from that specified in the Charterparty;

(d) charter the Ship owned by it otherwise than on bona fide arm's length terms at the time when the Ship is fixed;

(e) appoint (or permit the appointment of) a manager of the Ship owned by it other than the Approved Manager or agree to any alteration to the terms of the Approved Manager's appointment;

(f) de-activate or lay up the Ship owned by it; or

(g) put the Ship owned by it into the possession of any person for the purpose of work being done upon her in an amount exceeding or likely to exceed $1,000,000 (or the equivalent in any other currency) unless that person has first given to the Security Trustee and in terms satisfactory to it a written undertaking not to exercise any lien on that Ship or her Earnings or her Insurances for the cost of such work or otherwise or other arrangements satisfactory to the Security Trustee are made to ensure that no such lien will be exercised.

14.13 Notice of Mortgage. The Borrower shall procure that each Owner shall keep the Mortgage registered against the Ship owned by it as a valid first priority mortgage or preferred (as the case may be), carry on board that Ship a certified copy of the relevant Mortgage and place and maintain in a conspicuous place in the navigation room and the Master's cabin of that Ship a framed printed notice stating that that Ship is mortgaged by that Owner to the Security Trustee or, as the case may be, the Lenders.

14.14 Sharing of Earnings. The Borrower shall procure that no Owner shall:

(a) enter into any agreement or arrangement for the sharing of any Earnings;

(b) enter into any agreement or arrangement for the postponement of any date on which any Earnings are due; the reduction of the amount of any Earnings or otherwise for the release or adverse alteration of any right of that Owner to any Earnings; or

(c) enter into any agreement or arrangement for the release of, or adverse alteration to, any guarantee or Security Interest relating to any Earnings.

15 SECURITY COVER

15.1 Provision of additional security cover; prepayment of Loan. The Borrower undertakes with each Creditor Party that, if at any time the Agent notifies the Borrower that:

(a) the aggregate Market Value of the Ships subject to a Mortgage; plus

(b) the net realisable value of any additional security previously provided under this Clause 15,

is below 125 per cent. of the aggregate of the Loan and the Swap Exposure, the Borrower will, within 14 Business Days after the date on which the Agent's notice is served, either:

(i) provide, or ensure that a third party provides, additional security acceptable to the Agent which, in the opinion of the Majority Lenders, has a net realisable value at least equal to the shortfall and which consists of either (a) cash pledged to the Security Trustee or the Lenders or (b) a mortgage over another vessel documented in such terms as the Agent (with the authorisation of the Majority Lenders) may approve or require; or

(ii) prepay in accordance with Clause 8 such part (at least) of the Loan as will eliminate the shortfall.

15.2 Requirement for additional documents. The Borrower shall not be deemed to have complied with paragraph (i) of Clause 15.1 until the Agent has received in connection with the additional security certified copies of documents of the kinds referred to in paragraphs 2,

3 and 5 of Schedule 3, Part A and such legal opinions in terms acceptable to the Majority Lenders from such lawyers as they may select.

15.3 Valuation of a Ship not subject to a long-term charter. The Market Value of a Ship which at the relevant time is not subject to a charter or other contract of employment having an unexpired term of at least 12 months with a first class charterer acceptable to the Lenders (in their absolute discretion) is that shown by taking the average of two valuations prepared:

(a) as at a date not more than 6 weeks previously;

(b) by 2 Approved Brokers appointed by the Borrower, with both reporting to the Agent;

(c) with or without physical inspection of that Ship (as the Agent may require);

(d) on the basis of a sale for prompt delivery for cash on normal arm's length commercial terms as between a willing seller and a willing buyer, free of any existing charter or other contract of employment; and

(e) after deducting the estimated amount of the usual and reasonable expenses which would be incurred in connection with the sale.

Provided that if the difference between the 2 valuations obtained at any one time pursuant to this Clause 15.3 is greater than 10 per cent. a valuation shall be commissioned from a third Approved Broker appointed by the Agent. Such valuation shall be conducted in accordance with this Clause 15.3 and the Market Value of the Ship in such circumstances shall be the average of the initial 2 valuations and the valuation provided by the third Approved Broker.

15.4 Valuation of a Ship subject to long-term charter. The Market Value of a Ship subject to a Mortgage which at the relevant time is subject to a charter or other contract of

employment having an unexpired term of at least 12 months with a first class charterer acceptable to the Lenders (in their absolute discretion) shall be the aggregate of the present values (as may be conclusively determined by the Agent) of:

(a) the Bareboat-equivalent Time Charter Income of the Ship in respect of the remaining unexpired term of the relevant charter or other contract of employment excluding any periods for which the relevant charter or contract of employment may be renewed at the option of any party (for the purposes of this Clause 15.4, an " **option period** "); and

(b) the current charter-free market value (determined in accordance with Clause 15.3 but subject to the adjustments referred to in this Clause 15.4) of a vessel with identical characteristics to the Ship other than its age which shall, for the purposes of this Clause 15.4, be considered to be the age of the Ship at the expiration of the charter or other contract of employment to which the Ship is subject at the relevant time (excluding any option periods), as such value may be adjusted to take into account the terms of any commitments undertaken by the Owner of the Ship which may affect its value.

For the purposes of this Clause 15.4, the discount rate which will apply in calculating the present value of the amounts referred to in paragraphs (a) and (b) will be the aggregate of (i) the Margin and (ii) the applicable Interest Rate Swap Rate for a period equal to the unexpired term of the Ship's charter or other contract of employment (excluding any option periods (rounded up to the nearest integral year)) unless the unexpired term of the Ship's charter or other contract of employment (excluding any option periods) is less than 12 months in which the Interest Rate Swap Rate for a period of 12 months will apply.

15.5 Value of additional security. The net realisable value of any additional security which is provided under Clause 15.1 and which consists of a Security Interest over a vessel shall be that shown by a valuation complying with the requirements of Clause 15.3.

15.6 Valuations binding. Any valuation under paragraph (i) of Clause 15.1, Clauses 15.3, 15.4 or 15.5 shall, in the absence of manifest error, be binding and conclusive as regards the Borrower, as shall be any valuation which the Majority Lenders make of a security which does not consist of or include a Security Interest.

15.7 Provision of information. The Borrower shall promptly provide the Agent and any Approved Broker or expert acting under Clause 15.3, 15.4 or 15.5 with any information which the Agent or the Approved Broker or expert may reasonably request for the purposes of the valuation; and, if the Borrower fails to provide the information by the date specified in the request, the valuation may be made on any basis and assumptions which the Approved Broker or the Majority Lenders (or the expert appointed by them) consider prudent.

15.8 Payment of valuation expenses. Without prejudice to the generality of the Borrower's obligations under Clauses 20.2, 20.3 and 20.4, the Borrower shall, on demand, pay the Agent the amount of the fees and expenses of any Approved Broker or expert instructed or approved by the Agent under this Clause and all legal and other expenses incurred by the Agent in connection with any matter arising out of this Clause.

15.9 Frequency of Valuations. The Borrower shall commission valuations of the Ships at such times as the Majority Lenders shall deem necessary and, in any event, not less often than once during each 6-month period of the Security Period.

16 PAYMENTS AND CALCULATIONS

16.1 Currency and method of payments. All payments to be made:

(a) by the Lenders to the Agent;

(b) by the Borrower to the Agent, the Security Trustee or any Lender,

under a Finance Document shall be made to the Agent or to the Security Trustee, in the case of an amount payable to it:

(i) by not later than 11.00 a.m. (New York City time) on the due date;

(ii) in same day Dollar funds settled through the New York Clearing House Interbank Payments System (or in such other Dollar funds and/or settled in such other manner as the Agent shall specify as being customary at the time for the settlement of international transactions of the type contemplated by this Agreement); and

(iii) to such account of the Agent with a bank in New York as the Agent may from time to time notify the Borrower and each Lender.

16.2 Payment on non-Business Day. If any payment by the Borrower under a Finance Document would otherwise fall due on a day which is not a Business Day:

(a) the due date shall be extended to the next succeeding Business Day; or

(b) if the next succeeding Business Day falls in the next calendar month, the due date shall be brought forward to the immediately preceding Business Day,

and interest shall be payable during any extension under paragraph (a) at the rate payable on the original due date.

16.3 Basis for calculation of periodic payments. All interest and commitment fee and any other payments under any Finance Document which are of an annual or periodic nature shall accrue from day to day and shall be calculated on the basis of the actual number of days elapsed and a 360 day year.

16.4 Distribution of payments to Creditor Parties. Subject to Clauses 16.5, 16.6 and 16.7:

(a) any amount received by the Agent under a Finance Document for distribution or remittance to a Lender or the Security Trustee shall be made available by the Agent to that Lender or, as the case may be, the Security Trustee by payment, with funds having the same value as the funds received, to such account as the Lender or the Security Trustee may have notified to the Agent not less than 5 Business Days previously; and

(b) amounts to be applied in satisfying amounts of a particular category which are due to the Lenders generally shall be distributed by the Agent to each Lender pro rata to the amount in that category which is due to it.

16.5 Permitted deductions by Agent. Notwithstanding any other provision of this Agreement or any other Finance Document, the Agent may, before making an amount available to a Lender, deduct and withhold from that amount any sum which is then due and payable to the Agent from that Lender under any Finance Document or any sum which the Agent is then entitled under any Finance Document to require that Lender to pay on demand.

16.6 Agent only obliged to pay when monies received. Notwithstanding any other provision of this Agreement or any other Finance Document, the Agent shall not be obliged to make available to the Borrower or any Lender any sum which the Agent is expecting to receive for remittance or distribution to the Borrower or that Lender until the Agent has satisfied itself that it has received that sum.

16.7 Refund to Agent of monies not received. If and to the extent that the Agent makes available a sum to the Borrower or a Lender, without first having received that sum, the Borrower or (as the case may be) the Lender concerned shall, on demand:

(a) refund the sum in full to the Agent; and

(b) pay to the Agent the amount (as certified by the Agent) which will indemnify the Agent against any funding or other loss, liability or expense incurred by the Agent as a result of making the sum available before receiving it.

16.8 Agent may assume receipt. Clause 16.7 shall not affect any claim which the Agent has under the law of restitution, and applies irrespective of whether the Agent had any form of notice that it had not received the sum which it made available (except an express notice from a Lender that it will not fund its Contribution).

16.9 Creditor Party accounts. Each Creditor Party shall maintain accounts showing the amounts owing to it by the Borrower and each Security Party under the Finance Documents and all payments in respect of those amounts made by the Borrower and any Security Party.

16.10 Agent's memorandum account. The Agent shall maintain a memorandum account showing the amounts advanced by the Lenders and all other sums owing to the Agent, the Security Trustee and each Lender from the Borrower and each Security Party under the Finance Documents and all payments in respect of those amounts made by the Borrower and any Security Party.

16.11 Accounts prima facie evidence. If any accounts maintained under Clauses 16.9 and 16.10 show an amount to be owing by the Borrower or a Security Party to a Creditor Party, those accounts shall, be prima facie evidence that that amount is owing to that Creditor Party.

17 APPLICATION OF RECEIPTS

17.1 Normal order of application. Except as any Finance Document may otherwise provide, any sums which are received or recovered by any Creditor Party under or by virtue of any Finance Document shall be applied:

(a) FIRST: in or towards satisfaction of any amounts then due and payable under the Finance Documents in the following order and proportions:

(i) first, in or towards satisfaction pro rata of all amounts then due and payable to the Creditor Parties under the Finance Documents other than those amounts referred to at paragraphs (ii) and (iii) (including, but without limitation, all amounts payable by the Borrower under Clauses 20, 21 and 22 of this Agreement or by the Borrower or any Security Party under any corresponding or similar provision in any other Finance Document);

(ii) secondly, in or towards satisfaction pro rata of any and all amounts of interest or default interest payable to the Creditor Parties under the Finance Documents (and, for this purpose, the expression "interest" shall include any net amount which the Borrower shall have become liable to pay or deliver under section 2 (Obligations) of the Master Agreement but shall have failed to pay or deliver to the Swap Bank at the time of application or distribution under this Clause 17); and

(iii) thirdly, in or towards satisfaction pro rata of the Loan and the Swap Exposure (in the case of the latter) calculated as at the actual Early Termination Date applying to each particular Transaction, or if no such Early Termination Date shall have

occurred, calculated as if an Early Termination Date occurred on the date of application or distribution hereunder);

SECONDLY: in retention of an amount equal to any amount not then due and payable under any Finance Document but which the Agent, by notice to the Borrower, the Security Parties and the other Creditor Parties states in its opinion will or may become due and payable in the future and, upon those amounts becoming due and payable, in or towards satisfaction of them in accordance with the foregoing provisions of this Clause;

THIRDLY: any surplus shall be paid to the Borrower or to any other person appearing to be entitled to it.

17.2 Variation of order of application. The Agent may, with the authorisation of all the Lenders and the Swap Bank, by notice to the Borrower, the Security Parties and the other Creditor Parties provide for a different manner of application from that set out in Clause 17.1 either as regards a specified sum or sums or as regards sums in a specified category or categories.

17.3 Notice of variation of order of application. The Agent may give notices under Clause 17.2 from time to time in respect of sums which may be received or recovered in the future.

17.4 Appropriation rights overridden. This Clause 17 and any notice which the Agent gives under Clause 17.2 shall override any right of appropriation possessed, and any appropriation made, by the Borrower or any Security Party.

18 APPLICATION OF EARNINGS

18.1 Payment of Earnings. The Borrower undertakes with each Creditor Party that, throughout the Security Period (subject only to the provisions of the General Assignments), all the Earnings of a Ship are paid to the Danaos Earnings Account.

18.2 Application of Earnings. The Borrower undertakes with each Creditor Party to procure that money from time to time credited to, or for the time being standing to the credit of, the Danaos Earnings Account shall, unless and until an Event of Default or Potential Event of Default shall have occurred (whereupon the provisions of Clause 17.1 shall be and become applicable), be available for application in the following manner:

(a) in or towards meeting the costs and expenses from time to time incurred by or on behalf of the relevant Owner in connection with the operation of the Ship owned by it;

(b) in or towards making payments of all amounts due and payable by the Borrower under this Agreement other than the payments of principal and interest pursuant to Clauses 8.1 and 5.1; and

(c) as to any surplus from time to time arising on the Danaos Earnings Account following application as aforesaid, to be paid to the relevant Owner or, as the case may be, the Borrower or to whomsoever the Borrower may direct.

18.3 Location of accounts. The Borrower shall promptly:

(a) comply with any requirement of the Agent as to the location or re-location of the Danaos Earnings Account; and

(b) execute any documents which the Agent specifies to create or maintain in favour of the Security Trustee a Security Interest over the Danaos Earnings Account.

19 EVENTS OF DEFAULT

19.1 Events of Default. An Event of Default occurs if:

(a) the Borrower or any Security Party fails to pay when due or (if so payable) on demand any sum payable under a Finance Document or under any document relating to a Finance Document; such failure shall not constitute an Event of Default if:

(i) such failure is due to a bank payment transmission, technical or administrative error; and

(ii) the Borrower or the relevant Security Party remedies such failure within 3 days or the due date of payment of the relevant amount; or

(b) any breach occurs of Clause 9, 11.3, 12.2, 12.3, 12.4, 12.5, 13.2 or 15.1; or

(c) any breach by the Borrower or any Security Party occurs of any provision of a Finance Document (other than a breach covered by paragraphs (a) or (b) above) if, in the opinion of the Majority Lenders, such default is capable of remedy, and such default is not remedied within 14 Business Days after written notice from the Agent requesting action to remedy the same; or

(d) (subject to any applicable grace period specified in the Finance Document) any breach (which the Security Trustee considers, in its discretion, to be material) by the Borrower or any Security Party occurs of any provision of a Finance Document (other than a breach covered by paragraphs (a), (b) or (c) above); or

(e) any representation, warranty or statement (which the Security Trustee considers, in its discretion, to be material) made by, or by an officer of, the Borrower or a Security Party in a Finance Document or in a Drawdown Notice or any other notice or document relating to a Finance Document is untrue or misleading when it is made (such failure shall not constitute an Event of Default if an innocent misrepresentation has been made and which, if capable of remedy, is remedied within 10 Business Days of its occurrence unless such innocent misrepresentation is made on a Drawdown Date); or

(f) any of the following occurs in relation to any Financial Indebtedness of a Relevant Person (other than the Borrower) or any Financial Indebtedness of the Borrower of at least $1,000,000 (or the equivalent in another currency) in aggregate in the case of any Financial Indebtedness falling within paragraph (a) of the definition of that term or any Financial Indebtedness falling within all other paragraphs of the definition of that term (or, when aggregated with any Financial Indebtedness falling within paragraph (a) of that term) of at least $10,000,000 in aggregate (or the equivalent in another currency):

(i) any Financial Indebtedness of a Relevant Person is not paid when due or, if so payable, on demand; or

(ii) any Financial Indebtedness of a Relevant Person becomes due and payable or capable of being declared due and payable prior to its stated maturity date as a consequence of any event of default; or

(iii) a lease, hire purchase agreement or charter creating any Financial Indebtedness of a Relevant Person is lawfully terminated by the lessor or owner or becomes capable of being lawfully terminated as a consequence of any termination event; or

(iv) any overdraft, loan, note issuance, acceptance credit, letter of credit, guarantee, foreign exchange or other facility, or any swap or other derivative contract or transaction, relating to any Financial Indebtedness of a Relevant Person ceases to

be available or becomes capable of being terminated as a result of any event of default, or cash cover is required, or becomes capable of being required, in respect of such a facility as a result of any event of default; or

(v) any Security Interest securing any Financial Indebtedness of a Relevant Person becomes enforceable; or

(g) any of the following occurs in relation to a Relevant Person:

(i) a Relevant Person becomes unable to pay its debts as they fall due; or

(ii) any assets of a Relevant Person are subject of any form of execution, attachment, arrest, sequestration or distress in respect of a sum of, or sums aggregating, $100,000 (or $10,000,000 in the case of the Borrower) or more or the equivalent in another currency; or

(iii) any administrative or other receiver is appointed over any asset of a Relevant Person; or

(iv) a Relevant Person makes any formal declaration of bankruptcy or any formal statement to the effect that it is insolvent or likely to become insolvent, or a winding up or administration order is made in relation to a Relevant Person, or the members or directors of a Relevant Person pass a resolution to the effect that it should be wound up, placed in administration or cease to carry on business, save that this paragraph does not apply to a fully solvent winding up of a Relevant Person other than the Borrower or an Owner which is, or is to be, effected for the purposes of an amalgamation or reconstruction previously approved by the Majority Lenders and effected not later than 3 months after the commencement of the winding up; or

(v) a petition is presented in any Pertinent Jurisdiction for the winding up or administration, or the appointment of a provisional liquidator, of a Relevant Person unless, in the case of an involuntary petition, the petition is being contested in good faith and on substantial grounds and is dismissed or withdrawn within 30 days of the presentation of the petition; or

(vi) a Relevant Person petitions a court, or presents any proposal for, any form of judicial or non-judicial suspension or deferral of payments, reorganisation of its debt (or certain of its debt) or arrangement with all or a substantial proportion (by number or value) of its creditors or of any class of them or any such suspension or deferral of payments, reorganisation or arrangement is effected by court order, contract or otherwise; or

(vii) any meeting of the members or directors of a Relevant Person is summoned for the purpose of considering a resolution or proposal to authorise or take any action of a type described in paragraphs (iii), (iv), (v) or (vi); or

(viii) in a Pertinent Jurisdiction other than England, any event occurs or any procedure is commenced which, in the reasonable opinion of the Majority Lenders, is similar to any of the foregoing; or

(h) the Borrower ceases, or threatens to cease, to carry on all or a substantial part of its business or, as a result of intervention by or under the authority of any government, the business of the Borrower is wholly or partially curtailed or suspended, or all or a substantial part of the assets or undertaking of the Borrower is seized, nationalised, expropriate of compulsorily acquired; or

(i) it becomes unlawful in any Pertinent Jurisdiction or impossible:

(i) for the Borrower or any Security Party to discharge any liability under a Finance Document or to comply with any other obligation which the Majority Lenders consider material under a Finance Document; or

(ii) for the Agent, the Security Trustee or the Lenders to exercise or enforce any right under, or to enforce any Security Interest created by, a Finance Document; or

(j) any consent necessary to enable any Owner to own, operate or charter the Ship owned by it or to enable the Borrower, any Owner or any Security Party to comply with any provision which the Majority Lenders consider material of a Finance Document, any Charterparty or a Shipbuilding Contract is not granted, expires without being renewed, is revoked or becomes liable to revocation or any condition of such a consent is not fulfilled if this materially affects the security position of the Creditor Parties or the ability of the Borrower or a Security Party to timely discharge and/or perform its or their liabilities and obligations (or any of them) under any Finance Document; or

(k) if, without the prior consent of the Majority Lenders, members of the Dr. John Coustas family (either directly and/or through companies beneficially owned by members of the Dr. John Coustas family and/or trusts or foundations of which members of the Dr. John Coustas family are beneficiaries) own and control less than 51 per cent. of the issued voting share capital of the Borrower; or

(l) if, without the prior consent of the Majority Lenders, the shares of the Borrower cease to be listed on the New York Stock Exchange; or

(m) it appears to the Majority Lenders that, without their prior consent, a change has occurred or probably has occurred after the date of this Agreement in the ultimate beneficial ownership of any of the shares in any Owner or in the ultimate control of the voting rights attaching to any of those shares; or

(n) any provision which the Majority Lenders consider material of a Finance Document proves to have been or becomes invalid or unenforceable, or a Security Interest created by a Finance Document proves to have been or becomes invalid or unenforceable or such a Security Interest proves to have ranked after, or loses its priority to, another Security Interest or any other third party claim or interest; or

(o) the security constituted by a Finance Document is in any way imperilled or in jeopardy unless within 14 Business Days of the security being so imperilled or jeopardised (i) the Borrower or a Security Party provides to the Majority Lenders security in the form of a new Finance Document which, in the opinion of the Lenders, is equivalent to that constituted by the Finance Document which has become imperilled or jeopardised or (ii) the security ceases to be imperilled or in jeopardy; or

(p) the Master Agreement is terminated, cancelled, suspended, rescinded or revoked or otherwise ceases to remain in full force and effect for any reason except with the consent of the Agent (acting with the authorisation of the Majority Lenders); or

(q) for any reason whatsoever, any Ship ceases to be managed by the Approved Manager on terms in all respects approved by the Agent; or

(r) an Event of Default (as defined in Section 14 of the Master Agreement) occurs; or

(s) any other event occurs or any other circumstances arise or develop including, without limitation:

(i) a change in the financial position, state of affairs or prospects of the Borrower or any Owner; or

(ii) any accident or other event involving any Ship or another vessel owned, chartered or operated by a Relevant Person;

in the light of which the Majority Lenders consider that there is a material risk that the Borrower is, or will later become, unable to discharge its liabilities under the Finance Documents as they fall due.

19.2 Actions following an Event of Default. On, or at any time after, the occurrence of an Event of Default which is continuing:

(a) the Agent may, and if so instructed by the Majority Lenders, the Agent shall:

(i) serve on the Borrower a notice stating that the Commitments and all other obligations of each Lender to the Borrower under this Agreement are terminated; and/or

(ii) serve on the Borrower a notice stating that the Commitments, all accrued interest and all other amounts accrued or owing under this Agreement are immediately due and payable or are due and payable on demand; and/or

(iii) take any other action which, as a result of the Event of Default or any notice served under paragraph (i) or (ii) above, the Agent and/or the Lenders are entitled to take under any Finance Document or any applicable law;

(b) the Security Trustee may, and if so instructed by the Agent, acting with the authorisation of the Majority Lenders, the Security Trustee shall take any action which, as a result of the Event of Default or any notice served under paragraph (a) (i) or (ii), the Security Trustee, the Agent and/or the Lenders are entitled to take under any Finance Document or any applicable law.

19.3 Termination of Commitments. On the service of a notice under paragraph (a)(i) of Clause 19.2, the Commitments and all other obligations of each Lender to the Borrower under this Agreement shall terminate.

19.4 Acceleration. On the service of a notice under paragraph (a)(ii) of Clause 19.2, the Loan, all accrued interest and all other amounts accrued or owing from the Borrower or any Security Party under this Agreement and every other Finance Document shall become immediately due and payable or, as the case may be, payable on demand.

19.5 Multiple notices; action without notice. The Agent may serve notices under paragraphs (a) (i) and (ii) of Clause 19.2 simultaneously or on different dates and it and/or the Security Trustee may take any action referred to in that Clause if no such notice is served or simultaneously with or at any time after the service of both or either of such notices.

19.6 Notification of Creditor Parties and Security Parties. The Agent shall send to each Lender, the Security Trustee and each Security Party a copy or the text of any notice which the Agent serves on the Borrower under Clause 19.2; but the notice shall become effective when it is served on the Borrower, and no failure or delay by the Agent to send a copy or the text of the notice to any other person shall invalidate the notice or provide the Borrower or any Security Party with any form of claim or defence

19.7 Creditor Party rights unimpaired. Nothing in this Clause shall be taken to impair or restrict the exercise of any right given to individual Lenders under a Finance Document or the general law; and, in particular, this Clause is without prejudice to Clause 3.1.

19.8 Exclusion of Creditor Party liability. No Creditor Party nor any receiver or manager appointed by the Security Trustee, shall have any liability to the Borrower or a Security Party:

(a) for any loss caused by an exercise of rights under, or enforcement of a Security Interest created by, a Finance Document or by any failure or delay to exercise such a right or to enforce such a Security Interest; or

(b) as mortgagee in possession or otherwise, for any income or principal amount which might have been produced by or realised from any asset comprised in such a Security Interest or for any reduction (however caused) in the value of such an asset,

except that this does not exempt a Creditor Party or a receiver or manager from liability for losses shown to have been caused by the gross negligence or the wilful misconduct of the Creditor Party's own officers and employees or (as the case may be) such receiver's or manager's own partners or employees.

19.9 Relevant Persons. In this Clause 19 " **a Relevant Person** " means the Borrower, a Security Party and any company which is a subsidiary of the Borrower or a Security Party or of which a Security Party is a subsidiary but excluding any company which is dormant and the value of whose gross assets is $50,000 or less.

19.10 Interpretation. In Clause 19.1(f) references to an event of default or a termination event include any event, howsoever described, which is similar to an event of default in a facility agreement or a termination event in a finance lease; and in Clause 19.1(g) " **petition** " includes an application.

20 FEES AND EXPENSES

20.1 Arrangement and commitment fees. The Borrower shall pay to the Agent:

(a) a non-refundable arrangement fee of $360,000 on the date of this Agreement; and

(b) a commitment fee at the rate of 0.25 per cent. per annum on the undrawn balance of the Loan during the period from (and including) the date of this Agreement up to and including the earlier of (i) the final Drawdown Date and (ii) the last day of the Availability Period for Tranche C, such commitment fee to be payable every 3 months in arrears and on the last day of such period.

20.2 Costs of negotiation, preparation etc. The Borrower shall pay to the Agent on its demand the amount of all expenses reasonably incurred by the Agent, the Lenders or the Security Trustee in connection with the negotiation, preparation, execution or registration of any Finance Document or any related document or with any transaction contemplated by a Finance Document or a related document.

20.3 Costs of variations, amendments, enforcement etc. The Borrower shall pay to the Agent, on the Agent's demand, the amount of all expenses incurred by a Lender in connection with:

(a) any amendment or supplement to a Finance Document, or any proposal for such an amendment to be made;

(b) any consent or waiver by the Agent, the Majority Lenders or the Lender concerned under or in connection with a Finance Document, or any request for such a consent or waiver;

(c) the valuation of any security provided or offered under Clause 15 or any other matter relating to such security; or

(d) any step taken by the Lender concerned with a view to the protection, exercise or enforcement of any right or Security Interest created by a Finance Document or for any similar purpose.

There shall be recoverable under paragraph (d) the full amount of all legal expenses, whether or not such as would be allowed under rules of court or any taxation or other procedure carried out under such rules.

20.4 Documentary taxes. The Borrower shall promptly pay any tax payable on or by reference to any Finance Document, and shall, on the Agent's demand, fully indemnify each Creditor Party against any liabilities and expenses resulting from any failure or delay by the Borrower to pay such a tax.

20.5 Certification of amounts. A notice which is signed by an officer of a Creditor Party, which states that a specified amount, or aggregate amount, is due to that Creditor Party under this Clause 20 and which indicates (without necessarily specifying a detailed breakdown) the matters in respect of which the amount, or aggregate amount, is due shall be prima facie evidence that the amount, or aggregate amount, is due save in the case of manifest error.

21 INDEMNITIES

21.1 Indemnities regarding borrowing and repayment of Loan. The Borrower shall fully indemnify the Agent and each Lender on the Agent's demand and the Security Trustee on its demand in respect of all expenses, liabilities and losses which are incurred by that Creditor Party, or which that Creditor Party reasonably and with due diligence estimates that it will incur, as a result of or in connection with:

(a) an Advance not being borrowed on the date specified in the Drawdown Notice for any reason other than a default by the Lender claiming the indemnity;

(b) the receipt or recovery of all or any part of the Loan or an overdue sum otherwise than on the last day of an Interest Period applicable to it or other relevant period;

(c) any failure (for whatever reason) by the Borrower to make payment of any amount due under a Finance Document on the due date or, if so payable, on demand (after giving credit for any default interest paid by the Borrower on the amount concerned under Clause 7);

(d) the occurrence and/or continuance of an Event of Default or a Potential Event of Default and/or the acceleration of repayment of the Loan under Clause 19;

and in respect of any tax (other than tax on its overall net income) for which a Creditor Party is liable in connection with any amount paid or payable to that Creditor Party (whether for its own account or otherwise) under any Finance Document.

21.2 Breakage costs. Without limiting its generality, Clause 21.1 covers any liability, expense or loss, including a loss of a prospective profit, incurred by a Lender:

(a) in liquidating or employing deposits from third parties acquired or arranged to fund or maintain all or any part of its Contribution and/or any overdue amount (or an aggregate amount which includes its Contribution or any overdue amount); and

(b) in terminating, or otherwise in connection with, any interest and/or currency swap or any other transaction entered into (whether with another legal entity or with another office or department of the Lender concerned) to hedge any exposure arising under this Agreement or that part which the Lender concerned determines is fairly attributable to this Agreement of the amount of the liabilities, expenses or losses (including losses of prospective profits) incurred by it in terminating, or otherwise in connection with, a number of transactions of which this Agreement is one.

21.3 Miscellaneous indemnities. The Borrower shall fully indemnify each Creditor Party severally on their respective demands in respect of all claims, demands, proceedings, liabilities, taxes, losses and expenses of every kind (" **liability items** ") which may be made or brought against, or incurred by, the Creditor Party concerned, in any country, in relation to:

(a) any action taken, or omitted or neglected to be taken, under or in connection with any Finance Document by the Creditor Party concerned or by any receiver appointed under a Finance Document;

(b) any other event, matter or question which occurs or arises at any time during the Security Period and which has any connection with, or any bearing on, any Finance Document, any payment or other transaction relating to a Finance Document or any asset covered (or previously covered) by a Security Interest created (or intended to be created) by a Finance Document;

other than liability items which are shown to have been caused by the gross negligence or the wilful misconduct of the officers or employees of the Creditor Party concerned.

21.4 Extension of indemnities; environmental indemnity. Without prejudice to its generality, Clause 21.3 covers:

(a) any matter which would be covered by Clause 20.3 if any of the references in that Clause to a Lender were a reference to the Agent or (as the case may be) to the Security Trustee; and

(b) any liability items which arise, or are asserted, under or in connection with any law relating to safety at sea, pollution or the protection of the environment, the ISM Code or the ISPS Code.

21.5 Currency indemnity. If any sum due from the Borrower or any Security Party to a Creditor Party under a Finance Document or under any order or judgment relating to a Finance Document has to be converted from the currency in which the Finance Document provided for the sum to be paid (the " **Contractual Currency** ") into another currency (the " **Payment Currency** ") for the purpose of:

(a) making or lodging any claim or proof against the Borrower or any Security Party, whether in its liquidation, any arrangement involving it or otherwise; or

(b) obtaining an order or judgment from any court or other tribunal; or

(c) enforcing any such order or judgment;

the Borrower shall indemnify the Creditor Party concerned against the loss arising when the amount of the payment actually received by that Creditor Party is converted at the available rate of exchange into the Contractual Currency.

In this Clause 21.5 the " **available rate of exchange** " means the rate at which the Creditor Party concerned is able at the opening of business (London time) on the Business Day after it receives the sum concerned to purchase the Contractual Currency with the Payment Currency.

This Clause 21.5 creates a separate liability of the Borrower which is distinct from its other liabilities under the Finance Documents and which shall not be merged in any judgment or order relating to those other liabilities.

21.6 Application to Master Agreement. For the avoidance of doubt, Clause 21.5 does not apply in respect of sums due from the Borrower to the Swap Bank under or in connection

with the Master Agreement as to which sums the provisions of section 8 (Contractual Currency) of the Master Agreement shall apply.

21.7 **Certification of amounts.** A notice which is signed by 2 officers of a Creditor Party, which states that a specified amount, or aggregate amount, is due to that Creditor Party under this Clause 21 and which indicates (without necessarily specifying a detailed breakdown) the matters in respect of which the amount, or aggregate amount, is due shall be prima facie evidence that the amount, or aggregate amount, is due.

21.8 **Sums deemed due to a Lender.** For the purposes of this Clause 21, a sum payable by the Borrower to the Agent or the Security Trustee for distribution to a Lender shall be treated as a sum due to that Lender save in the case of manifest error.

22 NO SET-OFF OR TAX DEDUCTION

22.1 **No deductions.** All amounts due from the Borrower under a Finance Document shall be paid:

(a) without any form of set-off, cross-claim or condition; and

(b) free and clear of any tax deduction except a tax deduction which the Borrower is required by law to make.

22.2 **Grossing-up for taxes.** If the Borrower is required by law to make a tax deduction from any payment:

(a) the Borrower shall notify the Agent as soon as it becomes aware of the requirement;

(b) the Borrower shall pay the tax deducted to the appropriate taxation authority promptly, and in any event before any fine or penalty arises; and

(c) the amount due in respect of the payment shall be increased by the amount necessary to ensure that each Creditor Party receives and retains (free from any liability relating to the tax deduction) a net amount which, after the tax deduction, is equal to the full amount which it would otherwise have received.

22.3 **Evidence of payment of taxes.** Within 1 month after making any tax deduction, the Borrower shall deliver to the Agent documentary evidence satisfactory to the Agent that the tax had been paid to the appropriate taxation authority.

22.4 **Exclusion of tax on overall net income.** In this Clause 22 " **tax deduction** " means any deduction or withholding for or on account of any present or future tax except tax on a Creditor Party's overall net income.

22.5 **Application to the Master Agreement.** For the avoidance of doubt, Clause 22 does not apply in respect of sums due from the Borrower to the Swap Bank under or in connection with the Master Agreement as to which sums the provisions of section 2(d) (Deduction or Withholding for Tax) of the Master Agreement shall apply.

23 ILLEGALITY, ETC

23.1 **Illegality.** This Clause 23 applies if a Lender (the " **Notifying Lender** ") notifies the Agent that it has become, or will with effect from a specified date, become:

(a) unlawful or prohibited as a result of the introduction of a new law, an amendment to an existing law or a change in the manner in which an existing law is or will be interpreted or applied; or

(b) contrary to, or inconsistent with, a regulation;

for the Notifying Lender to maintain or give effect to any of its obligations under this Agreement in the manner contemplated by this Agreement.

23.2 Notification of illegality. The Agent shall promptly notify the Borrower, the Security Parties, the Security Trustee and the other Lenders of the notice under Clause 23.1 which the Agent receives from the Notifying Lender.

23.3 Prepayment; termination of Commitment. On the Agent notifying the Borrower under Clause 23.2, the Notifying Lender's Commitment shall terminate; and thereupon or, if later, on the date specified in the Notifying Lender's notice under Clause 23.1 as the date on which the notified event would become effective the Borrower shall prepay the Notifying Lender's Contribution in accordance with Clause 8 (other than Clause 8.6).

24 INCREASED COSTS

24.1 Increased costs. This Clause 24 applies if a Lender (the " **Notifying Lender** ") notifies the Agent that the Notifying Lender considers that as a result of:

(a) the introduction or alteration after the date of this Agreement of a law, or a regulation or an alteration after the date of this Agreement in the manner in which a law or regulation is interpreted or applied (disregarding any effect which relates to the application to payments under this Agreement of a tax on the Notifying Lender's overall net income); or

(b) the effect of complying with any law or regulation (including any which relates to capital adequacy or liquidity controls or which affects the manner in which the Notifying Lender allocates capital resources to its obligations under this Agreement (including, without limitation, the implementation of any regulations which shall replace, amend and / or supplement those set out in the statement of the Basle Committee on Banking Regulations and Supervisory Practices dated July 1988 and entitled "International Convergence of Capital Measurement and Capital Structures")) which is introduced, or altered, or the interpretation or application of which is altered, after the date of this Agreement,

the Notifying Lender (or a parent company of it) has incurred or will incur an " **increased cost** ", that is to say,:

(i) an additional or increased cost incurred as a result of, or in connection with, the Notifying Lender having entered into, or being a party to, this Agreement or a Transfer Certificate, of funding or maintaining its Commitment or its Contribution or performing its obligations under this Agreement, or of having outstanding all or any part of its Contribution or other unpaid sums;

(ii) a reduction in the amount of any payment to the Notifying Lender under this Agreement or in the effective return which such a payment represents to the Notifying Lender or on its capital;

(iii) an additional or increased cost of funding or maintaining all or any of the advances comprised in a class of advances formed by or including the Notifying Lender's Contribution or (as the case may require) the proportion of that cost attributable to the Contribution; or

(iv) a liability to make a payment, or a return foregone, which is calculated by reference to any amounts received or receivable by the Notifying Lender under this Agreement;

but not an item attributable to a change in the rate of tax on the overall net income of the Notifying Lender (or a parent company of it) or an item covered by the indemnity for tax in Clause 21.1 or by Clause 22.

For the purposes of this Clause 24.1 the Notifying Lender may in good faith allocate or spread costs and/or losses among its assets and liabilities (or any class thereof) on such basis as it considers appropriate.

24.2 Notification to Borrower of claim for increased costs. The Agent shall promptly notify the Borrower and the Security Parties of the notice which the Agent received from the Notifying Lender under Clause 24.1.

24.3 Payment of increased costs. The Borrower shall pay to the Agent, on the Agent's demand, for the account of the Notifying Lender the amounts which the Agent from time to time notifies the Borrower that the Notifying Lender has specified to be necessary to compensate the Notifying Lender for the increased cost.

24.4 Notice of prepayment. If the Borrower is not willing to continue to compensate the Notifying Lender for the increased cost under Clause 24.3, the Borrower may give the Agent not less than 3 Business Days' notice of its intention to prepay the Notifying Lender's Contribution.

24.5 Prepayment; termination of Commitment. A notice under Clause 24.4 shall be irrevocable; the Agent shall promptly notify the Notifying Lender of the Borrower's notice of intended prepayment; and:

(a) on the date on which the Agent serves that notice, the Commitment of the Notifying Lender shall be cancelled; and

(b) on the date specified in its notice of intended prepayment, the Borrower shall prepay (without premium or penalty) the Notifying Lender's Contribution, together with accrued interest thereon at the applicable rate plus the Margin (but subject to Clause 21.1).

24.6 Application of prepayment. Clause 8 shall apply in relation to the prepayment.

25 SET-OFF

25.1 Application of credit balances. Each Creditor Party may without prior notice but following the occurrence of an Event of Default which is continuing:

(a) apply any balance (whether or not then due) which at any time stands to the credit of any account in the name of the Borrower at any office in any country of that Creditor Party in or towards satisfaction of any sum then due from the Borrower to that Creditor Party under any of the Finance Documents; and

(b) for that purpose:

(i) break, or alter the maturity of, all or any part of a deposit of the Borrower;

(ii) convert or translate all or any part of a deposit or other credit balance into Dollars; and/or

(iii) enter into any other transaction or make any entry with regard to the credit balance which the Creditor Party concerned considers appropriate.

25.2 Existing rights unaffected. No Creditor Party shall be obliged to exercise any of its rights under Clause 25.1; and those rights shall be without prejudice and in addition to

any right of set-off, combination of accounts, charge, lien or other right or remedy to which a Creditor Party is entitled (whether under the general law or any document).

25.3 Sums deemed due to a Lender. For the purposes of this Clause 25, a sum payable by the Borrower to the Agent or the Security Trustee for distribution to, or for the account of, a Lender shall be treated as a sum due to that Lender; and each Lender's proportion of a sum so payable for distribution to, or for the account of, the Lenders shall be treated as a sum due to such Lender.

26 TRANSFERS AND CHANGES IN LENDING OFFICES

26.1 Transfer by Borrower. The Borrower may not, without the prior consent of the Agent, given with the authorisation of all the Lenders:

(a) transfer any of its rights or obligations under any Finance Document; or

(b) enter into any merger, de-merger or other reorganisation, or carry out any other act, as a result of which any of its rights or liabilities would vest in, or pass to, another person.

26.2 Transfer by a Lender. Subject to Clause 26.4, a Lender (the " **Transferor Lender** ") may cause:

(a) its rights in respect of all or part of its Contribution; and

(b) an equal proportion of its obligations in respect of all or part of its Commitment,

to be (in the case of its rights) transferred to, or (in the case of its obligations) assumed by, another bank or financial institution or special purpose vehicle established by any Lender (a " **Transferee Lender** ") by delivering to the Agent a completed certificate in the form set out in Schedule 5 with any modifications approved or required by the Agent (a " **Transfer Certificate** ") executed by the Transferor Lender and the Transferee Lender.

Any rights and obligations of the Transferor Lender in its capacity as Agent, the Agent or Security Trustee will have to be dealt with separately in accordance with the Agency and Trust Agreement.

A transfer pursuant to this Clause 26.2 shall:

(i) require the prior written the consent of the Agent;

(ii) be effected without the consent of, but with notice to, the Borrower:

(A) following the occurrence of an Event of Default;

(B) if such transfer is to a subsidiary or any other company or financial institution which is in the same ownership or control as the Transferor Lender; and

(iii) require the consent of the Borrower (such consent not to be unreasonably withheld or delayed) in all other circumstances.

26.3 Transfer Certificate, delivery and notification. As soon as reasonably practicable after a Transfer Certificate is delivered to the Agent, it shall (unless it has reason to believe that the Transfer Certificate may be defective):

(a) sign the Transfer Certificate on behalf of itself, the Borrower, the Security Parties, the Security Trustee, each of the other Lenders and the Swap Bank;

(b) on behalf of the Transferee Lender, send to the Borrower and each Security Party letters or faxes notifying them of the Transfer Certificate and attaching a copy of it; and

(c) send to the Transferee Lender copies of the letters or faxes sent under paragraph (b).

26.4 Effective Date of Transfer Certificate. A Transfer Certificate becomes effective on the date, if any, specified in the Transfer Certificate as its effective date, **provided that** it is signed by the Agent under Clause 26.3 on or before that date.

26.5 No transfer without Transfer Certificate. No assignment or transfer of any right or obligation of a Lender under any Finance Document is binding on, or effective in relation to, the Borrower, any Security Party, the Agent or the Security Trustee unless it is effected, evidenced or perfected by a Transfer Certificate.

26.6 Lender re-organisation; waiver of Transfer Certificate. If a Lender enters into any merger, de-merger or other reorganisation as a result of which all its rights or obligations vest in a successor, the successor shall automatically and without any further act being necessary become a Lender with the same Commitment and Contribution as were held by the predecessor Lender.

26.7 Effect of Transfer Certificate. A Transfer Certificate takes effect in accordance with English law as follows:

(a) to the extent specified in the Transfer Certificate, all rights and interests (present, future or contingent) which the Transferor Lender has under or by virtue of the Finance Documents are assigned to the Transferee Lender absolutely;

(b) the Transferor Lender's Commitment is discharged to the extent specified in the Transfer Certificate;

(c) the Transferee Lender becomes a Lender with a Contribution and a Commitment of an amount specified in the Transfer Certificate;

(d) the Transferee Lender becomes bound by all the provisions of the Finance Documents which are applicable to the Lenders generally, including those about pro-rata sharing and the exclusion of liability on the part of, and the indemnification of, the Agent and the Security Trustee and, to the extent that the Transferee Lender becomes bound by those provisions (other than those relating to exclusion of liability), the Transferor Lender ceases to be bound by them;

(e) any part of the Loan which the Transferee Lender advances after the Transfer Certificate's effective date ranks in point of priority and security in the same way as it would have ranked had it been advanced by the Transferor Lender;

(f) the Transferee Lender becomes entitled to all the rights under the Finance Documents which are applicable to the Lenders generally, including but not limited to those relating to the Majority Lenders and those under Clause 5.7 and Clause 20, and to the extent that the Transferee Lender becomes entitled to such rights, the Transferor Lender ceases to be entitled to them; and

(g) in respect of any breach of a warranty, undertaking, condition or other provision of a Finance Document or any misrepresentation made in or in connection with a Finance Document, the Transferee Lender shall be entitled to recover damages by reference to the loss incurred by it as a result of the breach or misrepresentation, irrespective of whether the original Lender would have incurred a loss of that kind or amount.

The rights and equities of the Borrower or any Security Party referred to above include, but are not limited to, any right of set off and any other kind of cross-claim.

26.8 **Maintenance of register of Lenders.** During the Security Period the Agent shall maintain a register in which it shall record the name, Commitment, Contribution and administrative details (including the lending office) from time to time of each Lender and the effective date (in accordance with Clause 26.4) of each Transfer Certificate; and the Agent shall make the register available for inspection by any Lender, the Security Trustee and the Borrower during normal banking hours, subject to receiving at least 3 Business Days prior notice.

26.9 **Reliance on register of Lenders.** The entries on that register shall, in the absence of manifest error, be conclusive in determining the identities of the Lenders and the amounts of their Commitments and Contributions and the effective dates of Transfer Certificates and may be relied upon by the Agent and the other parties to the Finance Documents for all purposes relating to the Finance Documents.

26.10 **Authorisation of Agent to sign Transfer Certificates.** The Borrower, the Security Trustee and each Lender irrevocably authorises the Agent to sign Transfer Certificates on its behalf.

26.11 **Registration fee.** In respect of any Transfer Certificate, the Agent shall, following its request and at its option, be entitled to recover a registration fee of $2,500 from the Transferor Lender or (at the Agent's option) the Transferee Lender.

26.12 **Sub-participation; subrogation assignment.** A Lender may sub-participate all or any part of its rights and/or obligations under or in connection with the Finance Documents without the consent of, or any notice to, the Borrower, any Security Party, the Agent or the Security Trustee; and the Lenders may assign, in any manner and terms agreed by the Majority Lenders, the Agent and the Security Trustee, all or any part of those rights to an insurer or surety who has become subrogated to them.

26.13 **Disclosure of information.** A Lender may provide or disclose to an actual or potential Transferee Lender, any assignee or sub-participant or any person who may otherwise enter into contractual relations with that Lender in connection with this Agreement, a copy of this Agreement, copies of all information provided by the Borrower or any of the Security Parties under or in connection with each Finance Document, details of drawings made by the Borrower under this Agreement and information regarding the performance by the Borrower and the Security Parties of their obligations under this Agreement and the other Finance Documents.

26.14 **Change of lending office.** A Lender may change its lending office and may change its booking office by giving notice to the Agent and the change shall become effective on the later of:

(a) the date on which the Agent receives the notice; and

(b) the date, if any, specified in the notice as the date on which the change will come into effect.

26.15 **Notification.** On receiving a notice pursuant to Clause 26.14, the Agent shall notify the Borrower and the Security Trustee; and, until the Agent receives such a notice, it shall be entitled to assume that a Lender is acting through the lending office or is acting through the booking office of which the Agent last had notice.

27 VARIATIONS AND WAIVERS

27.1 **Variations, waivers etc. by Majority Lenders.** Subject to Clause 27.2, a document shall be effective to vary, waive, suspend or limit any provision of a Finance Document, or any Creditor Party's rights or remedies under such a provision or the general law, only

if the document is signed, or specifically agreed to by fax, by the Borrower, by the Agent on behalf and with the consent of the Majority Lenders, by the Agent and the Security Trustee in their own rights, and, if the document relates to a Finance Document to which a Security Party is party, by that Security Party.

27.2 Variations, waivers etc. requiring agreement of all Lenders. However, as regards the following, Clause 27.1 applies as if the words "by the Agent on behalf and with the consent of the Majority Lenders" were replaced by the words "by or on behalf and with the consent of every Lender":

(a) a change in the definition of the Margin or in the definition of LIBOR or EURIBOR;

(b) a change to the date for, or the amount of, any payment of principal, interest, fees, or other sum payable under this Agreement;

(c) a change to any Lender's Commitment;

(d) an extension of the Availability Period;

(e) a change to the definition of "Majority Lenders" or "Finance Documents";

(f) a change to the preamble or to Clause 2, 3, 4, 5.1, 8.2, 11, 12.4, 17, 18, 19 or 30;

(g) a change to this Clause 27;

(h) any release of, or material variation to, a Security Interest, guarantee, indemnity or subordination arrangement set out in a Finance Document; and

(i) any other change or matter as regards which this Agreement or another Finance Document expressly provides that each Lender's consent is required.

27.3 Exclusion of other or implied variations. Except for a document which satisfies the requirements of Clauses 27.1 and 27.2, no document, and no act, course of conduct, failure or neglect to act, delay or acquiescence on the part of the Creditor Parties or any of them (or any person acting on behalf of any of them) shall result in the Creditor Parties or any of them (or any person acting on behalf of any of them) being taken to have varied, waived, suspended or limited, or being precluded (permanently or temporarily) from enforcing, relying on or exercising:

(a) a provision of this Agreement or another Finance Document; or

(b) an Event of Default; or

(c) a breach by the Borrower or a Security Party of an obligation under a Finance Document or the general law; or

(d) any right or remedy conferred by any Finance Document or by the general law;

(e) and there shall not be implied into any Finance Document any term or condition requiring any such provision to be enforced, or such right or remedy to be exercised, within a certain or reasonable time.

28 NOTICES

28.1 General. Unless otherwise specifically provided, any notice under or in connection with any Finance Document shall be given by letter or fax; and references in the Finance Documents to written notices, notices in writing and notices signed by particular persons shall be construed accordingly.

28.2 Addresses for communications. A notice shall be sent:

(a)	to the Borrower:	c/o Approved Manager Akti Kondyli 14 185 45 Piraeus Greece Fax No: +30 210 422 0853
(b)	to a Lender:	At the address below its name in Schedule 1 or (as the case may require) in the relevant Transfer Certificate
(c)	to the Agent and Security Trustee:	Ludwig-Erhard-Straße 1 D-20459 Hamburg

Germany

Fax No: + (49) 40 3701 4649

Attention: Mr Wolfgang Steinle

(d) to the Swap Bank: Theodor-Heuss-Allee 70
60486 Frankfurt am Main
Germany

Fax No: + (49) 69 910 36097

Attention: Legal Department

or to such other address as the relevant party may notify the other.

28.3 Effective date of notices. Subject to Clauses 28.4 and 28.5:

(a) a notice which is delivered personally or posted shall be deemed to be served, and shall take effect, at the time when it is delivered; and

(b) a notice which is sent by fax shall be deemed to be served, and shall take effect, 2 hours after its transmission is completed.

28.4 Service outside business hours. However, if under Clause 28.3 a notice would be deemed to be served:

(a) on a day which is not a business day in the place of receipt; or

(b) on such a business day, but after 5 p.m. local time,

the notice shall (subject to Clause 28.5) be deemed to be served, and shall take effect, at 9 a.m. on the next day which is such a business day.

28.5 Illegible notices. Clauses 28.3 and 28.4 do not apply if the recipient of a notice notifies the sender within one hour after the time at which the notice would otherwise be deemed to be served that the notice has been received in a form which is illegible in a material respect.

28.6 Valid notices. A notice under or in connection with a Finance Document shall not be invalid by reason that its contents or the manner of serving it does not comply with the requirements of this Agreement or, where appropriate, any other Finance Document

under which it is served if the failure to serve it in accordance with the requirements of this Agreement or other Finance Document, as the case may be, has not caused any party to suffer any significant loss or prejudice.

28.7 English language. Any notice under or in connection with a Finance Document shall be in English.

28.8 Meaning of "notice". In this Clause "notice" includes any demand, consent, authorisation, approval, instruction, waiver or other communication.

29 SUPPLEMENTAL

29.1 Rights cumulative, non-exclusive. The rights and remedies which the Finance Documents give to each Creditor Party are:

(a) cumulative;

(b) may be exercised as often as appears expedient; and

(c) shall not, unless a Finance Document explicitly and specifically states so, be taken to exclude or limit any right or remedy conferred by any law.

29.2 Severability of provisions. If any provision of a Finance Document is or subsequently becomes void, unenforceable or illegal, that shall not affect the validity, enforceability or legality of the other provisions of that Finance Document or of the provisions of any other Finance Document.

29.3 Counterparts. A Finance Document may be executed in any number of counterparts.

29.4 Benefit and binding effect . The terms of this Agreement shall be binding upon, and shall enure to the benefit of, the parties hereto and their respective (including subsequent) successors and permitted assigns and transferees.

29.5 Third party rights. A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

30 LAW AND JURISDICTION

30.1 English law. This Agreement shall be governed by, and construed in accordance with, English law.

30.2 Exclusive English jurisdiction. Subject to Clause 30.3, the courts of England shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Agreement.

30.3 Choice of forum for the exclusive benefit of the Creditor Parties. Clause 30.2 is for the exclusive benefit of the Creditor Parties, each of which reserves the right:

(a) to commence proceedings in relation to any matter which arises out of or in connection with this Agreement in the courts of any country other than England and which have or claim jurisdiction to that matter; and

(b) to commence such proceedings in the courts of any such country or countries concurrently with or in addition to proceedings in England or without commencing proceedings in England.

The Borrower shall not commence any proceedings in any country other than England in relation to a matter which arises out of or in connection with this Agreement.

30.4 Process agent. The Borrower irrevocably appoints Danaos Management Consultants at their office for the time being, presently at 4 Staple Inn, Holborrn, London WC1V 7QU, England to act as its process agent to receive and accept on its behalf any process or other document relating to any proceedings in the English courts which are connected with this Agreement.

30.5 Lender rights unaffected. Nothing in this Clause 30 shall exclude or limit any right which any Creditor Party may have (whether under the law of any country, an international convention or otherwise) with regard to the bringing of proceedings, the service of process, the recognition or enforcement of a judgment or any similar or related matter in any jurisdiction.

30.6 Meaning of "proceedings". In this Clause 30, " **proceedings** " means proceedings of any kind, including an application for a provisional or protective measure.

THIS AGREEMENT has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1

LENDERS AND COMMITMENTS

Lender and Lending Office	Commitment (US Dollars)
Deutsche Bank AG Filiale Deutschlandgeschäft Ludwig-Erhard-Straße 1 D-20459 Hamburg Germany	180,000,000

SCHEDULE 2

DRAWDOWN NOTICE

To: Deutsche Bank AG Filiale Deutschlandgeschäft
Ludwig-Erhard- Straße 1
D-20459 Hamburg
Germany

2008

DRAWDOWN NOTICE

1 We refer to the loan agreement (the " **Loan Agreement** ") dated 2008 and made between us, the Borrower, the Lenders referred to therein and yourselves as Agent and Security Trustee, in connection with a senior secured term loan facility of up to US$180,000,000. Terms defined in the Loan Agreement have their defined meanings when used in this Drawdown Notice.

2 We request to borrow the [ ] Advance of Tranche [ ] as follows:

(a) Amount: US$[ ];

(b) Drawdown Date: [ ];

(c) Duration of the first Interest Period shall be [ ] months;

(d) Payment instructions : account of [ ] and numbered [ ] with [ ] of [ ].

3 We represent and warrant that:

(a) the representations and warranties in Clause 10 of the Loan Agreement would remain true and not misleading if repeated on the date of this notice with reference to the circumstances now existing; and

(b) no Event of Default or Potential Event of Default has occurred or will result from the borrowing of the Loan.

4 This notice cannot be revoked without your prior consent.

5 We authorise you to deduct any fees including the arrangement fee and any accrued commitment fee referred to in Clause 20 from the amount of the Advance.

Attorney-in-Fact
for and on behalf of
DANAOS CORPORATION

SCHEDULE 3

CONDITION PRECEDENT DOCUMENTS

In this Schedule 2 " **Relevant Ship** " means, in relation to a Tranche of an Advance to be made under such Tranche, the Ship which is to be part-financed by that Tranche.

PART A

The following are the documents referred to in Clause 9.1(a).

1 A duly executed original of each Guarantee, the Master Agreement, the Agency and Trust Agreement, the Master Agreement Assignment and the Danaos Earnings Account Pledge.

2 Certified copies of the certificate of incorporation and constitutional documents of the Borrower and each Owner.

3 Copies of resolutions of the shareholders and directors of each Owner authorising the execution of each of the Finance Documents to which that Owner is a party and, in the case of each Owner ratifying the execution of the Shipbuilding Contracts.

4 Evidence that the Danaos Earnings Account has been duly opened with the Agent by the Borrower.

5 The original of any power of attorney under which any Finance Document is executed on behalf of the Borrower or each Owner.

6 Copies of all consents which the Borrower or any Security Party requires to enter into, or make any payment under, any Finance Document or any Shipbuilding Contract.

7 Originals of the Refund Guarantees and certified true copies of the Shipbuilding Contracts duly executed by the parties thereto.

8 Documentary evidence that the agent for service of process named in Clause 30 has accepted its appointment.

9 Favourable legal opinions from lawyers appointed by the Agent on such matters concerning the laws of the Marshall Islands, Liberia and Korea and such other relevant jurisdictions as the Majority Lenders may require.

10 Copies of each Charterparty duly executed by the parties thereto.

11 If the Lenders so requires, in respect of any of the documents referred to above, a certified English translation prepared by a translator approved by the Agent.

PART B

The following are the documents referred to in Clause 9.1(b).

1 A duly executed original of the Predelivery Security Assignment and the Charterparty Assignment for Ship A (and of each document required to be delivered pursuant thereto).

2 Duly issued invoices from the Builder showing all sums due and payable to the Builder pursuant to Article II.4(a), (b), (c) and (d) of Shipbuilding Contract A, together with evidence that all amounts payable thereunder have been fully paid.

PART C

The following are the documents referred to in Clause 9.1(c).

1 A duly executed original of the Predelivery Security Assignment and the Charterparty Assignment for each of Ship B and Ship C (and of each document required to be delivered pursuant thereto).

2 Duly issued invoices from the Builder showing all sums due and payable to the Builder pursuant to Articles II.4(a), (b) and (c) of Shipbuilding Contract B and Shipbuilding Contract C together with evidence that all amounts payable thereunder have been duly paid.

PART D

The following are the documents referred to in Clause 9.1(d).

1 Documentary evidence that Ship B and Ship C have had their keel laid in accordance with the relevant Shipbuilding Contract.

2 Duly issued invoices from the relevant Builder showing all sums due and payable to that Builder pursuant to Article II.4(d) of the Shipbuilding Contract B and C or, as the case may be, upon keel laying of the Relevant Ship.

3 Written confirmation from the relevant Owner and the Approved Manager that they have irrevocably accepted and approved the building works which have been completed on the Relevant Ship up to the date of her keel-laying.

PART E

The following are the documents referred to in Clause 9.1(e).

1 A duly executed original of the Mortgage, the Deed of Covenant (if applicable), the General Assignment (and of each document to be delivered under each of them) in respect of the Relevant Ship.

2 Documentary evidence that:

(a) the Relevant Ship has been unconditionally delivered by the relevant Builder to, and accepted by, the relevant Owner under the relevant Shipbuilding Contract, and the full purchase price payable under the relevant Shipbuilding Contract (in addition to the part being financed by the relevant Tranche together with the amounts payable by the relevant Owner) has been duly paid;

(b) the Relevant Ship has been unconditionally delivered by its Owner to, and accepted by, its Charterer for operation under the Charterparty relative to that Ship;

(c) the Relevant Ship is definitively and permanently registered in the name of the relevant Owner under an Approved Flag;

(d) the Relevant Ship is in the absolute and unencumbered ownership of the relevant Owner save as contemplated by the Finance Documents;

(e) the Relevant Ship maintains the highest available class with a classification society which is a member of the International Association of Classification Societies and which his acceptable to the Agent free of all overdue recommendations and conditions affecting the class;

(f) the Mortgage and (if applicable) the Deed of Covenant in respect of the Relevant Ship have been duly registered against the Relevant Ship as a valid first preferred or priority ship mortgage and (if applicable) collateral deed of covenant in accordance with the laws of the applicable Approved Flag State; and

(g) the Relevant Ship is insured in accordance with the provisions of this Agreement and all requirements therein in respect of insurances have been complied with.

3 Documents establishing that the Relevant Ship will, as from its Delivery Date, be managed by the Approved Manager on terms acceptable to the Agent, together with:

(a) the Approved Manager's Undertaking in respect of the Relevant Ship; and

(b) copies of the document of compliance (DOC), and the safety management certificate (SMC) pursuant to the ISM Code and International Ship Security Certificate issued pursuant to the ISPS Code in relation to the Ship, the relevant Owner and/or the Approved Manager.

4 A valuation of the Relevant Ship addressed to the Agent and dated no earlier than 30 days prior to the relevant Delivery Date, stated to be for the purposes of this Agreement and prepared in accordance with Clause 15 which shows the value of the Relevant Ship in an amount acceptable to the Agent.

5 A favourable opinion (at the cost of the Borrower) from an independent insurance consultant acceptable to the Agent on such matters relating to the insurances for the Relevant Ship as the Agent may require.

6 Favourable legal opinions from lawyers appointed by the Agent on such matters concerning the laws of the Marshall Islands, Liberia and Korea and such other relevant jurisdictions as the Majority Lenders may require.

Every copy document delivered under this Schedule shall be certified as a true and up to date copy by a director or the secretary (or equivalent officer) of the relevant Owner.

SCHEDULE 4

AMOUNT OF ADVANCES

Ship A

Stage of Construction	Amount due to Yard under Shipbuilding Contract ($)	Maximum amount of Advance ($)
Issue of Refund Guarantee	6,380,000	
Six months after signing of Shipbuilding Contract	6,380,000	21,720,000
Steel-cutting	6,380,000	
Keel-laying	6,380,000	
Delivery	38,280,000	38,280,000
Total		**60,000,000**

Ship B

Stage of Construction	Amount due to Yard under Shipbuilding Contract ($)	Maximum amount of Advance ($)
Issue of Refund Guarantee	6,380,000	
Six months after signing of Shipbuilding Contract	6,380,000	15,340,000
Steel-cutting	6,380,000	
Keel-laying	6,380,000	6,380,000
Delivery	38,280,000	38,280,000
Total		**60,000,000**

Ship C

Stage of Construction	Amount due to Yard under Shipbuilding Contract ($)	Maximum amount of Advance ($)
Issue of Refund Guarantee	6,380,000	
Six months after signing of Shipbuilding Contract	6,380,000	15,340,000
Steel-cutting	6,380,000	
Keel-laying	6,380,000	6,380,000
Delivery	38,280,000	38,280,000
Total		**60,000,000**

SCHEDULE 5

TRANSFER CERTIFICATE

The Transferor and the Transferee accept exclusive responsibility for ensuring that this Certificate and the transaction to which it relates comply with all legal and regulatory requirements applicable to them respectively.

To: **DEUTSCHE BANK AG FILIALE DEUTSCHLANDGESCHÄFT** for itself and for and on behalf of the Borrower, each Security Party, the Security Trustee, and each Lender, as defined in the Loan Agreement referred to below.

[ ], 20[ ]

1 This Certificate relates to a Loan Agreement dated [•] 2008 (the " **Agreement** ") and made between (1) Danaos Corporation (the " **Borrower** "), (2) the banks and financial institutions listed in Schedule 1 as Lenders, (3) Deutsche Bank AG as Swap Bank and (4) Deutsche Bank AG Filiale Deutschlandgeschäft as Agent and Security Trustee for a loan facility of up to $180,000,000 in aggregate.

2 In this Certificate, terms defined in the Agreement shall, unless the contrary intention appears, have the same meanings when used in this Certificate and in addition:

" **Relevant Parties** " means the Agent, the Borrower, each Security Party, the Security Trustee, each Lender and the Swap Bank;

" **Transferor** " means [full name] of [lending office];

" **Transferee** " means [full name] of [lending office].

3 The effective date of this Certificate is [•], **provided that** this Certificate shall not come into effect unless it is signed by the Agent on or before that date.

4 The Transferor assigns to the Transferee absolutely and without recourse all rights and interests (present, future or contingent) which the Transferor has as Lender under or by virtue of the Agreement and every other Finance Document in relation to [•] per cent. of its Contribution, which amounts to $[•].

5 By virtue of this Certificate and Clause 26 of the Agreement, the Transferor is discharged [entirely from its Commitment which amounts to $[•]] [from [•] per cent. of its Commitment which percentage represents $[•]].

6 The Transferee undertakes with the Transferor and each of the Relevant Parties that the Transferee will observe and perform all the obligations under the Finance Documents which Clause 26 of the Agreement provides will become binding on it upon this Certificate taking effect.

7 The Agent, at the request of the Transferee (which request is hereby made) accepts, for the Agent itself and for and on behalf of every other Relevant Party, this Certificate as a Transfer Certificate taking effect in accordance with Clause 26 of the Agreement.

8 The Transferor:

(a) warrants to the Transferee and each Relevant Party:

(i) that the Transferor has full capacity to enter into this transaction and has taken all corporate action and obtained all consents which it needs in connection with this transaction; and

(ii) that this Certificate is valid and binding as regards the Transferor;

(b) warrants to the Transferee that the Transferor is absolutely entitled, free of encumbrances, to all the rights and interests covered by the assignment in paragraph 4 above; and

(c) undertakes with the Transferee that the Transferor will, at its own expense, execute any documents which the Transferee reasonably requests for perfecting in any relevant jurisdiction the Transferee's title under this Certificate or for a similar purpose.

9 The Transferee:

(a) confirms that it has received a copy of the Agreement and of each other Finance Document;

(b) agrees that it will have no rights of recourse on any ground against either the Transferor, the Agent, the Security Trustee, any of the Arrangers or any Lender in the event that:

(i) any Finance Document proves to be invalid or ineffective;

(ii) the Borrower or any Security Party fails to observe or perform its obligations, or to discharge its liabilities, under any Finance Document; or

(iii) it proves impossible to realise any asset covered by a Security Interest created by a Finance Document or the proceeds of such assets are insufficient to discharge the liabilities of the Borrower or any Security Party under the Finance Documents;

(c) agrees that it will have no rights of recourse on any ground against the Agent, the Security Trustee, the Arrangers or any Lender in the event that this Certificate proves to be invalid or ineffective;

(d) warrants to the Transferor and each Relevant Party:

(i) that it has full capacity to enter into this transaction and has taken all corporate action and obtained all consents which it needs to take or obtain in connection with this transaction; and

(ii) that this Certificate is valid and binding as regards the Transferee; and

(e) confirms the accuracy of the administrative details set out below regarding the Transferee.

10 The Transferor and the Transferee each undertake with the Agent and the Security Trustee severally, on demand, fully to indemnify the Agent and/or the Security Trustee in respect of any claim, proceeding, liability or expense (including all legal expenses) which they or either of them may incur in connection with this Certificate or any matter arising out of it, except such as are shown to have been mainly and directly caused by the gross

and culpable negligence or dishonesty of the Agent's or the Security Trustee's own officers or employees.

11 The Transferee shall repay to the Transferor on demand so much of any sum paid by the Transferor under paragraph 10 above as exceeds one-half of the amount demanded by the Agent or the Security Trustee in respect of a claim, proceeding, liability or expense which was not reasonably foreseeable at the date of this Certificate; but nothing in this paragraph shall affect the liability of each of the Transferor and the Transferee to the Agent or the Security Trustee for the full amount demanded by it.

12 This Certificate shall be governed by, and construed in accordance with, English law.

[Name of Transferor]

By:

Date:

[Name of Transferee]

By:

Date:

Agent

Signed for itself and for and on behalf of itself
as Agent and for every other Relevant Party

[Name of Agent]

By:

Date:

Administrative Details of Transferee

Name of Transferee:

Lending Office:

Contact Person
(Loan Administration Department):

Telephone:

Telex:

Fax:

Contact Person
(Credit Administration Department):

Telephone:

Telex:

Fax:

Account for payments:

NOTE : THIS TRANSFER CERTIFICATE ALONE MAY NOT BE SUFFICIENT TO TRANSFER A PROPORTIONATE SHARE OF THE TRANSFEROR'S INTEREST IN THE SECURITY CONSTITUTED BY THE FINANCE DOCUMENTS IN THE TRANSFEROR'S OR TRANSFEREE'S JURISDICTION OR IN THE JURISDICTION OF THE LAW WHICH GOVERNS A PARTICULAR SECURITY INTEREST. IT IS THE RESPONSIBILITY OF EACH LENDER TO ASCERTAIN WHETHER ANY OTHER DOCUMENTS ARE REQUIRED FOR THIS PURPOSE.

SCHEDULE 6

FORM OF COMPLIANCE CERTIFICATE

To: Deutsche Bank AG Filiale Deutschlandgeschäft
Ludwig-Erhard- Straße 1
D-20459 Hamburg
Germany

[•] 200[•]

Dear Sirs,

We refer to a loan agreement [•] 2008 (the " **Loan Agreement** ") made between (amongst others) yourselves and ourselves in relation to a senior secured term loan facility of up to $180,000,000 in aggregate.

Words and expressions defined in the Loan Agreement shall have the same meaning when used in this compliance certificate.

We enclose with this certificate a copy of the [audited]/[unaudited] consolidated accounts for the Borrower's Group for the [Financial Year] [6-month period] ended [•]. The accounts (i) have been prepared in accordance with all applicable laws and USGAAP all consistently applied, (ii) give a true and fair view of the state of affairs of the Borrower's Group at the date of the accounts and of its profit for the period to which the accounts relate and (iii) fully disclose or provide for all significant liabilities of the Borrower's Group.

We also enclose copies of the valuations of all the Fleet Vessels which were used in calculating the Market Value Adjusted Total Assets of the Borrower's Group as at [•].

The Borrower represents that no Event of Default or Potential Event of Default has occurred as at the date of this certificate [except for the following matter or event [*set out all material details of matter or event*]]. In addition as of [•], the Borrower confirms compliance with the financial covenants set out in Clause 12.5 of the Loan Agreement for the 6 months ending as of the date to which the enclosed accounts are prepared.

We now certify that, as at [•]:

(a) the ratio of Total Liabilities (after deducting all Cash and Cash Equivalents) to Market Value Adjusted Total Assets (after deducting all Cash and Cash Equivalents) is [•]:[•];

(b) the aggregate of all Cash and Cash Equivalents is $[•] per fleet vessel, representing [•] per cent. of the Consolidated Debt;

(c) the Interest Coverage Ratio is [•]:[•]; and

(d) the Market Value Adjusted Net Worth of the Borrower's Group is $[•].

This certificate shall be governed by, and construed in accordance with, English law.

_____

[•]
Chief Financial Officer of
Danaos Corporation

EXECUTION PAGE

BORROWER

SIGNED by Mr. Iraklis Prokopakis)
for and on behalf of) /s/ Iraklis Prokopakis
DANAOS CORPORATION)

LENDERS

SIGNED by Evangelia Hatziefstratiou)
for and on behalf of)
DEUTSCHE BANK AG FILIALE) /s/ Evangelia Hatziefstratiou
DEUTSCHLANDGESCHÄFT)

AGENT

SIGNED by Evangelia Hatziefstratiou)
for and on behalf of)
DEUTSCHE BANK AG FILIALE) /s/ Evangelia Hatziefstratiou
DEUTSCHLANDGESCHÄFT)

SECURITY TRUSTEE

SIGNED by Evangelia Hatziefstratiou)
for and on behalf of)
DEUTSCHE BANK AG FILIALE) /s/ Evangelia Hatziefstratiou
DEUTSCHLANDGESCHÄFT)

SWAP BANK

SIGNED by Evangelia Hatziefstratiou)
for and on behalf of) /s/ Evangelia Hatziefstratiou
DEUTSCHE BANK AG)

Witness to all the)
above signatures) /s/ George Paleokrassas

Name: George Paleokrassas
Address: Watson, Farely & Williams
2, Defteras Merarchias
Piraeus 185 – 36 — Greece

Exhibit 4.16

Private & Confidential

Execution version

Dated July 2008

DANAOS CORPORATION **(1)**
as Borrower

FORTIS BANK (NEDERLAND) N.V. **(2)**
as Lead Arranger

LLOYDS TSB BANK PLC and **(3)**
NATIONAL BANK OF GREECE S.A.
as Co-Arrangers

Provided by
THE BANKS AND FINANCIAL INSTITUTIONS **(4)**
whose names are set out in Schedule 1 as Lenders

FORTIS BANK (NEDERLAND) N.V. **(5)**
as Agent

FORTIS BANK (NEDERLAND) N.V. **(6)**
as Security Trustee

FORTIS BANK (NEDERLAND) N.V., LLOYDS TSB BANK PLC and **NATIONAL BANK OF GREECE S.A.** **(7)**
as Swap Banks

LOAN AGREEMENT
for a $253,200,000 Loan relating to the m.v. "YM Seattle", m.v. "YM Vancouver", m.v. "YM Colombo" and m.v. "YM Singapore"

NORTON ROSE

Contents

THIS AGREEMENT is dated July 2008 and made **BETWEEN** :

(1) **DANAOS CORPORATION** as Borrower;

(2) **FORTIS BANK (NEDERLAND) N.V.** as Lead Arranger;

(3) **LLOYDS TSB BANK PLC** and **NATIONAL BANK OF GREECE S.A.** as Co-Arrangers;

(4) **THE BANKS AND FINANCIAL INSTITUTIONS** whose names are set out in Schedule 1 as Lenders;

(5) **FORTIS BANK (NEDERLAND) N.V.** as Agent;

(6) **FORTIS BANK (NEDERLAND) N.V.** as Security Trustee; and

(7) **FORTIS BANK (NEDERLAND) N.V., LLOYDS TSB BANK PLC** and **NATIONAL BANK OF GREECE S.A.** as Swap Banks.

IT IS AGREED as follows:

1 Purpose and definitions

1.1 Purpose

This Agreement sets out the terms and conditions upon and subject to which the Lenders agree to make available to the Borrower a loan of up to an aggregate amount of $253,200,000 to be for the purpose of re-financing existing debt on the Ships.

1.2 Definitions

In this Agreement, unless the context otherwise requires:

Accounts means the Borrower Account and Owner Earnings Accounts;

Account Bank means Fortis Bank (Nederland) N.V. acting through its offices at Coolsingel 93, P.O. Box 749, 3000 AS Rotterdam, The Netherlands and includes any other bank designated in writing by the Agent (at the request of the Borrower and acting on the instructions of the Majority Lenders) to be an **Account Bank** for the purposes of the Security Documents;

Account Pledge means the account pledge executed, or as the context may require, to be executed by each Owner in favour of the Security Trustee in respect of the Owner Earnings Accounts in the agreed form;

Accounting Principles means US GAAP or International Accounting Standards or such other recognised International Accounting Standards which the Borrower may choose to apply and

which are agreed by the Lenders with their prior written consent (not to be unreasonably withheld), consistently applied;

Advance means the principal amount drawn down or requested to be drawn down by the Borrower under the Agreement;

Affiliate means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

Agent means Fortis Bank (Nederland) N.V. acting through its offices at Coolsingel 93, P.O. Box 749, 3000 AS Rotterdam, The Netherlands (or of such other address as may last have been notified to the other parties to this Agreement pursuant to clause 16.1.3) and its successor in title or such other person as may be appointed Agent for the Finance Parties pursuant to the Trust and Agency Agreement;

Approved Brokers means Braemar Seascope , Howe Robinson, Simpson Spence & Young, Clarkson Valuations Limited and Maersk Broker and **Approved Broker** means any one of them;

Audited Financial Statements means the audited annual consolidated financial statements of the Borrower's Group prepared in accordance with the provisions of clause 8.1.6 in the English language and in compliance with all applicable SEC requirements and audited by the Auditors;

Auditors means such internationally recognised and reputable firm of accountants appointed by the Borrower;

Banking Day means a day (other than Saturday or Sunday) on which dealings in deposits in Dollars are carried on in the London Interbank Eurocurrency Market and on which banks are open for business in Amsterdam, Athens, London and New York City;

Basel 2 Accord means the International Convergence of Capital Measurement and Capital Standards, a Revised Framework" published by the Basel Committee on Banking Supervision in June 2004 in the form existing on the date of this Agreement or any other law or regulation which implements Basel 2 (whether such implementation, application or compliance is by a government, regulator, Finance Party or any of their Affiliates);

Borrower means Danaos Corporation, a corporation listed on the New York Stock Exchange and domesticated in and existing under the laws of the Marshall Islands, whose registered address is Trust Company Complex, Ajeltake Island, Ajeltake Road, Majuro, Marshall Islands MH96960;

Borrower Account means the account in the name of the Borrower with account number 240 757 572 and IBAN NL53 FTSB 0240 7575 72 designated "Danaos Corporation", being an account with the Account Bank and includes any sub-account thereof or time deposit account

constituted by moneys originally held on such Account and any other account designated by the Agent to be a Borrower Account for the purposes of this Agreement;

Borrower's Group means the Borrower and its Subsidiaries;

Casualty Amount means $1,500,000 (or the equivalent in any other currency);

Charters means

(i) in respect of the m.v. "YM Seattle", the time charter dated 18 August 2005 and made between Seacarriers Services Inc. and the Charterer;

(ii) in respect of the m.v. "YM Vancouver", the time charter dated 18 August 2005 and made between Seacarriers Lines Inc. and the Charterer;

(iii) in respect of the m.v. "YM Colombo", the time charter dated 30 March 2005 and made between Auckland Marine Inc. and the Charterer;

(iv) in respect of the m.v. "YM Singapore", the time charter dated 30 March 2005 and made between Wellington Marine Inc. and the Charterer,

Provided that if one of the charters has been replaced in accordance with clause 4.2.5 of the Security Deed, this definition shall include such Replacement Charter but shall not include such replaced charter,

Charterer means Yang Ming (UK) Ltd, a company incorporated in England with number 3311986 and registered address at Second Floor, Valentines House, 51-69 Ilford Hill, Ilford IG1 2DG, United Kingdom ;

Charter Notice and Acknowledgement means a notice given by an Owner and the acknowledgement of that notice of the assignment to be given by the relevant charterer in respect of any Charter of a Ship in each case, substantially in the form scheduled to the relevant Security Deed;

Classification Society means Det Norske Veritas or such other classification society which the Agent shall (acting on the instructions of all Lenders), at the request of an Owner under the Guarantee, have agreed in writing shall be treated as the Classification Society for the purposes of the Security Documents, and that the Agent shall not unreasonably withhold its consent where the proposed classification society is a member of the International Association of Classification Societies;

Co-Arrangers means:

(1) Lloyds TSB Bank plc, a company incorporated in England with number 2065 and registered office at 25 Gresham Street, London EC2V 7HN, United Kingdom; and

(2) National Bank of Greece S.A., a company incorporated in Greece, acting through its office at 2 Bouboulinas Street & Akti Miaouli, 185 38 Piraeus, Greece;

Commitment in relation to a Lender at any relevant time means, subject to clause 2.1.2, the amount set opposite its name in schedule 1 and/or, in the case of a New Lender, the amount specified in the relevant Substitution Certificate, as reduced, in each case, by any relevant term of this Agreement and so that, if at such time the Total Commitments have been reduced to zero, references to a Lender's Commitment shall be construed as a reference to that Lender's Commitment immediately prior to such reduction to zero and **Commitments** means any or all of them;

Compliance Certificate means each certificate received by the Agent from the Borrower pursuant to clause 8.3.2 substantially in the form set out in Schedule 2 and duly signed by an authorised signatory of the Borrower;

Compulsory Acquisition means the requisition for title or other compulsory acquisition, requisition, appropriation, expropriation, deprivation, forfeiture or confiscation for any reason of a Ship by any Government Entity or other competent authority, whether de jure or de facto, but shall exclude requisition for use or hire not involving requisition of title;

Contribution in relation to a Lender, means the principal amount of the Loan owing to such Lender at any relevant time;

Default means any Event of Default or any event or circumstance which with the giving of notice by the Agent or lapse of time or the satisfaction of any other condition (or any combination thereof) would constitute an Event of Default;

Disposal Reduction Amount has the meaning given to that term in clause 4.3.4(a);

DOC means a document of compliance issued to an Operator in accordance with rule 13 of the ISM Code;

Dollars and **$** mean the lawful currency of the United States of America and in respect of all payments to be made under any of the Security Documents mean funds which are for same day settlement in the New York Clearing House Interbank Payments System (or such other U.S. dollar funds as may at the relevant time be customary for the same day settlement of international banking transactions denominated in U.S. dollars);

Drawdown Date means the Banking Day falling within the Drawdown Period on which the single Advance permitted by this Agreement is, or is to be, drawn down;

Drawdown Notice means a notice substantially in the form set out in Schedule 3;

Drawdown Period means the period from the date of this Agreement to whichever is the earliest of (i) the date on which the Advance is drawn down, (ii) the date on which the Commitments of all Lenders are reduced to zero pursuant to any term of this Agreement and (iii) 31 July 2008;

Earnings means all moneys whatsoever from time to time due or payable to the Owners during the Security Period arising out of the use or operation of the Ships including (but without limiting the generality of the foregoing) all freight, hire and passage moneys, income arising out of pooling arrangements, compensation payable to that Borrower in the event of requisition of the Ships for hire, remuneration for salvage or towage services, demurrage and detention moneys and damages for breach (or payments for variation or termination) of any Charter;

Encumbrance means any mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment, trust arrangement or security interest or other encumbrance of any kind securing any obligation of any person or any type of preferential arrangement (including without limitation title transfer and/or retention arrangements having a similar effect);

Environmental Approval means any consent, authorisation, licence or approval of any governmental or public body or authorities or courts applicable to any Relevant Ship or its operation or the carriage of cargo and/or passengers thereon and/or the provision of goods and/or services on or from such Relevant Ship required under any Environmental Laws;

Environmental Claim means any and all enforcement, clean-up, removal or other governmental or regulatory actions or orders instituted or completed pursuant to any Environmental Laws or any Environmental Approval together with claims made by any third party relating to damage, contribution, loss or injury, resulting from any actual or threatened emission, spill, release or discharge of a Pollutant from any Relevant Ship;

Environmental Laws means all national, international and state laws, rules, regulations, treaties and conventions applicable to any Relevant Ship pertaining to the pollution or protection of human health or the environment including, without limitation, the carriage of Pollutants and actual or threatened emissions, spills, releases or discharges of Pollutants;

Event of Default means any of the events or circumstances described in clause 10.1;

Excluded Ship means a Ship in respect of which a Total Loss Reduction Date has occurred and the Lenders' Commitment has been reduced by the Disposal Reduction Amount and the Loan has been repaid in an amount of the Disposal Reduction Amount;

Existing Lender has the meaning ascribed to it in clause 14.3.1;

Final Repayment Date means the earlier of (a) the tenth (10th) anniversary of the Drawdown Date and (b) 31 July 2018;

Finance Parties means each of the Lenders, the Agent, the Security Trustee, the Lead Arranger, each Co-Arranger and, if a Qualifying Swap has been been entered into, each Swap Bank;

Flag State means Liberia or such other state or territory designated in writing by the Agent (acting on instructions of all of the Lenders), at the request of an Owner as being the Flag State of a Ship for the purposes of the Security Documents;

Government Entity means and includes (whether having a distinct legal personality or not) any national or local government authority, board, commission, department, division, organ, instrumentality, court or agency and any association, organisation or institution of which any of the foregoing is a member or to whose jurisdiction any of the foregoing is subject or in whose activities any of the foregoing is a participant;

Guarantee means the guarantee executed or to be executed by each Owner in favour of the Security Trustee in respect of the obligations of the Borrower under this Agreement and the other Security Documents;

Holding Company means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary.

Indebtedness means any obligation for the payment or repayment of money, whether as principal or as surety and whether present or future, actual or contingent;

Insurances means all policies and contracts of insurance (which expression includes all entries of the Ships in a protection and indemnity or war risks association) which are from time to time during the Security Period in place or taken out or entered into (or, as the context may permit, which are required to be in place or taken out or entered into) by or for the benefit of the Borrower and/or the Owners (whether in the sole name of the Borrower or an Owner or in the joint names of the Borrower or the Owners and any other person) in respect of the Ships or otherwise howsoever in connection with the Ships and all benefits thereof (including claims of whatsoever nature and return of premiums);

Interest Payment Date means (subject to clause 6.3) the last day of an Interest Period and, where any Interest Period exceeds three (3) months, the date or dates during that Interest Period falling at consecutive three (3) month intervals after the first day of that Interest Period;

Interest Period means each period for the calculation of interest determined in accordance with clause 3.2 (and subject to clause 6.4);

Interest Rate Swap Rate means the fixed rate of interest payable by the Borrower under the Qualifying Swaps;

ISM Code means the International Management Code for the Safe Operation of Ships and for Pollution Prevention constituted pursuant to Resolution A. 741 (18) of the International Maritime Organisation and incorporated into the Safety of Life at Sea Convention and includes any amendments or extensions thereto and any regulation issued pursuant thereto;

ISPS Code means the International Ship and Port Security Code of the International Maritime Organisation and includes any amendments or extensions thereto and any regulation issued pursuant thereto;

Lead Arranger means Fortis Bank (Nederland) N.V. acting through its offices at Coolsingel 93, P.O. Box 749, 3000 AS Rotterdam, The Netherlands and includes its successors in title;

Lenders means collectively the banks and financial institutions whose names and addresses are listed in schedule 1 and includes their respective successors in title and **New Lenders** and **Lender** means any one of them individually;

Lending Office has the meaning referred to in clause 14.8;

LIBOR means, with respect to any LIBOR borrowing for any Interest Period:

(a) the rate for deposits of Dollars for a period equivalent to such period at or around 11:00 a.m. on the Quotation Date for such period as displayed on Reuters page LIBOR01 (British Bankers' Association Interest Settlement Rates) (or such other page as may replace such page LIBOR01 on such system or on any other system of the information vendor for the time being designated by the British Bankers' Association to calculate the BBA Interest Settlement Rates (as defined in the British Bankers' Association's Recommended Terms and Conditions applicable at the relevant time) for Dollars); or

(b) if on such date no such rate is displayed, LIBOR for such period shall be the rate (rounded upward if necessary to one sixteenth (1/16th) of one per cent) quoted to the Agent by the Reference Bank at the request of the Agent as the Reference Bank's offered rate for deposits in Dollars in an amount comparable with the amount in relation to which LIBOR is to be determined and for a period equivalent to such period to prime banks in the London Interbank Market at or about 11:00 a.m. on the Quotation Date for such period;

Loan means the aggregate principal amount owing by the Borrower to the Lenders under this Agreement at any relevant time;

London Banking Day means a day on which dealings in deposits in Dollars are carried on in the London Interbank Market and which is a day (other than a Saturday or a Sunday) on which banks are open for business in London for the transfer of Dollar funds;

Loss Payable Clause has the meaning given thereto in the Security Deed;

Major Casualty means any casualty the claim in respect of which exceeds the Casualty Amount (or the equivalent in any other currency) inclusive of any deductible ;

Majority Lenders means (i) the Lenders, the aggregate of whose Contributions at any relevant time exceed sixty six and two thirds per cent. (66 2/3%) of the Contributions of all the Lenders or (ii) prior to the making of the Advance under this Agreement, the aggregate of whose Commitments at any relevant time exceed sixty six and two thirds per cent. (66 2/3%) of the Commitments of all of the Lenders;

Management Agreements means:

(i) in respect of the m.v. "YM Seattle", the management agreement dated 5 September 2007 made between Seacarriers Services Inc. and the Manager;

(ii) in respect of the m.v. "YM Vancouver", the management agreement dated 27 November 2007 made between Seacarriers Lines Inc. and the Manager;

(iii) in respect of the m.v. "YM Colombo", the management agreement dated 12 March 2007 made between Auckland Marine Inc. and the Manager;

(iv) in respect of the m.v. "YM Singapore", the management agreement dated 5 September 2007 made between Wellington Marine Inc. and the Manager,

(each such agreement incorporating the terms of an amended and restated management agreement dated 18 September 2006 and made between the Borrower and the Manager)

and any replacement management agreement entered or (as the context may require) to be entered into by the Owner with a Manager on terms previously approved in writing by the Agent providing, inter alia, for the commercial and/or technical management of the Ships by a Manager;

Manager means Danaos Shipping Co. Ltd. of 14 Akti Kondyli, 185 45 Piraeus, Greece or such other ship management company appointed as commercial and/or technical manager of the Ships with the prior written consent of the Majority Lenders (such consent not to be unreasonably withheld);

Manager's Undertaking means an agreement entered or, as the context may require, to be entered into between the Manager under a Management Agreement and the Security Trustee in such form as the Security Trustee may approve, acting reasonably;

Mandatory Cost means the percentage rate per annum calculated by the Agent in accordance with Schedule 7.

Margin for each Interest Period shall be zero point seven five per cent (0.75%) per annum;

Market Value Adjusted Net Worth has the meaning given to that term in clause 8.3.3;

Market Value Adjusted Total Assets has the meaning given to that term in clause 8.3.3;

Master Agreement means each agreement of that name in the form of either the 1992 or the 2002 Multicurrency — Cross Border Master Agreement published by the International Swaps and Derivatives Association entered into or to be entered into between the Borrower and a Swaps Bank;

Material Subsidiary at any time, means a Subsidiary of the Borrower whose revenues or assets represent not less than five per cent. (5%) of the consolidated revenues or assets (as the case may be) of the Borrower and its Subsidiaries;

Mortgages means, in relation to each Ship, the first priority or first preferred mortgage appropriate for the applicable Flag State executed or (as the context may require) to be executed by the relevant Owner in favour of the Security Trustee in such form as may be required by the Security Trustee (acting on the instructions of the Majority Lenders);

New Lender has the meaning ascribed to it in clause 14.3;

Operator means any person who is from time to time during the Security Period concerned in the operation of a Ship and falls within the definition of "Company" set out in rule 1.1.2 of the ISM Code;

Original Accounts means the audited consolidated financial statements of the Borrower's Group for the year ended 31 December 2007;

Owner means:

(v) in respect of the m.v. "YM Seattle" (or, as contemplated in clause 4.3, a Replacement Ship), Seacarriers Services Inc., a corporation incorporated and existing under the laws of Liberia and with its registered office at 80 Broad Street, Monrovia, Liberia, and any Liberian successor corporation by Merger;

(vi) in respect of the m.v. "YM Vancouver" (or, as contemplated in clause 4.3, a Replacement Ship), Seacarriers Lines Inc., a corporation incorporated and existing under the laws of Liberia and with its registered office at 80 Broad Street, Monrovia, Liberia, and any Liberian successor corporation by Merger;

(vii) in respect of the m.v. "YM Colombo" (or, as contemplated in clause 4.3, a Replacement Ship), Auckland Marine Inc., a corporation incorporated and existing under the laws of Liberia and with its registered office at 80 Broad Street, Monrovia, Liberia, and any Liberian successor corporation by Merger; and

(viii) in respect of the m.v. "YM Singapore" (or, as contemplated in clause 4.3, a Replacement Ship), Wellington Marine Inc., a corporation incorporated and existing under the laws of Liberia and with its registered office at 80 Broad Street, Monrovia, Liberia, and any Liberian successor corporation by Merger,

and together the " **Owners** "

Owner Earnings Accounts means the accounts at the Account Bank in the name of the Owners, being:

(i) in respect of Seacarriers Services Inc., account number 24.07.63.769 with IBAN NL59 FTSB 0240 7637 69 designated "Seacarriers Services Inc.";

(ii) in respect of Seacarriers Lines Inc., account number 24.07.63.777 with IBAN NL37 FTSB 0240 7637 77 designated "Seacarriers Lines Inc.";

(iii) in respect of Auckland Marine Inc., account number 24.07.63.742 with IBAN NL12 FTSB 0240 7637 42 designated "Auckland Marine Inc."; and

(vi) in respect of Wellington Marine Inc., account number 24.07.63.750 with IBAN NL87 FTSB 0240 7637 50 designated "Wellington Marine Inc.",

each being a Dollar account with the Account Bank to which all Earnings are to be paid and includes any sub-account thereof or time

deposit account constituted by moneys originally held on such Owner Earnings Account and any other account designated by the Agent to be an Owner Earnings Account for the purposes of this Agreement;

Permitted Encumbrances means (a) any Encumbrance created pursuant to the Security Documents and (b) Permitted Liens;

Permitted Liens means any lien on a Ship for master's, officer's or crew's wages outstanding in the ordinary course of trading and in any event not more than thirty (30) days overdue, any lien for salvage and any ship repairer's or outfitter's possessory lien for a sum not (except with the

prior written consent of the Agent, acting on the instructions of the Majority Lenders) exceeding the Casualty Amount;

Pollutant means and includes pollutants, contaminants, toxic substances, oil as defined in the United States Oil Pollution Act of 1990 and all hazardous substances as defined in the United States Comprehensive Environmental Response, Compensation and Liability Act 1980;

Qualifying Swap means a swap transaction entered into pursuant to a Master Agreement between the Borrower and a Swap Banks in relation to a portion of the Borrower's liability for interest under this Agreement;

Qualifying Swaps Period means the period from the date on which the swap transaction contemplated by a Qualifying Swap takes effect until the date on which that swap transaction is scheduled to expire;

Quotation Date means in relation to any period for which an interest rate is to be determined under this Agreement, the first day of the relevant period or, if such day is not a Banking Day, the immediately preceding Banking Day;

Reference Banks means the principal London offices of The Royal Bank of Scotland plc, Bank of Scotland plc and HSBC Bank plc or such other banks as may be appointed by the Agent in consultation with the Borrower;

Registry means such registrar, commissioner or representative of the relevant Flag State who is duly authorised and empowered to register the Ships, the relevant Owner's title to each Ship and the Mortgages under the laws and the flag of such Flag State;

Relevant Jurisdiction means any jurisdiction in which or where any Security Party is incorporated, resident, domiciled, has a permanent establishment, carries on, or has a place of business or is otherwise effectively connected or where a Ship is registered;

Relevant Person means the Borrower, the Security Parties and any company which is a subsidiary of the Borrower or a Security Party but excluding any company which is dormant or the value of whose gross assets is $50,000 or less;

Relevant Ship means the Ships and any other vessel from time to time (whether before or after the date of this Agreement) owned, managed or crewed by, or chartered to any Security Party;

Repayment Dates means, subject to clause 6.3, each of the sixteen (16) dates falling at six (6) monthly intervals commencing the date falling twenty-four (24) months after the Drawdown Date with the last such date falling on the Final Repayment Date;

Replacement Charter means a charter which replaces a Charter in accordance with clause 4.2.5 of the Security Deed;

Replacement Conditions means:

(A) the value of the Replacement Ship (calculated in accordance with clause 8.2.2 and with reference to the intended date of acquisition) is equal to or greater than the value of the ship which has suffered a Total Loss or has been sold (calculated in accordance with clause 8.2.2 and with reference to the Banking Day before the ship suffered or is deemed to suffer a Total Loss or such date prior to sale as the Agent may reasonably determine); and

(B) receipt by the Agent of the following:

(a) a ship mortgage and deed of covenants executed by the Owner whose Ship has been or is to be sold or become Total Loss in relation to the Replacement Ship (the **Replacement Ship Mortgage and Deed of Covenants**);

(b) a legal opinion with respect to registration of the Replacement Ship and the effectiveness of the Replacement Ship Mortgage and Deed of Covenants and any other matters of the relevant Flag State;

(c) a legal opinion with respect to matters of Liberian law in relation to the execution of the documentation referred to in this definition by the relevant Owner;

(d) the equivalent documents and evidence as are set out in Schedule 4, part 1, paragraphs 2, 3 and 4 and Schedule 4, part 2, paragraphs 6, 9 and 10 with respect to the Replacement Ship Mortgage and Deed of Covenants; and

(e) all other documents and evidence from the Borrower, the relevant Owner or otherwise which the Agent (acting on the instructions of the Lenders) or the Security Trustee considers to be necessary to create effective security over the Replacement Ship;

(C) the consent of the Lenders to the replacement of the Ship which has been or is to be sold or become Total Loss with the Replacement Ship, such consent not to be unreasonably withheld.

Replacement Ship means a ship of an equivalent type to the Ships as at the date hereof;

Replacement Ship Mortgage and Deed of Covenants has the meaning given to that term in the definition of Replacement Conditions;

Requisition Compensation means all sums of money or other compensation from time to time payable during the Security Period by reason of the Compulsory Acquisition of a Ship;

SEC means the Securities and Exchange Commission of the U.S.A.;

Security Deed means the deed executed or, as the context may require, to be executed by each Owner in favour of the Security Trustee containing an assignment of, *inter alia* , the Charters, the Earnings, the Insurances and Requisition Compensation of the Ships;

Security Documents means this Agreement, each Mortgage, the Security Deed, the Account Pledge, the Trust and Agency Agreement, the Guarantee, each Charter Notice and Acknowledgement, any Manager's Undertaking, each Qualifying Swap, each Master Agreement, any Replacement Ship Mortgage and Deed of Covenants and any other documents as may have been or shall from time to time after the date of this Agreement be executed to guarantee and/or secure all or any part of the Loan, interest thereon and other moneys from time to time owing by the Borrower pursuant to this Agreement (whether or not any such document also secures moneys from time to time owing pursuant to any other document or agreement);

Security Party means each of the Borrower, each Owner and any other person who may at any time be a party to any of the Security Documents (other than the Finance Parties);

Security Period means the period commencing on the date of this Agreement and terminating upon discharge of the security created by the Security Documents following payment of all moneys payable thereunder;

Security Requirement means the amount in Dollars (as certified by the Agent whose certificate shall, in the absence of manifest error, be conclusive and binding on the Borrower, the Owners and the Finance Parties) which is (at all times) one hundred and twenty-five per cent (125%) of the Loan;

Security Trustee means Fortis Bank (Nederland) N.V. acting through its offices at Coolsingel 93, P.O. Box 749, 3000 AS Rotterdam, The Netherlands (or of such other address as may last have been notified to the other parties in this Agreement pursuant to clause 16.1.3) and its successor in title or such other person as may be appointed security trustee for the Finance Parties pursuant to the Trust and Agency Agreement;

Security Value has the meaning given to that term in clause 8.2.2(e);

Ship means:

(i) the 4,253 TEU container ship built at Samsung Heavy Industries Co., Ltd. known as the m.v. "YM Seattle" registered in the name of Seacarriers Services Inc. under the laws and flag of Cyprus with official number 9360910;

(ii) the 4,253 TEU container ship built at Samsung Heavy Industries Co., Ltd. known as the m.v. "YM Vancouver" registered in the name of Seacarriers Lines Inc. under the laws and flag of Cyprus with official number 9363364;

(iii) the 4,300 TEU container ship built at Hyundai Heavy Industries Co., Ltd. known as the m.v. “YM Colombo” registered in the name of Auckland Marine Inc. under the laws and flag of Liberia with official number 13289 ; and

(iv) the 4,300 TEU container ship built at Hyundai Heavy Industries Co., Ltd. known as the m.v. “YM Singapore” registered in the name of Wellington Marine Inc. under the laws and flag of Liberia with official number 13530 ,

Provided that if one of the above ships has been replaced in accordance with clause 4.3, this definition shall not include that ship and shall instead include the relevant Replacement Ship,

and together the “ **Ships** ”;

SMC in respect of a Ship, means a safety management certificate issued in respect of that Ship in accordance with rule 13 of the ISM Code;

Subsidiary of a person means any company or entity directly or indirectly controlled by such person, and for this purpose **control** means either the ownership of more than fifty per cent. (50%) of the voting share capital (or equivalent rights of ownership) of such company or entity or the power to direct its policies and management, whether by contract or otherwise;

Substitution Certificate means a certificate substantially in the terms of schedule 6 (or in such other form as the Lenders may approve or require);

Swap Bank means each of:

(a) Fortis Bank (Nederland) N.V., acting through its offices at Coolsingel 93, P.O. Box 749, 3000 AS Rotterdam, The Netherlands;

(b) Lloyds TSB Bank plc, acting through its offices at 10 Gresham Street, London, EC2V 7EA, United Kingdom; and

(c) National Bank of Greece S.A., acting through its offices at acting through its office at 2 Bouboulinas Street & Akti Miaouli, 185 38 Piraeus, Greece,

and **Swap Banks** means all of them.

Taxes includes all present and future taxes, levies, imposts, duties, fees or charges of whatever nature together with interest thereon and penalties in respect thereof and **Taxation** and **Tax** shall be construed accordingly;

Termination Date means the last day of the Drawdown Period;

Total Commitments at any relevant time means the total of the Commitments of all the Lenders at such time;

Total Loss means:

(a) an actual, constructive, compromised or arranged total loss of a Ship; or

(b) the Compulsory Acquisition of a Ship; or

(c) the hijacking, theft, condemnation, capture, seizure, arrest, detention or confiscation of a Ship (other than where the same amounts to the Compulsory Acquisition of a Ship) by any Government Entity, or by persons acting or purporting to act on behalf of any Government Entity, unless that Ship be released and restored to the relevant Owner from such hijacking, theft, condemnation, capture, seizure, arrest, detention or confiscation within thirty (30) days after the occurrence thereof;

Transaction Documents means, collectively, the Security Documents, the Management Agreements and the Charters;

Trust and Agency Agreement means the trust and agency agreement executed or, as the context may require, to be executed between the Finance Parties and the Borrower;

Unaudited Financial Statements means the 6-monthly consolidated financial statements of the Borrower's Group prepared in accordance with the provisions of clause 8.1.6 in the English language by the Borrower in respect of the preceding 6-month period; and

US GAAP means, for the purposes of the preparation and/or audit of the Audited Financial Statements and the Unaudited Financial Statements, generally accepted accounting principles and practices in the United States of America.

1.3 Headings

Clause headings and the table of contents are inserted for convenience of reference only and shall be ignored in the interpretation of this Agreement.

1.4 Construction of certain terms

In this Agreement, unless the context otherwise requires:

1.4.1 references to any person includes such person's successors in title and permitted assignees and transferees;

1.4.2 references to clauses and schedules are to be construed as references to clauses of, and schedules to, this Agreement and references to this Agreement include its schedules;

1.4.3 references to (or to any specified provision of) this Agreement or any other document shall be construed as references to this Agreement, that provision or that document as in force for the

time being and as amended in accordance with terms thereof, or, as the case may be, with the agreement of the relevant parties;

1.4.4 references to a **regulation** include any present or future regulation, rule, directive, requirement, request or guideline (whether or not having the force of law) of any agency, authority, central bank or government department or any self-regulatory or other national or supra-national authority;

1.4.5 references to a **month** mean a period beginning in one calendar month and ending in the next calendar month on the day numerically corresponding to the day of the calendar month on which it started, provided that (a) if the period started on the last Banking Day in a calendar month or if there is no such numerically corresponding day, it shall end on the last Banking Day in such next calendar month, (b) if such numerically corresponding day is not a Banking Day, the period shall end on the next following Banking Day in the same calendar month but if there is no such Banking Day it shall end on the preceding Banking Day and **months** and **monthly** shall be construed accordingly and (c) references to a calendar shall be construed as references to the Gregorian calendar;

1.4.6 words importing the plural shall include the singular and vice versa;

1.4.7 references to a time of day are to London time;

1.4.8 references to a person shall be construed as references to an individual, firm, company, corporation, unincorporated body of persons or any Government Entity;

1.4.9 references to a **guarantee** include references to an indemnity or other assurance against financial loss including, without limitation, an obligation to purchase assets or services as a consequence of a default by any other person to pay any Indebtedness and **guaranteed** shall be construed accordingly;

1.4.10 references to **assets** include all or part of any business, undertaking, real property, personal property, uncalled capital and any rights (whether actual or contingent, present or future) to receive, or require delivery of, any of the foregoing;

1.4.11 references to a document being **in the agreed form** shall mean a document in a form agreed by (and for the purposes of identification initialled by and on behalf of) the Borrower, each relevant Security Party which is a party thereto and the Agent; and

1.4.12 references to any enactment shall be deemed to include references to such enactment as re-enacted, amended or extended.

1.5 Obligations several

The obligations of each Lender under this Agreement are several; the failure of any Lender to perform such obligations shall not relieve any other Finance Party or the Borrower of any of its obligations or liabilities under this Agreement nor shall the Agent, the Lead Arranger or either of the Co-Arrangers be responsible for the obligations of any Lender (except for its own respective obligations, if any, as a Lender) nor shall any Lender be responsible for the obligations of any other Lender under this Agreement.

1.6 Interests several

Notwithstanding any other term of this Agreement (but without prejudice to the provisions of this Agreement relating to or requiring action by the Majority Lenders) the interests of the Finance Parties are several and the amount due to the Agent, the Lead Arranger or either of the Co-Arrangers (for its own account) and to each Lender is a separate and independent debt. Save as set forth in the Trust and Agency Agreement, the Agent, the Lead Arranger, each Co-Arranger and each Lender shall have the right to protect and enforce its rights arising out of this Agreement and it shall not be necessary for another Finance Party to be joined as an additional party in any proceedings for this purpose.

1.7 Third Parties

No term of this Agreement is enforceable under the Contracts (Rights of Third Parties) Act 1999 by a person who is not a party to it.

2 The Commitments

2.1 Amount

2.1.1 The Lenders, relying upon each of the representations and warranties in clause 7 agree to lend to the Borrower upon and subject to the terms of this Agreement the principal amount of their respective Commitments.

2.1.2 On or about the date hereof, each of the Ships shall be valued on a charter-free basis and on the basis of a sale for prompt delivery for cash at arms length on normal commercial terms as between a willing buyer and a willing seller in Dollars by two Approved Brokers selected by, and at the cost of, the Borrower. The **Fair Market Value** shall be the aggregate of the arithmetic average of the two valuations for each Ship.

(a) If eighty per cent (80%) of the Fair Market Value is less than $253,200,000, the Total Commitments shall be an amount equal to eighty per cent (80%) of the Fair Market Value and each Lender's Commitment shall be reduced pro rata. The Agent shall notify the Borrower of the reduced amount of each Lender's Commitment.

(b) If eight per cent (80%) of the Fair Market Value is equal to or greater than $253,200,000, the Total Commitments shall be $253,200,000.

2.1.3 The obligation of each Lender shall be to contribute that portion of the Advance which, as at the Drawdown Date, its Commitment bears to the Commitments of all Lenders.

2.2 Single Advance

The loan facility referred to in clause 2.1 shall be available for drawing in a single Advance in an amount not exceeding the Total Commitments, which may only be made on a Banking Day falling within the Drawdown Period.

2.3 Drawdown

2.3.1 Subject to the terms and conditions of this Agreement, the Advance shall be made available to the Borrower following receipt by the Agent from the Borrower of a Drawdown Notice not later than 10:00 a.m. on the third (3rd) Banking Day before the proposed Drawdown Date.

2.3.2 A Drawdown Notice shall be effective on actual receipt by the Agent and, once given, shall, subject as provided in clause 3.5.1, be irrevocable.

2.4 Availability

Upon receipt of a Drawdown Notice complying with the terms of this Agreement the Agent shall notify each Lender thereof and of the date on which the Advance is to be made and subject to the terms of this Agreement, each of the Lenders shall make available to the Agent its proportion of the Advance for payment by the Agent in accordance with clause 6.2.

2.5 Application of proceeds

Without prejudice to the Borrower's obligations under clause 8.1.19, none of the Finance Parties shall have any responsibility for the application of the proceeds of the Advance by the Borrower.

3 Interest and interest periods

3.1 Interest rate

Interest on the Loan shall accrue from day to day throughout the Security Period and be paid by the Borrower on in respect of each Interest Period relating thereto on each Interest Payment Date for that Interest Period at the rate per annum which is the aggregate of LIBOR, Mandatory Costs and the Margin for that Interest Period in each case.

3.2 Determination of Interest Periods

The Borrower may (in relation to the first Interest Period) in the Drawdown Notice or (in relation to each subsequent Interest Period, save those periods to which clause 3.3 shall apply) by notice to be received by the Agent not later than 10:00 am (London time) on the third (3rd)

Banking Date before the beginning of the applicable Interest Period select a duration of one (1), three (3), six (6), nine (9) or twelve (12) month(s) (or such shorter or longer period as may be approved by the Agent) for such Interest Period. Unless otherwise selected each Interest Period shall have a duration of three (3) months. Each Interest Period shall be subject as follows:

(a) the first such Interest Period shall commence on the Drawdown Date and shall (subject to clause 6.3) end on expiry of the period selected by the Borrower pursuant to this clause 3.2 or on the date falling three (3) months after the Drawdown Date in the absence of selection;

(b) each subsequent Interest Period shall commence on the expiry of the immediately preceding Interest Period; and

(c) if any such Interest Period would otherwise overrun any Repayment Date, in the case of the relevant Final Repayment Date such Interest Period shall end on such Final Repayment Date and, in the case of any other Repayment Date, the Loan shall be divided into two parts, one part in an amount not less than the repayment instalment due on such Repayment Date and having an Interest Period ending on such date and the other part in an amount equal to the balance of the Loan having an Interest Period ascertained in accordance with the other provisions of this clause 3.2.

3.3 Default interest

3.3.1 If the Borrower fails to pay any sum (including, without limitation, any sum payable pursuant to this clause 3.3) on its due date for payment under any of the Security Documents, the Borrower shall pay interest on such sum on demand from the due date up to the date of actual payment (as well after as before judgment) at a rate determined by the Agent pursuant to this clause 3.3. The period beginning on such due date and ending on such date of payment shall be divided into successive periods of not more than three (3) months as selected by the Agent (after consultation with the Lenders so far as reasonably practicable in the circumstances) each of which (other than the first, which shall commence on such due date) shall commence on the last day of the preceding such period.

3.3.2 The rate of interest applicable to each unpaid sum and for each such period shall be the aggregate (as determined by the Agent under the preceding paragraph) of (a) two per cent. (2%) per annum, (b) LIBOR for the relevant period, (c) the Margin and (d) Mandatory Costs.

3.3.3 If the unpaid sum is an amount of principal which shall have become due and payable, by reason of a declaration by the Agent under clause 10.2.2 or a prepayment pursuant to clauses 4.3, 8.2 or 12.1, prior to the next succeeding Interest Payment Date relating thereto, the first period selected by the Agent shall end on such Interest Payment Date and interest shall be payable on such

unpaid sum during such period at a rate of two per cent. (2%) above the rate applicable thereto immediately before it shall have become so due and payable.

3.3.4 Interest under this clause 3.3 shall be due and payable on the last day of each period determined by the Agent pursuant to this clause 3.3 or, if earlier, on the date on which the sum in respect of which such interest is accruing shall actually be paid. If, for the reasons specified in this clause 3.5.1 the Agent is unable to determine a rate in accordance with the foregoing provisions of this clause 3.3, each Lender shall promptly notify the Agent of the cost of funds to such Lender and interest on any sum not paid on its due date for payment shall be calculated for each Lender at a rate determined by the Agent to be two per cent. (2%) per annum above the cost of funds to such Lender.

3.4 Notification of Interest Periods and interest rate

The Agent shall notify the Borrower and the Lenders promptly of the duration of each Interest Period or other period for the calculation of interest (or, as the case may be, default interest) and of each rate of interest determined by it under this clause 3.

3.5 Market disruption; non-availability

3.5.1 If and whenever, at any time prior to the commencement of any Interest Period:

(a) the Agent shall have determined (which determination shall, in the absence of manifest error, be conclusive), that adequate and fair means do not exist for ascertaining LIBOR during such Interest Period; or

(b) the Agent shall have received notification from the Lenders with Contributions aggregating not less than fifty per cent. (50%) of the Contributions of all the Lenders (or prior to the first Drawdown Date, with Commitments aggregating not less than fifty per cent. (50%) of the Commitments of all the Commercial Lenders) that deposits in Dollars are not available to such Lenders in the ordinary course of business in sufficient amounts to fund their Contributions for such Interest Period or that LIBOR does not accurately reflect the cost to such Lenders of obtaining such deposits,

the Agent shall forthwith give notice (a **Determination Notice**) thereof to the Borrower and to each of the Lenders. A Determination Notice shall contain particulars of the relevant circumstances giving rise to its issue. After the giving of any Determination Notice (and until the Agent notifies the Borrower that none of the circumstances specified in this clause 3.5.1 continues to exist) the undrawn amount of the Commitments of the Lenders shall only be borrowed (and the Advance may only be requested) if a New Lender Basis has been agreed pursuant to clause 3.5.2.

3.5.2 During the period of ten (10) days after any Determination Notice has been given by the Agent under clause 3.5.1, each Lender that has notified the Agent thereunder, shall certify to the Agent an alternative basis (**Alternative Basis**) for making available or, as the case may be, maintaining its Contribution. The Alternative Basis may (without limitation) include alternative interest periods, alternative currencies or alternative rates of interest but shall include a margin above the cost of funds to such Lender equivalent to the Margin for the relevant Interest Period. The Agent shall calculate the arithmetic mean of the Alternative Bases provided by the Lenders (rounded upwards, if not already such a multiple, to the nearest whole multiple of one-sixteenth of one per cent.) (**New Lender Basis**) and certify the same to the Borrower and each of the Lenders. The New Lender Basis so certified shall be binding upon the Borrower and the affected Lenders and shall take effect in accordance with its terms from the date specified in the Determination Notice until such time as the Agent notifies the Borrower that none of the circumstances specified in clause 3.5.1 continues to exist whereupon the normal interest rate fixing provisions for the Loan shall apply.

4 Repayment and prepayment

4.1 Repayment

The Borrower shall repay the Loan as follows:

4.1.1 by sixteen (16) equal instalments of eight million, six hundred and twenty-seven thousand, three hundred and thirty-six Dollars ($ 8,627,336), one such instalment to be repaid on each of the sixteen (16) consecutive Repayment Dates commencing the date falling twenty-four months after the Drawdown Date; and

4.1.2 a final balloon payment of one hundred and fifteen million, one hundred and sixty-two thousand, six hundred and twenty-four Dollars ($115,162,624) on the Final Repayment Date.

4.2 Voluntary prepayment

The Borrower may prepay the Loan in whole or part (being $500,000 or any larger sum which is an integral multiple of $500,000) on the last day of any Interest Period, subject to the Borrower giving the Agent at least fifteen (15) days' prior notice in writing of its intention to make any such prepayment. The amount of each prepayment shall be regarded as being divided between the Lenders in the ratio that their respective Contributions bear to the aggregate Contributions of all Lenders as at the time of prepayment. No prepayment

premium or penalty is due in respect of any prepayment under this clause 4.2.

4.3 Prepayment on Total Loss or sale

4.3.1 **Before the Advance is drawn**

On a Ship being sold or becoming a Total Loss before the Advance is drawn down, the obligations of the Lenders to make available the Loan Facility set forth in clause 2.1 shall immediately cease and the Lenders' Commitments shall be reduced to zero on the Pre-Advance Disposal Reduction Date, u nless that Ship being sold or becoming a Total Loss is replaced with a Replacement Ship and the Replacement Conditions have been met to the satisfaction of the Agent by the Pre-Advance Disposal Reduction Date.

4.3.2 **After the Advance is drawn**

If after the drawdown of the Advance, a Ship is sold or becomes a Total Loss, the Borrower shall prepay to the Agent (for account of the Lenders) the Disposal Reduction Amount on the Post-Advance Disposal Reduction Date, u nless that Ship being sold or becoming a Total Loss is replaced with a Replacement Ship and the Replacement Conditions have been met to the satisfaction of the Agent by the Post-Advance Disposal Reduction Date.

4.3.3 **Notification**

When the Agent determines a Disposal Reduction Amount in accordance with this clause 4.3, it shall promptly notify that amount to the Borrower.

4.3.4 **Definitions**

For the purposes of this clause 4.3:

(a) **Disposal Reduction Amount** means the Loan multiplied by the proportion which the Market Value of the Ship which has been sold or become a Total Loss bears to the Market Value of all of the Ships (excluding Excluded Ships) plus, if the Agent (acting on the instructions of the Lenders) so elects, the Disposal Uplift Amount;

(b) **Disposal Uplift Amount** means, if the Post-Disposal Security Value Ratio is less than 1:1 or the Pre-Disposal Security Value Ratio, an amount which is necessary for the Post-Disposal Ratio to exceed the higher of 1:1 and the Pre- Disposal Ratio;

(c) **Market Value** means the value of a Ship or Ships calculated in accordance with clause 8.2.2 and with reference to the date on which the Total Loss or sale of a Ship has occurred;

(d) **Pre-Advance Disposal Reduction Date** means:

(i) where a Ship has become a Total Loss , the earlier of :

(A) the date a Total Loss shall have been deemed to occur pursuant to 4.3.4(h);

(B) the time of the incident which the Agent considers may result in that Ship becoming a Total Loss; and

(ii) in the case of a sale, the date on which a binding agreement has been entered into for the sale of such Ship;

(e) **Post-Advance Disposal Reduction Date** means:

(i) where a Ship has become a Total Loss, the earlier of:

(A) the date falling one hundred and twenty (120) days after that Ship becomes a Total Loss; and

(B) the date on which insurance proceeds or Requisition Compensation in respect of such Total Loss are received by the relevant Owner (or the Security Trustee on behalf of the Lenders as assignee of the assureds pursuant to the relevant Security Document); and

(ii) where a Ship is sold, the date upon which such sale is completed by the transfer of title to that Ship to the purchaser in exchange for payment of the relevant purchase price;

(f) **Post-Disposal Security Value Ratio** means the ratio which the Security Value (calculated in accordance with clause 8.2.2 (e) and on the basis that the Ship **is** an Excluded Ship) bears to the Security Requirement (calculated so as to **include** prepayment of the Disposal Reduction Amount);

(g) **Pre-Disposal Security Value Ratio** means the ratio which the Security Value (calculated in accordance with clause 8.2.2(e) but on the basis that the Ship **is not** an Excluded Ship) bears to the Security Requirement (calculated so as to **exclude** prepayment of the Disposal Reduction Amount); and

(h) A **Total Loss** shall be deemed to have occurred:

(i) in the case of an actual total loss of a Ship on the actual date and at the time that Ship was lost or destroyed or, if such date is not known, on the date on which that Ship was last reported;

(ii) in the case of a constructive total loss of a Ship, upon the date and at the time notice of abandonment of that Ship is given to the insurers of that Ship for the time being (provided a claim for total loss is admitted by such insurers) or, if such insurers do not forthwith admit such a claim, at the date and at the time at which either a total loss is subsequently admitted by the insurers or a total loss is

subsequently adjudged by a competent court of law or arbitration tribunal to have occurred;

(iii) in the case of a compromised or arranged total loss, on the date upon which a binding agreement as to such compromised or arranged total loss has been entered into by the insurers of a Ship;

(iv) in the case of Compulsory Acquisition, on the date upon which the relevant requisition of title or other compulsory acquisition occurs; and

(v) in the case of hijacking, theft, condemnation, capture, seizure, arrest, detention or confiscation of a Ship (other than where the same amounts to Compulsory Acquisition of that Ship) by any Government Entity, or by persons purporting to act on behalf of any Government Entity, which deprives the applicable Borrower of the use of that Ship for more than thirty days, upon the expiry of the period of thirty (30) days after the date upon which the relevant hijacking, theft, condemnation, capture, seizure, arrest, detention or confiscation occurred.

4.3.5 **Insurance proceeds**

Any insurance moneys or Requisition Compensation or proceeds of sale received by the Security Trustee or the Lenders in respect of such Total Loss under the relevant Security Document or sale of a Ship shall (if and to the extent necessary to ensure compliance with clause 4.3) be applied by the Agent in or towards making any prepayment and paying any other moneys required under clause 4.3 and provided no Default has occurred and is continuing the balance, if any, shall be paid to the Borrower or as it may direct.

4.4 Amounts payable on prepayment

Any prepayment under this Agreement shall be made together with: (a) accrued interest on the amount to be prepaid to the date of such prepayment, (b) any amount payable under clause 6.8 or 12.2 and (c) all other sums payable by the Borrower under this Agreement or any of the other Security Documents including, without limitation, any amounts payable under clause 11.

4.5 Notice of prepayment; reduction of repayment instalments

Every notice of prepayment shall be effective only on actual receipt by the Agent, shall be irrevocable, shall specify the amount to be prepaid and shall oblige the Borrower to make such prepayment on the date specified. No amount prepaid may be re-borrowed. Any amount prepaid pursuant to clause 4.2 shall be applied in reducing the repayment instalments under clause 4.1 in the order of their due dates for payment or as may be agreed from time to time between the Borrower and the Lenders. The Borrower may not cancel the Commitments nor prepay the Loan or any part thereof save as expressly provided in this Agreement.

5 Commitment commission, fees and expenses

5.1 Fees

The Borrower shall pay on the date hereof to the Lead Arranger for itself and the Co-Arrangers $1,284,000 being an amount equal to zero point five per cent (0.5%) of the Commitments at the date hereof. Such fees shall be payable by the Borrower whether or not any of the Commitments of the Lenders are advanced.

5.2 Expenses

The Borrower shall pay to the Agent on a full indemnity basis on demand:

5.2.1 all expenses (including legal, insurance, translation, printing and out of pocket expenses and any taxes thereon) properly incurred by the Finance Parties in connection with the negotiation, preparation, execution and, where relevant, registration of the Security Documents (subject to any limit agreed between the Agent and any counsel instructed by it and the Borrower) and of any amendment or extension of, or the granting of any waiver or consent under, any of the Security Documents; and

5.2.2 all expenses (including legal, translation, printing and out of pocket expenses) properly incurred by the Finance Parties or any of them in connection with, the enforcement or attempted enforcement of, or preservation or attempted preservation of any rights under, any of the Security Documents, or otherwise in respect of the moneys owing under any of the Security Documents,

together with interest at the rate referred to in clause 3.3 from the date falling five (5) Banking Days following the receipt by the Borrower of an invoice from the Agent with respect to those expenses to the date of payment (as well after as before judgment).

5.3 Value Added Tax

All fees and expenses payable pursuant to this clause 5 shall be paid together with value added tax or any similar tax (if any) properly chargeable thereon. Any value added tax chargeable in respect of any services supplied by the Finance Parties or any of them under this Agreement, the Trust and Agency Agreement or any other Security Document shall, on delivery of the value added tax invoice, be paid in addition to any sum agreed to be paid hereunder.

5.4 Stamp and other duties

The Borrower shall pay all stamp, documentary, registration or other like duties or Taxes (including, but without limitation, any duties or Taxes payable by, or assessed on, any of the Finance Parties) imposed on or in connection with any of the Transaction Documents, the

Security Documents or the Loan and shall indemnify each of the Finance Parties against any liability arising by reason of any delay or omission by the Borrower to pay such duties or Taxes.

6 Payments and taxes; accounts and calculations

6.1 No set-off or counterclaim; distribution to the Lenders

6.1.1 The Borrower acknowledges that in performing their obligations under this Agreement the Lenders will be incurring liabilities to third parties in relation to the funding of amounts to the Borrower, such liabilities matching the liabilities of the Borrower to the Lenders and that it is reasonable for the Lenders to be entitled to receive payments from the Borrower gross on the due date in order that the Lenders are put in a position to perform their matching obligations to the relevant third parties.

6.1.2 Accordingly, all payments to be made by the Borrower under any of the Security Documents shall be made in full, without any set off or counterclaim whatsoever and, subject as provided in clause 6.8, free and clear of any deductions or withholdings, in Dollars (except for costs, charges or expenses which shall be paid in the currency in which they are incurred) on the due date to the account of the Agent at such bank in such place as the Agent may from time to time specify for this purpose, save for payments in respect of a Qualifying Swap or a Master Agreement which shall be made in accordance with the terms of those documents to the account of the Swap Banks at such bank in such place as each Swap Bank may from time to time specify in accordance with those documents.

6.1.3 Save where the Security Documents provide for a payment to be made for the account of a particular Finance Party, in which case the Agent shall distribute the relevant payment to the Finance Party concerned, payments to be made by the Borrower under the Security Documents in respect of amounts due under or in connection with the Loan shall be for the account of all the Lenders and the Agent shall forthwith distribute such payments in like funds as are received by the Agent to the Lenders rateably in accordance with their Commitments or Contributions, as the case may be).

6.2 Payment by the Lenders

All sums to be advanced by the Lenders to the Borrower under this Agreement shall be remitted in Dollars on the Drawdo wn Date (or earlier) to the account of the Agent with ABN AMRO Bank N.V., New York B ranch , SWIFT address ABNAUS33 for the account of Fortis Bank (Nederland) N.V., Rotterdam, SWIFT address FTSBNL2R for further credit to account number 25.11.89.694 with reference “Danaos” or at such other bank as the Agent may have notified to the Lenders and shall be paid by the Agent on such date in like funds as are received by the Agent to the account or accounts specified in the relevant Drawdown Notice.

6.3 Payment by the Borrower

All sums to be repaid by the Borrower to the Lenders under this Agreement shall be remitted i n Dollars on each of the Repayment Dates to the account of the Agent (ABN AMRO Bank N.V., New York branch, SWIFT: ABNAUS33, Account Name: Fortis Bank (Nederland) N.V., Rotterdam, SWIFT: FTSBNL2R, Reference: "For further credit / Acc. 25.11.89.694 / Danaos Corporation").

6.4 Non-Banking Days

When any payment under any of the Security Documents would otherwise be due or an Interest Period would otherwise end on a day which is not a Banking Day, the due date for payment or, as the case may be, the applicable Interest Period shall be extended to the next following Banking Day unless such Banking Day falls in the next calendar month in which case payment shall be made or, as the case may be, the applicable Interest Period shall end on the immediately preceding Banking Day.

6.5 Agent may assume receipt

Where any sum is to be paid under this Agreement to the Agent for the account of another person, the Agent may assume that the payment will be made when due and may (but shall not be obliged to) make such sum available to the person so entitled. If it proves to be the case that such payment was not made to the Agent, then the person to whom such sum was so made available shall on request refund such sum to the Agent together with interest thereon sufficient to compensate the Agent for the cost of making available such sum up to the date of such repayment and the person by whom such sum was payable shall indemnify the Agent for any and all loss or expense which the Agent may sustain or incur as a consequence of such sum not having been paid on its due date.

6.6 Calculations

All interest and other payments of an annual nature under any of the Security Documents shall accrue from day to day and be calculated on the basis of actual days elapsed and a 360 day year. In calculating the actual number of days elapsed in a period which is one of a series of consecutive periods with no interval between them or a period on the last day of which any payment falls to be made in respect of such period, the first day of such period shall be included but the last day excluded.

6.7 Certificates

Any certificate or determination of the Agent or any Lender as to any rate of interest, rate of exchange or any other amount pursuant to and for the purposes of any of the Security Documents shall, as between Finance Parties and as between any Finance Party and the Borrower or any other Security Party, be regarded as being conclusive evidence of such rate or other amount.

6.8 Grossing-up for Taxes - Borrower

If at any time the Borrower is required by any applicable law or regulation of any Government Entity binding on it to make any deduction or withholding in respect of Taxes from any payment due under any of the Security Documents for the account of any Finance Party (or if the Agent is required to make any such deduction or withholding from a payment to a Finance Party),

(a) the Borrower shall notify the Agent as soon as it becomes aware of the requirement;

(b) the Borrower shall pay to the relevant tax authorities promptly and in any event before any fine or penalty arises each amount so deducted or withheld and deliver to the Agent the original of any receipts, certificates or other proof evidencing the amounts (if any) paid or payable in respect of any deduction or withholding as aforesaid.

(c) the sum due from the Borrower in respect of such payment shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding, each Finance Party receives on the due date for such payment (and retains, free from any liability in respect of such deduction or withholding), a net sum equal to the sum which it would have received had no such deduction or withholding been required to be made and the Borrower shall indemnify each Finance Party against any losses or costs incurred by it by reason of any failure of the Borrower to make any such deduction or withholding or by reason of any increased payment not being made on the due date for such payment.

6.9 Claw-back of tax benefit

If, following any such deduction or withholding as is referred to in clause 6.8 from any payment by the Borrower and the payment by the Borrower of the amount of such deduction or withholding to the appropriate tax authorities, the Agent or any Lender, shall receive or be granted a credit against or remission for any Taxes payable by it (by reason of the payment of such deduction or withholding to the tax authorities), the Agent or such Lender shall, subject to the Borrower having made any increased payment in accordance with clause 6.8 and to the extent the Agent or such Lender can do so without prejudicing the retention of the amount of such credit or remission and without prejudice to the right of the Agent or such Lender to obtain any other relief or allowance which may be available to it and to apply any credit or remission in such order and against such amounts as it may choose, reimburse the Borrower with such amount as the Agent or such Lender shall certify to be the proportion of such credit or remission as will leave it (after such reimbursement) in no worse position than it would have been in had there been no such deduction or withholding from the payment by the Borrower as aforesaid. Such reimbursement shall be made forthwith upon the Agent or, as the case may be, the relevant Lender certifying that the amount of such credit or remission has been received by it. Nothing contained in this clause shall oblige the Agent or any Lender to rearrange its tax affairs

or to disclose any information regarding its tax affairs and computations. Without prejudice to the generality of the foregoing, the Borrower shall not, by virtue of this clause 6.9, be entitled to enquire about the Agent's or any Lender's tax affairs.

6.10 Bank account

Each Lender shall maintain, in accordance with its usual practice, an account or accounts evidencing the amounts from time to time lent by, owing to and paid to it under the Security Documents. The Agent shall maintain a control account showing and other sums owing by the Borrower under the Security Documents (excluding each Qualifying Swap and each Master Agreement). The control account shall, in the absence of manifest error, be conclusive as to the amount from time to time owing by the Borrower under those Security Documents.

7 Representations and warranties

7.1 Continuing representations and warranties

The Borrower represents and warrants to each of the Finance Parties that:

7.1.1 **Status** : the Borrower is a corporation domesticated in and validly existing and in good standing under the laws of the Republic of the Marshall Islands.

7.1.2 **Share capital and ownership** : the Borrower has an authorised share capital of 205,000,000 shares, par value $0.01 each, of which 200,000,000 shares are common stock and 5,000,000 shares are preferred stock. The Borrower is the indirect and ultimate owner of all the issued ordinary share capital of each Owner.

7.1.3 **Corporate power** : the Borrower (or in the case of paragraph (a), each Owner) has the corporate capacity, and has taken all corporate action and obtained all consents necessary for it:

(a) to execute, enter into, and perform its obligations under the Transaction Documents to which it is or is to be a party and (in the case of each Owner) register the relevant Ship in its name under a Flag State; and

(b) to borrow under this Agreement and to make all the payments contemplated by, and to comply with, those Transaction Documents to which the Borrower is a party

7.1.4 **Consents in force** : All the consents referred to in clause 8.1.8 remain in force and nothing has occurred which makes any of them liable to revocation;

7.1.5 **Legal validity; effective security interests** : the Security Documents to which the Borrower is a party, do now or, case the case may be, will, upon execution and delivery (and, where applicable, registration as provided for in the Security Documents):

(a) constitute the Borrower's legal, valid and binding obligations enforceable against the Borrower in accordance with their respective terms; and

(b) create legal, valid and binding Encumbrances enforceable in accordance with their respective terms over all the assets to which they, by their terms, relate,

subject to any relevant insolvency laws affecting creditors' rights generally;

7.1.6 **No third party Encumbrances** : at the time of the execution and delivery of each Security Document to which the Borrower is a party:

(a) the Borrower will have the right to create all the Encumbrances which that Security Document purports to create; and

(b) no third party will have any Encumbrances (except for any Permitted Encumbrances) or any other interest, right or claim over, in, or in relation to any asset to which any such Encumbrances, by its terms, relates.

7.1.7 **No conflicts** : the execution by the Borrower of each Security Document to which it is a party, and the borrowing by the Borrower of the Loan, and its compliance with each Security Document to which it is a party will not involve or lead to a contravention of:

(a) any law or regulation; or

(b) the constitutional documents of the Borrower; or

(c) any contractual or other obligation or restriction which is binding on the Borrower or any of its assets.

7.1.8 **Information** . All information which has been provided in writing by or on behalf of the Borrower or any Security Party to the Lender in connection with any Finance Document satisfied the requirements of clause 8.1.3.

7.1.9 **No litigation** : no legal or administrative action involving the Borrower has been commenced or taken or, to the Borrower's knowledge, is likely to be commenced or taken which, in either case, would be likely to have a material adverse effect on the Borrower's ability to satisfy and discharge in a timely manner any of its liabilities or obligations under any Transaction Document.

7.1.10 **No rebates etc.** : there is no agreement or understanding to allow or pay any rebate, premium, commission, discount or other benefit or payment (howsoever described) to the Owners or any third party in connection with the purchase by each Owner of the Ship owned by it, other than as disclosed to the Agent in writing on or prior to the date of this Agreement.

7.1.11 **Taxes paid** : the Borrower has paid all taxes applicable to, or imposed on or in relation to the Borrower and its business.

7.1.12 **Compliance with certain undertakings** at the date of this Agreement the Borrower is in compliance with clauses 8.1.1, 8.1.4, 8.1.8 and 8.11.

7.1.13 **ISM Code and ISPS Code compliance** : all requirements of the ISM Code and the ISPS Code as they relate to the Borrower, each Owner, the Manager and the Ships have been complied with.

7.1.14 **No money laundering** : in relation to the borrowing by the Borrower of the Loan, the performance and discharge of its obligations and liabilities under the Transaction Documents, and the transactions and other arrangements effected or contemplated by the Transaction Documents to which the Borrower is a party, the Borrower confirms that it is acting for its own account and that the foregoing will not involve or lead to contravention of any law, official requirement or other regulatory measure or procedure implemented to combat "money laundering" (as defined in Article 1 of the Directive (91/308/EEC) of the Council of the European Communities).

7.2 Initial representations and warranties

The Borrower further represents and warrants to each of the Finance Parties that:

7.2.1 **No withholding taxes** : all payments which the Borrower is liable to make under the Transaction Documents to which it is a party may be made without deduction or withholding for or on account of any tax payable under any law of any Relevant Jurisdiction.

7.2.2 **No default** : no Default or Event of Default has occurred and is continuing.

7.2.3 **Validity and completeness of Charters and the Management Agreements :**

(a) The copies of the Charters and the Management Agreements delivered to the Agent before the date of this Agreement are true and complete copies;

(b) The Charters and the Management Agreements each constitute valid, binding and enforceable obligations of the relevant parties thereto in accordance with its terms; and

(c) Other than those amendments and additions to the Charters and the Management Agreements disclosed to the Agent before the date of this Agreement, no amendments or additions to either document has been agreed nor has any party thereto waived any of their respective rights thereunder.

7.2.4 **Compliance with Environmental Laws and Approvals** : except as may already have been disclosed by the Borrower in writing to, and acknowledged in writing by, the Finance Parties:

(a) to the best of the Borrower's knowledge and belief, the Borrower and its Subsidiaries have complied with the provisions of all Environmental Laws;

(b) to the best of the Borrower's knowledge and belief, the Borrower and its Subsidiaries have obtained all Environmental Approvals and are in compliance with all such Environmental Approvals; and

(c) neither the Borrower nor any of its Subsidiaries has received notice that the Borrower or any such Subsidiary is not in compliance with any Environmental Law or any Environmental Approval.

7.2.5 **No Environmental Claims** : except as may already have been disclosed by the Borrower in writing to, and acknowledged in writing by, the Finance Parties there is no Environmental Claim pending or to the best of the Borrower's knowledge and belief, threatened against the Borrower or any of its Subsidiaries or any Relevant Ship.

7.2.6 **No potential Environmental Claims** : except as may already have been disclosed by the Borrower in writing to, and acknowledged in writing by, the Finance Parties to the best of the Borrower's knowledge and belief, there has been no emission, spill, release or discharge of a Pollutant from any Relevant Ship which could give rise to an Environmental Claim.

7.3 Repetition of representations and warranties

The Borrower shall be deemed to repeat on the Drawdown Date the representations and warranties in 7.1 and 7.2 as if made with reference to the facts and circumstances existing on such day.

8 Undertakings

8.1 General

The Borrower unde r takes with each of the Finance Parties to comply with the following provision of this clause 8 at all times during the Security Period except as the Agent may otherwise permit:

8.1.1 **Title; negative pledge and pari passu ranking** : the Borrower will:

(a) indirectly hold the entire beneficial interest in, the ordinary shares of each Owner, free from all Encumbrances and other interests and rights of every kind, except for Permitted Encumbrances;

(b) not create or permit to arise any Encumbrance over any other asset, present or future other than in the normal course of its business of acquiring, financing and operating vessels; and

(c) procure that its liabilities under the Security Documents to which it is a party do and will rank at least pari passu with all its other present and future unsecured liabilities, except for liabilities which are mandatorily preferred by law;

8.1.2 **No disposal of assets** : the Borrower will not transfer, lease or otherwise dispose of:

(a) all or a substantial part of its assets (including without limitation, the shares of the Owners), whether by one transaction or a number of transactions, whether related or not; or

(b) any debt payable to it or any other right (present, future or contingent) to receive a payment, including any right to damages or compensation;

if such transfer, lease or disposal results in a reduction of the Market Value Adjusted Total Assets by at least 50 per cent. In all circumstances the Borrower shall be deemed to have complied with its obligations under this clause 8.1.2 by providing the Agent with prior written notice of its decision to transfer, lease or otherwise dispose of its assets as aforesaid;

8.1.3 **Information provided to be accurate** : all financial and other information which is provided in writing by or on behalf of the Borrower under or in connection with any Transaction Document will be true and not misleading and will not omit any material fact or consideration;

8.1.4 **No other liabilities or obligations to be incurred.** it will procure that none of the Owners will incur any liability or obligation except liabilities and obligations:

(a) under the Transaction Documents to which each Owner is a party; and

(b) incurred in the normal course of its business of operating vessels;

8.1.5 **Provision of financial statements** : the Borrower will:

(a) as soon as possible, but in no event later than 180 days after the end of each financial period to which they relate (commencing with the financial period ended 31 December 2007), make available the Audited Financial Statements for that financial period on the Borrower's website; and

(b) as soon as possible, but in no event later than 90 days after the end of each 6-monthly period to which they relate (commencing with the 6-monthly period ended 30 June 2008), make available the Unaudited Financial Statements for that financial period on the Borrower's website;

8.1.6 **Form of financial statements** : all accounts (audited and unaudited) delivered under clause 8.1.5 will:

(a) be prepared in accordance with all applicable laws and Accounting Principles;

(b) give a true and fair view of the states of affairs of the Borrower's Group at the date of those accounts and of their or its profit for the period to which those accounts relate; and

(c) fully disclose or provide for all significant liabilities of the Borrower's Group;

8.1.7 **Shareholder and creditor notices** : the Borrower will send the Agent, at the same time as they are despatched, copies of all documents which are despatched:

(a) to the Borrower's creditors generally;

(b) if there is no Event of Default, to its shareholders (or any class of them) which the Borrower is required to despatch by law; and

(c) if there is an Event of Default which is continuing, all documents despatched by the Borrower to its shareholders (or any class of them).

8.1.8 **Consents** : the Borrower will maintain in force and promptly obtain or renew (or, as the case may be, will procure that there is maintained in force and promptly obtained or renewed), and will promptly send certified copies to the Agent of, all consents required:

(a) for the Borrower and each Owner to perform its obligations under each Transaction Documents to which it is a party;

(b) for the validity or enforceability of each Transaction Document to which it is a party; and

(c) for each Owner to continue to own and operate the Ship owned by it,

and the Borrower will comply (or procure compliance) with the terms of all such consents;

8.1.9 **Maintenance of Encumbrances** : the Borrower will:

(a) at its own cost, do all that it reasonably can to ensure that any Security Document validly creates the obligations and the Encumbrances which it purports to create; and

(b) without limiting the generality of paragraph (a) at its own cost, promptly register, file, record or enrol any Security Document with any court or authority in the Marshall Islands, Liberia, Greece, Panama, Bahamas or Cyprus or such other jurisdiction which the Agent may reasonably require (including, without limitation, any Flag State if at the relevant time a Ship is registered under the laws of such Flag State), pay any stamp, registration or similar tax in any such country in respect of any Security Document, give any notice or take any other step which, in the opinion of the Lender, is or has become necessary or desirable for any Security Document to be valid, enforceable or admissible

in evidence or to ensure or protect the priority of any Permitted Encumbrance which it creates;

8.1.10 **Notification of litigation** : the Borrower will provide the Agent with details of any legal or administrative action involving the Borrower, any Security Party, the Manager or the Ships, their Earnings or their Insurances as soon as such action is instituted or it becomes apparent to that Borrower that it is likely to be instituted, unless it is clear that the legal or administrative action cannot be considered material in the context of any Finance Document;

8.1.11 **Principal place of business** : the Borrower will maintain its place of business, and keep its corporate documents and records, at the address set out in the definition of "Borrower" and the Borrower will not establish, nor do anything as a result of which it would be deemed to have, a place of business in any other country;

8.1.12 **Confirmation of no default** : the Borrower will, within 3 Banking Days after service by the Agent of a written request, serve on the Agent a notice which is signed by an authorised officer of the Borrower and which:

(a) states that no Default or Event of Default has occurred; or

(b) states that no Default or Event of Default has occurred, except for a specified event or matter, of which all material details are given,

The Agent may serve requests under this clause 8.1.12 from time to time; this clause 8.1.12 does not affect the Borrower's obligations under clause 8.1.13;

8.1.13 **Notification of default** : the Borrower will notify the Agent as soon as the Borrower becomes aware of:

(a) the occurrence of a Default or an Event of Default; or

(b) any matter which indicates that a Default or an Event of Default may have occurred,

and will thereafter keep the Agent fully up-to-date with all developments;

8.1.14 **Provision of further information** : the Borrower will, as soon as practicable after receiving the request, provide the Agent with any additional financial or other information relating to:

(a) the Borrower, the Owners, the Ships, their Earnings or their Insurances; or

(b) any other matter relevant to, or to any provision of, a Transaction Document, which in each case may be requested by the Agent at any time;

8.1.15 **No amendment to the Transaction Documents** : the Borrower shall not and it will ensure that no Owner shall, agree to any amendment or supplement to, or waive or fail to enforce, a Transaction Document to which it is a party to or any of its provisions;

8.1.16 **Purchase of further tonnage** : the Borrower shall procure that each Owner shall not purchase a vessel other than the relevant Ship;

8.1.17 **"Know your customer" requirements** : the Borrower shall provide to the Finance Parties (or any of them) such documentation and evidence as may be required by each of Finance Party from time to time comply with applicable law and regulations and its own internal guidelines in relation to the opening of bank accounts and the identification of its customers;

8.1.18 **Provision of copies and translation of documents** : if the Agent so requires, the Borrower will supply the Agent with a certified English translation in respect of any of those documents referred to above, such translation to be prepared by a translator approved by the Agent;

8.1.19 **Tax Lease Structure** : the Borrower may place any Ship within a tax lease structure with the prior written consent of the Lenders such consent not to be unreasonably withheld;

8.1.20 **Use of proceeds** : use the Advance exclusively for the purposes specified in clause 1.1;

8.1.21 **Flag State** : the Borrower shall ensure that at all times the Ships are registered in the name of the relevant Owner under the laws and flag of the relevant Flag State and are free from Encumbrances other than the relevant Mortgage; and

8.1.22 **Classification** : the Borrower shall ensure that at all times the Ships maintains the relevant Classification Society free of all overdue recommendations and conditions affecting class.

8.2 Security value maintenance

8.2.1 **Security shortfall** : if at any time the Security Value shall be less than the Security Requirement, the Agent may, and if so instructed by the Majority Lenders, shall give notice to the Borrower requiring that such deficiency be remedied and then the Borrower shall either:

(a) prepay within a period of ten (10) Banking Days of the date of receipt by them of the Agent's said notice such sum in Dollars as will result in the Security Requirement after such prepayment (taking into account any other repayment of the Loan for the Ships made between the date of the notice and the date of such prepayment) being equal to the Security Value; or

(b) within ten (10) Banking Days of the date of receipt by the Borrower of the Agent's said notice, constitute to the satisfaction of the Lenders such further security (in the form of an Encumbrance) for the Loan to be held by the Security Trustee, and as shall be acceptable to the Lenders having a value for security purposes (as determined by the

Lenders in their absolute discretion) at the date upon which such further security shall be constituted which, when added to the Security Value, shall not be less than the Security Requirement as at such date.

The provisions of clauses 4.5 and 4.6 shall apply to prepayments under clause 8.2.1(a).

8.2.2 **Valuation of the Ships** :

(a) Prior to the Drawdown Date and thereafter at or about each anniversary of such Drawdown Date, each of Ships shall be valued in Dollars by two Approved Brokers selected by the Borrower. The Borrower shall pay all costs properly incurred in respect of such valuations. Each valuation shall be made without physical inspection unless required by the Majority Lenders (in which case the Borrower shall use reasonable efforts to facilitate any required physical inspection as soon as practicable after a request for the same).

(b) Notwithstanding the foregoing, the Agent may, and if so instructed by the Majority Lenders, shall obtain two valuations of one or more of the Ships at any other time, but the Borrower shall only reimburse the Agent for the cost of such valuations if (a) an Event of Default has occurred which is continuing or (b) a Ship is being sold or there has been a Total Loss for the purpose of determining the Disposal Reduction Amount in accordance with clause 4.3, and in either case the Agent has served written demand on the Borrower in relation thereto.

(c) Each valuation made in accordance with this clause 8.2.2 of a Ship shall be the aggregate of the present values (as may be conclusively determined by the Agent but subject to discount pursuant to clause 8.2.2(d)) of:

(i) where that Ship is subject to a charter or other contract of employment having an unexpired term of at least nine (9) months with a first class charterer acceptable to the Agent (acting in accordance with the instructions from the Lenders) (which acceptance shall not be unreasonably withheld), the bareboat-equivalent time charter income of that Ship in respect of the remaining unexpired term of the relevant charter or other contract of employment excluding any periods for which the relevant charter or contract of employment may be renewed at the option of any party (for the purposes of this clause 8.2.2(c), an **option period**); and

(ii) the current charter-free market value of a vessel with identical characteristics to that Ship other that its age which shall be considered to be the age of that Ship at the time of charter expiry (so adjusted for a higher age), as such value may be adjusted to take into account the terms of any commitments undertaken by the Owner of the Ship which may affect its value,

and in the case of both (i) and (ii) on the basis of a sale for prompt delivery for cash at arms length on normal commercial terms as between a willing buyer and a willing seller.

(d) The present values referred to in clause 8.2.2(c) shall be discounted in respect of a period equal to the unexpired term of the Ship's time charter or other contract of employment (excluding any option periods) rounded up to the nearest year, as follows:

(i) in relation to a period which is a Qualifying Swap Period, the Interest Rate Swap Rate; and

(ii) in relation to each period which is not a Qualifying Swap Period (including the period from the expiry of the Qualifying Swap Period (and if there is more than one Qualifying Swap Period, the most recent one) to the time of charter expiry), the relevant ISDA Benchmark Rate collected daily by Reuters and ICA plc in respect of Loan (and not a proportion thereto) for that period.

(e) The sum total of: (1) the aggregate of the arithmetic average of the most recent two valuations for each Ship (excluding each Excluded Ship) determined in accordance with this clause 8.2.2 and (2) the market value of any additional security for the time being actually provided to the Lenders pursuant to clause 8.2.1(b) as most recently determined in accordance with clause 8.2.4 (in each case as certified by the Agent to the Borrower which certificate shall, in the absence of manifest error, be conclusive and binding on the Borrower, each of the Owners and the Finance Parties) shall at any time be the **Security Value** for the purposes of this Agreement.

(f) The Agent shall provide the Borrower and each Lender with a copy of any valuation requested by it.

8.2.3 **Information** : the Borrower undertakes with the Finance Parties to supply to the Agent and to any relevant Lenders such information concerning the applicable Ship and its condition as such brokers may reasonably require for the purpose of making any such valuation.

8.2.4 **Valuation of additional security** : for the purpose of this clause 8.2, the market value of any additional security provided or to be provided to the Lenders shall be determined by the Agent, acting on the instructions of the Majority Lenders in their absolute discretion without any necessity for the Majority Lenders assigning any reason thereto (provided that any additional security granted by way of cash, should be valued on a Dollar by Dollar basis). Subject to the provisions of the Trust and Agency Agreement, the Agent may appoint such experts and appraisers as it may consider necessary in order to fulfil its instructions from the Majority Lenders pursuant to this clause 8.2.4 and shall not be required to act where no such instructions from the Majority Lenders are received. Any costs incurred by the Agent shall be reimbursed by the Borrower against copies of the applicable invoices.

8.2.5 **Documents and evidence** : in connection with any additional security provided in accordance with this clause 8.2, the Agent shall be entitled to (and shall if so requested by the Majority Lenders) require the Borrower to provide such evidence and documents of the kind referred to in schedule 5 that it believes are appropriate (or which it has been required to request) and such favourable legal opinions as the Agent shall in its absolute discretion require.

8.2.6 **Release of additional security**

If at any time the Security Trustee holds additional security provided under clause 8.2.1 and the Security Value of such additional security, disregarding the value of that additional security, exceeds the Security Requirement by at least ten per cent (10%) and the Security Value has been determined by reference to valuations provided no more than 90 days previously, or if an Charter is subsequently entered into, the Borrower may, by notice to the Agent, require the release and discharge of that additional security. The Security Trustee shall then promptly release and discharge that additional security if no Default is then continuing or will result from such release and discharge and, upon such release and discharge and, if so required by the Agent and or the Security Trustee, the Borrower shall reimburse to the Agent and or the Security Trustee any costs and expenses in relation to that release and discharge.

8.3 Financial Undertakings

8.3.1 The Borrower shall ensure that at all times:

(a) The ratio of Total Liabilities (after deducting all cash and Cash Equivalents) to Market Value Adjusted Total Assets (after deducting all cash and Cash Equivalents) shall not exceed 0.75:1;

(b) The aggregate of all cash and Cash Equivalents shall not be less than $30,000,000;

(c) The Interest Coverage Ratio shall not be less than 2.5:1;

(d) The Market Value Adjusted Net Worth of the Borrower shall not be less than the higher of $250,000,000; and

(e) From and including 31 March 2010 until the Final Repayment Date the Borrower shall maintain in the Borrower Account a cash deposit of at least $6,000,000;

8.3.2 **Compliance check** . Compliance with the undertakings contained in this clause 8.3 shall be determined in each financial period:

(a) for the first 6-month period of each annual financial period, by reference to the Unaudited Financial Statements in respect of that 6-month financial period

(b) for the second 6-month period of each annual financial period, by reference to the Audited Financial Statements relating to that annual financial period;

(c) an any other time as the Agent may reasonably request by reference to such evidence as the Agent may require to determine and calculate the financial covenants referred to in clauses 8.2 and 8.3.

At the same time as it makes available each set of Audited Financial Statements and Unaudited Financial Statements referred to in clause 8.1.5, the Borrower shall deliver to the Agent a Compliance Certificate demonstrating its compliance (or not, as the case may be) with the provisions of clauses 8.2 and 8.3.

8.3.3 **Definitions** :

The accounting terms used in this clause 8 shall be construed in accordance with the Accounting Principles but so that:

Applicable Accounts means the most recent Audited Financial Statements or (as the case may be) Unaudited Financial Statements;

Borrower's Income Statement has the meaning given to that term in the Applicable Accounts;

Cash Equivalents means:

(a) deposits with first class international banks the maturity of which does not exceed 12 months;

(b) bonds, certificates of deposits and other money market instruments or securities issued or guaranteed by the United States Government; and

(c) any other instruments approved by the Agent, with the authorisation of the Majority Lenders;

Compliance Date means a date on which compliance with the undertakings contained in this clause 8.3 is determined in accordance with clause 8.3.2;

EBITDA means, in respect of the relevant period, the net income of the Borrower's Group before interest, taxes, depreciation and amortisation and any capital gains or losses realised from the sale of any Fleet Vessels as shown and as defined in the Applicable Accounts;

Exceptional Items means any material items of an unusual or non-recurring nature which represent gains or losses including those arising on the sale of vessels;

Financial Quarter means the period commencing on the day after one Quarter Date and ending on the next Quarter Date;

Financial Year means the annual accounting period of the Borrower's Group ending on (or about) 31 December in each year;

Interest Coverage Ratio means ratio of EBITDA to Net Interest in respect of any Relevant Period.

Market Value Adjusted Net Worth means Market Value Adjusted Total Assets minus Total Liabilities;

Market Value Adjusted Total Assets means, with reference to the Audited Financial Statements and the Unaudited Financial Statements provided pursuant to clause 8.1.3, all assets of the Borrower's Group, with the value of the Ships calculated as per clause 8.2.2;

Net Interest means interest expense minus interest income as stated in the Borrower's Income Statement;

Quarter Date means each of 31 March, 30 June, 30 September and 31 December.

Relevant Period means each period of twelve months or such shorter period commencing on the date hereof ending on or about the last day of the Financial Year and each period of twelve months ending on or about the last day of each Financial Quarter.

Total Liabilities means, total liabilities of the Borrower's Group as stated in the most recent annual Audited Financial Accounts of the Borrower's Group.

8.4 Corporate Undertakings

The Borrower also undertakes with the Agent to comply with the following provisions of this clause 8.2 at all times during the Security Period except as the Agent may otherwise permit.

8.4.1 **Maintenance of status** : the Borrower will maintain its separate corporate existence and remain in good standing under the laws of the Marshall Islands.

8.4.2 **Negative undertakings** : the Borrower will not:

(a) change the nature of its business; or

(b) pay any dividend or make any other form of distribution: (i) at any time when a Default or an Event of Default has occurred and is continuing or (ii) will result from the payment of any dividend or the making of any other form of distribution or (iii) for as long as any of the financial covenants set out in clause 8.2.1 or 8.3.1 are not satisfied; or

(c) effect any form of redemption, purchase or return of share capital at any time when a Default or an Event of Default has occurred or is continuing or will result from any form or redemption, purchase or return of share capital; or

(d) enter into any form of amalgamation, merger or de-merger or any form of reconstruction or reorganisation; or

(e) cause the shares of the Borrower to cease to be listed on the New York Stock Exchange.

8.4.3 **Maintenance of ownership of Owners** . The Borrower shall remain in ultimate legal and beneficial owner of the entire issued and allotted issued and allotted ordinary share capital of each Owner free from any Security Interest.

8.5 Swaps Undertakings

The Borrower undertakes to the Swap Banks only to enter into a Qualifying Swap with a Swap Bank if the proportion which the notional amount of that Qualifying Swap bears to the notional amount of all Qualifying Swaps in respect of the same Qualifying Swap Period is the same as the proportion which the Commitment of that bank (in its capacity as Lender rather than as Swap Bank) bears to the Total Commitments.

8.6 Additional Undertakings

The Borrower also undertakes with the Agent to ensure at all times during the Security Period except as the Agent may otherwise permit that:

8.6.1 **Seizure** : in the event that all or a material part of the undertaking, assets, rights or revenues of, or shares or other ownership interests in, any Security Party are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any government (other than when such seizure results in a Total Loss), such action will not have a material effect on the Borrower's or the relevant Security Party's ability to fulfil its obligations under the Security Documents; and

8.6.2 **Unrest** : in the event that the Flag State of a Ship or any Relevant Jurisdiction becomes involved in hostilities or civil war or there is a seizure of power in the Flag State of a Ship or any Relevant Jurisdiction by unconstitutional means, such action will not have a material adverse effect on the security created by any of the Security Documents; or

8.6.3 **Environment** : in the event that any Security Party fails to comply with any Environmental Law or any Environmental Approval or a Ship or any other Relevant Ship is involved in any incident which gives rise or may give rise to an Environmental Claim, the Borrower undertakes that such non-compliance or incident or the consequences thereof shall not have a material adverse effect on the business, assets, operations, property or financial condition of that Security Party or any other Security Party or on the security constituted by any of the Security Documents; or

8.6.4 **P&I** : each Security Party shall comply with any requirements of the protection and indemnity association or other insurer with which a Ship is entered for insurance or insured against protection and indemnity risks (including oil pollution risks); or

8.6.5 **Arrest** : in the event that a Ship is arrested, confiscated, seized, taken in execution, impounded, forfeited, detained in exercise or purported exercise of any possessory lien or other claim or otherwise taken from the possession of an Owner, the Borrower shall procure its release within a period of ten (10) Banking Days thereafter.

8.6.6 **Material adverse change** : with reference to Audited Financial Statements and Unaudited Financial Statements, the Borrower undertakes that there will not be a material adverse change in the financial condition of any Security Party.

9 Conditions

9.1 Documents and evidence

The obligation of each Lender to make its Commitment available shall be subject to the condition that:

9.1.1 the Agent, or its duly authorised representative, shall have received, no later than 10am (New York time) on the third (3rd) Banking Day prior to the proposed Drawdown Date a Drawdown Notice specifying a date for drawdown within the Drawdown Period;

9.1.2 the Agent, or its duly authorised representative, shall have received, not later than the day on which such Drawdown Notice is given, the documents and evidence specified in Part 1 of schedule 4 in form and substance satisfactory to the Agent; and

9.1.3 the Agent, or its duly authorised representative, shall have received, on or prior to the Drawdown, in respect of each Ship, the documents and evidence specified in Part 2 of schedule 4 in form and substance satisfactory to the Agent.

9.2 General conditions precedent

The obligation of each Lender to contribute to the Advance shall be subject to the further conditions that, at the time of the giving of the Drawdown Notice and on the Drawdown Date:

9.2.1 the representations and warranties contained in clauses 7.1 and 7.2 are true and correct on and as of each such time as if each was made with respect to the facts and circumstances existing at such time; and

9.2.2 no Default shall have occurred and be continuing or would result from the making of the Advance.

9.3 Waiver of conditions precedent

The conditions specified in this clause 9 are inserted solely for the benefit of the Lenders and may be waived on their behalf in whole or in part and with or without conditions by the Agent acting on the instructions of the Majority Lenders (or in the case of any waiver in relation to the execution of any of the Security Documents, all the Lenders) in respect of the first or any other Advance without prejudicing the right of the Agent acting on such instructions to require fulfilment of such conditions in whole or in part in respect of any other Advance.

9.4 Notification

The Agent shall notify the Lenders and the Borrower promptly upon receipt by it of the documents and evidence referred to in clause 9.1 in form and substance satisfactory to it.

10 Events of Default

10.1 Events

An Event of Default occurs if:

10.1.1 **Non-payment** : the Borrower or any Security Party fails to pay when due or (if so payable) on demand any sum payable under a Transaction Document or under any document relating to a Transaction Document; such failure shall not constitute an Event of Default if:

(a) such failure is due to a bank payment transmission error; and

(b) the Borrower or the relevant Security Party remedies such failure within 3 days or the due date of payment of the relevant amount; or

10.1.2 **Breach of Insurance and Certain other Obligations:** any breach occurs of clause 5.4 of the Guarantee (*Insurance*), or clause 8.2

(*Security Value Maintenance*) or clause 8.3 (*Financial Undertakings*) of this Agreement;

10.1.3 **Breach of other obligation (1)** : any breach by the Borrower or any Security Party occurs of any provision of a Transaction Document (including, for the avoidance of doubt clause 8.6 (*Additional Undertakings*) of this Loan Agreement) (other than a breach covered by paragraphs 10.1.1 or 10.1.2) and if, in the opinion of the Lenders such default is capable of remedy, such default is not remedied within 14 Banking Days after written notice from the Agent requesting action to remedy the same; or

10.1.4 **Breach of other obligations (2)** : (subject to any applicable grace period specified in the Security Document) any breach (which the Lenders consider, in their discretion, to be material) by the Borrower or any Security Party occurs of any provision of a Security Document (other than a breach covered by paragraphs 10.1.1, 10.1.2 or 10.1.3); or

10.1.5 **Misrepresentation** : any representation, warranty or statement (which the Agent considers, in its discretion, to be material) made by, or by an officer of, the Borrower or a Security Party in a Security Document or in a Drawdown Notice or any other notice or document relating to a Security Document is untrue or misleading when it is made provided that such failure shall not constitute an Event of Default if an innocent misrepresentation has been made and which, if capable of remedy, is remedied within 10 Banking Days of its occurrence unless such innocent misrepresentation is made on a Drawdown Date; or

10.1.6 **Cross-default** : any of the following occurs in relation to any Indebtedness of a Relevant Person (other than the Borrower) or any Indebtedness of the Borrower of at least $500,000:

(a) any Indebtedness of a Relevant Person is not paid when due or, is so payable, on demand; or

(b) any Indebtedness of a Relevant Person becomes due and payable or capable or being declared due and payable prior to its stated maturity date as a consequence of any event of default; or

(c) a lease, hire purchase agreement or charter creating any Indebtedness of Relevant Person is lawfully terminated by the lessor or owner or becomes capable of being lawfully terminated as a consequence of any termination event; or

(d) any overdraft, loan, note issuance, acceptance credit letter of credit, guarantee, foreign exchange or other facility, or any swap or other derivative contract or transaction, relating to any Indebtedness of a Relevant Person ceases to be available or becomes capable of being terminated as a result of any event of default, or cash cover is required, or becomes capable of being required, in respect of such a facility as a result of any event of default; or

(e) any Encumbrance securing any Indebtedness of a Relevant Person becomes enforceable,

10.1.7 **Insolvency Proceedings** : any of the following occurs in relation to a Relevant Party

(a) a Relevant Person becomes unable to pay its debts as they fall due; or

(b) any assets of a Relevant Person are subject of any form of execution, attachment, expropriation, sequestration or distress in respect of a sum or sums aggregating $100,000 (or $10,000,000 in respect of the Borrower) or more or the equivalent in another currency; or

(c) any administrative or other receiver is appointed over any asset of a Relevant Person; or

(d) a Relevant Person makes any formal declaration of bankruptcy or any formal statement to the effect that it is insolvent or likely to become insolvent, or a winding up or administration order is made in relation to a Relevant Person, or the members or directors of a Relevant Person pass a resolution to the effect that it should be wound up, placed in administration or cease to carry on business, save that this paragraph does not apply to a full solvent winding up of a Relevant Person other than the Borrower or an Owner which is, or is to be, effected for the purposes of an amalgamation or reconstruction previously approved by the Agent and effected not later than 3 months after the commencement of the winding up; or

(e) a petition is presented in any Relevant Jurisdiction for the winding up or administration, or the appointment of a provisional liquidator, of a Relevant Person unless, in the case of an involuntary petition, the petition is being contested in good faith and on substantial grounds and is dismissed or withdrawn within 30 days of the presentation of the petition; or

(f) a Relevant Person petitions a court, or presents any proposal for, any form of judicial or non-judicial suspension or deferral of payments, reorganisation of its debt (or certain of its debt) or arrangements with all or a substantial proportion (by number or value) of its creditors or of any class of them or any such suspension or deferral of payments, reorganisation or arrangement is effected by court order, contract or otherwise; or

(g) any meeting of the members or directors of a Relevant Person is summoned for the purpose of considering a resolution or proposal to authorise or take any action of a type described in paragraphs (iii), (iv), (v) or (vi); or

(h) in a Relevant Jurisdiction other than England, any event occurs or any procedure is commenced which, in the reasonable opinion of the Agent is similar to any of the foregoing,

and for the purposes of this clause 10.1.7, **Petition** includes an application; or

10.1.8 **Cessation of business** : the Borrower ceases, or threatens to cease, carry on all or a substantial part of its business or, as a result of intervention by or under the authority of any government, the business of the Borrower is wholly or partially curtailed or suspended, or all or a substantial part of the assets or undertaking of the Borrower is seized, nationalised, expropriate of compulsorily acquired; or

10.1.9 **Unlawfulness** : it becomes unlawful in any Relevant Jurisdiction or impossible:

(a) for the Borrower or any Security Party to discharge any liability under a Security Document or to comply with any other obligation which the Agent considers material under a Security Document; or

(b) for the Agent to exercise or enforce any right under, or to enforce any Encumbrance created by, a Security Document; or

10.1.10 **Consents** : any consent necessary to enable any Owner to own, operate or charter the Ship owned by it or to enable the Borrower, any Owner or any Security Party to comply with any provision which the Agent considers material of a Transaction Document is not granted, expires without being renewed, is revoked or becomes liable to revocation or any condition of such a consent is not fulfilled if this materially affects the security position of the Security Trustee or the ability of the Borrower or a Security Party to timely discharge and/or perform its or their liabilities and obligations (or any of them) under any Transaction Document; or

10.1.11 **Ownership** : if, without the prior consent of the Agent, Dr John Coustas either owns directly and/or through companies beneficially owned and controlled by him, or members of the Coustas family and/or trusts or foundations in which members of the Coustas family are beneficiaries own and control, less than 51 per cent of the issued voting share capital of the Borrower; or

10.1.12 **Listing** : if, without the prior consent of the Agent, the shares of the Borrower cease to be listed on the New York Stock Exchange; or

10.1.13 **Voting** : it appears to the Agent that, without its prior consent, a change has occurred or probably has occurred after the date of this Agreement in the ultimate beneficial ownership of any of the ordinary shares in any Owner or in the ultimate control of the voting rights attaching to any of those shares; or

10.1.14 **Invalidity** : any provisions which the Agent considers material of a Transaction Document proves to have been or becomes invalid or unenforceable, or an Encumbrance created by a Security Document proves to have been or becomes invalid or unenforceable or such Encumbrance proves to have ranked after, or loses its priority to another Encumbrance or any other third party claim or interest; or

10.1.15 **Security** : the security constituted by a Security Document is in any way imperilled or in jeopardy unless within 14 Banking Days of the security being so imperilled or jeopardised (i) the Borrower or a Security Party provides to the Agent security in the form of a new Security Document which, in the opinion of the Agent, is equivalent to that constituted by the Security Document which has become imperilled or jeopardised or (ii) the security ceases to be imperilled or in jeopardy; or

10.1.16 **Master Agreement:** a Master Agreement is terminated , cancelled, suspended, rescinded or revoked or otherwise ceases to remain in full force and effect for any reason except with the consent of the Agent (acting on the instructions of the Lenders); or

10.1.17 **Ship Management** : for any reason whatsoever, a Ship ceases to be managed by the Manager on terms in all respects approved by the Agent (such approval not to be unreasonably withheld); or

10.1.18 **Other Events** : any other event occurs or any other circumstances arise or develop including, without limitation:

(a) a change in the financial position, state of affairs or prospects of the Borrower or an Owner; or

(b) any accident or other event involving any Ship or another vessel owned, chartered or operated by a Relevant Person;

in the light of which the Agent considers that there is a material risk that the Borrower is, or will later become, unable to discharge its liabilities under the Transaction Documents as they fall due.

10.1.19 **Flag State** : the registration of a Ship or a Mortgage under the laws and flag of the relevant Flag State is cancelled or terminated without the prior written consent of the Security Trustee; or

10.2 Actions following an Event of Default

On, or after any time after the occurrence of an Event of Default which is continuing, the Agent may and if requested by the Majority Lenders shall (without prejudice to any other rights of the Lenders):

10.2.1 serve on the Borrower a notice stating that all obligations of the Lenders to the Borrower under this Agreement are terminated whereupon on the Total Commitments shall be reduced to zero forthwith; and/or

10.2.2 serve on the Borrower a notice stating that the Loan, all accrued interest and all other amounts accrued or owing under this Agreement and the other Security Documents are immediately due and payable or are due and payable on demand; and/or

10.2.3 take any other action which, as a result of the Event of Default or any notice served under clause 10.2.1 or 10.2.2 above, the Agent entitled to take under any Transaction Document or any applicable law.

10.3 Termination of Commitment

On the service of a notice under clause 10.2.1, the Commitment and all other obligations of the Lender to the Borrower under this Agreement shall terminate.

10.4 Acceleration of Loan

On the service of a notice under clause 10.2.2, the Loan, all accrued interest and all other amounts accrued or owing from the Borrower or any Security Party under this Agreement and every other Security Document (including without limitation all interest and commitment commission) shall become immediately due and payable or, as the case may be, payable on demand.

10.5 Multiple notices; action without notice

The Agent may serve notices under clauses 10.2.1 and 10.2.2 simultaneously or on different dates and the Agent may take any action referred to in that clause if no such notice is served or simultaneously with or at any time after the service of both or either of such notices.

10.6 Exclusion of Agent Liability

Neither the Agent, nor any receiver or manager appointed by the Agent, shall have any liability to the Borrower or a Security Party

10.6.1 For any loss caused by an exercise of rights under, or enforcement of an Encumbrance created by, a Security Document or by any failure or delay to exercise such a right or to enforce such an Encumbrance; or

10.6.2 As mortgagee in possession or otherwise, for any income or principal amount which might have been produced by or realised from any asset comprised in such an Encumbrance or for any reduction (however caused) in the value of such an asset,

Except that this does not exempt the Agent or a receiver or manager from liability for losses shown to have been caused by the gross negligence or the wilful misconduct of the Agent's own officers and employees or (as the case may be) such receiver's or manager's own partners or employees.

11 Indemnities

11.1 Miscellaneous indemnities

The Borrower shall within three (3) Banking Days of demand, indemnify each Finance Party, without prejudice to any of their other rights under any of the Security Documents, against any cost (including, without limitation, broken funding costs) loss or liability incurred by that Finance Party as a result of:

11.1.1 the occurrence of any Default; or

11.1.2 a failure by any Security Party to pay an amount due under a Security Document on its due date, including without limitation, any cost, loss or liability arising as a result of clause 7 of the Trust and Agency Agreement; or

11.1.3 the Loan (or any part thereof) not being prepaid in accordance with clauses 4.2, 4.3, 8.2, 12.1 or 12.4 and any repayment or prepayment of the Loan (or part thereof) being made otherwise than on the last day of an Interest Period; or

11.1.4 funding, or making arrangements to fund, its participation in the Advance requested by the Borrower in the Drawdown Notice but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by that Finance Party alone); or

11.1.5 prepayment of the Loan in whole or in part,

including, in any such case, but not limited to, any loss or expense sustained or incurred by such Lender in maintaining or funding its Contribution or any part thereof or in liquidating or re employing deposits from third parties acquired to effect or maintain its Contribution or any part thereof or any other amount owing to such Lender.

11.2 Indemnity to the Agent and Security Trustee

The Borrower shall promptly indemnify the Agent and Security Trustee against any reasonable cost, loss or liability incurred by the Agent and the Security Trustee or either of them (acting reasonably) as a result of:

11.2.1 investigating any event which it reasonably believes is a Default; or

11.2.2 acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised.

11.3 Currency indemnity

If any sum due from any Security Party under any of the Security Documents or any order or judgment given or made in relation thereto has to be converted from the currency (the **first currency**) in which the same is payable under the relevant Security Document or under such order or judgment into another currency (the **second currency**) for the purpose of (a) making or filing a claim or proof against any Security Party, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to any of the Security Documents, the Borrower shall indemnify and hold harmless each of the Finance Parties from and against any loss suffered as a result of any difference between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which any of the Finance Parties may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. Any amount due from the Borrower under this clause 11.3 shall be due as a separate debt and shall not be affected by judgment being obtained for any other sums due under or in

respect of any of the Security Documents and the term **rate of exchange** includes any premium and costs of exchange payable in connection with the purchase of the first currency with the second currency.

11.4 Environmental indemnity

The Borrower shall indemnify each of the Finance Parties on demand and hold each of the Finance Parties harmless from and against all costs, expenses, payments, charges, losses, demands, liabilities, actions, proceedings (whether civil or criminal), penalties, fines, damages, judgments, orders, sanctions or other outgoings of whatever nature which may be suffered, incurred or paid by, or made or asserted against any Finance Party at any time, whether before or after the repayment in full of principal and interest under this Agreement, relating to, or arising directly or indirectly in any manner or for any cause or reason whatsoever out of an Environmental Claim made or asserted against the Finance Party if such Environmental Claim would not have been, or been capable of being, made or asserted against the Finance Party if it had not entered into any of the Security Documents and/or exercised any of its rights, powers and discretions thereby conferred and/or performed any of its obligations thereunder and/or been involved in any of the transactions contemplated by the Security Documents.

12 Unlawfulness and increased costs

12.1 Unlawfulness

If it is or becomes contrary to any law or regulation for any Lender to contribute to the Advance or to maintain its Commitment or fund its Contribution, such Lender shall promptly, through the Agent, give notice to the Borrower whereupon (a) such Lender's Commitment shall be reduced to zero and (b) the Borrower shall be obliged to prepay the Contribution of such Lender either (i) forthwith or (ii) on a future specified date not being earlier than the latest date permitted by the relevant law or regulation together with interest and commitment commission accrued to the date of prepayment and all other sums payable by the Borrower to such Lender under this Agreement.

12.2 Increased costs

This clause 12.2 applies if the Agent notifies the Borrower that a Lender or Lenders considers (each a **Notifying Lender**) that as a result of:

12.2.1 the introduction or alteration after the date of this Agreement of a law or a regulation, or an alteration after the date of this Agreement in the manner in which a law or regulation is interpreted or applied (disregarding any effect which relates to the application to payments under this Agreement of a Tax on a Lender's overall net income); or

12.2.2 the effect of complying with any law or regulation (including any which relates to capital adequacy or liquidity controls or which affects the manner in which a Lender allocates capital resources to its obligations under this Agreement including, without limitation, the implementation of any regulations which may replace, amend and/or supplement those set out in the Basel 2 Accord which is introduced, or altered, or the interpretation or application of which is altered, after the date of this Agreement,

a Notifying Lender (or a parent company of it) has incurred or will incur an "increased cost", that is to say:

(a) an additional or increased cost incurred as a result of, or in connection with, a Lender having entered into, or being a party to, this Agreement, of funding or maintaining the Loan or performing its obligations under this Agreement, or of having outstanding all or any part of the Loan or other unpaid sums; or

(b) a reduction in the amount of any payment to a Lender under this Agreement or in the effective return which such a payment represents to a Lender or on its capital;

(c) an additional or increased cost of funding all or maintaining all or any of the advances comprised in a class of advances formed by or including the Loan or (as the case may require) the proportion of that cost attributable to the Loan; or

(d) a liability to make a payment, or a return foregone, which is calculated by reference to any amounts received or receivable by a Lender under this Agreement,

but not an item attributable to a change in the rate of tax on the overall net income of a Lender (or a parent company of it) or an item covered by the indemnity in clause 5.2.

For the purposes of this clause 12.2, a Lender may in good faith allocate or spread costs and/or losses among its assets and liabilities (or any class thereof) on such basis as it considers appropriate.

12.2.3 **Payment of increased costs.** The Borrower shall pay to a Lender, on that Lender's demand, the amounts which that Lender from time to time notifies the Borrower that is necessary to compensate it for the increased cost.

12.2.4 **Notice of prepayment.** If the Borrower is not willing to continue to compensate a Lender for the increased cost under this clause 12.2, the Borrower may give that Lender not less than 15 days' notice of its intention to prepay the Loan at the end of an Interest Period.

12.2.5 **Prepayment; termination of Commitment.** A notice under clause 12.2.4 shall be irrevocable; and on the date specified in the Borrower's notice of intended prepayment, the Borrower shall prepay (without premium or penalty) the Loan together with accrued interest thereon at the applicable rate plus the Margin.

12.2.6 **Application of prepayment.** Clause 13.1 shall apply in relation to the prepayment.

12.3 **Exception**

Nothing in clause 12.2 shall entitle any Lender to receive any amount in respect of compensation for any such liability to Taxes, increased or additional cost, reduction, payment, foregone return or loss (a) to the extent that the same is taken into account in calculating the additional cost or (b) to the extent that the same is the subject of an additional payment under clause 6.8.

12.4 Mitigation

If circumstances arise which would, or would upon the giving of notice, result in:

12.4.1 the Borrower being required to make an increased payment to a Lender pursuant to clause 6.8; or

12.4.2 the reduction of the Commitment of a Lender to zero or the Borrower being required to prepay any Lender's Contribution pursuant to clause 12.1; or

12.4.3 the Borrower being required to make a payment to a Lender to compensate such Lender or its holding company for a liability to Taxes, increased or additional cost, reduction, payment, foregone return or loss pursuant to clause 12.2,

then, without in any way limiting, reducing or otherwise qualifying the obligations of the Borrower under clauses 6.8, 12.1 and 12.2, the Agent and the relevant Lender shall meet together and with the Borrower to discuss in good faith (but without obligation) what steps may be open to the relevant Lender (or, as the case may be, its holding company) to mitigate or remove such circumstances. If the relevant Lender and the Borrower are unable to agree such steps within thirty (30) days (or such longer period as they may agree) of the notice referred to in this clause 12.4 having been given, then the Borrower shall (save where they are already obliged to make a prepayment under clause 12.1) be entitled to notify such Lender of their intention to prepay such Lender's Contribution. The Borrower shall make such prepayment within thirty (30) days of such notification and shall simultaneously pay to such Lender any expense

which such Lender certifies as sustained or incurred by it as a consequence of such prepayment including any loss or expense sustained or incurred by such Lender in liquidating or re employing deposits from third parties acquired to effect or maintain its Contribution. Upon receipt of the Borrower's notice of prepayment the Commitments of the relevant Lender shall be reduced to zero.

13 Security and set off

13.1 Application of moneys

If either:

13.1.1 on any date on which a payment is due to be made by the Borrower under this Agreement, the amount received by the Agent from the Borrower falls short of the total amount of the payment due to be made by the Borrower on such date; or

13.1.2 the Agent, the Security Trustee and/or the Lenders receive moneys under or pursuant to any of the Security Documents that are expressed to be applicable in accordance with the provisions of this clause 13.1,

then, without prejudice to any rights or remedies available to the Agent, the Security Trustee and the Lenders under the Security Documents, such amount, if received by the Lenders shall be paid to the Agent, and shall be applied by the Agent in the following manner:

13.1.3 first, in or towards payment, on a pari passu basis, of all unpaid fees, commissions, costs and expenses which may be owing to any of the Finance Parties under any of the Security Documents;

13.1.4 secondly, in or towards payment, on a pari passu basis, of any arrears of interest which has become due but remains unpaid and any scheduled payments owing to any of the Swap Banks under the Qualifying Swaps which have become due but remain unpaid;

13.1.5 thirdly in or towards repayment of the Loan and in or towards payment to the Swap Banks of any other sums owing to the Swap Banks under the Master Agreements on a pari passu basis;

13.1.6 fourthly in or towards payment to any Lender for any loss suffered by reason of any payment in respect of principal relating to the Loan not being effected when due;

13.1.7 fifthly, in or towards payment to any Finance Party of any other sums (including indemnity amounts) which have become due but remain unpaid under any of the Security Documents; and

13.1.8 sixthly, the surplus (if any) shall be paid to the Borrower or to whomsoever else may be entitled to receive such surplus.

13.2 Set-off

The Borrower authorises each Lender (without prejudice to any of the Lenders' rights at law, in equity or otherwise), at any time and without notice to the Borrower, to apply any credit balance to which the Borrower is then entitled standing upon any account of the Borrower with any branch of such Lender in or towards satisfaction of any sum due and payable from the Borrower to such Lender under any of the Security Documents. For this purpose, each Lender is authorised to purchase with the moneys standing to the credit of such account such other currencies as may be necessary to effect such application. No Lender shall be obliged to exercise any right given to it by this clause 13.2. Each Lender shall notify the Agent and the

Borrower forthwith upon the exercise or purported exercise of any right of set off giving full details in relation thereto and the Agent shall inform the other Lenders.

14 Assignment, transfer and lending office

14.1 Benefit and burden

This Agreement shall be binding upon, and enure for the benefit of, the Finance Parties and the Borrower and their respective successors.

14.2 No assignment by Borrower

The Borrower may not assign or transfer any of its rights or obligations under this Agreement without the prior consent of the Agent (given with the authorisation of all the Lenders).

14.3 Assignments and transfers by Lenders

14.3.1 A Lender (the **Transferor Lender**) may cause:

(a) its rights in respect of all or part of its Contribution; and

(b) an equal proportion of its obligations in respect of all or part of its Commitment,

to be (in the case of its rights) transferred to, or (in the case of its obligations) assumed by, another bank or financial institution or special purpose vehicle established by any Lender (a **Transferee Lender**) by delivering to the Agent a completed certificate in the form set out in Schedule 5 with any modifications approved or required by the Agent (a **Substitution Certificate**) executed by the Transferor Lender and the Transferee Lender.

14.3.2 Any rights and obligations of the Transferor Lender in its capacity as Agent, the Agent or Security Trustee will have to be dealt with separately in accordance with the Agency and Trust Agreement.

14.3.3 A transfer pursuant to this clause 14.3 shall:

(a) require the prior written the consent of the Agent;

(b) be effected without the consent of, but with notice to, the Borrower:

(i) following the occurrence of an Event of Default;

(ii) if such transfer is to a subsidiary or any other company or financial institution which is in the same ownership or control as the Transferor Lender; and

(c) require the consent of the Borrower (such consent not to be unreasonably withheld or delayed) in all other circumstances.

14.4 Reliance on Substitution Certificate

14.4.1 The Agent shall be entitled to rely on any Substitution Certificate believed by it to be genuine and correct and to have been presented or signed by the persons by whom it purports to have been presented or signed, and shall not be liable to any of the parties to this Agreement and the Security Documents for the consequences of such reliance.

14.4.2 The Agent shall at all times during the continuation of this Agreement maintain a register in which it shall record the name, Commitments, Contributions and administrative details (including the lending office) from time to time of the Lenders holding a Substitution Certificate and the date at which the transfer referred to in such Substitution Certificate held by each Lender was transferred to such Lender, and the Agent shall make the said register available for inspection by any Lender and the Borrower during normal banking hours upon receipt by the Agent of reasonable prior notice requesting the Agent to do so.

14.4.3 The entries on the said register shall, in the absence of manifest error, be conclusive in determining the identities of the Commitments, the Contributions and the Substitution Certificates held by the Lenders from time to time and the principal amounts of such Substitution Certificates and may be relied upon by the Agent and the other Security Parties for all purposes in connection with this Agreement and the other Security Documents.

14.5 Fees and expenses

If any Lender assigns or transfers of all or any part of its rights, benefits and/or obligations under the Security Documents, the assignee/transferee shall pay to the Agent on demand a fee of one thousand five hundred Dollars ($1,500) (for the account of the Agent) together with all costs, fees and expenses (including, but not limited to, legal fees and expenses), and all value added tax thereon, verified by the Agent as having been incurred by it in connection with such assignment or transfer.

14.6 Documenting assignments and transfers

If any Lender transfers all or any part of its rights, benefits and/or obligations as provided in clause 14.3 the Borrower undertakes, immediately on being requested to do so by the Agent and at the cost of the Existing Lender, to provide to each New Lender (or prospective New Lender) such “know your customer” documentation as the New Lender may request, to enter into, and procure that the other Security Parties shall enter into, such documents as may be necessary or desirable to transfer to the New Lender all or the relevant part of such Lender’s interest in the Security Documents and all relevant references in this Agreement to such Lender

shall thereafter be construed as a reference to the Existing Lender and/or its New Lender (as the case may be) to the extent of their respective interests.

14.7 Sub-participation

A Lender may sub-participate all or any part of its rights and/or obligations under the Security Documents without the consent of, or notice to, the Borrower but subject to the prior written consent of the Agent.

14.8 Lending offices

Each Lender shall lend through its office at the address specified in schedule 1 or, as the case may be, in any relevant Substitution Certificate or through any other office of such Lender selected from time to time by such Lender through which such Lender wishes to lend for the purposes of this Agreement (**Lending Office**). If the office through which a Lender is lending is changed pursuant to this clause 14.8, such Lender shall notify the Agent no later than five (5) Banking Days' prior to such change in the form set forth in schedule 7 which notice shall include the details of any consequent change in its account for payments. Such notice shall be in the original and shall be signed by a duly authorised officer of the relevant Lender and the Agent shall notify the Borrower.

14.9 Disclosure of information

Any Lender may disclose to a prospective transferee or to any other person who may propose entering into contractual relations with such Lender in relation to this Agreement such information about the Borrower as such Lender shall consider appropriate.

14.10 Increased costs

If (i) a Existing Lender transfers part or all of its rights, benefits and obligations under this Agreement pursuant to clause 14.3 or a Lender changes its Lending Office pursuant to clause 14.8 and (ii) as a result of circumstances existing at the date such transfer or change occurs, the Borrower would be obliged to make payment under clause 6.7 or 12.2 to the New Lender or the Lender that has changed its Lending Office, that New Lender or Lender shall only be entitled to receive payment under clause 6.7 or 12.2 to the same extent as the Existing Lender or Lender acting through its previous Lending Office would have been if the novation or change had not occurred. The limitations on the New Lender or on a Lender that has changed is Lending Office in this clause 14.10 shall not apply where the transfer to the New Lender or change in Lending Office was made at the request of the Borrower or where the increased payment results from a change in law after the date of the transfer or change in question.

15 Agent and Security Trustee

15.1 Appointment of the Agent

The terms and basis on which the Agent has been appointed by the Lenders as Agent are set out in the Trust and Agency Agreement including, amongst other things, the manner in which any decision to exercise any right, powers, discretion or authority or to carry out any duty are to be made between the Lenders and the Agent.

15.2 Appointment of the Security Trustee

The terms and basis on which the Security Trustee has been appointed by the Lenders as security trustee are set out in the Trust and Agency Agreement including, amongst other things the manner in which any decision to exercise any right, power, discretion or authority to carry out any duty are to be made between the Lenders and the Security Trustee.

16 Notices and other matters

16.1 Notices

Every notice, request, demand or other communication under this Agreement or (unless otherwise provided therein) under any of the other Security Documents shall:

16.1.1 be in writing, delivered personally or by first class prepaid letter (airmail if available) or telefax and, in the case of notification of rates of interest by the Agent or in the case of the delivery of any document by the Agent, the Agent may refer the relevant party or parties (by fax or letter) to a web site and to the location of the relevant information on such web site in discharge of such notification or delivery obligation;

16.1.2 be deemed to have been received, subject as otherwise provided in the relevant Security Document:

(a) in the case of a letter, when delivered personally or seven (7) days after it has been put into the post;

(b) in the case of a telefax, when a complete and legible copy is received by the addressee (unless the date of despatch is not a Banking Day in the country of the addressee or, if the time of despatch is after the close of business in the country of the addressee, it shall be deemed to have been received at the opening of business on the next such Banking Day); and

(c) where reference in such notice, request, demand or other communication is made to a web site, when the delivery of the letter or telefax referring to the addressee to such

web site is deemed to have been received pursuant to the other provisions of this clause 16.1,

provided that any notice, request, demand or communication which is to be sent, made or delivered to the Agent will be effective only when actually received by the Agent and then only if it is expressly marked for the attention of the department or the individual specified in clause 16.1.3 or any other individual that the Agent shall specify pursuant to such clause 16.1.3; and

16.1.3 be sent:

(a) to the Borrower at:

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

Fax: +30 210 42 20 855
Attention: Legal Department

(b) to each Lender at its address or telefax number specified in Schedule 1 or in any relevant Substitution Certificate;

(c) to the Agent at:

Coolsingel 93
3012 AE Rotterdam
Netherlands

Fax no: +31-10-401-5937
Attn: Dingeman de Baan / Mark Meijer

(d) to the Security Trustee at:

Coolsingel 93
3012 AE Rotterdam
Netherlands

Fax no: +31-10-401-5937
Attn: Dingeman de Baan / Mark Meijer

or to such other address and/or number as is notified by the relevant party to the other parties to this Agreement by not less than five (5) Banking Days' written notice.

16.2 Notices through the Agent

Every notice, request, demand or other communication under this Agreement to be given by any Security Party to any other party shall be given to the Agent specified in this Agreement for onward transmission as appropriate and to be given to any Security Party shall (except as otherwise provided in this Agreement) be given by the Agent. Promptly upon receipt of notification of an address or fax number or change of address or fax number pursuant to clause 16.1.3 or changing its own address or fax number, the Agent shall notify the other relevant parties.

16.3 No implied waivers, remedies cumulative

No failure or delay on the part of the Agent, the Security Trustee, the Lead Arranger, either of the Co-Arrangers, the Lenders or any of them to exercise any power, right or remedy under any of the Security Documents shall operate as a waiver thereof, nor shall any single or partial exercise by the Agent, the Security Trustee, the Lead Arranger, either Co-Arranger, the Lenders or any of them of any power, right or remedy preclude any other or further exercise thereof or the exercise of any other power, right or remedy. The remedies provided in the Security Documents are cumulative and are not exclusive of any remedies provided by law.

16.4 English language

All certificates, instruments and other documents to be delivered under or supplied in connection with any of the Security Documents shall be in the English language or shall be accompanied by a certified English translation upon which the Agent, the Security Trustee, the Lead Arranger, both Co-Arrangers and the Lenders shall be entitled to rely.

16.5 Counterparts

This Agreement may be executed in any number of original counterparts and by facsimile provided that original signed copies are provided within a reasonable period of time thereafter. All such counterparts shall, once executed, constitute a single document.

16.6 Further assurance

The Borrower undertakes that the Security Documents shall both at the date of execution and delivery thereof and so long as any moneys are owing under any of the Security Documents be valid and binding obligations of the respective parties thereto and rights of each Lender enforceable in accordance with their respective terms and that they will, at their expense, execute, sign, perfect and do, and will procure the execution, signing, perfecting and doing by each of the other Security Parties of, any and every such further assurance, document, act or thing as in the reasonable opinion of the Majority Lender may be necessary or desirable for perfecting the security contemplated or constituted by the Security Documents.

16.7 Conflicts

In the event of any conflict between this Agreement and any of the other Security Documents, the provisions of this Agreement shall prevail.

17 Governing law and jurisdiction

17.1 Law

This Agreement is governed by, and shall be construed in accordance with, English law.

17.2 Submission to jurisdiction

The parties to this Agreement agree for the benefit of the Finance Parties that:

17.2.1 if any party has any claim against any other arising out of or in connection with this Agreement such claim shall (subject to clause 17.2.3) be referred to the High Court of Justice in England, to the jurisdiction of which each of the parties irrevocably submits;

17.2.2 the jurisdiction of the High Court of Justice in England over any such claim against any Finance Party shall be an exclusive jurisdiction and no courts outside England shall have jurisdiction to hear or determine any such claim; and

17.2.3 nothing in this clause 17.2 shall limit the right of a Finance Party to refer any such claim against the Borrower to any other court of competent jurisdiction outside England, to the jurisdiction of which the Borrower hereby irrevocably agrees to submit, nor shall the taking of proceedings by a Finance Party before the courts in one or more jurisdictions preclude the taking of proceedings in any other jurisdiction whether concurrently or not.

The parties further agree that only the Courts of England and not those of any other State shall have jurisdiction to determine any claim which the Borrower may have against any of the Finance Parties arising out of or in connection with this Agreement.

17.3 Agent for service of process

The Borrower irrevocably designates, appoints and empowers Danaos Management Consultants of 4 Staple Inn, Holborn, London WC1V 7QU, England to receive for it and on its behalf service of process issued out of the High Court of Justice in England in relation to any claim arising out of or in connection with this Agreement.

17.4 Waiver of immunity

The Borrower irrevocably and unconditionally:

(a) agrees not to claim immunity from proceedings brought by any Finance Party against it in relation to any of the Security Documents and to ensure that no such claim is made on its behalf;

(b) consents generally to the giving of any relief or the issue of any process in connection with any request for relief; and

(c) waives all rights of immunity in respect of itself or its assets.

17.5 Contracts (Rights of Third Parties) Act 1999

No term of this Agreement is enforceable under the Contracts (Rights of Third Parties) Act 1999 by a person who is not a party to this Agreement.

IN WITNESS whereof the parties to this Agreement have caused this Agreement to be duly executed on the date first above written.

Schedule 1

Initial Commitments

Name	Address and fax number		Commitment
Fortis Bank (Nederland) N.V.	**Lending Office**		**$126,600,000**
	Coolsingel 93		(subject to clause 2.1.2)
	P.O. Box 749		
	3000 AS Rotterdam		
	The Netherlands		
	Address for Notices		
	Coolsingel 93		
	P.O. Box 749		
	3000 AS Rotterdam		
	The Netherlands		
	Fax:	+31-10-401-5937	
	Attn:	Dingeman de Baan / Mark Meijer	
	Account for Payments (but not payments under any Qualifying Swap or Master Agreement)		
	Bank: ABN AMRO	Bank N.V., New York branch	
	Swift address:	ABNAUS33	
	Account name:	Fortis Bank (Nederland) N.V., Rotterdam	
	Swift address:	FTSBNL2R	
	Reference:	For further credit / Acc. 25.11.89.694 / Danaos	
Lloyds TSB Bank plc	**Lending Office**		**$ 87,160,747.6 6**
	10 Gresham Street		(subject to clause 2.1.2)
	London EC2V 7EA		

Name	Address and fax number	Commitment
	United Kingdom **Address for Notices** 10 Gresham Street London EC2V 7EA United Kingdom Fax: +44 20 7158 3271 Attn: Head of Loans Management **Account for Payments (but not payments under any Qualifying Swap or Master Agreement)** Account name: Lloyds TSB Bank plc, Loans Administration Bank: Bank of New York, New York Reference Account 890-0047-003 Account reference: Danaos — USD256.8m Facility SWIFT: IRVTUS3N	
National Bank of Greece S.A.	**Lending Office** 2 Bouboulinas Street & Akti Miaouli 185 38 Piraeus Greece **Address for Notices** 2 Bouboulinas Street & Akti Miaouli 185 38 Piraeus Greece Fax: +30 210 41 44 120	**$39,439,252.34** (subject to clause 2.1.2)

Name	Address and fax number	Commitment
	Attn: Mr Katsikogiannis **Account for Payments (but not payments under any Qualifying Swap or Master Agreement)** Bank: Bank of New York, New York Reference Account: 803-3139-005 SWIFT: IRVTUS3N	

Schedule 2

Form of Compliance Certificate

To: Fortis Bank (Nederland) N.V.
Coolsingel 93
P.O. Box 749
3000 AS Rotterdam
The Netherlands

From: Danaos Corporation (the **Company**)

Dated: [•]

$253,200,000 Loan Agreement dated [•] July 2008 relating to the m.v. "YM Seattle", m.v. "YM Vancouver", m.v. "YM Colombo" and m.v. "YM Singapore"
(the **Loan Agreement**)

Terms defined in the Loan Agreement shall have the same meaning when used herein.

We, [•] and [•], each being a director of the Company, refer to clauses 8.2 and 8.3 of the Loan Agreement and hereby certify that, as at [insert date of accounts of the Borrower] and on the date hereof:

1 Financial Covenants

(a) the Security Value is not less than the Security Requirement;

(b) the ratio of Total Liabilities (after deducting all Cash and Cash Equivalent) to Market Value Adjusted Total Assets (after deducting all Cash and Cash Equivalents) does not exceed 0.75:1;

(c) the aggregate of all Cash and Cash Equivalents is not less than $30,000,000;

(d) the Interest Coverage Ratio is not less than 2.5:1; [and]

(e) the Market Value Adjusted Net Worth of the Borrower is not less than the higher of $250,000,000[.] [;and]

(f) *[in respect of Compliance Certificates issued after 31 March 2010 only:]* the Borrower is maintaining in the Borrower Account a cash deposit of at least $6,000,000.]

2 Default

[No Default has occurred which is continuing] or [The following Default has occurred which is continuing: [*provide details of Default*]. [The following steps are being taken to remedy it: [*provide details of steps being taken to remedy Default*]].

Signed: _____ _____

[Authorised Signatory] [Authorised Signatory]

Schedule 3

Form of Drawdown Notice

To: Fortis Bank (Nederland) N.V.
Coolsingel 93
P.O. Box 749
3000 AS Rotterdam
The Netherlands

[Date]

$253,200,000 Loan Agreement dated [•] July 2008 relating to the m.v. "YM Seattle", m.v. "YM Vancouver", m.v. "YM Colombo" and m.v. "YM Singapore"
(the **Loan Agreement**)

We refer to the Loan Agreement and hereby give you notice that:

(1) On [insert proposed Drawdown Date] we wish to draw down the single permitted Advance of $[•] to be paid to [insert name of account] with [insert details of bank].

(2) The first Interest Period for the Loan will be of [one][three][six][nine][twelve] month's duration.

We confirm that:

(a) no event or circumstance has occurred which is continuing which constitutes a Default;

(b) the representations and warranties contained in clauses 7.1 and 7.2 of the Loan Agreement are true and correct at the date hereof as if made with respect to the facts and circumstances existing at such date; and

(c) the borrowing to be effected by the drawdown of such Advance will be within our corporate powers, has been validly authorised by appropriate corporate action and will not cause any limit on our borrowings (whether imposed by statute, regulation, agreement or otherwise) to be exceeded.

Words and expressions defined in the Loan Agreement shall have the same meanings where used herein.

For and on behalf of
DANAOS CORPORATION

Schedule 4

Documents and evidence required as conditions precedent

(referred to in clause 9)

Part 1

Documents and evidence required as conditions precedent to the issuance of any Drawdown Notice

1. Constitutional documents

copies, certified by a duly authorised signatory of each Security Party as true, complete and up to date copies of (i) all documents which contain or establish or relate to the constitution of such Security Party and (ii) evidence it is in good standing under the laws of its incorporation;

2. Corporate authorisations - Security Parties

in respect of each Security Party, copies of resolutions of (i) the directors of it approving each of the Transaction Documents to which it is to be a party, and each authorising the signature, delivery and performance of its obligations thereunder, certified by a duly authorised signatory of it as:

(i) being true and correct;

(ii) being duly passed at meeting of its directors duly convened and held;

(iii) not having been amended, modified or revoked; and

(iv) being in full force and effect,

together with originals or certified copies of any powers of attorney issued by it pursuant to such resolutions;

3. Shareholder's authorisations - Owners

in respect of each Owner, copies of resolutions of its shareholders, approving the Transaction Documents to which it is to be a party and authorising the signature, delivery and performance of its obligations thereunder, certified by a duly authorised signatory of its shareholder as:

(i) being true and correct;

(ii) being duly passed at meeting of its shareholders duly convened and held;

(iii) not having been amended, modified or revoked; and

(iv) being in full force and effect,

together with originals or certified copies of any powers of attorney issued by its shareholder pursuant to such resolutions;

4. Incumbency certificate

an original certificate signed by a duly authorised signatory of each Security Party no earlier than five (5) Banking Days prior to the date of this Agreement certifying the names of the officers and directors of such Security Party and attaching copies of the signatures of the persons who have been authorised on behalf of it to sign such of the Transaction Documents to which it is, or is to be, party and to give notices and communications, including (in respect of the Borrower) notices of drawing under or in connection with the Security Documents;

5. Process agent appointments

a copy, certified as a true copy by a duly authorised signatory of each Security Party or other person acceptable to the Agent of a letter from such Security Party's agent for receipt of service of proceedings referred to in clause 18.3 accepting its appointment under each of the other Security Documents in which it is or is to be appointed as such Security Party's agent and confirming that its appointment has become effective;

6. Security Documents

(i) a signed original of this Agreement

(ii) each of the other Security Documents (other than those referred to in Part 2 paragraph 7 below), and any notices relating thereto;

7. Charters and Management Agreements

a copy, certified as a true and complete copy by a duly authorised signatory of each Owner, of the Charters and the Management Agreements;

8. Legal opinions:

(i) a legal opinion of Norton Rose LLP with respect to matters of English law;

(ii) a legal opinion of Watson, Farley & Williams LLP, New York with respect to matters of Marshall Islands law;

(iii) a legal opinion of Watson, Farley & Williams LLP with respect to matters of Liberian law;

(iv) a legal opinion of Montanios & Montanios with respect to matters of Cyprus law;

9. Fees

evidence that the fees and expenses due to any Finance Party under the Security Documents have been paid in full;

10. Audited Financial Statements

a certified copy of the Original Accounts;

11. Accounts

evidence that the Accounts have been opened and that each Account has the sum of one Dollar ($1) credited to such account;

12. Know Your Customer

all know your customer documentation reasonably required by each Finance Party in respect of each Security Party; and

13. Corporate Structure

evidence as to the corporate structure of the Borrower and its Subsidiaries.

Part 2

Documents and evidence as required as conditions precedent on or prior to the Drawdown Date

In respect of each Ship:

1. Conditions precedent

evidence reasonably acceptable to the Agent that the conditions precedent set out in Part 1 of schedule 5 have been, or as the case may be, remain fully, satisfied;

2. DOC

a certified true copy of the DOC of the Operator;

3. Insurance opinion

an opinion from such insurance consultants to the Agent as the Agent may require on the Insurances required to be effected in respect of each Ship under the Guarantee and/or any other Security Documents relating to each Ship;

4. Insurance

evidence reasonably acceptable to the Agent from each of the Owners that the Ships will on the Drawdown Date, be insured in accordance with the provisions of the Security Documents and all requirements of the Security Documents in respect of such insurance have been complied with (including without limitation, confirmation from the protection and indemnity association or other insurer with which the Ships is, or is to be, entered for insurance or insured against protection and indemnity risks (including oil pollution risks) that any necessary declarations required by the association or insurer for the removal of any oil pollution exclusion have been made and that any such exclusion does not apply to the Ships);

5. Valuation

a valuation of the Ships made in accordance with clause 8.2.2;

6. Registration

evidence that each Ship is registered in the name of the Owner under the laws and flag of the relevant Flag State and is free of Encumbrances other than the Mortgage;

7. Classification

evidence that each Ship maintains classification free of all overdue recommendations and conditions affecting class;

8. Execution and registration of documents

(a) signed originals of the Security Deed and all notices of assignment required under such Security Deed (including, for the avoidance of doubt, the Charter Notice and Assignment);

(b) a signed original of the Mortgage from each Owner together in each case with evidence that on the Drawdown Date it will be registered against the relevant Ship under the laws and flag of the relevant Flag State; and

(c) a signed original of each Manager's Undertaking;

9. Legal opinions:

a legal opinion of Watson, Farley & Williams LLP, New York with respect to matters of Marshall Islands law;

10. SMC

a certified true copy of the SMC for each Ship;

11. ISPS Code

certified true copies of all certificates required by the Owners and the Ships under the ISPS Code;

12. Old Loan

evidence that the loan previously made to the Owners (which was secured on the Ships) has been prepaid or repaid in full;

13. No Total Loss or sale

none of the Ships has been sold or become a Total Loss and no incident has occurred which the Agent considers may result in a Ship becoming a Total Loss.

Schedule 5

Form of Substitution Certificate

(referred to in clause 15)

SUBSTITUTION CERTIFICATE

Lenders are advised not to employ Substitution Certificates or otherwise to assign or transfer interests in the Loan Agreement without further ensuring that the transaction complies with all applicable laws and regulations, including the Financial Services Act 1986 and regulations made thereunder and similar statutes which may be in force in other jurisdictions

To: Fortis Bank (Nederland) N.V. as agent on its own behalf and on behalf of the Borrower and the Lenders defined in the Loan Agreement referred to below.

Attention: Loan Administration - [ ]

[Date]

This certificate (**Substitution Certificate**) relates to a loan agreement dated [•] July 2008 (the **Loan Agreement**) and made between (1) Danaos Corporation as borrower (the **Borrower**), (2) Fortis Bank (Nederland) N.V. as Lead Arranger, (3) Lloyds TSB Bank plc and National Bank of Greece S.A. as Co-Arrangers, (4) the banks and financial institutions as defined therein (together the **Lenders**), (5) Fortis Bank (Nederland) N.V. as Agent, and (6) Fortis Bank (Nederland) N.V. as Security Trustee; and (7) Fortis Bank (Nederland) N.V., Lloyds TSB Bank plc and National Bank of Greece S.A. as Swap Banks for a loan of up to $253,200,000. Terms defined in the Loan Agreement shall, unless otherwise defined herein, have the same meanings herein as therein.

In this Certificate:

the **Existing Lender** means [**full name**] of [**lending office**]; and

the **New Lender** means [**full name**] of [**lending office**].

1 The Existing Lender with full title guarantee assigns to the New Lender absolutely all rights and interests (present, future or contingent) which the Existing Lender has as a Lender under or by virtue of the Loan Agreement and the Trust and Agency Agreement and all the Security Documents (save, for the avoidance of doubt, any Qualifying Swaps and any Master Agreements) in relation to [ ] per cent. ([ ]%) of the Contribution of the Existing Lender (or its predecessors in title) details of which are set out below:

Date of Advances	Amount of Advances	Existing Lender's Contribution to Advances	Maturity Date

2 By virtue of this Substitution Certificate and clause 14.3 of the Loan Agreement, the Existing Lender is discharged [entirely from its Commitment which amounts to $[ ]] [from [ ] per cent. ([ ]%) of its Commitment, which percentage represents $[ ]].]

3 The New Lender hereby requests the Borrower, the Agent, the Security Trustee and the Lenders to accept the executed copies of this Substitution Certificate as being delivered pursuant to and for the purposes of clause 14.3 of the Loan Agreement so as to take effect in accordance with the terms thereof on date of transfer.

4 The New Lender:

(a) confirms that it has received a copy of the Loan Agreement, the Trust and Agency Agreement and the other Security Documents (save for any Qualifying Swaps and any Master Agreement) together with such other documents and information as it has required in connection with the transaction contemplated thereby;

(b) confirms that it has not relied and will not hereafter rely on the Existing Lender or the Agent to check or enquire on its behalf into the legality, validity, effectiveness, adequacy, accuracy or completeness of the Loan Agreement, the Trust and Agency Agreement, any of the Security Documents (save for any Qualifying Swap and any Master Agreement) or any such documents or information;

(c) confirms that it has not relied and will not rely on the Existing Lender, the Agent or the Lenders to assess or keep under review on its behalf the financial condition, creditworthiness, condition, affairs, status or nature of the Borrower or any other Security Party (save as otherwise expressly provided therein);

(d) warrants that it has power and authority to become a party to the Loan Agreement and the Trust and Agency Agreement and has taken all necessary action to authorise execution of this Substitution Certificate and to obtain all necessary approvals and consents to the assumption of its obligations under the Loan Agreement, the Trust and Agency Agreement and the other Security Documents (save, for the avoidance of doubt, any Qualifying Swaps and any Master Agreements);

(e) acknowledges and accepts the provisions of paragraph 4(d) above; and

(f) appoints the Agent to act as its agent as provided in the Loan Agreement and the other Security Documents (save, for the avoidance of doubt, any Qualifying Swaps and any Master Agreements) and agrees to be bound by the terms of the Loan Agreement.

5 The Existing Lender:

(a) warrants to the New Lender that it has full power to enter into this Substitution Certificate and has taken all corporate action necessary to authorise it to do so;

(b) warrants to the New Lender that this Substitution Certificate is binding on the Existing Lender under the laws of England, the country in which the Existing Lender is incorporated and the country in which its lending office is located; and

(c) agrees that it will, at its own expense, execute any documents which the New Lender reasonably requests for perfecting in any relevant jurisdiction the New Lender's title under this Substitution Certificate or for a similar purpose.

6 The New Lender hereby undertakes with the Existing Lender and each of the other parties to the Loan Agreement and the other Security Documents that it will perform in accordance with its terms all those obligations which by the terms of the Loan Agreement, the Trust and Agency Agreement and the other Security Documents will be assumed by it after delivery of the executed copies of this Substitution Certificate to the Agent and satisfaction of the conditions (if any) subject to which this Substitution Certificate is expressed to take effect.

7 By execution of this Substitution Certificate on their behalf by the Agent and in reliance upon the representations and warranties of the New Lender, the Borrower and the Finance Parties accept the New Lender as a party to the Loan Agreement and the other Security Documents with respect to all those rights and/or obligations which by the terms of the Loan Agreement and the Security Documents will be assumed by the New Lender (including those about pro-rata sharing and the exclusion of liability on the part of, and the indemnification of, the Agent as provided by the relevant Security Documents) after delivery of the executed copies of this Substitution Certificate to the Agent and satisfaction of the conditions (if any) subject to which this Substitution Certificate is expressed to take effect.

8 None of the Existing Lender or the other Finance Parties:

(a) makes any representation or warranty nor assumes any responsibility with respect to the legality, validity, effectiveness, adequacy or enforceability of the Loan Agreement or any of the Security Documents or any document relating thereto; or

(b) assumes any responsibility for the financial condition of the Borrower or any other Security Party or any party to any such other document or for the performance and observance by the Borrower or any other Security Party or any party to any such other document (save as otherwise expressly provided therein) and any and all such conditions and warranties, whether express or implied by law or otherwise, are hereby excluded (except as aforesaid).

9 The Existing Lender and the New Lender each undertake that they will on demand fully indemnify the Agent in respect of any claim, proceeding, liability or expense which relates to or results from this Substitution Certificate or any matter concerned with or arising out of it unless caused by the Agent's gross negligence or wilful misconduct, as the case may be.

10 The agreements and undertakings of the New Lender in this Substitution Certificate are given to and for the benefit of and made with each of the other parties to the Loan Agreement and the other Security Documents.

11 This Substitution Certificate is governed by, and shall be construed in accordance with, English law.

Existing Lender

By:

Dated:

New Lender

By:

Dated:

Agent

FORTIS BANK (NEDERLAND) N.V.

Agreed for and on behalf of itself as Agent, the Security Trustee, the Borrower, the Lead Arranger, the Co-Arrangers and the Lenders

By:

Dated:

*Note **:** The execution of this Substitution Certificate alone may not transfer a proportionate share of the Existing Lender's interest in the security constituted by the Security Documents in the Existing Lender's or New Lender's jurisdiction. It is the responsibility of the New Lender to ascertain whether any other documents are required to perfect a transfer of such a share in the Existing Lender's interest in such security in any such jurisdiction and, if so, to seek appropriate advice and arrange for execution of the same.*

The Schedule

Outstanding Contribution: $[•]
Commitment: $[•]
Portion Transferred: [•]%

Administrative Details of Transferee

Name of New Lender: [•]
Lending Office: [•]

Contact Person (Loan Administration Department): [•]
Telephone: [•]
Telefax No: [•]

Contact Person (Credit Administration Department): [•]
Telephone: [•]
Telefax No: [•]

Account for payments: [•]

Schedule 6

Form of Notification of Change in Lending Office and/or Account for Payments

To: Fortis Bank (Nederland) N.V.
Coolsingel 93
P.O. Box 749
3000 AS Rotterdam
The Netherlands

[Date]

$253,200,000 Loan Agreement dated [•] July 2008 relating to the m.v. "YM Seattle", m.v. "YM Vancouver", m.v. "YM Colombo" and m.v. "YM Singapore"
(the **Loan Agreement**)

Terms defined in the Loan Agreement shall have the same meaning when used herein.

We hereby notify you that our [Lending Office for the purposes of the Loan Agreement is now [•] and that accordingly] our account for payments is [•].

Signed
Duly authorised signatory
For and on behalf of
[Lender]

Schedule 7

Mandatory Costs

1. The Mandatory Cost is an addition to the interest rate to compensate Lenders for the cost of compliance with (a) the requirements of the Bank of England and/or the Financial Services Authority (or, in either case, any other authority which replaces all or any of its functions) or (b) the requirements of the European Central Bank.

2. On the first day of each Interest Period (or as soon as possible thereafter) the Agent shall calculate, as a percentage rate, a rate (the **Additional Cost Rate**) for each Lender, in accordance with the paragraphs set out below. The Mandatory Cost will be calculated by the Agent as a weighted average of the Lenders' Additional Cost Rates (weighted in proportion to the percentage participation of each Lender in the relevant Loan) and will be expressed as a percentage rate per annum.

3. The Additional Cost Rate for any Lender lending from a Lending Office in a Participating Member State will be the percentage notified by that Lender to the Agent. This percentage will be certified by that Lender in its notice to the Agent to be its reasonable determination of the cost (expressed as a percentage of that Lender's participation in all Loans made from that Facility Office) of complying with the minimum reserve requirements of the European Central Bank in respect of loans made from that Lending Office.

4. The Additional Cost Rate for any Lender lending from a Lending Office in the United Kingdom will be calculated by the Agent as follows:

$$\frac{E \times 0.01}{300}$$ per cent. per annum.

Where E is the rate of charge payable by a Lender to the Financial Services Authority under the Fees Rules in respect of the relevant financial year of the Financial Services Authority (calculated for this purpose by the Agent as being the average of the Fee Tariffs applicable to that Lender for that financial year).

5. For the purposes of this Schedule:

(a) **Eligible Liabilities** and **Special Deposits** have the meanings given to them from time to time under or pursuant to the Bank of England Act 1998 or (as may be appropriate) by the Bank of England;

(b) **Fees Rules** means the rules on periodic fees contained in the FSA Supervision Manual or such other law or regulation as may be in force from time to time in respect of the payment of fees for the acceptance of deposits;

(c) **Fee Tariffs** means the fee tariffs specified in the Fees Rules under the activity group A.1 Deposit acceptors (ignoring any minimum fee or zero rated fee required pursuant to the Fees Rules but taking into account any applicable discount rate); and

(d) **Tariff Base** has the meaning given to it in, and will be calculated in accordance with, the Fees Rules.

6. If requested by the Agent, each Reference Bank shall, as soon as practicable after publication by the Financial Services Authority, supply to the Agent, the rate of charge payable by that Reference Bank to the Financial Services Authority pursuant to the Fees Rules in respect of the relevant financial year of the Financial Services Authority (calculated for this purpose by that Reference Bank as being the average of the Fee Tariffs applicable to that Reference Bank for that financial year).

7. Each Lender shall supply any information required by the Agent for the purpose of calculating its Additional Cost Rate. In particular, but without limitation, each Lender shall supply the following information on or prior to the date on which it becomes a Lender:

(a) the jurisdiction of its Facility Office; and

(b) any other information that the Agent may reasonably require for such purpose.

Each Lender shall promptly notify the Agent of any change to the information provided by it pursuant to this paragraph.

8. The rates of charge of each Reference Bank for the purpose of E above shall be determined by the Agent based upon the information supplied to it pursuant to paragraphs 6 and 7 above and on the assumption that, unless a Lender notifies the Agent to the contrary, each Lender's obligations in relation to cash ratio deposits and Special Deposits are the same as those of a typical bank from its jurisdiction of incorporation with a Facility Office in the same jurisdiction as its Facility Office.

9. The Agent shall have no liability to any person if such determination results in an Additional Cost Rate which over or under compensates any Lender and shall be entitled to assume that the information provided by any Lender or Reference Bank pursuant to paragraphs 3, 6 and 7 above is true and correct in all respects.

10. The Agent shall distribute the additional amounts received as a result of the Mandatory Cost to the Lenders on the basis of the Additional Cost Rate for each Lender based on the information provided by each Lender and each Reference Bank pursuant to paragraphs 3, 6 and 7 above.

11. Any determination by the Agent pursuant to this Schedule in relation to a formula, the Mandatory Cost, an Additional Cost Rate or any amount payable to a Lender shall, in the absence of manifest error, be conclusive and binding on all Parties.

12. The Agent may from time to time, after consultation with the Borrower and the Lenders, determine and notify to all of the parties to this Agreement and any amendments which are required to be made to this Schedule in order to comply with any change in law, regulation or any requirements from time to time imposed by the Bank of England, the Financial Services Authority or the European Central Bank (or, in any case, any other authority which replaces all or any of its functions) and any such determination shall, in the absence of manifest error, be conclusive and binding on all of the parties to this Agreement.

Execution Page

Borrower

EXECUTED and **DELIVERED**)
by its duly authorised attorney-in-fact)
for and on behalf of)
DANAOS CORPORATION) /s/ Dimitri J. Andritsoyiannis
in the presence of: Attorney-in-Fact

/s/ Zoe Lappa
Witness

Name:

Address:

Occupation:

Lead Arranger

SIGNED by)
for and on behalf of)
FORTIS BANK (NEDERLAND) N.V.) / s/ Fortis Bank (Nederland) N.V.
as Lead Arranger)

Co-Arrangers

SIGNED by)
for and on behalf of)
LLOYDS TSB BANK PLC) /s/ Lloyds TSB Bank PLC
as Co-Arranger)

SIGNED by for and on behalf of **NATIONAL BANK OF GREECE S.A.** as Co-Arranger	))))	/s/ National Bank of Greece S.A.

The Lenders

SIGNED by for and on behalf of **FORTIS BANK (NEDERLAND) N.V.** as a Lender	))))	/ s/ Fortis Bank (Nederland) N.V.
SIGNED by for and on behalf of **LLOYDS TSB BANK PLC** as Lender	))))	/s/ Lloyds TSB Bank PLC
SIGNED by for and on behalf of **NATIONAL BANK OF GREECE S.A.** as Lender	))))	/s/ National Bank of Greece S.A.

Agent

SIGNED by	)	
for and on behalf of	)	
FORTIS BANK (NEDERLAND) N.V.	)	/ s/ Fortis Bank (Nederland) N.V.
as Agent	)	

Security Trustee

SIGNED by	)	
for and on behalf of	)	
FORTIS BANK (NEDERLAND) N.V.	)	/ s/ Fortis Bank (Nederland) N.V.
as Security Trustee	)	

Swap Banks

SIGNED by for and on behalf of **FORTIS BANK (NEDERLAND) N.V.** as Swap Bank	))))	/ s/ Fortis Bank (Nederland) N.V.
SIGNED by for and on behalf of **LLOYDS TSB BANK PLC** as Swap Bank	))))	/s/ Lloyds TSB Bank PLC
SIGNED by for and on behalf of **NATIONAL BANK OF GREECE S.A.** as Swap Bank	))))	/s/ National Bank of Greece S.A.

Exhibit 4.17

Date 2 February 2009

DANAOS CORPORATION
as Borrower

- and -

THE BANKS AND FINANCIAL INSTITUTIONS
listed in Schedule 1, Part A
as Lenders

- and -

THE BANKS AND FINANCIAL INSTITUTIONS
listed in Schedule 1, Part B
as Swap Banks

- and -

DEUTSCHE SCHIFFSBANK AKTIENGESELLSCHAFT
as Agent and
Security Trustee

LOAN AGREEMENT

relating to a secured term loan facility of up to US$299,000,000
to provide pre and post-delivery finance for the acquisition
of five container carrier newbuildings having Builder's Hull Nos.
HN 215, HN 220, HN 223 from Hanjin Heavy Industries & Construction Co. Ltd.,
Hull No. 1698 from Samsung Heavy Industries Co. Ltd. and Hull No. Z00001 from
Shanghai Jiangnan Changxing Heavy Industry Co. Limited

WATSON FARLEY & WILLIAMS
Piraeus

INDEX

THIS LOAN AGREEMENT is made on February 2009

BETWEEN :

(1) **DANAOS CORPORATION** being a corporation domesticated and existing under the laws of the Republic of the Marshall Islands whose registered office is at Trust Company House, Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, the Marshall Islands as **Borrower** .

(2) **THE BANKS AND FINANCIAL INSTITUTIONS** listed in Schedule 1, Part A, as **Lenders** .

(3) **THE BANKS AND FINANCIAL INSTITUTIONS** listed in Schedule 1, Part B, as **Swap Banks** .

(4) **DEUTSCHE SCHIFFSBANK AKTIENGESELLSCHAFT** , Bremen and Hamburg **,** acting through its office at Domshof 17, D-28195 Bremen, Federal Republic of Germany as **Agent** and **Security Trustee** .

WHEREAS

(A) The Lenders have agreed to make available to the Borrower a secured term loan facility of up to the lesser of (a) US$299,000,000 and (b) 70 per cent. of the aggregate Delivered Costs of the Ships for the purpose of part-financing the Delivered Costs of each Ship. The facility shall be divided into five Tranches - each of Tranche A, B and E shall be made available in up to four Advances and each of Tranche C and D shall be available in up to five Advances.

(B) The Borrower may, if it wishes, from time to time hedge its exposure under this Agreement to interest rate fluctuations by entering into interest rate swap transactions with the Swap Banks.

(C) The Lenders and the Swap Banks have agreed to share pari passu in the security to be granted to the Security Trustee pursuant to this Agreement.

IT IS AGREED as follows:

1 INTERPRETATION

1.1 Definitions. Subject to Clause 1.5, in this Agreement:

" **Account Bank** " means Credit Suisse acting through its office at St. Alban-Graben, 103 P.O. Box, CH-4002, Basel, Switzerland;

" **Advance** " means the principal amount of each borrowing by the Borrower under this Agreement;

" **Affected Lender** " has the meaning given in Clause 5.2 or, as the context may require, Clause 5.7;

" **Agency and Trust Agreement** " means the agency and trust agreement executed or to be executed between the Borrower, the Lenders, the Swap Banks, the Agent and the Security Trustee in such form as the Lenders may approve or require;

" **Agent** " means Deutsche Schiffsbank Aktiengesellschaft, in its capacity as agent for the Lenders under the Finance Documents, or any successor of it in such capacity appointed under clause 5 of the Agency and Trust Agreement;

" **Applicable Accounts** " means, in relation to a Compliance Date or an accounting period, the consolidated balance sheets and related consolidated statements of stockholders' equity, income and cash flows, together with related notes, of the Borrower's Group set out in the annual financial statements or semi-annual financial statements of the Borrower's Group prepared as of the Compliance Date or, as the case may be, the last day of the accounting period in question (and which the Borrower is obliged to deliver to the Agent pursuant to Clause 11.6 and which accounts are to be prepared in accordance with Clause 11.7);

" **Approved Broker** " means each of Ingenieurbuero Weselmann of Hamburg, Braemar Seascope Ltd., Howe Robinson & Co. Ltd., H. Clarkson & Company Limited, R.S. Platou AS, Simpson Spence & Young, Maersk Broker K/S and any other independent sale and purchase shipbroker as may be approved by the Agent from time to time;

" **Approved Flag** " means the Maltese flag, the Cypriot flag, the Greek flag or such other flag as the Lenders may, in their absolute discretion, approve as the flag on which a Ship shall be registered;

" **Approved Flag State** " means Malta, Cyprus, Greece or any other country in which the Lenders may, in their sole and absolute discretion, approve that a Ship be registered;

" **Approved Manager** " means, in relation to a Ship, Danaos Shipping Co. Ltd., a company incorporated in Cyprus having its registered office at Libra House, 16 P. Caterari Street, Nicosia, Cyprus or any other company which the Agent may approve from time to time as the commercial, technical and/or operational manager of that Ship;

" **Approved Manager's Undertaking** " means in relation to each Ship, a letter of undertaking executed or to be executed by the Approved Manager in favour of the Security Trustee and in the terms required by the Lenders, agreeing certain matters in relation to the Approved Manager serving as the manager of the Ship and subordinating its rights against such Ship and the Owner thereof to the rights of the Creditor Parties under the Finance Documents, in such form as the Lenders may approve or require;

" **Availability Period** " means the period commencing on the date of this Agreement and ending on:

(a) in the case of Tranche A, 31 March 2009 (or any later date as the scheduled delivery date in respect of Ship A may be extended pursuant to Article VIII of Shipbuilding Contract A); or

(b) in the case of Tranche B, 15 January 2010 (or any later date as the scheduled delivery date in respect of Ship B may be extended pursuant to Article VII of Shipbuilding Contract B); or

(c) in the case of Tranche C, 31 January 2010 (or any later date as the scheduled delivery date in respect of Ship C may be extended pursuant to Article VII of Shipbuilding Contract C); or

(d) in the case of Tranche D, 30 June 2010 (or any later date as the scheduled delivery date in respect of Ship D may be extended pursuant to Article VII of Shipbuilding Contract D); or

(e) in the case of Tranche E, 31 May 2010 (or any later date as the scheduled delivery date in respect of Ship E may be extended pursuant to Article VII of Shipbuilding Contract E); or

(f) if earlier, the date on which the Total Commitments are fully borrowed, cancelled or terminated,

(or in any such case, such later date as the Agent may, with the authorisation of all the Lenders, agree with the Borrower);

" **Bank of China"** means Bank of China acting through its head office in No. 1 Fuxingmennei Dajie, Beijing, 100818, Peoples Republic of China;

" **Bareboat - equivalent Time Charter Income"** means, in relation to each Ship, the aggregate charter hire due and payable to the Owner of that Ship for the remaining unexpired term of the charter or other contract of employment relative to that Ship at the relevant time (excluding any option periods (as that term is defined in Clause 15.5(a)) less the aggregate Operating Expenses (other than in the case of a Ship subject to a bareboat charter) and the Drydocking Expenses of that Ship as determined by the Borrower and certified to the satisfaction of the Agent for the same period;

" **Bareboat Charter Security Agreement** " means, in relation to any Ship which is subject to a bareboat charter (such charter to be entered into by the relevant Owner with the prior consent of the Agent pursuant to Clause 14.12(a)), an agreement or agreements whereby the Security Trustee receives an assignment of the rights of the relevant Owner under the bareboat charter and certain undertakings from that Owner and the relevant charterer and, if (so agreed by the Lenders) certain undertakings to be given by the Security Trustee to that charterer, in such form as the Lenders may agree or require and, in the plural, means all of them;

" **Book Net Worth** " means, as of any Compliance Date, the aggregate of value of the stockholders' equity of the Borrower's Group as shown in the Applicable Accounts;

" **Borrower** " means Danaos Corporation, a corporation domesticated and existing under the laws of the Marshall Islands and having its registered office at Trust Company House, Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, the Marshall Islands (and includes its successors);

" **Borrower's Group** " means the Borrower and each of its subsidiaries;

"Builders" means Samsung, Hanjin and Jiangnan, and in the singular means any of them;

" **Business Day** " means a day on which banks are open in Basel, Frankfurt/Main, Bremen, Hamburg, Piraeus, Athens, London and (in relation to any payment to be made to the Builder) Seoul and in respect of a day on which a payment is required to be made under a Finance Document, also in New York City;

" **Cash and Cash Equivalents** " means the aggregate of:

(a) the amount of freely available credit balances on any deposit or current account;

(b) the market value of transferable certificates of deposit in a freely convertible currency acceptable to the Agent issued by a prime international bank; and

(c) the market value of equity securities (if and to the extent that the Agent is satisfied that such equity securities are readily saleable for cash and that there is a ready market therefor) and investment grade debt securities which are publicly traded on a major stock exchange or investment market (valued at market value as at any applicable date of determination);

in each case owned free of any Security Interest (other than a Security Interest in favour of the Security Trustee) by the Borrower or any of its subsidiaries where:

(i) the market value of any asset specified in paragraph (b) and (c) shall be the bid price quoted for it on the relevant calculation date by the Agent; and

(ii) the amount or value of any asset denominated in a currency other than Dollars shall be converted into Dollars using the Agent's spot rate for the purchase of Dollars with that currency on the relevant calculation date;

"Cellcontainer No. 2" means Cellcontainer (No. 2) Corp., a corporation incorporated and existing under the laws of Liberia and having its registered office at 80 Broad Street, Monrovia, Liberia;

"Cellcontainer No. 5" means Cellcontainer (No. 5) Corp., a corporation incorporated and existing under the laws of Liberia and having its registered office at 80 Broad Street, Monrovia, Liberia;

"Charterers" means, together, ZIM, CMA, Yang Ming and Hanjin Shipping, and in the singular means any of them;

" **Charterparty** " means:

(a) any Initial Charterparty; and

(b) any charterparty or contract of affreightment in respect of a Ship of at least 12 consecutive months in duration or any bareboat charterparty in respect of a Ship;

"CMA" means CMA CGM S.A., a company incorporated in France and acting through its office in Marseille, France

" **Commitment** " means, in relation to a Lender, the amount set opposite its name in Schedule 1, Part A, or, as the case may require, the amount specified in the relevant Transfer Certificate, as that amount may be reduced, cancelled or terminated in accordance with this Agreement (and " **Total Commitments** " means the aggregate of the Commitments of all the Lenders);

" **Compliance Date** " means 30 June and 31 December in each calendar year (or such other dates as of which the Borrower prepares the consolidated financial statements which it is required to deliver pursuant to Clause 11.6);

" **Confirmation** " and " **Early Termination Date** ", in relation to any continuing Designated Transaction, have the meanings given in the Master Agreement;

" **Consolidated Debt** " means the aggregate amount of Debt due by the members of the Group (other than any such Debt owing by any member of the Group to another member of the Group) as stated in the then most recent Applicable Accounts;

" **Contract Price** " has, in relation to each Ship, the meaning given in the relevant Article of the Shipbuilding Contract in respect of that Ship (as the same may be adjusted in accordance to that Shipbuilding Contract);

" **Contractual Currency** " has the meaning given in Clause 21.5;

" **Contribution** " means, in relation to a Lender, the part of the Loan which is owing to that Lender;

" **Creditor Party** " means the Agent, the Security Trustee, the Swap Banks and each Lender whether as at the date of this Agreement or at any later time;

" **Danaos Earnings Account** " means an account in the name of the Borrower with the Account Bank designated "Danaos Corporation - Earnings Account" (or any other office of the Account Bank which is designated by the Agent as the Danaos Earnings Account for the purposes of this Agreement);

" **Danaos Earnings Account Pledge** " means the deed containing a pledge agreement in respect of the Danaos Earnings Account executed or to be executed by the Borrower in favour of the Account Bank and the Lenders in such form as the Lenders may approve or require;

" **Debt** " means in relation to any member of the Group (the " **debtor** "):

(a) Financial Indebtedness of the debtor;

(b) liability for any credit to the debtor from a supplier of goods or services or under any instalment purchase or payment plan or other similar arrangement;

(c) contingent liabilities of the debtor (including without limitation any taxes or other payments under dispute) which have been or, under GAAP, should be recorded in the notes to the Applicable Accounts;

(d) deferred tax of the debtor; and

(e) liability under a guarantee, indemnity or similar obligation entered into by the debtor in respect of a liability of another person who is not a member of the Group which would fall within (a) to (d) if the references to the debtor referred to the other person;

" **Deed of Covenant** " means, in relation to a Ship, a deed of covenant collateral to the Mortgage for that Ship, in such form as the Lenders may approve or require, and in the plural means all of them;

"Delivered Cost" means in respect of each Ship, the aggregate of the Contract Price and the Extra Pre-delivery Costs for that Ship;

" **Delivery Date** " means, in relation to a Ship, the date on which title to and possession of that Ship is transferred from the Builder to the relevant Owner;

" **Designated Transaction** " means a Transaction which fulfils the following requirements:

(a) it is entered into by the Borrower pursuant to a Master Agreement with a Swap Bank which, at the time the Transaction is entered into, is also a Lender;

(b) its purpose is the hedging of the Borrower's exposure under this Agreement to fluctuations in LIBOR arising from the funding of the Loan (or any part thereof) for a period expiring no later than the final Repayment Date; and

(c) it is designated by the Borrower, by delivery by the Borrower to the Agent of a notice of designation in the form set out in Schedule 8, as a Designated Transaction for the purposes of the Finance Documents;

" **Dollars** " and " **$** " means the lawful currency for the time being of the United States of America;

" **Drawdown Date** " means, in relation to an Advance, the date requested by the Borrower for the Advance to be made, or (as the context requires) the date on which the Advance is actually made;

" **Drawdown Notice** " means a notice in the form set out in Schedule 2 (or in any other form which the Agent approves or reasonably requires);

" **Drydocking Expenses** " means, in relation to a Ship and a relevant period, the provision agreed between the Borrower and the Agent for any drydocking and special survey cost and expenses for that Ship during that period;

" **Earnings** " means, in relation to a Ship, all moneys whatsoever which are now, or later become, payable (actually or contingently) to the Owner owning the Ship or the Security Trustee and which arise out of the use or operation of the Ship, including (but not limited to):

(a) all freight, hire and passage moneys, compensation payable to the Owner owning the Ship or the Security Trustee in the event of requisition of the Ship for hire, remuneration for salvage and towage services, demurrage and detention moneys and damages for breach (or payments for variation or termination) of any charterparty or other contract for the employment of the Ship;

(b) all moneys which are at any time payable under the Insurances in respect of loss of earnings; and

(c) if and whenever the Ship is employed on terms whereby any moneys falling within paragraphs (a) or (b) above are pooled or shared with any other person, that proportion of the net receipts of the relevant pooling or sharing arrangement which is attributable to the Ship;

" **EBITDA** " means, in respect of the relevant period, the Net Income of the Borrower's Group before interest, taxes, depreciation and amortisation and any capital gains or losses realised from the sale of any Fleet Vessels as shown in the Applicable Accounts;

" **Environmental Claim** " means:

(a) any claim by any governmental, judicial or regulatory authority which arises out of an Environmental Incident or an alleged Environmental Incident or which relates to any Environmental Law; or

(b) any claim by any other person which relates to an Environmental Incident or to an alleged Environmental Incident,

and " **claim** " means a claim for damages, compensation, fines, penalties or any other payment of any kind whether or not similar to the foregoing; an order or direction to take, or not to take, certain action or to desist from or suspend certain action; and any form of enforcement or regulatory action, including the arrest or attachment of any asset;

" **Environmental Incident** " means, in relation to each Ship:

(a) any release of Environmentally Sensitive Material from a Ship; or

(b) any incident in which Environmentally Sensitive Material is released from a vessel other than a Ship and which involves a collision between that Ship and such other vessel or some other incident of navigation or operation, in either case, in connection with which that Ship is actually or potentially liable to be arrested, attached, detained or injuncted and/or that Ship or any Owner and/or any operator or manager is at fault or allegedly at fault or otherwise liable to any legal or administrative action; or

(c) any other incident in which Environmentally Sensitive Material is released otherwise than from a Ship and in connection with which a Ship is actually or potentially liable to be arrested and/or where any Owner and/or any operator or manager of a Ship is at fault or allegedly at fault or otherwise liable to any legal or administrative action;

" **Environmental Law** " means any law relating to pollution or protection of the environment, to the carriage of Environmentally Sensitive Material or to actual or threatened releases of Environmentally Sensitive Material;

" **Environmentally Sensitive Material** " means oil, oil products and any other substance (including any chemical, gas or other hazardous or noxious substance) which is (or is capable of being or becoming) polluting, toxic or hazardous;

" **Event of Default** " means any of the events or circumstances described in Clause 19.1;

"Expresscarrier" means Expresscarrier (No. 2) Corp., a corporation incorporated and existing under the laws of Liberia and having its registered office at 80 Broad Street, Monrovia, Liberia;

" **Extra Pre-delivery Costs"** means, in respect of each Ship, the costs incurred or to be incurred by the Owners of that Ship during the construction of the same (in addition to the Contract Price for the Ship) as documented by the Borrower to the Agent (in the statement referred to in paragraph 7 of Schedule 3, Part F) in such detail as shall be required by the Agent on or before the Drawdown Date of the final Advance of the Tranche used to finance that Ship;

" **Finance Documents** " means:

(a) this Agreement;

(b) the Master Agreements;

(c) the Guarantees;

(d) the Agency and Trust Agreement;

(e) the Master Agreement Assignments;

(f) the Predelivery Security Assignments;

(g) the General Assignments;

(h) the Mortgages;

(i) any Deeds of Covenants;

(j) the Danaos Earnings Account Pledge;

(k) the Charterparty Assignments;

(l) any Bareboat Charter Security Agreements;

(m) the Approved Manager's Undertakings; and

(n) any other document (whether creating a Security Interest or not) which is executed at any time by the Borrower, an Owner or any other person as security for, or to establish any form of subordination or priorities arrangement in relation to, any amount payable to the Lenders under this Agreement or any of the documents referred to in this definition;

" **Financial Indebtedness** " means, in relation to a person (the " **debtor** "), a liability of the debtor:

(a) for principal, interest or any other sum payable in respect of any moneys borrowed or raised by the debtor;

(b) under any loan stock, bond, note or other security issued by the debtor;

(c) under any acceptance credit, guarantee or letter of credit facility made available to the debtor;

(d) under a financial lease, a deferred purchase consideration arrangement or any other agreement having the commercial effect of a borrowing or raising of money by the debtor; or

(e) under any foreign exchange transaction interest or currency swap or any other kind of derivative transaction (including, without limitation, any freight derivative transaction) entered into by the debtor; or

(f) under a guarantee, indemnity or similar obligation entered into by the debtor in respect of a liability of another person which would fall within paragraphs (a) to (e) if the references to the debtor referred to the other person;

" **Financial Year** " means, in relation to the Borrower's Group and each Owner, each period of 1 year commencing on 1 January in respect of which its audited accounts are or ought to be prepared;

" **Fleet Vessels** " means, together, all of the vessels (including, but not limited to, the Ships) from time to time owned or leased by members of the Borrower's Group which, at the relevant time, are included within the Total Assets of the Borrower's Group in the balance sheet of the Applicable Accounts or which would be included within the balance sheet if the Applicable Accounts were required to be prepared at that time and in the singular means any of them;

" **General Assignment** " means, in relation to a Ship, a general assignment of the Earnings, the Insurances and any Requisition Compensation of that Ship, in such form as the Lenders may approve or require, and in the plural means all of them;

" **Guarantee** " means, in relation to an Owner, an irrevocable and unconditional guarantee to be given by that Owner in favour of the Security Trustee, guaranteeing the obligations of the Borrower under this Agreement, the Master Agreements and the other Finance Documents, in such form as the Lenders may approve or require, and in the plural means all of them;

"Hanjin" means Hanjin Industries & Construction Co. Ltd., a company organised and existing under the laws of the Republic of Korea, having its registered office at 29, 5-Ga, Bongnae-Dong, Youngdo-Gu, Busan, 606-796, Korea;

"Hanjin Shipping" means Hanjin Shipping Co. Ltd. a company having its principal office in Seoul, Korea;

"Initial Charterparty" means each of Initial Charterparty A, Initial Charterparty B, Initial Charterparty C, Initial Charterparty D and Initial Charterparty E, and in the plural means all of them;

" **Initial Charterparty A** " means the time charterparty dated 17 May 2006 made between Medsea and ZIM as charterer in respect of Ship A for a duration of at least 12 years from

the Delivery Date applicable to that Ship at a net daily charter hire rate of at least $22,550 on terms acceptable in all respects to the Lenders;

" **Initial Charterparty Assignment** " means, in relation to a Ship, a deed of assignment of the rights of the relevant Owner in respect of a Charterparty relating thereto, in such form as the Lenders may approve or require and in the plural means all of them;

" **Initial Charterparty B** " means the time charterparty dated 11 April 2007 made between Cellcontainer No. 2 and Hanjin Shipping as charterer in respect of Ship B for a duration of at least 10 years from the Delivery Date applicable to that Ship at a net daily charter hire rate of at least $21,200 on terms acceptable in all respects to the Lenders;

"Initial Charterparty C" means the bareboat charterparty dated 23 May 2007 made between Expresscarrier and Yang Ming as charterer in respect of Ship C for a duration of at least 18 years from the Delivery Date applicable to that Ship at a net daily charter hire rate of at least $26,500 on terms acceptable in all aspects to the Lenders;

"Initial Charterparty D" means the time charterparty date 17 September 2007 made between Teucarrier and CMA as charterer in respect of Ship D for a duration of at least 12 years from the Delivery Date applicable to that Ship at a net daily charter hire rate of at least $43,000 on terms acceptable in all aspects to the Lenders;

"Initial Charterparty E" means the time charterparty date 11 April 2007 made between Cellcontainer No. 5 and Hanjin Shipping as charterer in respect of Ship E for a duration of at least 10 years from the Delivery Date applicable to that Ship at a net daily charter hire rate of at least $21,200 on terms acceptable in all aspects to the Lenders;

" **Insurances** " means, in relation to a Ship:

(a) all policies and contracts of insurance, including entries of such Ship in any protection and indemnity or war risks association, which are effected in respect of such Ship, her Earnings or otherwise in relation to her; and

(b) all rights and other assets relating to, or derived from, any of the foregoing, including any rights to a return of a premium;

" **Interest Coverage Ratio** " means, in relation to a Compliance Date or an accounting period, the ratio of (a) EBITDA for the most recent financial period of the Borrower's Group to (b) the Net Interest Expenses for that financial period;

" **Interest Period** " means in relation to an Advance, a period determined in accordance with Clause 6;

" **Interest Rate Swap Rate** " means, for any applicable period:

(a) the rate per annum equal to the offered quotation for deposits in Dollars for a period equal to, or as near as possible equal to, the relevant applicable period which appears on the appropriate page of the Reuters Monitor Money Rates Service on the second Business Day prior to the commencement of the applicable period; or

(b) if no rate is quoted on the appropriate page of the Reuters Monitor Money Rates Service, the rate per annum determined by the Agent to be the Interest Rate Swap Rate for a period equal to, or as near as possible equal to, the relevant applicable period;

" **ISM Code** " means, in relation to its application to the Approved Manager, each Owner, its Ship and its operation:

(a) 'The International Management Code for the Safe Operation of Ships and for Pollution Prevention', currently known or referred to as the 'ISM Code', adopted by the Assembly of the International Maritime Organisation by Resolution A.741(18) on 4 November 1993 and incorporated on 19 May 1994 into chapter IX of the International Convention for the Safety of Life at Sea 1974 (SOLAS 1974); and

(b) all further resolutions, circulars, codes, guidelines, regulations and recommendations which are now or in the future issued by or on behalf of the International Maritime Organisation or any other entity with responsibility for implementing the ISM Code, including without limitation, the 'Guidelines on implementation or administering of the International Safety Management (ISM) Code by Administrations' produced by the International Maritime Organisation pursuant to Resolution A.788(19) adopted on 25 November 1995,

as the same may be amended, supplemented or replaced from time to time;

" **ISM Code Documentation** " includes:

(a) the document of compliance (DOC) and safety management certificate (SMC) issued pursuant to the ISM Code in relation to the Ships or any of them within the periods specified by the ISM Code; and

(b) all other documents and data which are relevant to the ISM SMS and its implementation and verification which the Agent may require; and

(c) any other documents which are prepared or which are otherwise relevant to establish and maintain the Ships' or the Owners' compliance with the ISM Code which the Agent may require;

" **ISM SMS** " means the safety management system for each Ship which is required to be developed, implemented and maintained by the Owner of that Ship under the ISM Code;

" **ISPS Code** " means the International Ship and Port Facility Security Code adopted by the International Maritime Organisation Assembly as the same may be amended or supplemented from time to time;

" **ISSC** " means a valid and current International Ship Security Certificate issued under the ISPS Code;

"Jiangnan" means, together, China Shipbuilding Trading Company Limited, a company organised and existing under the laws of the Republic of China, having its registered office at Fangyuan Mansion 56(Yi), Zhongguancun Nan Da Jie, Beijing 100044, the People's Republic of China and Shanghai Jiangnan Changxing Heavy Industry Company Limited, a corporation organised and existing under the laws of the Peoples Republic of China, having its registered office at Marine Tower, No. 1 Pudong Da Dao, Shanghou 200120, the Peoples Republic of China;

" **K-Exim** " means The Export-Import Bank of Korea acting through its office at 16-1, Yeoido-Dong, Yeongdeungpo-Gu, Seoul, 150-996, Korea;

"KDB" means Korea Development Bank acting through its office at 16-3, Yeoido-Dong, Yeongdeungpo-Gu, Seoul 150-973, Korea;

" **Lender** " means, subject to Clause 26.6:

(a) a bank or financial institution listed in Schedule 1 and acting through its branch indicated in Schedule 1 (or through another branch notified to the Agent under Clause 26.14) unless it has delivered a Transfer Certificate or Certificates covering the entire amounts of its Commitment and its Contribution; and

(b) the holder for the time being of a Transfer Certificate

(and includes their respective successors);

" **Lender's Cost of Funding** " means, for an Interest Period in relation to a Lender, the rate per annum determined by that Lender to be of the rate at which deposits in Dollars are offered to the Lender by leading banks in the London Interbank Market at the Lender's request at or about 11.00 a.m. (London time) on the Quotation Date for that Interest Period for a period equal to that Interest Period and for delivery on the first Business Day of it, or, if that Lender uses other ways than through the London Interbank Market to fund deposits in Dollars, such rate as determined by that Lender to be the Lender's cost of funding deposits in Dollars for that Interest Period;

" **LIBOR** " means, for an Interest Period:

(a) the applicable Screen Rate; or

(b) if no Screen Rate is available for that period, the rate per annum determined by the Agent to be the rate per annum (rounded upwards, if necessary, to the nearest one-sixteenth of one per cent.) notified to the Agent by the Reference Bank as the rate at which deposits in Dollars are offered to the Reference Bank by leading banks in the London Interbank Market at or about 11.00 a.m. (London time) on the Q uotation Date for that Interest Period for a period equal to that Interest Period and for delivery on the first Business Day of it ;

"LIBOR Correction Rate " means, at any relevant time in relation to an Affected Lender, the rate per annum by which that Lender's Cost of Funding exceeds LIBOR;

" **Loan** " means the aggregate principal amount of the Advances for the time being outstanding under this Agreement;

" **Major Casualty** " means, in relation to a Ship, any casualty to the Ship in respect of which the claim or the aggregate of the claims against all insurers, before adjustment for any relevant franchise or deductible, exceeds $1,000,000 or the equivalent in any other currency;

" **Majority Lenders** " means:

(a) at any time when no Advances are outstanding, Lenders whose Commitments total 66.67 per cent. of the Total Commitments; and

(b) at any other time, Lenders whose Contributions total 66.67 per cent. of the Loan;

" **Mandatory Cost Rate** " means, in relation to the Loan, the cost calculated as a percentage rate per annum incurred by a Lender as a result of compliance with any applicable regulatory or central bank requirements, including any reserve costs imposed by the European Central Bank or the European System of Central Banks (calculated pursuant to the formula described in Schedule 7);

" **Margin** " means 1.20 per cent. per annum;

"Market Value" means, in respect of each Ship and each Fleet Vessel, the market value thereof determined from time to time in accordance with Clause 15.4 (or as the case may be Clause 15.5);

" **Market Value Adjusted Net Worth** " means, at any time, the amount by which the Market Value Adjusted Total Assets exceed the Total Liabilities;

" **Market Value Adjusted Total Assets** " means, at any time, the Total Assets adjusted to reflect the Market Value of all Fleet Vessels (by substituting the value of each Fleet Vessel as specified in the Applicable Accounts with the Market Value of that Fleet Vessel as at the relevant Compliance Date);

" **Master Agreement** " means the master agreement (on the 2002 or 1992 ISDA (Multicurrency - Crossborder) form or on the "Rahmenverträge für Finanztermingeschäfte (Master Agreement for Financial Derivatives Transactions) form) made or to be made between the Borrower and each Swap Bank and includes all Transactions from time to time entered into and Confirmations from time to time exchanged thereunder and, in the plural means all of them;

" **Master Agreement Assignment** " means, in relation to each Master Agreement, an assignment of the Borrower's rights under that Master Agreement executed or to be executed by the Borrower, in such form as the Lenders may approve or require, and in the plural means all of them;

" **Medsea"** means Medsea Marine Inc., a corporation incorporated and existing under the laws of Liberia and having its registered office at 80 Broad Street, Monrovia, Liberia;

" **Mortgage** " means, in relation to a Ship, the first priority or preferred (as the case may be) ship mortgage on the Ship under an Approved Flag executed or to be executed by the Owner of the Ship in favour of the Security Trustee, in such form as the Lenders may approve or require and in the plural means all of them;

" **Negotiation Period** " has the meaning given in Clause 5.10;

" **Net Income** " means, in relation to each Financial Year of the Borrower, the net income of the Borrower's Group appearing in the Applicable Accounts for that Financial Year;

" **Net Interest Expenses** " means, as of any Compliance Date, the aggregate of all interest, commitment and other fees, commissions, discounts and other costs, charges or expenses accruing due from all the members the Borrower's Group during that accounting period less interest income received, determined on a consolidated basis in accordance with USGAAP and as shown in the consolidated statements of income for the Borrower's Group in the Applicable Accounts;

" **Operating Expenses** " means, in relation to a Ship and a relevant period, the expenses for crewing, victualling, insuring, maintenance, spares, stores, management and operation of such Ship which are reasonably incurred (in the opinion of the Agent) for a vessel of the same size and type as that Ship as evidenced by the most recent audited Applicable Accounts;

" **Owners** " means together Medsea, Cellcontainer No. 2, Expresscarrier, Teucarrier and Cellcontainer No. 5, and in the singular means any of them;

" **Payment Currency** " has the meaning given in Clause 21.5;

" **Pertinent Jurisdiction** " in relation to a company, means:

(a) England and Wales;

(b) the country under the laws of which the company is incorporated or formed;

(c) a country in which the company's central management and control is or has recently been exercised;

(d) a country in which the overall net income of the company is subject to corporation tax, income tax or any similar tax;

(e) a country in which assets of the company (other than securities issued by, or loans to, related companies) having a substantial value are situated, in which the company maintains a permanent place of business, or in which a Security Interest created by the company must or should be registered in order to ensure its validity or priority; and

(f) a country the courts of which have jurisdiction to make a winding up, administration or similar order in relation to the company or which would have such jurisdiction if their assistance were requested by the courts of a country referred to in paragraphs (b) or (c) above;

" **Potential Event of Default** " means an event or circumstance which, with the giving of any notice, the lapse of time, a determination of the Majority Lenders (in the case of any provision of this Agreement or any of the other Finance Documents which is made subject to the determination of the Majority Lenders) and/or the satisfaction of any other condition, would constitute an Event of Default;

" **Predelivery Security Assignment** " means, in relation to an Owner, an assignment of the Shipbuilding Contract and of the Refund Guarantee relevant to that Owner, to be given by that Owner in favour of the Security Trustee, in such form as the Lenders may approve or require, and in the plural means all of them;

" **Quotation Date** " means, in relation to any Interest Period (or any other period for which an interest rate is to be determined under any provision of a Finance Document), the day on which quotations would ordinarily be given by leading banks in the London Interbank Market for deposits in the currency in relation to which such rate is to be determined for delivery on the first day of that Interest Period or other period;

" **Reference Bank** " means the Agent from time to time;

" **Refund Guarantee A** " means the irrevocable and unconditional refund guarantee dated 16 May 2006 with guarantee number MO902-605-LG-00096 issued by K-Exim in favour of Medsea in relation to each stage payment made or to be made by Medsea to Samsung pursuant to the Shipbuilding Contract A prior to the relevant Delivery Date;

" **Refund Guarantee B** " means the irrevocable and unconditional refund guarantee dated 10 April 2007 with guarantee number SLGQA020070041 issued by KDB in favour of Cellcontainer No. 2 in relation to each stage payment made or to be made by Cellcontainer No. 2 to Hanjin pursuant to the Shipbuilding Contract B prior to the relevant Delivery Date;

" **Refund Guarantee C** " means the irrevocable and unconditional refund guarantee dated 21 March 2007 with guarantee number MO902-703-LG-00235 issued by K-Exim in favour of Expresscarrier in relation to each stage payment made or to be made by Expresscarrier to Hanjin pursuant to the Shipbuilding Contract C prior to the relevant Delivery Date;

" **Refund Guarantees D** " means, together (a) the irrevocable and unconditional refund guarantee dated 13 April 2007 with guarantee number LGC1000700884 issued by Bank of China in favour of Teucarrier in relation to the first and second instalments made or to be made by Teucarrier to Jiangnan pursuant to the Shipbuilding Contract D (the " **First Refund Guarantee D** ") and (b) each irrevocable and unconditional guarantee to be issued by Bank

of China (or any other bank or financial institution approved by the Lenders) in relation to each of the third and fourth instalments to be paid by Teucarrier to Jiangnan pursuant to Shipbuilding Contract D prior to the Delivery Date for Ship D and in the singular means any of them;

" **Refund Guarantee E** " means the irrevocable and unconditional refund guarantee dated 10 April 2007 with guarantee number SLGQA020070044 issued by KDB in favour of Cellcontainer No. 5 in relation to each stage payment made or to be made by Cellcontainer No. 5 to Hanjin pursuant to the Shipbuilding Contract E prior to the relevant Delivery Date;

" **Refund Guarantees** " means, together, Refund Guarantee A, Refund Guarantee B, Refund Guarantee C, Refund Guarantee D and Refund Guarantees E, and in the singular means any of them;

"Refund Guarantors" means, together, Bank of China, K-Exim and KDB, and in the singular means any of them;

" **Relevant Person** " has the meaning given in Clause 19.9;

" **Repayment Date** " means a date on which a repayment is required to be made under Clause 8;

" **Requisition Compensation** " includes all compensation or other moneys payable by reason of any act or event such as is referred to in paragraph (b) of the definition of "Total Loss";

" **Samsung** " means Samsung Heavy Industries Co. Ltd., a company organised and existing under the laws of the Republic of Korea, with its registered office at 647-9, Yeoksam-Dong, Kangnam-ku, Seoul, Korea;

" **Screen Rate** " means the rate per annum equal to the offered quotation for deposits in Dollars for a period equal to, or as near as possible equal to, the relevant Interest Period which appears on Reuters BBA Page LIBOR 01 at or about 11.00 a.m. (London time) on the second Business Day prior to the commencement of that Interest Period (and, for the purposes of this Agreement, "Reuters BBA Page LIBOR 01" means the display designated as "Reuters BBA Page LIBOR 01" on the Reuters Money News Service or such other page as may replace Reuters BBA Page LIBOR 01 on that service for the purpose of displaying rates comparable to that rate or on such other service as may be nominated by the British Bankers' Association as the information vendor for the purpose of displaying British Bankers' Association Interest Settlement Rates for Dollars);

" **Secured Liabilities** " means all liabilities which the Borrower, the Security Parties or any of them have, at the date of this Agreement or at any later time or times, under or by virtue of the Finance Documents or any judgement relating to the Finance Documents; and for this purpose, there shall be disregarded any total or partial discharge of these liabilities, or variation of their terms, which is effected by, or in connection with, any bankruptcy, liquidation, arrangement or other procedure under the insolvency laws of any country;

" **Security Cover Ratio** " means the ratio (expressed as a percentage) which is determined at any time by comparing (i) the aggregate of the amounts referred to in paragraphs (a) and (b) of Clause 15.1 to (ii) the aggregate of the Loan and the Swap Exposure;

" **Security Interest** " means:

(a) a mortgage, charge (whether fixed or floating) or pledge, any maritime or other lien or any other security interest of any kind;

(b) the rights of the plaintiff under an action *in rem* in which the vessel concerned has been arrested or a writ has been issued or similar step taken; and

(c) any arrangement entered into by a person (A) the effect of which is to place another person (B) in a position which is similar, in economic terms, to the position in which B would have been had he held a security interest over an asset of A;

" **Security Party** " means the Owners and any other person (except a Creditor Party) who, as a surety or mortgagor, as a party to any subordination or priorities arrangement, or in any similar capacity, executes a document falling within the final paragraph of the definition of "Finance Documents";

" **Security Period** " means the period commencing on the date of this Agreement and ending on the date on which the Agent notifies the Borrower, the Security Parties, the Lenders and the other Creditor Parties (which notice the Agent shall give when the conditions set out below are satisfied) that:

(a) all amounts which have become due for payment by the Borrower or any Security Party under the Finance Documents have been paid;

(b) no amount is owing or has accrued (without yet having become due for payment) under any Finance Document;

(c) neither the Borrower nor any Security Party has any future or contingent liability under Clause 20, 21 or 22 below or any other provision of this Agreement or another Finance Document; and

(d) the Agent, the Security Trustee and the Lenders do not consider that there is a significant risk that any payment or transaction under a Finance Document would be set aside, or would have to be reversed or adjusted, in any present or possible future bankruptcy of the Borrower or a Security Party or in any present or possible future proceeding relating to a Finance Document or any asset covered (or previously covered) by a Security Interest created by a Finance Document;

" **Security Trustee** " means Deutsche Schiffsbank Aktiengesellschaft, in its capacity as security trustee for the Lenders and the Swap Banks under the Finance Documents, or any successor of it in such capacity appointed under clause 5 of the Agency and Trust Agreement;

" **Ship A** " means the 4,250 TEU container carrier newbuilding currently being constructed by Samsung and having Hull No. 1698 to be purchased by Medsea pursuant to Shipbuilding Contract A and registered in the ownership of Medsea under an Approved Flag;

" **Ship B** " means the 3,400 TEU container carrier newbuilding currently being constructed by Hanjin and having Hull No. N-220 to be purchased by Cellcontainer No. 2 pursuant to Shipbuilding Contract B and registered in the ownership of Cellcontainer No. 2 under an Approved Flag;

"Ship C" means the 6,500 TEU container carrier newbuilding currently being constructed by Hanjin and having Hull No. N-215 to be purchased by Expresscarrier pursuant to Shipbuilding Contract C and registered in the ownership of Expresscarrier under an Approved Flag;

"Ship D" means the 6,800 TEU container carrier newbuilding currently being constructed by Jiangnan and having Hull No. Z00001 to be purchased by Teucarrier pursuant to Shipbuilding Contract D and registered in the ownership of Teucarrier under an Approved Flag;

"Ship E" means the 3,400 TEU container carrier newbuilding currently being constructed by Hanjin and having Hull No. N-223 to be purchased by Cellcontainer No. 5 pursuant to Shipbuilding Contract E and registered in the ownership of Cellcontainer No. 5 under an Approved Flag;

" **Shipbuilding Contract A** " means the shipbuilding contract dated 12 May 2006 and made between Samsung and Medsea for the construction by Samsung of Ship A and its purchase by Medsea, as supplemented from time to time;

" **Shipbuilding Contract B** " means the shipbuilding contract dated 5 April 2007 and made between Hanjin and Cellcontainer (No. 2), for the construction by Hanjin of Ship B and its purchase by Cellcontainer (No. 2), as supplemented from time to time;

" **Shipbuilding Contract C** " means the shipbuilding contract dated 16 March 2007 and made between Hanjin and Expresscarrier, for the construction by Hanjin of Ship C and its purchase by Expresscarrier, as supplemented from time to time;

" **Shipbuilding Contract D** " means the shipbuilding contract dated 2 March 2007 and made between the Jiangnan and Teucarrier, for the construction by Jiangnan of Ship D and its purchase by Teucarrier, as supplemented from time to time;

" **Shipbuilding Contract E** " means the shipbuilding contract dated 5 April 2007 and made between Hanjin and Cellcontainer No. 5, for the construction by Hanjin of Ship E and its purchase by Cellcontainer No. 5, as supplemented from time to time;

" **Shipbuilding Contracts** " means, together, Shipbuilding Contract A, Shipbuilding Contract B, Shipbuilding Contract C, Shipbuilding Contract D and Shipbuilding Contract E and in the singular means any of them;

" **Ships** " means, together, Ship A, Ship B, Ship C, Ship D and Ship E, and in the singular means any of them;

" **Swap Banks** " means the banks and financial institutions listed as Swap Banks in Schedule 1, Part B, and in the singular means any of them;

" **Swap Exposure** " means, as at any relevant date the amount certified by the Swap Banks to the Agent to be the aggregate net amount in Dollars which would be payable by the Borrower to the Swap Banks under (and calculated in accordance with) section 6 (e) (Payments on Early Termination) of each Master Agreement if an Early Termination Date had occurred on the relevant date in relation to all continuing Transactions entered into between the Borrower and the Swap Banks;

" **Teucarrier** " means Teucarrier (No. 1) Corp., a corporation incorporated and existing under the laws of Liberia and having its registered office at 80 Broad Street, Monrovia, Liberia;

" **Total Assets** " means, as of any Compliance Date, the aggregate value of all assets of the Borrower's Group included in the Applicable Accounts as "current assets" and the value of all investments (valued in accordance with USGAAP) and all other tangible and intangible assets of the Borrower's Group properly included in the Applicable Accounts as "fixed assets" in accordance with USGAAP;

" **Total Liabilities** " means, as of any Compliance Date, Total Assets less Book Net Worth;

" **Total Loss** " means, in relation to a Ship:

(a) actual, constructive, compromised, agreed or arranged total loss of that Ship;

(b) any expropriation, confiscation, requisition or acquisition of the Ship, whether for full consideration, a consideration less than her proper value, a nominal consideration or without any consideration, which is effected by any government or official authority or by any person or persons claiming to be or to represent a government or official authority, excluding a requisition for hire for a fixed period not exceeding one year without any right to an extension;

(c) any condemnation of the Ship by any tribunal or by any person or person claiming to be a tribunal;

(d) any arrest, capture, seizure or detention of the Ship (including any hijacking or theft) unless she is within 30 days redelivered to the full control of the Owner owning the Ship;

" **Total Loss Date** " means, in relation to a Ship:

(a) in the case of an actual loss of the Ship, the date on which it occurred or, if that is unknown, the date when the Ship was last heard of;

(b) in the case of a constructive, compromised, agreed or arranged total loss of the Ship, the earliest of:

(i) the date on which a notice of abandonment is given to the insurers; and

(ii) the date of any compromise, arrangement or agreement made by or on behalf of the Owner owning the Ship, with the Ship's insurers in which the insurers agree to treat the Ship as a total loss; and

(c) in the case of any other type of total loss, on the date (or the most likely date) on which it appears to the Agent that the event constituting the total loss occurred;

"Total Shareholders' Equity" means at any date, the total shareholders' equity of the Group as determined in accordance with, and as shown in, the Applicable Accounts;

" **Tranche A** " means the aggregate of the Advances to be made available by the Lenders to the Borrower to assist Medsea in its acquisition of Ship A or, as the context may require, the aggregate principal amount thereof outstanding at the relevant time under this Agreement;

" **Tranche B** " means the aggregate of the Advances to be made available by the Lenders to the Borrower to assist Cellcontainer No. 2 in its acquisition of Ship B or, as the context may require, the aggregate principal amount thereof outstanding at the relevant time under this Agreement;

" **Tranche C** " means the aggregate of the Advances to be made available by the Lenders to the Borrower to assist Expresscarrier in its acquisition of Ship C or, as the context may require, the aggregate principal amount thereof outstanding at the relevant time under this Agreement;

" **Tranche D** " means the aggregate of the Advances to be made available by the Lenders to the Borrower to assist Teucarrier in its acquisition of Ship D or, as the context may require, the aggregate principal amount thereof outstanding at the relevant time under this Agreement;

" **Tranche E** " means the aggregate of the Advances to be made available by the Lenders to the Borrower to assist Cellcontainer No. 5 in its acquisition of Ship E or, as the context may

require, the aggregate principal amount thereof outstanding at the relevant time under this Agreement;

" **Tranches** " means, together, Tranche A, Tranche B, Tranche C, Tranche D and Tranche E, and in the singular means any of them;

" **Transaction** " has the meaning given in the Master Agreements;

" **Transfer Certificate** " has the meaning given in Clause 26.2;

" **Trust Property** " has the meaning given in clause 3.1 of the Agency and Trust Agreement;

"Yang Ming" means Yang Ming Marine Transport Corp., a company having its principal office in Keelung, Taiwan; and

" **ZIM** " means Zim Israel Intergrated Shipping Services Ltd., a company having its principal office at 7-9 Pal Yam Avenue, P.O. Box 1723, Haifa, 31016, Israel.

1.2 Construction of certain terms. In this Agreement:

" **approved** " means, for the purpose of Clause 13, approved in writing by the Agent, with the authorisation of the Majority Lenders;

" **asset** " includes every kind of property, asset, interest or right, including any present, future or contingent right to any revenues or other payment;

" **company** " includes any partnership, joint venture and unincorporated association;

" **consent** " includes an authorisation, consent, approval, resolution, licence, exemption, filing, registration, notarisation and legalisation;

" **contingent liability** " means a liability which is not certain to arise and/or the amount of which remains unascertained;

" **document** " includes a deed; also a letter, fax or telex;

" **excess risks** " means, in relation to a Ship, (i) the proportion of claims for general average, salvage and salvage charges which are not recoverable as a result of the value at which that Ship is assessed for the purpose of such claims exceeding her hull and machinery insured value and (ii) collision liabilities not recoverable in full under the applicable hull and machinery insurance by reason of such liabilities exceeding such proportion of the insured value of that Ship as is covered thereunder;

" **expense** " means any kind of cost, charge or expense (including all legal costs, charges and expenses) and any applicable value added or other tax;

" **law** " includes any form of delegated legislation, any order or decree, any treaty or international convention and any regulation or resolution of the Council of the European Union, the European Commission, the United Nations or its Security Council;

" **legal or administrative action** " means any legal proceeding or arbitration and any administrative or regulatory action or investigation;

" **liability** " includes every kind of debt or liability (present or future, certain or contingent), whether incurred as principal or surety or otherwise;

" **months** " shall be construed in accordance with Clause 1.3;

" **obligatory insurances** " means, in relation to a Ship, all insurances effected, or which the Owner owning the Ship is obliged to effect, under Clause 13 below or any other provision of this Agreement or another Finance Document;

" **parent company** " has the meaning given in Clause 1.4;

" **person** " includes any company; any state, political sub-division of a state and local or municipal authority; and any international organisation;

" **policy** ", in relation to any insurance, includes a slip, cover note, certificate of entry or other document evidencing the contract of insurance or its terms;

" **protection and indemnity risks** " means the usual risks covered by a protection and indemnity association managed in London, including, but not limited to, pollution, freight, demurrage and detention risks and the proportion (if any) of any sums payable to any other person or persons in case of collision which are not recoverable under the hull and machinery policies by reason of the incorporation in them of Clause 6 of the International Hull Clauses (1/11/02 or 1/11/03), clause 8 of the Institute Time Clauses (Hulls) (1/11/95) or clause 8 of the Institute Time Clauses (Hulls) (1/10/83) or the Institute Amended Running Down Clause (1/10/71) or the Conditions and Plan of the Swedish Club or any equivalent provision;

" **regulation** " includes any regulation, rule, official directive, request or guideline (either having the force of law or compliance with which is reasonable in the ordinary course of business of the party concerned) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;

" **subsidiary** " has the meaning given in Clause 1.4;

" **successor** " includes any person who is entitled (by assignment, novation, merger or otherwise) to any other person's rights under this Agreement or any other Finance Document (or any interest in those rights) or who, as administrator, liquidator or otherwise, is entitled to exercise those rights; and in particular references to a successor include a person to whom those rights (or any interest in those rights) are transferred or pass as a result of a merger, division, reconstruction or other reorganisation of it or any other person;

" **tax** " includes any present or future tax, duty, impost, levy or charge of any kind which is imposed by any state, any political sub-division of a state or any local or municipal authority (including any such imposed in connection with exchange controls), and any connected penalty, interest or fine; and

" **war risks** " includes the risk of mines, blocking and trapping, missing vessel, political risks, deprivation, confiscation and all risks excluded by clause 29 of the International Hull Clauses (1/11/02 or 1/11/03), clause 24 of the Institute Time Clauses (Hulls)(1/11/95) or clause 33 of the Institute Time Clauses (Hulls) (1/10/83) or in the Conditions and Plan of the Swedish Club.

1.3 Meaning of "month". A period of one or more "months" ends on the day in the relevant calendar month numerically corresponding to the day of the calendar month on which the period started (" **the numerically corresponding day** "), but:

(a) on the Business Day following the numerically corresponding day if the numerically corresponding day is not a Business Day or, if there is no later Business Day in the same calendar month, on the Business Day preceding the numerically corresponding day; or

(b) on the last Business Day in the relevant calendar month, if the period started on the last Business Day in a calendar month or if the last calendar month of the period has no numerically corresponding day,

and " **month** " and " **monthly** " shall be construed accordingly.

1.4 Meaning of "subsidiary". A company (S) is a subsidiary of another company (P) if:

(a) a majority of the issued shares in S (or a majority of the issued shares in S which carry unlimited rights to capital and income distributions) are directly owned by P or are indirectly attributable to P; or

(b) P has direct or indirect control over a majority of the voting rights attaching to the issued shares of S; or

(c) P has the direct or indirect power to appoint or remove a majority of the directors of S; or

(d) P otherwise has the direct or indirect power to ensure that the affairs of S are conducted in accordance with the wishes of P,

and any company of which S is a subsidiary is a parent company of S.

1.5 General Interpretation.

(a) In this Agreement:

(i) references to, or to a provision of, a Finance Document or any other document are references to it as amended or supplemented, whether before the date of this Agreement or otherwise;

(ii) references to, or to a provision of, any law include any amendment, extension, re-enactment or replacement, whether made before the date of this Agreement or otherwise;

(iii) words denoting the singular number shall include the plural and vice versa; and

(iv) where a determination or opinion is stated to be "conclusive" it shall be binding on the relevant party save for manifest error;

(b) Clauses 1.1 to 1.4 and paragraph (a) of this Clause 1.5 apply unless the contrary intention appears.

(c) The clause headings shall not affect the interpretation of this Agreement.

2 FACILITY

2.1 Amount of facility. Subject to the other provisions of this Agreement, the Lenders shall make available to the Borrower a senior secured term loan facility of up to $299,000,000 in up to five Tranches as follows:

(a) Tranche A shall be in an amount of up to the lesser of:

(i) $49,000,000; and

(ii) 70 per cent. of the Delivered Cost of Ship A;

(b) Tranche B shall be in an amount of up to the lesser of:

(i) $44,700,000; and

(ii) 70 per cent. of the Delivered Cost of Ship B;

(c) Tranche C shall be in an amount of up to the lesser of:

(i) $73,600,000; and

(ii) 70 per cent. of the Delivered Cost of Ship C;

(d) Tranche D shall be in an amount of up to the lesser of:

(i) $87,000,000; and

(ii) 70 per cent. of the Delivered Cost of Ship D;

(e) Tranche E shall be in an amount of up to the lesser of:

(i) $44,700,000; and

(ii) 70 per cent. of the Delivered Cost of Ship E;

(f) each of Tranche A, B and E may be drawn in up to four Advances and each of Tranche C, and D may be drawn in up to five Advances. Each Advance shall not exceed the lesser of (i) 80 per cent. of the amount of the predelivery instalment which is to be part-financed by that Advance and (ii) the maximum amount thereof specified in Schedule 4 of this Agreement;

(g) the final Advance of each Tranche (which shall be used in part-financing the delivery instalment payable pursuant to the Shipbuilding Contract for the Ship to be financed by that Tranche and to refinance in part the Extra Pre-delivery Costs for that Ship) shall be in an amount which, when aggregated with all other Advances in respect of that Tranche, shall result in the Tranche not exceeding 70 per cent. of the Delivered Cost of the Ship financed by that Tranche; and

(h) the aggregate amount of the Advances in respect of each Tranche which shall be used in financing or refinancing the predelivery instalments in respect of a Ship payable or paid pursuant to the Shipbuilding Contract applicable to that Ship, shall not exceed 80 per cent. of the aggregate amount of the pre-delivery instalments payable for that Ship pursuant to that Shipbuilding Contract.

2.2 Lenders' participations in Advances. Subject to the other provisions of this Agreement, each Lender shall participate in each Advance in the proportion which, as at the relevant Drawdown Date, its Commitment bears to the Total Commitments.

2.3 Transactions under the Master Agreement. At any time during the Security Period the Borrower may request the Swap Banks to conclude Designated Transactions for the purpose of hedging the Borrower's exposure to interest rate fluctuations in the context of its interest payment obligations under this Agreement. If the Borrower requests to conclude a Designated Transaction prior to the delivery of at least one of the Ships or, if at the time the Borrower requests to conclude a Designated Transaction there is a shortfall in the minimum security cover required to be maintained pursuant to Clause 15.1, the Swap Banks and the Lenders may request that the Borrower provides or procures the provision of such security as is acceptable to the Swap Banks and the Lenders. The entry by the Swap Banks into the Master Agreements does not commit the Swap Banks to conclude Designated Transactions, or even to offer terms for doing so, but does provide a contractual framework within which Designated Transactions may be concluded and secured, assuming that the relevant Swap Bank is willing to conclude any

Designated Transaction at the relevant time and that, if that is the case, mutually acceptable terms can be agreed at the relevant time.

3 POSITION OF THE LENDERS, THE SWAP BANKS AND THE MAJORITY LENDERS

3.1 Interests of Lenders and Swap Banks several. The rights of the Lenders and the Swap Banks under this Agreement and the Master Agreements are several; accordingly:

(a) each Lender shall be entitled to sue for any amount which has become due and payable by the Borrower to it under this Agreement; and

(b) each Swap Bank shall be entitled to sue for any amount which has become due and payable by the Borrower to it under the Master Agreement to which it is a party,

without joining the Agent, the Security Trustee, any other Lender or any other Swap Bank as additional parties in the proceedings.

3.2 Proceedings by individual Lender or Swap Bank. However, without the prior consent of the Majority Lenders, no Lender and Swap Bank may bring proceedings in respect of:

(a) any other liability or obligation of the Borrower or a Security Party under or connected with a Finance Document or the Master Agreements; or

(b) any misrepresentation or breach of warranty by the Borrower or a Security Party in or connected with a Finance Document or the Master Agreements.

3.3 Obligations several. The obligations of the Lenders under this Agreement and of the Swap Banks under the Master Agreements are several; and a failure of a Lender to perform its obligations under this Agreement or of a Swap Bank to perform its obligations under the Master Agreement to which it is a party shall not result in:

(a) the obligations of the other Lenders being increased; nor

(b) the Borrower, any Security Party or any other Creditor Party being discharged (in whole or in part) from its obligations under any Finance Document;

and in no circumstances shall a Lender or a Swap Bank have any responsibility for a failure of another Lender or another Swap Bank to perform its obligations under this Agreement or a Master Agreement.

3.4 Parties bound by certain actions of Majority Lenders. Every Lender, a Swap Bank, the Borrower and each Security Party shall be bound by:

(a) any determination made, or action taken, by the Majority Lenders under any provision of a Finance Document;

(b) any instruction or authorisation given by the Majority Lenders to the Agent or the Security Trustee under or in connection with any Finance Document;

(c) any action taken (or in good faith purportedly taken) by the Agent or the Security Trustee in accordance with such an instruction or authorisation.

3.5 Reliance on action of Agent. However, the Borrower and each Security Party:

(a) shall be entitled to assume that the Majority Lenders have duly given any instruction or authorisation which, under any provision of a Finance Document, is required in relation to any action which the Agent has taken or is about to take; and

(b) shall not be entitled to require any evidence that such an instruction or authorisation has been given.

3.6 Construction. In Clauses 3.4 and 3.5 references to action taken include (without limitation) the granting of any waiver or consent, an approval of any document and an agreement to any matter.

4 DRAWDOWN

4.1 Request for Advance. Subject to the following conditions, the Borrower may request an Advance to be made by ensuring that the Agent receives a completed Drawdown Notice not later than 11.00 a.m. (Hamburg time) 3 Business Days prior to the intended Drawdown Date.

4.2 Availability. The conditions referred to in Clause 4.1 are that:

(a) a Drawdown Date has to be a Business Day during the Availability Period;

(b) each Advance shall:

(i) subject to Clause 4.2(c), be in an amount that does not exceed the maximum amount of that Advance specified in Schedule 4; and

(ii) be used to finance or refinance part of the relevant instalment payable to the Builder pursuant to the relevant Shipbuilding Contract as are specified in Schedule 4 and, in the case of the final Advance of each Tranche, part of the relevant Extra Pre-delivery Costs;

(c) the aggregate amount of the Advances in respect of a Tranche shall not exceed the maximum amount of that Tranche as set out in Clause 2.1; and

(d) the Borrower shall demonstrate to the satisfaction of the Agent the availability to it of funds in an amount equal to the amount by which the instalment due to the Builder pursuant to the relevant Shipbuilding Contract and the relevant Extra Pre-delivery Costs on the relevant Drawdown Date exceeds the Advance to be made available to the Borrower on that Drawdown Date.

4.3 Purpose of Advances. The Borrower undertakes with each Creditor Party to use each Advance only for the purposes stated in the Recitals to this Agreement.

4.4 Notification to Lenders of receipt of Drawdown Notice. The Agent shall promptly notify the Lenders it has received a Drawdown Notice and the Agent shall inform each Lender of:

(a) the amount of the Advance and the Drawdown Date;

(b) the amount of that Lender's participation in the Advance; and

(c) the duration of the first Interest Period relative to such Advance.

4.5 Drawdown Notice irrevocable. A Drawdown Notice must be signed by a duly authorised person on behalf of the Borrower; and once served, a Drawdown Notice

cannot be revoked without the prior consent of the Agent, acting with the authorisation of the Majority Lenders.

4.6 **Lenders to make available Contributions.** Subject to the provisions of this Agreement, each Lender shall, on and with value on each Drawdown Date, make available to the Agent for the account of the Borrower the amount due from that Lender on that Drawdown Date under Clause 2.2.

4.7 **Disbursement of Advance.** Subject to the provisions of this Agreement, the Agent shall, on and with value on each Drawdown Date, pay to the Borrower the amounts which the Agent receives from the Lenders under Clause 4.6 and that payment to the Borrower shall be made to the account of the Builder which the Borrower specifies in the relevant Drawdown Notice.

4.8 **Disbursement of Advance to third party.** The payment by the Agent under Clause 4.7 to the Builder shall constitute the making of the Advance and the Borrower shall thereupon become indebted, as principal and direct obligor, to the Lenders in an amount equal to that Advance.

5 INTEREST

5.1 **Payment of normal interest.** Subject to the provisions of this Agreement, interest on each Advance, each Tranche or the Loan in respect of each Interest Period shall be paid by the Borrower on the last day of that Interest Period.

5.2 **Normal rate of interest.** Subject to the provisions of this Agreement, the rate of interest on each Advance or, as the case may be, the Loan in respect of an Interest Period shall be the aggregate of (a) the Margin, (b) the Mandatory Cost Rate (c) LIBOR and (d) if a Lender (the " **Affected Lender** ") notifies the Agent at least 1 Business Day before the start of the relevant Interest Period that its Lender's Cost of Funding exceeds LIBOR fixed by the Agent during the Interest Period in the London Interbank Market at or about 11.00 a.m. (London time) on the Quotation Date for the Interest Period, additionally in respect of the Affected Lender's Contribution, the LIBOR Correction Rate applicable to that Lender for the Interest Period.

5.3 **Payment of accrued interest.** In the case of an Interest Period longer than 3 months, accrued interest shall be paid every 3 months during that Interest Period and on the last day of that Interest Period.

5.4 **Notification of Interest Periods and rates of normal interest.** The Agent shall notify the Borrower and each Lender of:

(a) each rate of interest; and

(b) the duration of each Interest Period;

as soon as reasonably practicable after each is determined.

5.5 **Obligation of Reference Bank to quote.** Each Lender which is the Reference Bank shall use all reasonable efforts to supply any quotation required of it for the purposes of fixing a rate of interest under this Agreement.

5.6 **Absence of quotations by Reference Bank.** If the Reference Bank fails to supply a quotation when required, the Agent shall determine the relevant rate of interest in accordance with the following provisions of this Clause 5.

5.7 **Market disruption.** The following provisions of this Clause 5 apply if:

(a) no Screen Rate is available for an Interest Period and the Reference Bank does not, before 1.00 p.m. (London time) on the Quotation Date for an Interest Period, provide quotations to the Agent in order to fix LIBOR; or

(b) at least 1 Business Day before the start of an Interest Period, the Agent is notified by a Lender (the " **Affected Lender** ") that for any reason it is unable to obtain Dollars in the London Interbank Market or in another way in order to fund its Contribution (or any part of it) during the Interest Period.

5.8 Notification of market disruption. The Agent shall promptly notify the Borrower and each of the Lenders stating the circumstances falling within Clause 5.7 which have caused its notice to be given.

5.9 Suspension of drawdown. If the Agent's notice under Clause 5.8 is served on the Borrower before an Advance is made:

(a) in a case falling within paragraph (a) of Clause 5.7, the Lenders' obligation to make, and the Borrower's obligation to borrow, that Advance shall be suspended while the circumstances referred to in the Agent's notice continue and the provisions of Clause 5.10 shall apply;

(b) in a case falling within paragraph (b) of Clause 5.7, the Affected Lender's obligation to participate in the Advance shall be suspended while the circumstances referred to in the Agent's notice continue.

5.10 Negotiation of alternative rate of interest . If the Agent's notice under Clause 5.8 is served on the Borrower after an Advance is made:

(a) in a case falling within paragraph (a) or (c) of Clause 5.7, the Borrower, the Agent and the Lenders or (as the case may be) the Affected Lender shall use reasonable endeavours to agree, within the 30 days after the date on which the Agent serves its notice under Clause 5.8 (the " **Negotiation Period** "), an alternative interest rate or (as the case may be) an alternative basis for the Lenders or (as the case may be) the Affected Lender to fund or continue to fund their or its Contribution during the Interest Period concerned.;

(b) in a case falling within paragraph (b) of Clause 5.7, the interest rate applicable to the Affected Lender's Contribution during the Interest Period concerned shall be the aggregate of (i) the Margin, (ii) the Mandatory Cost Rate and (iii) its Lender's Cost of Funding for the applicable Interest Period.

5.11 Application of agreed alternative rate of interest. Any alternative interest rate or an alternative basis which is agreed during the Negotiation Period shall take effect in accordance with the terms agreed.

5.12 Alternative rate of interest in absence of agreement . If an alternative interest rate or alternative basis is not agreed within the Negotiation Period, and the relevant circumstances are continuing at the end of the Negotiation Period, then the Agent shall, with the agreement of each Lender or (as the case may be) the Affected Lender, set an interest period and interest rate representing the cost of funding of the Lenders or (as the case may be) the Affected Lender in Dollars or in any available currency of their or its Contribution plus the Margin; and the procedure provided for by this Clause 5.12 shall be repeated if the relevant circumstances are continuing at the end of the interest period so set by the Agent.

5.13 Notice of prepayment. If the Borrower does not agree with an interest rate set by the Agent under Clause 5.2 or Clause 5.12, the Borrower may give the Agent not less than 15 Business Days' notice of its intention to prepay.

5.14 **Prepayment; termination of Commitments** . A notice under Clause 5.13 shall be irrevocable if served 3 Business Days before payment; the Agent shall promptly notify the Lenders or (as the case may require) the Affected Lender of the Borrower's notice of intended prepayment; and:

(a) on the date on which the Agent serves that notice, the Total Commitments or (as the case may require) the Commitment of the Affected Lender shall be cancelled; and

(b) on the date specified in its notice of intended prepayment, the Borrower shall prepay (without premium or penalty) the Loan or, as the case may be, the Affected Lender's Contribution, together with accrued interest thereon at the applicable rate plus the Margin and, if applicable, the LIBOR Correction Rate or, as the case may be, its Lender's Cost of Funding and, if the prepayment or repayment is not made on the last Business Day of the interest period set by the Agent, any sums payable under Clause 21.1(b).

5.15 **Application of prepayment.** The provisions of Clause 8 shall apply in relation to the prepayment.

5.16 **Early indication of LIBOR Correction Rate.** The Borrower may, at any time falling at least 4 Business Days before the commencement of an Interest Period, request that the Agent provide it with indicative quotations of the then current interest rates applicable for periods selected by the Borrower equal in duration to those referred to in Clause 6.2(a) as well as the funding costs of the Lenders for an identical period. The Agent shall use reasonable endeavours to obtain such quotations and the funding costs of the Lenders and shall subsequently advise the Borrower if (and to what extent) the funding costs of any Lender exceed the indicative interest rate quotations.

6 INTEREST PERIODS

6.1 **Commencement of Interest Periods.** The first Interest Period applicable to an Advance, a Tranche or, as the case may be, the Loan shall commence on the relevant Drawdown Date and each subsequent Interest Period shall commence on the expiry of the preceding Interest Period.

6.2 **Duration of normal Interest Periods.** Subject to Clauses 6.3 and 6.4, each Interest Period in respect of each Advance shall be:

(a) 3, 6, 9 or 12 months as notified by the Borrower to the Agent not later than 11.00 a.m. (Hamburg time) 3 Business Days before the commencement of the Interest Period;

(b) in the case of the first Interest Period applicable to the second and any subsequent Advance of a Tranche, a period ending on the last day of the then current Interest Period applicable to such Tranche, whereupon all of the Advances in respect of such Tranche shall be consolidated and treated as a single advance;

(c) in the case of the first Interest Period applicable to the second and any subsequent Tranche, a period ending on the last day of the then current Interest Period applicable to the first Tranche, whereupon all of the Tranches shall be consolidated and treated as a single tranche;

(d) 3 months, if the Borrower fails to notify the Agent by the time specified in paragraph (a) above; or

(e) such other period as the Agent may, with the authorisation of all the Lenders, agree with the Borrower.

6.3 **Duration of Interest Periods for repayment instalments.** In respect of an amount due to be repaid under Clause 8 on a particular Repayment Date, an Interest Period in relation to the relevant Tranche shall end on that Repayment Date.

6.4 **Non-availability of matching deposits for Interest Period selected.** If, after the Borrower has selected (and the Lenders have agreed) an Interest Period longer than 6 months, any Lender notifies the Agent by 11.00 a.m. (Hamburg time) on the second Business Day before the commencement of the Interest Period that it is not satisfied that deposits in Dollars for a period equal to the Interest Period will be available to it in the London Interbank Market when the Interest Period commences, the Interest Period shall be of 6 months.

7 DEFAULT INTEREST

7.1 **Payment of default interest on overdue amounts.** The Borrower shall pay interest in accordance with the following provisions of this Clause 7 on any amount payable by the Borrower under any Finance Document which the Agent, the Security Trustee or any other designated payee, does not receive on or before the relevant date, that is:

(a) the date on which the Finance Documents provide that such amount is due for payment; or

(b) if a Finance Document provides that such amount is payable on demand, the date on which the demand is served; or

(c) if such amount has become immediately due and payable under Clause 19.4, the date on which it became immediately due and payable.

7.2 **Default rate of interest.** Interest shall accrue on an overdue amount from (and including) the relevant date until the date of actual payment (as well after as before judgment) at the rate per annum determined by the Agent to be 2 per cent. above:

(a) in the case of an overdue amount of principal, the higher of the rates set out at paragraphs (a) and (b) of Clause 7.3; or

(b) in the case of any other overdue amount, the rate set out at paragraph (b) of Clause 7.3.

7.3 **Calculation of default rate of interest.** The rates referred to in Clause 7.2 are:

(a) the rate applicable to the overdue principal amount immediately prior to the relevant date (but only for any unexpired part of any then current Interest Period);

(b) the aggregate of the Mandatory Cost (if any) and the Margin plus, in respect of successive periods of any duration (including at call) up to 3 months which the Agent may select from time to time:

(i) LIBOR plus (if applicable) the Libor Correction Rate; or

(ii) if the Agent (after consultation with all the Lenders) determines that Dollar deposits for any such period are not being made available to any Lender by leading banks in the London Interbank Market in the ordinary course of business, a rate from time to time determined by the Agent by reference to the cost of funds to the Agent from such other sources as the Agent (after consultation with all the Lenders) may from time to time determine.

7.4 **Notification of interest periods and default rates.** The Agent shall promptly notify the Lenders and the Borrower of each interest rate determined by the Agent under Clause 7.3 and of each period selected by the Agent for the purposes of paragraph (b) of that Clause;

but this shall not be taken to imply that the Borrower is liable to pay such interest only with effect from the date of the Agent's notification.

7.5 **Payment of accrued default interest.** Subject to the other provisions of this Agreement, any interest due under this Clause shall be paid on the last day of the period by reference to which it was determined and the payment shall be made to the Agent for the account of the Creditor Party to which the overdue amount is due.

7.6 **Compounding of default interest.** Any such interest which is not paid at the end of the period by reference to which it was determined shall thereupon be compounded.

7.7 **Application to Master Agreements.** For the avoidance of doubt, this Clause 7 does not apply to any amount payable under a Master Agreement in respect of any continuing Designated Transaction as to which section 2(e) (Default Interest; Other Amounts) of that Master Agreement shall apply.

8 REPAYMENT AND PREPAYMENT

8.1 **Amount of repayment instalments.** The Borrower shall repay the Loan by 20 equal consecutive semi-annual instalments of $8,800,000 each and by a balloon instalment of $123,000,000 (the " **Balloon Instalment** ") **Provided that** if the amount of the Loan drawndown hereunder is less than $299,000,000, each of the repayment instalments and the Balloon Instalment shall be reduced pro rata by an amount in aggregate equal to the undrawn balance.

8.2 **Repayment Date and Consolidation of Tranches.**

(a) The first instalment shall be repaid on 30 December 2011 (or if the Ships (or any of them) have been delivered to the Owners prior to their scheduled delivery dates, on such earlier date as the Agent (with the authorisation of the Lenders) may notify to the Borrower in writing and the last instalment, together with the Balloon Instalment, shall be paid on the earlier of (i) the date falling on the tenth anniversary of the final Drawdown Date, (ii) 30 June 2021 and (iii) if the Ships (or any of them), are delivered to the Owners prior to their scheduled delivery dates, such date as the Agent (with the authorisation of the Lenders) may notify to the Borrower in writing.

(b) On the Drawdown Date in respect of the Advance which is used to finance (inter alia) the delivery instalment of the last of the Ships to be delivered to its Owner pursuant to the relevant Shipbuilding Contract (following the drawing of that Advance by the Borrower) all then outstanding Tranches shall be consolidated into a single Tranche.

8.3 **Final Repayment Date.** On the final Repayment Date, the Borrower shall additionally pay to the Agent for the account of the Creditor Parties all other sums then accrued or owing under any Finance Document.

8.4 **Voluntary prepayment.** Subject to the following conditions, the Borrower may prepay the whole or any part of the Loan on the last day of an Interest Period in respect thereof.

8.5 **Conditions for voluntary prepayment.** The conditions referred to in Clause 8.4 are that:

(a) a partial prepayment shall be $1,000,000 or a multiple thereof;

(b) the Agent has received from the Borrower at least 15 days' prior written notice specifying the amount to be prepaid and the date on which the prepayment is to be made; and

(c) the Borrower has provided evidence satisfactory to the Agent that any consent required by the Borrower in connection with the prepayment has been obtained and remains in force.

8.6 Effect of notice of prepayment. A prepayment notice may not be withdrawn or amended without the consent of the Agent, given with the authorisation of the Majority Lenders, and the amount specified in the prepayment notice shall become due and payable by the Borrower on the date for prepayment specified in the prepayment notice.

8.7 Mandatory prepayment. The Borrower shall be obliged to prepay the Relevant Amount:

(a) if a Ship is sold or becomes a Total Loss:

(i) in the case of a sale, on or before the date on which the sale is completed by delivery of that Ship to the buyer; or

(ii) in the case of a Total Loss, on the earlier of the date falling 120 days after the Total Loss Date and the date of receipt by the Security Trustee of the proceeds of insurance relating to such Total Loss;

(b) if any of the following occurs, on demand by the Agent:

(i) either a Shipbuilding Contract or a Refund Guarantee is cancelled, terminated, rescinded or suspended or otherwise ceases to remain in full force and effect for any reason; or

(ii) a Shipbuilding Contract is amended or varied without the prior written consent of the Agent (such consent not to be unreasonably withheld) except for any such amendment or variation as is permitted by this Agreement or any other relevant Finance Document; or

(iii) a Ship has not for any reason been delivered to, and accepted by, the relevant Owner under the Shipbuilding Contract to which it is a party by the last day of the Availability Period applicable to the Tranche which shall be used to part-finance or refinance that Ship.

In this Clause 8.7, " **Relevant Amount** " means in the case of any prepayment made pursuant to:

(A) Clause 8.7(a), an amount equal to the higher of (1) the Relevant Percentage of the Loan and (2) an amount which, after giving credit for the amount of the prepayment made pursuant to this Clause 8.7, results in the Security Cover Ratio being equal to the Security Cover Ratio referred to in Clause 15.1; and

(B) Clause 8.7(b), an amount equal to the Tranche which has been made available to finance or refinance the acquisition of the Ship which is subject to the Shipbuilding Contract or the Refund Guarantee in relation to which any of the events referred to in Clause 8.7 (b) has occurred.

In this Clause 8.7 " **Relevant Percentage** " means the Market Value of the Ship which has been sold or become a Total Loss expressed as a percentage of the Market Value of all Ships then subject to a Mortgage, with the Market Value of each such Ship to be determined on the date on which the Ship being sold or which has become a Total Loss is actually sold or becomes a Total Loss.

8.8 Amounts payable on prepayment. A prepayment shall be made together with accrued interest (and any other amount payable under Clause 21 below or otherwise) in respect of

the amount prepaid and, if the prepayment is not made on the last day of an Interest Period together with any sums payable under Clause 21.1(b) but without premium or penalty.

8.9 Application of partial prepayment. Each partial prepayment shall if made pursuant to:

(a) Clause 8.4 be applied in inverse order of maturity first against the Balloon Instalment and thereafter the repayment instalments specified in Clause 8.1 outstanding at that time;

(b) Clause 8.7(a) pro rata against the repayment instalments and the Balloon Instalment specified in Clause 8.1 outstanding at that time; and

(c) Clause 8.7(b), be applied in fully repaying the Tranche applicable to the Ship which is the subject of the Shipbuilding Contract or Refund Guarantee in relation to which any of the events referred to in Clause 8.7(b) has occurred.

8.10 No reborrowing . No amount prepaid may be reborrowed.

8.11 Unwinding of Transactions. On or prior to any repayment or prepayment under this Clause 8 (other than in the case of prepayment made pursuant to Clause 8.4) or any other provision of this Agreement, the Borrower shall either:

(a) unless otherwise agreed by the Agent (acting with the authorisation of the Lenders), wholly or partially reverse, offset, unwind or otherwise terminate one or more of the continuing Designated Transactions so that the notional principal amount of the continuing Designated Transactions thereafter remaining does not and will not in the future exceed the amount of the Loan as reducing from time to time thereafter pursuant to Clause 8.1; or

(b) provide the Security Trustee or any of the other Creditor Parties with additional security in all respects acceptable to the Lenders, to secure the amount determined by the Agent to be equal to the difference between the notional principal amount of the continuing Designated Transactions and the amount of the Loan as reducing from time to time thereafter pursuant to Clause 8.1.

9 CONDITIONS PRECEDENT

9.1 Documents, fees and no default. Each Lender's obligation to make an Advance is subject to the following conditions precedent:

(a) that on or before the date of this Agreement, the Agent receives:

(i) the documents described in Part A of Schedule 3 in a form and substance satisfactory to the Agent and its lawyers; and

(ii) the arrangement fee referred to in Clause 20.1;

(b) that, on or before the service of the Drawdown Notice in respect of the first Advance of each Tranche (to refinance or finance part of the first instalment payable pursuant to the relevant Shipbuilding Contract), the Agent receives the documents described in Part B of Schedule 3 in form and substance satisfactory to it and its lawyers;

(c) that, on or before the service of the Drawdown Notice in respect of the second Advance of each Tranche (to refinance or finance part of the steel-cutting instalment payable pursuant to the relevant Shipbuilding Contract), the Agent receives the documents described in Part C of Schedule 3 in form and substance satisfactory to it and its lawyers;

(d) that, on or before the service of the Drawdown Notice in respect of the third Advance of each Tranche (to refinance or finance part of the keel-laying instalment payable pursuant to the relevant Shipbuilding Contract), the Agent receives the documents described in Part D of Schedule 3 in form and substance satisfactory to it and its lawyers;

(e) that, on or before the service of the Drawdown Notice in respect of the fourth Advance of Tranche C and D (to refinance or finance part of the launching instalment payable pursuant to the relevant Shipbuilding Contract), the Agent receives the documents described in Part E of Schedule 3 in form and substance satisfactory to it and its lawyers;

(f) that, on or before the Drawdown Date in respect of the final Advance of each Tranche (to finance part of the delivery instalment payable pursuant to the relevant Shipbuilding Contract) the Agent receives the documents described in Part F of Schedule 3 in form and substance satisfactory to it and its lawyers (other than the documents referred to in paragraphs (a), (b), (c), (e) and (f) in Part F of Schedule 3 which the Agent shall receive on the Delivery Date of the Ship financed by that Advance);

(g) that, on or before the service of each Drawdown Notice, the Agent receives any accrued (but unpaid) commitment fee payable pursuant to Clause 20.1(b) and has received payment of the expenses referred to in Clause 20.2;

(h) that both at the date of each Drawdown Notice and at each Drawdown Date:

(i) no Event of Default or Potential Event of Default has occurred and is continuing or would result from the borrowing of the relevant Advance; and

(ii) the representations and warranties in Clause 10 and those of the Borrower or any Security Party which are set out in the other Finance Documents would be true and not misleading if repeated on each of those dates with reference to the circumstances then existing; and

(iii) none of the circumstances contemplated by Clause 5.7 has occurred and is continuing;

(iv) there has been no material adverse change in the financial position, state of affairs or prospects of the Borrower or any Security Party in the light of which the Agent considers that there is a significant risk that the Borrower or any Security Party is, or will later become, unable to discharge its liabilities under the Finance Documents to which it is a party as they fall due; and

(i) that, if the ratio set out in Clause 15.1 were applied immediately following the making of an Advance which will be used in financing (inter alia) the delivery instalment payable pursuant the Shipbuilding Contract for a Ship, the Borrower would not be obliged to provide additional security or prepay part of the Loan under that Clause; and

(j) that the Agent has received, and found to be acceptable to it, any further opinions, consents, agreements and documents in connection with the Finance Documents which the Agent may, with the authorisation of the Majority Lenders, may request by notice to the Borrower prior to the relevant Drawdown Date.

9.2 Waiver of conditions precedent. If the Majority Lenders at their discretion, permit an Advance to be borrowed before certain of the conditions referred to in Clause 9.1 are satisfied, the Borrower shall ensure that those conditions are satisfied within 5 Business Days after the relevant Drawdown Date (or such other period as the Agent, with the authorisation of the Majority Lenders, specifies).

10 REPRESENTATIONS AND WARRANTIES

10.1 General. The Borrower represents and warrants to each Creditor Party as follows.

10.2 Status. The Borrower is a corporation incorporated in and validly existing and in good standing under the laws of the Republic of the Marshall Islands.

10.3 Share capital and ownership. The Borrower has an authorised share capital divided into 205,000,000 shares of $0.01 each divided into 200,000,000 shares of common stock and 5,000,000 shares of preferred stock. The Borrower is the indirect and ultimate owner of all of the issued share capital of each Owner.

10.4 Corporate power. The Borrower (or in the case of paragraphs (a) and (b), each Owner) has the corporate capacity, and has taken all corporate action and obtained all consents necessary for it:

(a) to execute its Shipbuilding Contract, to purchase and pay for its Ship under the relevant Shipbuilding Contract and register its Ship in its name under an Approved Flag;

(b) to enter into, and perform its obligations under, the Charterparty to which it is a party;

(c) to execute the Finance Documents to which the Borrower is a party; and

(d) to borrow under this Agreement, to enter into Designated Transactions under each Master Agreement and to make all the payments contemplated by, and to comply with, those Finance Documents to which the Borrower is a party.

10.5 Consents in force. All the consents referred to in Clause 10.4 remain in force and nothing has occurred which makes any of them liable to revocation.

10.6 Legal validity; effective Security Interests. The Finance Documents to which the Borrower is a party, do now or, as the case may be, will, upon execution and delivery (and, where applicable, registration as provided for in the Finance Documents):

(a) constitute the Borrower's legal, valid and binding obligations enforceable against the Borrower in accordance with their respective terms; and

(b) create legal, valid and binding Security Interests enforceable in accordance with their respective terms over all the assets to which they, by their terms, relate,

subject to any relevant insolvency laws affecting creditors' rights generally.

10.7 No third party Security Interests. Without limiting the generality of Clause 10.6, at the time of the execution and delivery of each Finance Document to which the Borrower is a party:

(a) the Borrower will have the right to create all the Security Interests which that Finance Document purports to create; and

(b) no third party will have any Security Interest (except for Permitted Security Interests) or any other interest, right or claim over, in or in relation to any asset to which any such Security Interest, by its terms, relates.

10.8 No conflicts. The execution by the Borrower of each Finance Document to which it is a party, the borrowing by the Borrower of the Loan, and its compliance with each Finance Document to which it is a party will not involve or lead to a contravention of:

(a) any law or regulation; or

(b) the constitutional documents of the Borrower; or

(c) any contractual or other obligation or restriction which is binding on the Borrower or any of its assets.

10.9 No withholding taxes. All payments which the Borrower is liable to make under the Finance Documents to which it is a party may be made without deduction or withholding for or on account of any tax payable under any law of any Pertinent Jurisdiction.

10.10 No default. No Event of Default or Potential Event of Default has occurred and is continuing.

10.11 Information. All information which has been provided in writing by or on behalf of the Borrower or any Security Party to any Creditor Party in connection with any Finance Document satisfied the requirements of Clause 11.5.

10.12 No litigation. No legal or administrative action involving the Borrower has been commenced or taken or, to the Borrower's knowledge, is likely to be commenced or taken which, in either case, would be likely to have a material adverse effect on the Borrower's ability to satisfy and discharge in a timely manner any of its liabilities or obligations under any Finance Document.

10.13 Validity and completeness of Shipbuilding Contracts.

(a) The copies of the Shipbuilding Contracts delivered to the Agent before the date of this Agreement are true and complete copies;

(b) each Shipbuilding Contract constitutes valid, binding and enforceable obligations of the relevant Builder and the relevant Owner respectively in accordance with its terms; and

(c) other than those amendments and additions to any of the Shipbuilding Contracts disclosed to the Agent before the date of this Agreement, no amendments or additions to any of the Shipbuilding Contracts have been agreed nor has any Owner or the relevant Builder waived any of their respective rights under the Shipbuilding Contracts.

10.14 No rebates etc. There is no agreement or understanding to allow or pay any rebate, premium, commission, discount or other benefit or payment (howsoever described) to the Owners, the Builders or any third party in connection with the purchase by each Owner of the Ship to be owned by it, other than as disclosed to the Agent in writing on or prior to the date of this Agreement.

10.15 Taxes paid. The Borrower has paid all taxes applicable to, or imposed on or in relation to the Borrower and its business.

10.16 Compliance with certain undertakings . At the date of this Agreement, the Borrower is in compliance with Clauses 11.2, 11.4, 11.9 and 11.12.

10.17 ISM Code and ISPS Code compliance. All requirements of the ISM Code and the ISPS Code as they relate to the Borrower, any Owner, the Approved Manager, Yang Ming and any Ship have been complied with.

10.18 No money laundering. Without prejudice to the generality of Clause 4.3, in relation to the borrowing by the Borrower of the Loan, the performance and discharge of its obligations and liabilities under the Finance Documents, and the transactions and other arrangements effected or contemplated by the Finance Documents to which the Borrower is a party, the Borrower confirms that it is acting for its own account and that the foregoing will not involve or lead to contravention of any law, official requirement or other regulatory measure or procedure implemented to combat "money laundering" (as

defined in Article 1 of the Directive (91/308/EEC) of the Council of the European Communities).

11 GENERAL UNDERTAKINGS

11.1 General. The Borrower undertakes with each Creditor Party to comply with the following provisions of this Clause 11 at all times during the Security Period except as the Agent may, with the authorisation of the Majority Lenders, otherwise permit.

11.2 Title; negative pledge and pari passu ranking. The Borrower will:

(a) indirectly hold the entire beneficial interest in each Owner free from all Security Interests and other interests and rights of every kind, except for those created by the Finance Documents;

(b) not create or permit to arise any Security Interest over any other asset, present or future (including, but not limited to, the Borrower's rights against each Swap Bank under a Master Agreement or all or any part of the Borrower's interest in any amount payable to the Borrower by a Swap Bank under a Master Agreement) other than in the normal course of its business of acquiring, financing and operating vessels; and

(c) procure that its liabilities under the Finance Documents to which it is a party do and will rank at least pari passu with all its other present and future unsecured liabilities, except for liabilities which are mandatorily preferred by law.

11.3 No disposal of assets. The Borrower will not transfer, lease or otherwise dispose of:

(a) all or a substantial part of its assets (including without limitation, the shares of the Owners), whether by one transaction or a number of transactions, whether related or not; or

(b) any debt payable to it or any other right (present, future or contingent) to receive a payment, including any right to damages or compensation,

if such transfer, lease or disposal results in a reduction of the Market Value Adjusted Total Assets (as determined on the date of this Agreement) by at least 50 per cent. (in all other circumstances the Borrower shall be deemed to have complied with its obligations under this Clause 11.3 by providing the Agent with prior written notice of its decision to transfer, lease or otherwise dispose of its assets as aforesaid).

11.4 No other liabilities or obligations to be incurred. The Borrower will not, and will procure that none of the Owners will, incur any liability or obligation except liabilities and obligations:

(a) under the Finance Documents and the Shipbuilding Contract to which each is a party;

(b) under the Master Agreements (but in such case only in connection with Designated Transactions);

(c) incurred, in the case of each Owner, in the normal course of its business of operating its Ship; and

(d) incurred, in the case of the Borrower, in the normal course of its business of acquiring and financing vessels through its wholly-owned subsidiaries.

11.5 Information provided to be accurate. All financial and other information which is provided in writing by or on behalf of the Borrower under or in connection with any

Finance Document will be true and not misleading and will not omit any material fact or consideration.

11.6 Provision of financial statements. The Borrower will send to the Agent:

(a) as soon as possible, but in no event later than 180 days after the end of each Financial Year of the Borrower (commencing with the Financial Year ending 31 December 2008), the audited consolidated accounts of the Borrower's Group for that Financial Year and the audited individual accounts of the Borrower for that Financial Year; and

(b) as soon as possible, but in no event later than 90 days after the end of each semi-annual period in each Financial Year of the Borrower ending on 30 June and 31 December, the unaudited consolidated accounts of the Borrower's Group for that semi-annual period.

The Agent will consider that the Borrower has fulfilled its obligations under this Clause 11.6 if the Borrower has filed its accounts with the Securities Exchange Commission (SEC) within the time periods specified in this Clause 11.6.

11.7 Form of financial statements. All accounts (audited and unaudited) delivered under Clause 11.6 will:

(a) be prepared in accordance with all applicable laws and USGAAP consistently applied;

(b) give a true and fair view of the state of affairs of the Borrower or (as the case may be) the Borrower's Group at the date of those accounts and of its profit for the period to which those accounts relate; and

(c) fully disclose or provide for all significant liabilities of the Borrower or (as the case may be) the Borrower's Group.

11.8 Shareholder and creditor notices. The Borrower will send the Agent, at the same time as they are despatched, copies of all documents which are despatched:

(a) to the Borrower's creditors generally;

(b) if there is no Event of Default, to its shareholders (or any class of them) which the Borrower is required to despatch by law; and

(c) if there is an Event of Default which is continuing, all documents despatched by the Borrower to its shareholders (or any class of them).

11.9 Consents. The Borrower will maintain in force and promptly obtain or renew (or, as the case may be, will procure that there is maintained in force and promptly obtained or renewed), and will promptly send certified copies to the Agent of, all consents required:

(a) for the Borrower and each Owner to perform its obligations under any Finance Document to which it is a party;

(b) for the validity or enforceability of any Finance Document to which it is a party; and

(c) for each Owner to continue to own and operate the Ship owned by it,

and the Borrower will comply (or procure compliance) with the terms of all such consents.

11.10 Maintenance of Security Interests. The Borrower will:

(a) at its own cost, do all that it reasonably can to ensure that any Finance Document validly creates the obligations and the Security Interests which it purports to create; and

(b) without limiting the generality of paragraph (a) at its own cost, promptly register, file, record or enrol any Finance Document with any court or authority in Malta, Greece, or Cyprus or such other jurisdiction which the Lenders may reasonably require (including, without limitation, any Approved Flag State if at the relevant time a Ship is registered under the laws of such Approved Flag State), pay any stamp, registration or similar tax in any such country in respect of any Finance Document, give any notice or take any other step which, in the opinion of the Majority Lenders, is or has become necessary or desirable for any Finance Document to be valid, enforceable or admissible in evidence or to ensure or protect the priority of any Security Interest which it creates.

11.11 Notification of litigation. The Borrower will provide the Agent with details of any legal or administrative action involving the Borrower, any Security Party, the Approved Manager or the Ships, their Earnings or their Insurances as soon as such action is instituted or it becomes apparent to that Borrower that it is likely to be instituted, unless it is clear that the legal or administrative action cannot be considered material in the context of any Finance Document.

11.12 Principal place of business. The Borrower will maintain its place of business, and keep its corporate documents and records, at the address stated at Clause 28.2(a) and the Borrower will not establish, nor do anything as a result of which it would be deemed to have, a place of business in any other country.

11.13 Confirmation of no default. The Borrower will, within 3 Business Days after service by the Agent of a written request, serve on the Agent a notice which is signed by an authorised officer of the Borrower and which:

(a) states that no Event of Default or Potential Event of Default has occurred; or

(b) states that no Event of Default or Potential Event of Default has occurred, except for a specified event or matter, of which all material details are given,

The Agent may serve requests under this Clause 11.13 from time to time; this Clause 11.13 does not affect the Borrower's obligations under Clause 11.14.

11.14 Notification of default. The Borrower will notify the Agent as soon as the Borrower becomes aware of:

(a) the occurrence of an Event of Default or a Potential Event of Default; or

(b) any matter which indicates that an Event of Default or a Potential Event of Default may have occurred,

and will thereafter keep the Agent fully up-to-date with all developments.

11.15 Provision of further information. The Borrower will, as soon as practicable after receiving the request, provide the Agent with any additional financial or other information relating:

(a) to the Borrower, the Ships, their Insurances, their Earnings or the Owners; or

(b) any other matter relevant to, or to any provision of, a Finance Document, which in each case may be requested by the Agent or the Security Trustee (through the Agent) by any Lender at any time.

11.16 **No amendment to the Shipbuilding Contracts.** The Borrower will ensure that no Owner shall agree to any material amendment or supplement to, or waive or fail to enforce, a Shipbuilding Contract to which such Owner is a party to or any of its provisions.

11.17 **Purchase of further tonnage.** The Borrower shall procure that no Owner shall purchase any vessel other than the Ships.

11.18 **"Know your customer" requirements.** The Borrower shall provide to the Agent such documentation and evidence as may be required by any Lender from time to time to comply with applicable law and regulations and its own internal guidelines in relation to the opening of bank accounts and the identification of its customers.

11.19 **Provision of copies and translation of documents.** The Borrower will supply the Agent with a sufficient number of copies of the documents referred to above to provide 1 copy for each Creditor Party; and if the Agent so requires in respect of any of those documents, the Borrower will provide a certified English translation prepared by a translator approved by the Agent.

11.20 **Tax Lease Structure.** The Borrower may place any Ship subject to a Mortgage within a tax lease structure, with the prior written consent of the Lenders (such consent not to be unreasonably withheld) which shall be subject to, without limitation:

(a) the security position of the Creditor Parties in the tax lease structure being no worse than that envisaged by this Agreement;

(b) the Creditor Parties being able from a legal and regulatory perspective to participate in the tax lease structure;

(c) the profitability of the Creditor Parties not decreasing or deteriorating as a result of the tax lease structure; and

(d) a requirement that the Borrower pay an administration fee to the Agent (for the account of the Creditor Parties) in a reasonable amount to be agreed between the Borrower and the Agent (acting with the authorisation of the Lenders) to compensate the Creditor Parties for all additional work which will be required to implement the tax lease structure.

12 CORPORATE UNDERTAKINGS

12.1 **General.** The Borrower also undertakes with each Creditor Party to comply with the following provisions of this Clause 12 at all times during the Security Period except as the Agent may, with the authorisation of the Majority Lenders, may otherwise permit (such permission not to be unreasonably withheld in the case of Clause 12.3(e)).

12.2 **Maintenance of status.** The Borrower will maintain its separate corporate existence and remain in good standing under the laws of the Marshall Islands.

12.3 **Negative undertakings.** The Borrower will not:

(a) change the nature of its business; or

(b) pay any dividend or make any other form of distribution at any time when an Event of Default or a Potential Event of Default has occurred and is continuing or will result from the payment of any dividend or the making of any other form of distribution; or

(c) effect any form of redemption, purchase or return of share capital at any time when an Event of Default or a Potential Event of Default has occurred or is continuing or will result from any form of redemption, purchase or return of share capital; or

(d) provide any form of credit or financial assistance to:

(i) a person who is directly or indirectly interested in the Borrower's share or loan capital; or

(ii) any company in or with which such a person is directly or indirectly interested or connected,

or enter into any transaction with or involving such a person or company on terms which are, in any respect, less favourable to the Borrower than those which it could obtain in a bargain made at arms' length **Provided that** this shall not prevent or restrict the Borrower from on-lending the Loan to the Owners; or

(e) enter into any form of amalgamation, merger or de-merger or any form of reconstruction or reorganisation; or

(f) cause the shares of the Borrower to cease to be listed on the New York Stock Exchange.

12.4 Subordination of rights of Borrower. All rights which the Borrower at any time has (whether in respect of the on-lending of the Loan or any other transaction) against any Owner or their assets shall be fully subordinated to the rights of the Creditor Parties under the Finance Documents; and in particular, the Borrower shall not during the Security Period:

(a) claim, or in a bankruptcy of any Owner prove for, any amount payable to the Borrower by any Owner, whether in respect of this or any other transaction;

(b) take or enforce any Security Interest for any such amount; or

(c) claim to set-off any such amount against any amount payable by the Borrower to any Owner.

12.5 Financial Covenants. The Borrower shall ensure that at all times:

(a) the ratio of Total Liabilities (after deducting all Cash and Cash Equivalents) to Market Value Adjusted Total Assets (after deducting all Cash and Cash Equivalents) shall not exceed 0.7:1;

(b) the aggregate of all Cash and Cash Equivalents shall be not less than $30,000,000;

(c) the Interest Coverage Ratio shall not be less than 2.5:1;

(d) the Market Value Adjusted Net Worth of the Borrower's Group shall not be less than $400,000,000;

(e) the Book Net Worth of the Borrower's Group shall not be less than $250,000,000; and

(f) the Market Value Adjusted Net Worth of the Borrower's Group shall not be less than 30 per cent. of the Market Value Adjusted Total Assets.

12.6 Compliance check. Compliance with the undertakings contained in Clause 12.5 shall be determined in each Financial Year:

(a) at the time the Agent receives the Applicable Accounts of the Borrower's Group for the first 6-month period of the Borrower's Group in each Financial Year (pursuant to Clause 11.6(b)), by reference to the unaudited Applicable Accounts for the first two financial quarters in the relevant Financial Year and, in the case of the second 6-month period, by reference to the audited Applicable Accounts of the Borrower's Group in each Financial Year; and

(b) at any other time as the Agent may reasonably request by reference to such evidence as the Lenders may require to determine and calculate the financial covenants referred to in Clause 12.5.

At the same time as it delivers the Applicable Accounts referred to in this Clause 12.6, the Borrower shall deliver to the Agent a certificate in the form set out in Schedule 6 demonstrating its compliance (or not, as the case may be) with the provisions of Clause 12.5 signed by the chief financial officer or, in his absence, any other officer of the Borrower.

12.7 Maintenance of ownership of Owners. The Borrower shall remain the ultimate legal and beneficial owner of the entire issued and allotted share capital of each Owner free from any Security Interest.

12.8 Amendments to financial covenants. If at any time the Borrower agrees with any other banks or financial institutions financial covenants which are more advantageous to those banks or financial institutions than those set out in Clause 12.5, the Borrower shall promptly notify the Agent and shall enter into such documents as shall be requested by the Agent to amend and supplement this Agreement in order to ensure that the same financial covenants apply to this Agreement.

13 INSURANCE

13.1 General. The Borrower undertakes with each Creditor Party to procure that each Owner will comply with the following provisions of this Clause 13 at all times during the Security Period (after the Ship which is owned or to be owned by that Owner has been delivered to it under the relevant Shipbuilding Contract) except as the Agent may, with the authorisation of the Majority Lenders, otherwise permit.

13.2 Maintenance of obligatory insurances. The Borrower shall procure that each Owner shall keep the Ship owned by it insured at the expense of that Owner against:

(a) fire and usual marine risks for hull and machinery including excess risks; and

(b) war risks (including war risks, P&I and terrorism); and

(c) protection and indemnity risks; and

(d) any other risks against which the Security Trustee considers, having regard to practices and other circumstances prevailing at the relevant time, it would in the opinion of the Security Trustee be reasonable for that Owner to insure and which are specified by the Security Trustee by notice to that Owner.

13.3 Terms of obligatory insurances. The Borrower shall procure that each Owner shall effect such insurances:

(a) in Dollars;

(b) in the case of fire and usual marine risks and war risks, in an amount on an agreed value basis being at least the greater of (i) the Market Value of the Ship owned by it and (ii) together with any other Ship then subject to a Mortgage 120 per cent. of the Loan;

(c) in the case of oil pollution liability risks, for an aggregate amount equal to the highest level of cover from time to time available under basic protection and indemnity club entry and in the international marine insurance market;

(d) in relation to protection and indemnity risks in respect of the full tonnage of the Ship owned by it;

(e) on approved terms; and

(f) through approved brokers and with approved insurance companies and/or underwriters or, in the case of war risks and protection and indemnity risks, in approved war risks and protection and indemnity risks associations.

13.4 Further protections for the Creditor Parties. In addition to the terms set out in Clause 13.3, the Borrower shall procure that the obligatory insurances shall:

(a) (except in relation to risks referred to in Clause 13.2(c)) if the Security Trustee so requires name (or be amended to name) the Security Trustee as additional named assured for its rights and interests, warranted no operational interest and with full waiver of rights of subrogation against the Security Trustee, but without the Security Trustee thereby being liable to pay (but having the right to pay) premiums, calls or other assessments in respect of such insurance;

(b) name the Security Trustee as sole loss payee with such directions for payment as the Security Trustee may specify;

(c) provide that all payments by or on behalf of the insurers under the obligatory insurances to the Security Trustee shall be made (other than in respect of premiums due in relation to the Ships) without set-off, counterclaim or deductions or condition whatsoever;

(d) provide that such obligatory insurances shall be primary without right of contribution from other insurances which may be carried by the Security Trustee or any other Creditor Party; and

(e) provide that the Security Trustee may make proof of loss if the Owners fail to do so.

13.5 Renewal of obligatory insurances. The Borrower shall procure that each Owner shall:

(a) at least 21 days before the expiry of any obligatory insurance affected by it:

(i) notify the Security Trustee of the brokers (or other insurers) and any protection and indemnity or war risks association through or with whom that Owner proposes to renew that insurance and of the proposed terms of renewal; and

(ii) obtain the Security Trustee's approval to the matters referred to in paragraph (i) above;

(b) at least 14 days before the expiry of any obligatory insurance effected by it, renew the insurance in accordance with the Security Trustee's approval pursuant to paragraph (a); and

(c) procure that the approved brokers and/or the war risks and protection and indemnity associations with which such a renewal is effected shall promptly after the renewal notify the Security Trustee in writing of the terms and conditions of the renewal.

13.6 Copies of policies; letters of undertaking. The Borrower shall procure that each Owner shall ensure that all approved brokers provide the Security Trustee with pro forma copies of all policies relating to the obligatory insurances which they effect or renew and of a

letter or letters of undertaking in a form required by the Security Trustee and including undertakings by the approved brokers that:

(a) they will have endorsed on each policy, immediately upon issue, a loss payable clause and a notice of assignment complying with the provisions of Clause 13.4;

(b) they will hold such policies, and the benefit of such insurances, to the order of the Security Trustee in accordance with the said loss payable clause;

(c) they will advise the Security Trustee immediately of any material change to the terms of the obligatory insurances;

(d) they will notify the Security Trustee, not less than 14 days before the expiry of the obligatory insurances, in the event of their not having received notice of renewal instructions from that Owner or its agents and, in the event of their receiving instructions to renew, they will promptly notify the Security Trustee of the terms of the instructions; and

(e) they will not set off against any sum recoverable in respect of a claim relating to the Ship owned by that Owner under such obligatory insurances any premiums or other amounts due to them or any other person whether in respect of that Ship or otherwise, they waive any lien on the policies or, any sums received under them, which they might have in respect of such premiums or other amounts, and they will not cancel such obligatory insurances by reason of non-payment of such premiums or other amounts, and will arrange for a separate policy to be issued in respect of that Ship forthwith upon being so requested by the Security Trustee.

13.7 Copies of certificates of entry. The Borrower shall procure that each Owner shall ensure that any protection and indemnity and/or war risks associations in which the Ship owned by that Owner is entered provides the Security Trustee with:

(a) a certified copy of the certificate of entry for that Ship; and

(b) a letter or letters of undertaking in such form as may be required by the Security Trustee; and

(c) where required to be issued under the terms of insurance/indemnity provided by that Owner's protection and indemnity association, a certified copy of each United States of America voyage quarterly declaration (or other similar document or documents) made by that Owner in relation to its Ship in accordance with the requirements of such protection and indemnity association; and

(d) a certified copy of each certificate of financial responsibility for pollution by oil or other Environmentally Sensitive Material issued by the relevant certifying authority in relation to that Ship.

13.8 Deposit of original policies. The Borrower shall procure that each Owner shall ensure that all policies relating to obligatory insurances effected by it are deposited with the approved brokers through which the insurances are effected or renewed.

13.9 Payment of premiums. The Borrower shall procure that each Owner shall punctually pay all premiums or other sums payable in respect of the obligatory insurances affected by it and produce all relevant receipts when so required by the Security Trustee.

13.10 Guarantees. The Borrower shall procure that each Owner shall ensure that any guarantees required by a protection and indemnity or war risks association are promptly issued and remain in full force and effect.

13.11 Compliance with terms of insurances. The Borrower shall procure that no Owner does or omits to do (or permits to be done or not to be done) any act or thing which would or might render any obligatory insurance invalid, void, voidable or unenforceable or render any sum payable thereunder repayable in whole or in part; and in particular:

(a) each Owner shall take all necessary action and comply with all requirements which may from time to time be applicable to the obligatory insurances, and (without limiting the obligation contained in Clause 13.7(c) above) ensure that the obligatory insurances are not made subject to any exclusions or qualifications to which the Security Trustee has not given its prior approval;

(b) each Owner shall make any changes relating to the classification or classification society or manager or operator of the Ship owned by it unless approved where applicable by the underwriters of the obligatory insurances;

(c) each Owner shall make all quarterly or other voyage declarations which may be required by the protection and indemnity risks association in which the Ship owned by it is entered to maintain cover for trading to the United States of America and Exclusive Economic Zone (as defined in the United States Oil Pollution Act 1990 or any other applicable legislation); and

(d) no Owner shall employ the Ship owned by it, nor shall allow it to be employed, otherwise than in conformity with the terms and conditions of the obligatory insurances, without first obtaining the consent of the insurers and complying with any requirements (as to extra premium or otherwise) which the insurers specify.

13.12 Alteration to terms of insurances. The Borrower shall procure that no Owner shall either make or agree to any alteration to the terms of any obligatory insurance or waive any right relating to any obligatory insurance.

13.13 Settlement of claims. The Borrower shall procure that no Owner shall settle, compromise or abandon any claim under any obligatory insurance for Total Loss or (subject as herein provided) for a Major Casualty, and shall do all things necessary and provide all documents, evidence and information to enable the Security Trustee to collect or recover any moneys which at any time become payable in respect of the obligatory insurances.

13.14 Provision of copies of communications. If the Security Trustee shall so request in respect of an Owner, the Borrower shall procure that that Owner shall provide the Security Trustee, at the time of each such communication, or as otherwise specified by the Security Trustee, copies of all written communications which may be reasonably requested by the Security Trustee, between that Owner and:

(a) the approved brokers; and

(b) the approved protection and indemnity and/or war risks associations; and

(c) the approved insurance companies and/or underwriters,

which relates directly or indirectly to:

(i) that Owner's obligations relating to the obligatory insurances including, without limitation, all requisite declarations and payments of additional premiums or calls; and

(ii) any credit arrangements made between that Owner and any of the persons referred to in paragraphs (a) or (b) above relating wholly or partly to the effecting or maintenance of the obligatory insurances.

13.15 Provision of information. In addition, the Borrower shall procure that each Owner shall promptly provide the Security Trustee (or any persons which it may designate) with any information which the Security Trustee (or any such designated person) reasonably requests for the purpose of:

(a) obtaining or preparing any report from an independent marine insurance broker as to the adequacy of the obligatory insurances effected or proposed to be effected; and/or

(b) effecting, maintaining or renewing any such insurances as are referred to in Clause 13.16 below or dealing with or considering any matters relating to any such insurances,

and the Borrower shall forthwith upon demand, indemnify the Security Trustee in respect of all fees and other expenses reasonably incurred by or for the account of the Security Trustee in connection with any such report as is referred to in paragraph (a) above.

13.16 Mortgagees' interest and additional perils insurances (pollution). The Security Trustee shall effect, maintain and renew all or any of the following insurances, on such terms, conditions, through such insurers and generally in such manner as the Security Trustee may from time to time consider appropriate:

(a) a mortgagees' interest marine insurance in relation to each Ship in an amount equal to 110 per cent. of the Tranche applicable to that Ship, providing for the indemnification of the Creditor Parties for any losses under or in connection with any Finance Document which directly or indirectly result from loss of or damage to any Ship or a liability of any Ship or of any Owner, being a loss or damage which is prima facie covered by an obligatory insurance but in respect of which there is a non-payment (or reduced payment) by the underwriters by reason of, or on the basis of an allegation concerning:

(i) any act or omission on the part of an Owner, of any operator, charterer, manager or sub-manager of the Ship owned by it or of any officer, employee or agent of an Owner or of any such person, including any breach of warranty or condition or any non-disclosure relating to such obligatory insurance;

(ii) any act or omission, whether deliberate, negligent or accidental, or any knowledge or privity of an Owner, any other person referred to in paragraph (i) above, or of any officer, employee or agent of that Owner or of such a person, including the casting away or damaging of the Ship owned by it and/or the Ship owned by it being unseaworthy; and/or

(iii) any other matter capable of being insured against under a mortgagees interest marine insurance policy whether or not similar to the foregoing;

(b) a mortgagees' interest additional perils policy in relation to each Ship in an amount equal to 110 per cent. of the Tranche applicable to that Ship, providing for the indemnification of the Creditor Parties against, among other things, any possible losses or other consequences of any Environmental Claim, including the risk of expropriation, arrest or any form of detention of a Ship, the imposition of any Security Interest over a Ship and/or any other matter capable of being insured against under a mortgagees' interest additional perils policy,

and the Borrower shall upon demand fully indemnify the Security Trustee in respect of all premiums and other reasonable expenses which are incurred in connection with or with a view to effecting, maintaining or renewing any such insurance or dealing with, or considering, any matter arising out of any such insurance.

13.17 Review of insurance requirements. The Security Trustee shall be entitled to review after prior consultation with the Borrower the requirements of this Clause 13 from time to time in order to take account of any changes in circumstances after the date of this

Agreement which are, in the opinion of the Security Trustee, significant and capable of affecting any Owner or any Ship and its or their insurance (including, without limitation, changes in the availability or the cost of insurance coverage or the risks to which the Owners may be subject).

13.18 Modification of insurance requirements. The Security Trustee shall promptly notify the Borrower and the Owners of any proposed modification under Clause 13.17 to the requirements of this Clause 13 which the Security Trustee reasonably considers appropriate in the circumstances, and such modification shall take effect on and from the date it is notified in writing to the Borrower as an amendment to this Clause 13 and shall bind the Borrower accordingly.

13.19 Compliance with mortgagee's instructions. The Security Trustee shall be entitled (without prejudice to or limitation of any other rights which it may have or acquire under any Finance Document) to require a Ship to remain at any safe port or to proceed to and remain at any safe port designated by the Security Trustee until the relevant Owner implements any amendments to the terms of the obligatory insurances and any operational changes required as a result of a notice served under Clause 13.18 and the Borrower shall procure that the Owners comply with such requirement within a reasonable period or time in the context of the then prevailing circumstances.

14 SHIP COVENANTS

14.1 General. The Borrower also undertakes with each Creditor Party to procure that each Owner complies with the following provisions of this Clause 14 at all times during the Security Period except as the Agent may, with the authorisation of the Majority Lenders, otherwise permit (such permission not to be unreasonably withheld in the case of a proposed change of port of registry under the same flag of a Ship and in the case of the matters referred to in Clause 14.12(c)).

14.2 Ship's name and registration. Each Owner shall keep the Ship owned by it registered in its name under an Approved Flag; shall not do or allow to be done anything as a result of which such registration might be cancelled or imperilled; and shall not change the name or port of registry of that Ship.

14.3 Repair and classification. Each Owner shall keep the Ship owned by it in a good and safe condition and state of repair:

(a) consistent with first-class ship ownership and management practice;

(b) so as to maintain the highest class with a classification society which is a member of the International Association of Classification Societies and which is acceptable to the Agent (acting upon the instructions of the Majority Lenders) free of all overdue recommendations affecting class; and

(c) so as to comply with all laws and regulations applicable to vessels registered at ports in the Approved Flag State or to vessels trading to any jurisdiction to which that Ship may trade from time to time, including but not limited to the ISM Code, the ISM Code Documentation, the ISPS Code and the ISPS Code Documentation.

14.4 Modification. The Borrower shall procure that no Owner shall make any modification or repairs to, or replacement of, the Ship owned by it or equipment installed on her which would or might materially alter the structure, type or performance characteristics of that Ship or materially reduce her value.

14.5 Removal of parts. The Borrower shall procure that no Owner shall remove any material part of the Ship owned by it, or any item of equipment installed on, that Ship unless the part or item so removed is forthwith replaced by a suitable part or item which is in the

same condition as or better condition than the part or item removed, is free from any Security Interest or any right in favour of any person other than the Security Trustee and becomes on installation on that Ship the property of the relevant Owner and subject to the security constituted by the relevant Mortgage and, as the case may be, the Deed of Covenant **Provided that** an Owner may install equipment owned by a third party if the equipment can be removed without any risk of damage to the Ship owned by it.

14.6 **Surveys.** The Borrower shall procure that each Owner shall submit the Ship owned by it regularly to all periodical or other surveys which may be required for classification purposes and, if so required by the Security Trustee, provide the Security Trustee with copies of all survey reports.

14.7 **Inspection** . The Borrower shall:

(a) ensure that each Owner shall permit the Security Trustee (by surveyors or other persons appointed by it for that purpose) to board the Ship (at the risk of the relevant Owner save where any loss is shown to have been directly and mainly caused by the gross negligence or wilful misconduct of such surveyor or other person) owned by it at all reasonable times to inspect her condition or to satisfy themselves about proposed or executed repairs or to prepare a survey report (at the reasonable cost of the Borrower) in respect of such Ship and shall afford all proper facilities for such inspections **Provided that** :

(i) such boarding and inspection does not materially disrupt the relevant Ship's reasonable operation, repairs or maintenance;

(ii) if no Event of Default has occurred the Borrower shall not be required to pay for the cost of a survey report in respect of each Ship more than once every 24 months; and

(b) ensure that each Ship shall, both at the time of the survey referred to in this Clause 14.7 and at all other times throughout the Security Period, be in a good and safe condition and state of repair.

14.8 **Prevention of and release from arrest.** The Borrower shall procure that each Owner shall promptly discharge or settle:

(a) all liabilities which give or may give rise to maritime or possessory liens on or claims enforceable against the Ship owned by it, her Earnings or her Insurances other than such liens and claims arising in the ordinary course of business (which must in any event be discharged in accordance with best ship management practice);

(b) all taxes, dues and other amounts charged in respect of the Ship owned by it, the Earnings or the Insurances; and

(c) all other outgoings whatsoever in respect of the Ship owned by it, the Earnings or the Insurances,

and, forthwith upon receiving notice of the arrest of that Ship, or of her detention in exercise or purported exercise of any lien or claim, the Borrower shall procure that the relevant Owner of that Ship shall procure her release within 5 Business Days of receiving such notice by providing bail or otherwise as the circumstances may require.

14.9 **Compliance with laws etc.** The Borrower shall procure that each Owner and the Approved Manager shall:

(a) comply, or procure compliance with the ISM Code, the ISPS Code, all Environmental Laws, the ISPS Code and all other laws or regulations relating to the Ship owned by it, its ownership, operation and management or to the business of that Owner;

(b) not employ the Ship owned by it nor allow her employment in any manner contrary to any law or regulation in any relevant jurisdiction including but not limited to the ISM Code and the ISPS Code; and

(c) in the event of hostilities in any part of the world (whether war is declared or not), not cause or permit the Ship owned by it to enter or trade to any zone which is declared a war zone by any government or by the Ship's war risks insurers unless in the case of such zone where an additional premium would be payable that Owner has (at its expense) effected any special, additional or modified insurance cover required for it to enter or trade to any war zone.

14.10 Provision of information. The Borrower shall procure that each Owner shall promptly provide the Agent with any information which it reasonably requests regarding:

(a) the Ship owned by it, her employment, position, engagements and her Insurances;

(b) the Earnings and payments and amounts due to the master and crew of the Ship owned by it;

(c) any expenses incurred, or likely to be incurred, in connection with the operation, maintenance or repair of the Ship owned by it and any payments made in respect of that Ship;

(d) any towages and salvages; and

(e) that Owner's compliance, the Approved Manager's compliance or the compliance of the Ship owned by it with the ISM Code and the ISPS Code,

and, upon the Agent's request, provide copies of any current charter relating to the Ship owned by it and of any current charter guarantee, and of the ISM Code Documentation and the ISPS Code Documentation.

14.11 Notification of certain events. The Borrower shall procure that each Owner shall as soon as it becomes aware of any of the events referred to in this Clause 14.11 notify the Agent by fax, confirmed forthwith by letter of:

(a) any casualty which is or is likely to be or to become a Major Casualty;

(b) any occurrence as a result of which the Ship owned by it has become or is, by the passing of time or otherwise, likely to become a Total Loss;

(c) any requirement or recommendation made by any insurer or classification society or by any competent authority which is not complied with in accordance with its terms (including without limitation, any time limit specified by any insurer or classification society or any competent authority);

(d) any arrest or detention of the Ship owned by it (if the arrest or detention has not been released within 3 Business Days of its imposition or the Borrower or the relevant Owner considers that the arrest or detention will not be released within 3 Business Day of its imposition), any exercise or purported exercise of any lien on that Ship or her Earnings or her Insurances or any requisition of that Ship for hire;

(e) any intended dry docking of the Ship owned by it which the Owner knows, or reasonably determines, will or may exceed (or has exceeded) 15 days in total;

(f) any Environmental Claim made against that Owner or in connection with the Ship owned by it, or any Environmental Incident;

(g) any claim for breach of the ISM Code or the ISPS Code being made against that Owner and, to the extent that that Owner is aware of such claim, the Approved Manager or otherwise in connection with the Ship owned by it; or

(h) any other matter, event or incident, actual or threatened, the effect of which will or could lead to the ISM Code or the ISPS Code not being complied with,

and that Owner shall keep the Agent advised in writing on a regular basis and in such detail as the Agent shall require of that Owner's or any other person's response to any of those events or matters.

14.12 Restrictions on chartering, appointment of managers etc. The Borrower shall procure that no Owner shall in relation to the Ship owned by it:

(a) (other than pursuant to Charterparty D), let the Ship owned by it on demise charter for any period, without the Agent's written consent, such consent not to be unreasonably withheld;

(b) (other than pursuant to the Charterparty relative to its Ship), enter into any time or consecutive voyage charter in respect of the Ship owned by it for a term which exceeds, or which by virtue of any optional extensions may exceed, 12 months;

(c) amend, vary or supplement the Charterparty relative to that Ship;

(d) charter the Ship owned by it otherwise than on bona fide arm's length terms at the time when the Ship is fixed;

(e) appoint (or permit the appointment of) a manager of the Ship owned by it other than the Approved Manager or agree to any alteration to the terms of the Approved Manager's appointment;

(f) de-activate or lay up the Ship owned by it; or

(g) put the Ship owned by it into the possession of any person for the purpose of work being done upon her in an amount exceeding or likely to exceed $1,000,000 (or the equivalent in any other currency) unless that person has first given to the Security Trustee and in terms satisfactory to it a written undertaking not to exercise any lien on that Ship or her Earnings or her Insurances for the cost of such work or otherwise or other arrangements satisfactory to the Security Trustee are made to ensure that no such lien will be exercised.

14.13 Notice of Mortgage. The Borrower shall procure that each Owner shall keep the Mortgage registered against the Ship owned by it as a valid first priority mortgage or preferred (as the case may be), carry on board that Ship a certified copy of the relevant Mortgage and place and maintain in a conspicuous place in the navigation room and the Master's cabin of that Ship a framed printed notice stating that that Ship is mortgaged by that Owner to the Security Trustee or, as the case may be, the Lenders.

14.14 Sharing of Earnings. The Borrower shall procure that no Owner shall:

(a) enter into any agreement or arrangement for the sharing of any Earnings;

(b) enter into any agreement or arrangement for the postponement of any date on which any Earnings are due; the reduction of the amount of any Earnings or otherwise for the release or adverse alteration of any right of that Owner to any Earnings; or

(c) enter into any agreement or arrangement for the release of, or adverse alteration to, any guarantee or Security Interest relating to any Earnings.

15 SECURITY COVER

15.1 Provision of additional security cover; prepayment of Loan. The Borrower undertakes with each Creditor Party that, if at any time the Agent notifies the Borrower that:

(a) the aggregate Market Value of the Ships subject to a Mortgage; plus

(b) the net realisable value of any additional security previously provided under this Clause 15,

is below 125 per cent. of the aggregate of the Loan and the Swap Exposure, the Borrower will, within 14 Business Days after the date on which the Agent's notice is served, either:

(i) provide, or ensure that a third party provides, additional security acceptable to the Agent which, in the reasonable opinion of the Majority Lenders, has a net realisable value at least equal to the shortfall and which consists of either (a) cash pledged to the Security Trustee or the Lenders or (b) a Security Interest (including but not limited to, a first or second priority or preferred (as the case may be) mortgage over another Fleet Vessel) covering such asset or assets and documented in such terms as the Lenders may approve or require or (c) an assignment of the refund guarantee(s) of a Fleet Vessel which is a newbuilding; or

(ii) prepay in accordance with Clause 8 such part (at least) of the Loan as will eliminate the shortfall.

15.2 Meaning of additional security. In Clause 14.1 " **security** " means a Security Interest over an asset or assets acceptable to the Lenders (whether securing the Borrower's liabilities under the Finance Documents or a guarantee in respect of those liabilities), or a guarantee, letter of credit or other security in respect of the Borrower's liabilities under the Finance Documents.

15.3 Requirement for additional documents. The Borrower shall not be deemed to have complied with paragraph (i) of Clause 15.1 until the Agent has received in connection with the additional security certified copies of documents of the kinds referred to in paragraphs 2, 3 and 5 of Schedule 3, Part A and such legal opinions in terms acceptable to the Majority Lenders from such lawyers as they may select.

15.4 Valuation of a Fleet Vessel not subject to a long-term charter. The Market Value of a Fleet Vessel which at the relevant time is not subject to a charter or other contract of employment having an unexpired term of at least 12 months with a first class charterer acceptable to the Lenders (in their absolute discretion) is that shown by taking the average of two valuations prepared:

(a) as at a date not more than 4 weeks previously;

(b) by 2 Approved Brokers, one appointed by the Agent, the other appointed by the Borrower, with both reporting to the Agent;

(c) with or without physical inspection of that Fleet Vessel (as the Agent may require);

(d) on the basis of a sale for prompt delivery for cash on normal arm's length commercial terms as between a willing seller and a willing buyer, free of any existing charter or other contract of employment; and

(e) after deducting the estimated amount of the usual and reasonable expenses which would be incurred in connection with the sale.

Provided that if the difference between the 2 valuations obtained at any one time pursuant to this Clause 15.4 is greater than 10 per cent. a valuation shall be commissioned from a third Approved Broker appointed by the Agent. Such valuation shall be conducted in accordance with this Clause 15.4 and the Market Value of the Fleet Vessel in such circumstances shall be the average of the initial 2 valuations and the valuation provided by the third Approved Broker.

15.5 Valuation of a Fleet subject to long-term charter. The Market Value of a Fleet Vessel which at the relevant time is subject to a charter or other contract of employment having an unexpired term of at least 12 months with a first class charterer acceptable to the Lenders (in their absolute discretion) shall be the aggregate of the present values (as may be conclusively determined by the Agent) of:

(a) the Bareboat-equivalent Time Charter Income of the Fleet Vessel in respect of the remaining unexpired term of the relevant charter or other contract of employment excluding any periods for which the relevant charter or contract of employment may be renewed at the option of any party (for the purposes of this Clause 15.5, an " **option period** "); and

(b) the current charter-free market value (determined in accordance with Clause 15.4 but subject to the adjustments referred to in this Clause 15.5) of a vessel with identical characteristics to the Fleet Vessel other than its age which shall, for the purposes of this Clause 15.5, be considered to be the age of the Fleet Vessel at the expiration of the charter or other contract of employment to which the Fleet Vessel is subject at the relevant time (excluding any option periods), as such value may be adjusted to take into account the terms of any commitments undertaken by the Owner of the Fleet Vessel which may affect its value.

For the purposes of this Clause 15.5, the discount rate which will apply in calculating the present value of the amounts referred to in paragraphs (a) and (b) will be of the applicable Interest Rate Swap Rate for a period equal to the unexpired term of the Fleet Vessel's charter or other contract of employment (excluding any option periods (rounded up to the nearest integral year)).

15.6 Value of additional security. The net realisable value of any additional security which is provided under Clause 15.1 and which consists of a Security Interest over a vessel shall be that shown by a valuation complying with the requirements of Clause 15.4. The net realisable value of any other form of security shall be determined by the Agent (acting upon the instructions of all the Lenders).

15.7 Valuations binding. Any valuation under paragraph (i) of Clause 15.1, Clauses 15.4, 15.5 or 15.6 shall, in the absence of manifest error, be binding and conclusive as regards the Borrower, as shall be any valuation which the Majority Lenders make of a security which does not consist of or include a Security Interest.

15.8 Provision of information. The Borrower shall promptly provide the Agent and any Approved Broker or expert acting under Clause 15.4, 15.5 or 15.6 with any information which the Agent or the Approved Broker or expert may reasonably request for the purposes of the valuation; and, if the Borrower fails to provide the information by the date specified in the request, the valuation may be made on any basis and assumptions which the Approved Broker or the Majority Lenders (or the expert appointed by them) consider prudent.

15.9 Payment of valuation expenses. Without prejudice to the generality of the Borrower's obligations under Clauses 20.2, 20.3 and 20.4, the Borrower shall, on demand, pay the Agent the amount of the fees and expenses of any Approved Broker or expert instructed or approved by the Agent under this Clause and all legal and other expenses incurred by the Agent in connection with any matter arising out of this Clause.

15.10 **Frequency of Valuations.** The Borrower acknowledges and agrees that the Agent may commission valuations of the Ships at such times as the Majority Lenders shall deem necessary and, in any event, not less often than once during each 6-month period of the Security Period **Provided that** in each calendar year one set of valuations of each Ship may be obtained from the electronic services provided by an Approved Broker subject to such electronic services having been previously approved by the Agent in writing.

16 PAYMENTS AND CALCULATIONS

16.1 **Currency and method of payments.** All payments to be made:

(a) by the Lenders to the Agent;

(b) by the Borrower to the Agent, the Security Trustee or any Lender,

under a Finance Document shall be made to the Agent or to the Security Trustee, in the case of an amount payable to it:

(i) by not later than 11.00 a.m. (New York City time) on the due date;

(ii) in same day Dollar funds settled through the New York Clearing House Interbank Payments System (or in such other Dollar funds and/or settled in such other manner as the Agent shall specify as being customary at the time for the settlement of international transactions of the type contemplated by this Agreement); and

(iii) to such account of the Agent with a bank in New York as the Agent may from time to time notify the Borrower and each Lender.

16.2 **Payment on non-Business Day.** If any payment by the Borrower under a Finance Document would otherwise fall due on a day which is not a Business Day:

(a) the due date shall be extended to the next succeeding Business Day; or

(b) if the next succeeding Business Day falls in the next calendar month, the due date shall be brought forward to the immediately preceding Business Day,

and interest shall be payable during any extension under paragraph (a) at the rate payable on the original due date.

16.3 **Basis for calculation of periodic payments.** All interest and commitment fee and any other payments under any Finance Document which are of an annual or periodic nature shall accrue from day to day and shall be calculated on the basis of the actual number of days elapsed and a 360 day year.

16.4 **Distribution of payments to Creditor Parties.** Subject to Clauses 16.5, 16.6 and 16.7:

(a) any amount received by the Agent under a Finance Document for distribution or remittance to a Lender or the Security Trustee shall be made available by the Agent to that Lender or, as the case may be, the Security Trustee by payment, with funds having the same value as the funds received, to such account as the Lender or the Security Trustee may have notified to the Agent not less than 5 Business Days previously; and

(b) amounts to be applied in satisfying amounts of a particular category which are due to the Lenders generally shall be distributed by the Agent to each Lender pro rata to the amount in that category which is due to it.

16.5 **Permitted deductions by Agent.** Notwithstanding any other provision of this Agreement or any other Finance Document, the Agent may, before making an amount available to a Lender, deduct and withhold from that amount any sum which is then due and payable to the Agent from that Lender under any Finance Document or any sum which the Agent is then entitled under any Finance Document to require that Lender to pay on demand.

16.6 **Agent only obliged to pay when monies received.** Notwithstanding any other provision of this Agreement or any other Finance Document, the Agent shall not be obliged to make available to the Borrower or any Lender any sum which the Agent is expecting to receive for remittance or distribution to the Borrower or that Lender until the Agent has satisfied itself that it has received that sum.

16.7 **Refund to Agent of monies not received.** If and to the extent that the Agent makes available a sum to the Borrower or a Lender, without first having received that sum, the Borrower or (as the case may be) the Lender concerned shall, on demand:

(a) refund the sum in full to the Agent; and

(b) pay to the Agent the amount (as certified by the Agent) which will indemnify the Agent against any funding or other loss, liability or expense incurred by the Agent as a result of making the sum available before receiving it.

16.8 **Agent may assume receipt.** Clause 16.7 shall not affect any claim which the Agent has under the law of restitution, and applies irrespective of whether the Agent had any form of notice that it had not received the sum which it made available (except an express notice from a Lender that it will not fund its Contribution).

16.9 **Creditor Party accounts.** Each Creditor Party shall maintain accounts showing the amounts owing to it by the Borrower and each Security Party under the Finance Documents and all payments in respect of those amounts made by the Borrower and any Security Party.

16.10 **Agent's memorandum account.** The Agent shall maintain a memorandum account showing the amounts advanced by the Lenders and all other sums owing to the Agent, the Security Trustee and each Lender from the Borrower and each Security Party under the Finance Documents and all payments in respect of those amounts made by the Borrower and any Security Party.

16.11 **Accounts prima facie evidence.** If any accounts maintained under Clauses 16.9 and 16.10 show an amount to be owing by the Borrower or a Security Party to a Creditor Party, those accounts shall, be prima facie evidence that that amount is owing to that Creditor Party.

17 APPLICATION OF RECEIPTS

17.1 **Normal order of application.** Except as any Finance Document may otherwise provide, any sums which are received or recovered by any Creditor Party under or by virtue of any Finance Document and the Master Agreements (including, without limitation, the Master Agreements) shall be applied:

(a) FIRST: in or towards satisfaction of any amounts then due and payable under the Finance Documents (other than under the Master Agreements) in the following order and proportions:

(i) first, in or towards satisfaction pro rata of all amounts then due and payable to the Creditor Parties under the Finance Documents (other than under the Master Agreements) other than those amounts referred to at paragraphs (ii) and (iii)

(including, but without limitation, all amounts payable by the Borrower under Clauses 20, 21 and 22 of this Agreement or by the Borrower or any Security Party under any corresponding or similar provision in any other Finance Document (other than under the Master Agreements));

(ii) secondly, in or towards satisfaction pro rata of any and all amounts of interest or default interest payable to the Creditor Parties under the Finance Documents (other than under the Master Agreements); and

(iii) thirdly, in or towards satisfaction pro rata of the Loan;

(b) SECONDLY: in or towards satisfaction of any amounts then due and payable under the Master Agreements in the following order and proportions:

(1) first, in or towards satisfaction pro rata of all amounts then due and payable to each Swap Banks under the Master Agreements other than those amounts referred to at paragraphs (ii) and (iii);

(2) secondly, in or towards satisfaction pro rata of any and all amounts of interest or default interest payable to the Swap Banks under the Master Agreements (and, for this purpose, the expression " **interest** " shall include any net amount which the Borrower shall have become liable to pay or deliver under section 2(e) (Obligations) of each Master Agreement but shall have failed to pay or deliver to the relevant Swap Bank at the time of application or distribution under this Clause 17.1); and

(3) thirdly, in or towards satisfaction pro rata of the Swap Exposure (calculated as at the actual Early Termination Date applying to each particular Designated Transaction, or if no such Early Termination Date shall have occurred, calculated as if an Early Termination Date occurred on the date of application or distribution hereunder); and

(c) THIRDLY: any surplus shall be paid to the Borrower or to any other person appearing to be entitled to it.

17.2 Variation of order of application. The Agent may, with the authorisation of all the Lenders and the Swap Banks, by notice to the Borrower, the Security Parties and the other Creditor Parties provide for a different manner of application from that set out in Clause 17.1 either as regards a specified sum or sums or as regards sums in a specified category or categories.

17.3 Notice of variation of order of application. The Agent may give notices under Clause 17.2 from time to time in respect of sums which may be received or recovered in the future.

17.4 Appropriation rights overridden. This Clause 17 and any notice which the Agent gives under Clause 17.2 shall override any right of appropriation possessed, and any appropriation made, by the Borrower or any Security Party.

18 APPLICATION OF EARNINGS

18.1 Payment of Earnings. The Borrower undertakes with each Creditor Party that, throughout the Security Period (subject only to the provisions of the General Assignments), all the Earnings of a Ship are paid to the Danaos Earnings Account.

18.2 Application of Earnings. The Borrower undertakes with each Creditor Party to procure that money from time to time credited to, or for the time being standing to the credit of, the Danaos Earnings Account shall, unless and until an Event of Default or Potential

Event of Default shall have occurred (whereupon the provisions of Clause 17.1 shall be and become applicable), be available for application in the following manner:

(a) in or towards meeting the costs and expenses from time to time incurred by or on behalf of the relevant Owner in connection with the operation of the Ship owned by it;

(b) in or towards making payments of all amounts due and payable by the Borrower under this Agreement other than the payments of principal and interest pursuant to Clauses 8.1 and 5.1; and

(c) as to any surplus from time to time arising on the Danaos Earnings Account following application as aforesaid, to be paid to the relevant Owner or, as the case may be, the Borrower or to whomsoever the Borrower may direct.

18.3 Location of accounts. The Borrower shall promptly:

(a) comply with any requirement of the Agent as to the location or re-location of the Danaos Earnings Account; and

(b) execute any documents which the Agent specifies to create or maintain in favour of the Security Trustee a Security Interest over the Danaos Earnings Account.

19 EVENTS OF DEFAULT

19.1 Events of Default. An Event of Default occurs if:

(a) the Borrower or any Security Party fails to pay when due or (if so payable) on demand any sum payable under a Finance Document or under any document relating to a Finance Document; such failure shall not constitute an Event of Default if:

(i) such failure is due to a bank payment transmission, technical or administrative error; and

(ii) the Borrower or the relevant Security Party remedies such failure within 3 days or the due date of payment of the relevant amount; or

(b) any breach occurs of Clause 9, 11.3, 12.2, 12.3, 12.4, 12.5, 13.2 or 15.1; or

(c) any breach by the Borrower or any Security Party occurs of any provision of a Finance Document (other than a breach covered by paragraphs (a) or (b) above) if, in the opinion of the Majority Lenders, such default is capable of remedy, and such default is not remedied within 14 Business Days after written notice from the Agent requesting action to remedy the same; or

(d) (subject to any applicable grace period specified in the Finance Document) any breach (which the Security Trustee considers, in its discretion, to be material) by the Borrower or any Security Party occurs of any provision of a Finance Document (other than a breach covered by paragraphs (a), (b) or (c) above); or

(e) any representation, warranty or statement (which the Security Trustee considers, in its discretion, to be material) made by, or by an officer of, the Borrower or a Security Party in a Finance Document or in a Drawdown Notice or any other notice or document relating to a Finance Document is untrue or misleading when it is made (such failure shall not constitute an Event of Default if an innocent misrepresentation has been made and which, if capable of remedy, is remedied within 10 Business Days of its occurrence unless such innocent misrepresentation is made on a Drawdown Date); or

(f) any of the following occurs in relation to any Financial Indebtedness of a Relevant Person (other than the Borrower) or any Financial Indebtedness of the Borrower of at least $1,000,000 (or the equivalent in another currency) in aggregate in the case of any Financial Indebtedness falling within paragraph (a) of the definition of that term or any Financial Indebtedness falling within all other paragraphs of the definition of that term (or, when aggregated with any Financial Indebtedness falling within paragraph (a) of the definition of that term) of at least $5,000,000 in aggregate (or the equivalent in another currency):

(i) any Financial Indebtedness of a Relevant Person is not paid when due or, if so payable, on demand; or

(ii) any Financial Indebtedness of a Relevant Person becomes due and payable or capable of being declared due and payable prior to its stated maturity date as a consequence of any event of default; or

(iii) a lease, hire purchase agreement or charter creating any Financial Indebtedness of a Relevant Person is lawfully terminated by the lessor or owner or becomes capable of being lawfully terminated as a consequence of any termination event; or

(iv) any overdraft, loan, note issuance, acceptance credit, letter of credit, guarantee, foreign exchange or other facility, or any swap or other derivative contract or transaction, relating to any Financial Indebtedness of a Relevant Person ceases to be available or becomes capable of being terminated as a result of any event of default, or cash cover is required, or becomes capable of being

required, in respect of such a facility as a result of any event of default; or

(v) any Security Interest securing any Financial Indebtedness of a Relevant Person becomes enforceable; or

(g) any of the following occurs in relation to a Relevant Person:

(i) a Relevant Person becomes unable to pay its debts as they fall due; or

(ii) any assets of a Relevant Person are subject of any form of execution, attachment, arrest, sequestration or distress in respect of a sum of, or sums aggregating, $100,000 (or $5,000,000 in the case of the Borrower) or more or the equivalent in another currency; or

(iii) any administrative or other receiver is appointed over any asset of a Relevant Person; or

(iv) a Relevant Person makes any formal declaration of bankruptcy or any formal statement to the effect that it is insolvent or likely to become insolvent, or a winding up or administration order is made in relation to a Relevant Person, or the members or directors of a Relevant Person pass a resolution to the effect that it should be wound up, placed in administration or cease to carry on business, save that this paragraph does not apply to a fully solvent winding up of a Relevant Person other than the Borrower or an Owner which is, or is to be, effected for the purposes of an amalgamation or reconstruction previously approved by the Majority Lenders and effected not later than 3 months after the commencement of the winding up; or

(v) a petition is presented in any Pertinent Jurisdiction for the winding up or administration, or the appointment of a provisional liquidator, of a Relevant Person unless, in the case of an involuntary petition, the petition is being

contested in good faith and on substantial grounds and is dismissed or withdrawn within 30 days of the presentation of the petition; or

(vi) a Relevant Person petitions a court, or presents any proposal for, any form of judicial or non-judicial suspension or deferral of payments, reorganisation of its debt (or certain of its debt) or arrangement with all or a substantial proportion (by number or value) of its creditors or of any class of them or any such suspension or deferral of payments, reorganisation or arrangement is effected by court order, contract or otherwise; or

(vii) any meeting of the members or directors of a Relevant Person is summoned for the purpose of considering a resolution or proposal to authorise or take any action of a type described in paragraphs (iii), (iv), (v) or (vi); or

(viii) in a Pertinent Jurisdiction other than England, any event occurs or any procedure is commenced which, in the reasonable opinion of the Majority Lenders, is similar to any of the foregoing; or

(h) the Borrower ceases, or threatens to cease, to carry on all or a substantial part of its business or, as a result of intervention by or under the authority of any government, the business of the Borrower is wholly or partially curtailed or suspended, or all or a substantial part of the assets or undertaking of the Borrower is seized, nationalised, expropriate of compulsorily acquired; or

(i) it becomes unlawful in any Pertinent Jurisdiction or impossible:

(i) for the Borrower or any Security Party to discharge any liability under a Finance Document or to comply with any other obligation which the Majority Lenders consider material under a Finance Document; or

(ii) for the Agent, the Security Trustee or the Lenders to exercise or enforce any right under, or to enforce any Security Interest created by, a Finance Document; or

(j) any consent necessary to enable any Owner to own, operate or charter the Ship owned by it or to enable the Borrower, any Owner or any Security Party to comply with any provision which the Majority Lenders consider material of a Finance Document, any Charterparty or a Shipbuilding Contract is not granted, expires without being renewed, is revoked or becomes liable to revocation or any condition of such a consent is not fulfilled if this materially affects the security position of the Creditor Parties or the ability of the Borrower or a Security Party to timely discharge and/or perform its or their liabilities and obligations (or any of them) under any Finance Document; or

(k) if, without the prior consent of the Majority Lenders, members of the Dr. John Coustas family (either directly and/or through companies beneficially owned by members of the Dr. John Coustas family and/or trusts or foundations of which members of the Dr. John Coustas family are beneficiaries) own and control less than 51 per cent. of the issued voting share capital of the Borrower; or

(l) if, without the prior consent of the Majority Lenders, the shares of the Borrower cease to be listed on the New York Stock Exchange; or

(m) it appears to the Majority Lenders that, without their prior consent, a change has occurred or probably has occurred after the date of this Agreement in the ultimate beneficial ownership of any of the shares in any Owner or in the ultimate control of the voting rights attaching to any of those shares; or

(n) any provision which the Majority Lenders consider material of a Finance Document proves to have been or becomes invalid or unenforceable, or a Security Interest created

by a Finance Document proves to have been or becomes invalid or unenforceable or such a Security Interest proves to have ranked after, or loses its priority to, another Security Interest or any other third party claim or interest; or

(o) the security constituted by a Finance Document is in any way imperilled or in jeopardy unless within 14 Business Days of the security being so imperilled or jeopardised (i) the Borrower or a Security Party provides to the Majority Lenders security in the form of a new Finance Document which, in the opinion of the Lenders, is equivalent to that constituted by the Finance Document which has become imperilled or jeopardised or (ii) the security ceases to be imperilled or in jeopardy; or

(p) any of the Initial Charterparties is terminated or becomes invalid or unenforceable or otherwise ceases to be in full force and effect for any reason prior to its stated termination date and the relevant Initial Charterparty is not replaced within 30 days (or 60 days if the relevant Ship may not be chartered due to a defect or is drydocked for repairs) by another charter having similar characteristics to that Initial Charterparty and with a charterer, in a form and on terms acceptable to the Lender; or

(q) any of the Charterers ceases to be a party to the Initial Charterparty entered into by it unless the obligations of any replacement charterer are guaranteed by the original Charterer (on terms satisfactory to the Lender);

(r) any Master Agreement is terminated, cancelled, suspended, rescinded or revoked or otherwise ceases to remain in full force and effect for any reason except with the consent of the Agent (acting with the authorisation of the Majority Lenders); or

(s) for any reason whatsoever, any Ship ceases to be managed by the Approved Manager on terms in all respects approved by the Agent; or

(t) an Event of Default (as defined in Section 14 of each Master Agreement) occurs; or

(u) any other event occurs or any other circumstances arise or develop including, without limitation:

(i) a change in the financial position, state of affairs or prospects of the Borrower or any Owner; or

(ii) any accident or other event involving any Ship or another vessel owned, chartered or operated by a Relevant Person;

in the light of which the Majority Lenders consider that there is a material risk that the Borrower is, or will later become, unable to discharge its liabilities under the Finance Documents as they fall due.

19.2 Actions following an Event of Default. On, or at any time after, the occurrence of an Event of Default which is continuing:

(a) the Agent may, and if so instructed by the Majority Lenders, the Agent shall:

(i) serve on the Borrower a notice stating that the Commitments and all other obligations of each Lender to the Borrower under this Agreement are terminated; and/or

(ii) serve on the Borrower a notice stating that the Commitments, all accrued interest and all other amounts accrued or owing under this Agreement are immediately due and payable or are due and payable on demand; and/or

(iii) take any other action which, as a result of the Event of Default or any notice served under paragraph (i) or (ii) above, the Agent and/or the Lenders are entitled to take under any Finance Document or any applicable law;

(b) the Security Trustee may, and if so instructed by the Agent, acting with the authorisation of the Majority Lenders, the Security Trustee shall take any action which, as a result of the Event of Default or any notice served under paragraph (a) (i) or (ii), the Security Trustee, the Agent and/or the Lenders are entitled to take under any Finance Document or any applicable law.

19.3 Termination of Commitments. On the service of a notice under paragraph (a)(i) of Clause 19.2, the Commitments and all other obligations of each Lender to the Borrower under this Agreement shall terminate.

19.4 Acceleration. On the service of a notice under paragraph (a)(ii) of Clause 19.2, the Loan, all accrued interest and all other amounts accrued or owing from the Borrower or any Security Party under this Agreement and every other Finance Document shall become immediately due and payable or, as the case may be, payable on demand.

19.5 Multiple notices; action without notice. The Agent may serve notices under paragraphs (a) (i) and (ii) of Clause 19.2 simultaneously or on different dates and it and/or the Security Trustee may take any action referred to in that Clause if no such notice is served or simultaneously with or at any time after the service of both or either of such notices.

19.6 Notification of Creditor Parties and Security Parties. The Agent shall send to each Lender, the Security Trustee and each Security Party a copy or the text of any notice which the Agent serves on the Borrower under Clause 19.2; but the notice shall become effective when it is served on the Borrower, and no failure or delay by the Agent to send a copy or the text of the notice to any other person shall invalidate the notice or provide the Borrower or any Security Party with any form of claim or defence

19.7 Creditor Party rights unimpaired. Nothing in this Clause shall be taken to impair or restrict the exercise of any right given to individual Lenders under a Finance Document or the general law; and, in particular, this Clause is without prejudice to Clause 3.1.

19.8 Exclusion of Creditor Party liability. No Creditor Party nor any receiver or manager appointed by the Security Trustee, shall have any liability to the Borrower or a Security Party:

(a) for any loss caused by an exercise of rights under, or enforcement of a Security Interest created by, a Finance Document or by any failure or delay to exercise such a right or to enforce such a Security Interest; or

(b) as mortgagee in possession or otherwise, for any income or principal amount which might have been produced by or realised from any asset comprised in such a Security Interest or for any reduction (however caused) in the value of such an asset,

except that this does not exempt a Creditor Party or a receiver or manager from liability for losses shown to have been caused by the gross negligence or the wilful misconduct of the Creditor Party's own officers and employees or (as the case may be) such receiver's or manager's own partners or employees.

19.9 Relevant Persons. In this Clause 19 " **a Relevant Person** " means the Borrower, a Security Party and any company which is a subsidiary of the Borrower or a Security Party or of which a Security Party is a subsidiary but excluding any company which is dormant and the value of whose gross assets is $50,000 or less.

19.10 **Interpretation.** In Clause 19.1(f) references to an event of default or a termination event include any event, howsoever described, which is similar to an event of default in a facility agreement or a termination event in a finance lease; and in Clause 19.1(g) " **petition** " includes an application.

20 FEES AND EXPENSES

20.1 **Arrangement and commitment fees.** The Borrower:

(a) has paid to the Agent a non-refundable arrangement fee of $1,495,000 (representing 0.5 per cent. of the Total Commitments) one day after the date of the commitment letter dated 30 October 2008 in respect of the Loan and executed between the Borrower and the Agent; and

(b) shall pay to the Agent a commitment fee at the rate of 0.30 per cent. per annum on the undrawn balance of the Total Commitments during the period from (and including) 30 October 2008 up to and including the earlier of (i) the final Drawdown Date and (ii) the last day of the Availability Period for Tranche E, such commitment fee to be payable every 3 months in arrears and on the last day of such period.

20.2 **Costs of negotiation, preparation etc.** The Borrower shall pay to the Agent on its demand the amount of all expenses reasonably incurred by the Agent, the Lenders or the Security Trustee in connection with the negotiation, preparation, execution or registration of any Finance Document or any related document or with any transaction contemplated by a Finance Document or a related document.

20.3 **Costs of variations, amendments, enforcement etc.** The Borrower shall pay to the Agent, on the Agent's demand, the amount of all expenses incurred by a Lender in connection with:

(a) any amendment or supplement to a Finance Document, or any proposal for such an amendment to be made;

(b) any consent or waiver by the Agent, the Majority Lenders or the Lender concerned under or in connection with a Finance Document, or any request for such a consent or waiver;

(c) the valuation of any security provided or offered under Clause 15 or any other matter relating to such security; or

(d) any step taken by the Lender concerned with a view to the protection, exercise or enforcement of any right or Security Interest created by a Finance Document or for any similar purpose.

There shall be recoverable under paragraph (d) the full amount of all legal expenses, whether or not such as would be allowed under rules of court or any taxation or other procedure carried out under such rules.

20.4 **Documentary taxes.** The Borrower shall promptly pay any tax payable on or by reference to any Finance Document, and shall, on the Agent's demand, fully indemnify each Creditor Party against any liabilities and expenses resulting from any failure or delay by the Borrower to pay such a tax.

20.5 **Certification of amounts.** A notice which is signed by an officer of a Creditor Party, which states that a specified amount, or aggregate amount, is due to that Creditor Party under this Clause 20 and which indicates (without necessarily specifying a detailed breakdown) the matters in respect of which the amount, or aggregate amount, is due shall be prima facie evidence that the amount, or aggregate amount, is due save in the case of manifest error.

21 INDEMNITIES

21.1 Indemnities regarding borrowing and repayment of Loan. The Borrower shall fully indemnify the Agent and each Lender on the Agent's demand and the Security Trustee on its demand in respect of all expenses, liabilities and losses which are incurred by that Creditor Party, or which that Creditor Party reasonably and with due diligence estimates that it will incur, as a result of or in connection with:

(a) an Advance not being borrowed on the date specified in the Drawdown Notice for any reason other than a default by the Lender claiming the indemnity;

(b) the receipt or recovery of all or any part of the Loan or an overdue sum otherwise than on the last day of an Interest Period applicable to it or other relevant period;

(c) any failure (for whatever reason) by the Borrower to make payment of any amount due under a Finance Document on the due date or, if so payable, on demand (after giving credit for any default interest paid by the Borrower on the amount concerned under Clause 7);

(d) the occurrence and/or continuance of an Event of Default or a Potential Event of Default and/or the acceleration of repayment of the Loan under Clause 19;

and in respect of any tax (other than tax on its overall net income) for which a Creditor Party is liable in connection with any amount paid or payable to that Creditor Party (whether for its own account or otherwise) under any Finance Document.

21.2 Breakage costs. Without limiting its generality, Clause 21.1 covers any liability, expense or loss, including a loss of a prospective profit, incurred by a Lender:

(a) in liquidating or employing deposits from third parties acquired or arranged to fund or maintain all or any part of its Contribution and/or any overdue amount (or an aggregate amount which includes its Contribution or any overdue amount); and

(b) in terminating, or otherwise in connection with, any interest and/or currency swap or any other transaction entered into (whether with another legal entity or with another office or department of the Lender concerned) to hedge any exposure arising under this Agreement or that part which the Lender concerned determines is fairly attributable to this Agreement of the amount of the liabilities, expenses or losses (including losses of prospective profits) incurred by it in terminating, or otherwise in connection with, a number of transactions of which this Agreement is one.

21.3 Miscellaneous indemnities. The Borrower shall fully indemnify each Creditor Party severally on their respective demands in respect of all claims, demands, proceedings, liabilities, taxes, losses and expenses of every kind (" **liability items** ") which may be made or brought against, or incurred by, the Creditor Party concerned, in any country, in relation to:

(a) any action taken, or omitted or neglected to be taken, under or in connection with any Finance Document by the Creditor Party concerned or by any receiver appointed under a Finance Document;

(b) any other event, matter or question which occurs or arises at any time during the Security Period and which has any connection with, or any bearing on, any Finance Document, any payment or other transaction relating to a Finance Document or any asset covered (or previously covered) by a Security Interest created (or intended to be created) by a Finance Document;

other than liability items which are shown to have been caused by the gross negligence or the wilful misconduct of the officers or employees of the Creditor Party concerned.

21.4 Extension of indemnities; environmental indemnity. Without prejudice to its generality, Clause 21.3 covers:

(a) any matter which would be covered by Clause 20.3 if any of the references in that Clause to a Lender were a reference to the Agent or (as the case may be) to the Security Trustee; and

(b) any liability items which arise, or are asserted, under or in connection with any law relating to safety at sea, pollution or the protection of the environment, the ISM Code or the ISPS Code.

21.5 Currency indemnity. If any sum due from the Borrower or any Security Party to a Creditor Party under a Finance Document or under any order or judgment relating to a Finance Document has to be converted from the currency in which the Finance Document provided for the sum to be paid (the " **Contractual Currency** ") into another currency (the " **Payment Currency** ") for the purpose of:

(a) making or lodging any claim or proof against the Borrower or any Security Party, whether in its liquidation, any arrangement involving it or otherwise; or

(b) obtaining an order or judgment from any court or other tribunal; or

(c) enforcing any such order or judgment;

the Borrower shall indemnify the Creditor Party concerned against the loss arising when the amount of the payment actually received by that Creditor Party is converted at the available rate of exchange into the Contractual Currency.

In this Clause 21.5 the " **available rate of exchange** " means the rate at which the Creditor Party concerned is able at the opening of business (London time) on the Business Day after it receives the sum concerned to purchase the Contractual Currency with the Payment Currency.

This Clause 21.5 creates a separate liability of the Borrower which is distinct from its other liabilities under the Finance Documents and which shall not be merged in any judgment or order relating to those other liabilities.

21.6 Application to Master Agreement. For the avoidance of doubt, Clause 21.5 does not apply in respect of sums due from the Borrower to the Swap Banks under or in connection with a Master Agreement as to which sums the provisions of section 8 (Contractual Currency) of the Master Agreements shall apply.

21.7 Certification of amounts. A notice which is signed by 2 officers of a Creditor Party, which states that a specified amount, or aggregate amount, is due to that Creditor Party under this Clause 21 and which indicates (without necessarily specifying a detailed breakdown) the matters in respect of which the amount, or aggregate amount, is due shall be prima facie evidence that the amount, or aggregate amount, is due.

21.8 Sums deemed due to a Lender. For the purposes of this Clause 21, a sum payable by the Borrower to the Agent or the Security Trustee for distribution to a Lender shall be treated as a sum due to that Lender save in the case of manifest error.

22 NO SET-OFF OR TAX DEDUCTION

22.1 No deductions. All amounts due from the Borrower under a Finance Document shall be paid:

(a) without any form of set-off, cross-claim or condition; and

(b) free and clear of any tax deduction except a tax deduction which the Borrower is required by law to make.

22.2 Grossing-up for taxes. If the Borrower is required by law to make a tax deduction from any payment:

(a) the Borrower shall notify the Agent as soon as it becomes aware of the requirement;

(b) the Borrower shall pay the tax deducted to the appropriate taxation authority promptly, and in any event before any fine or penalty arises; and

(c) the amount due in respect of the payment shall be increased by the amount necessary to ensure that each Creditor Party receives and retains (free from any liability relating to the tax deduction) a net amount which, after the tax deduction, is equal to the full amount which it would otherwise have received.

22.3 Evidence of payment of taxes. Within 1 month after making any tax deduction, the Borrower shall deliver to the Agent documentary evidence satisfactory to the Agent that the tax had been paid to the appropriate taxation authority.

22.4 Exclusion of tax on overall net income. In this Clause 22 " **tax deduction** " means any deduction or withholding for or on account of any present or future tax except tax on a Creditor Party's overall net income.

22.5 Application to the Master Agreements. For the avoidance of doubt, Clause 22 does not apply in respect of sums due from the Borrower to a Swap Bank under or in connection with each Master Agreement as to which sums the provisions of section 2 (d) (Deduction or Withholding for Tax) of each Master Agreement shall apply.

23 ILLEGALITY, ETC

23.1 Illegality. This Clause 23 applies if a Lender (the " **Notifying Lender** ") notifies the Agent that it has become, or will with effect from a specified date, become:

(a) unlawful or prohibited as a result of the introduction of a new law, an amendment to an existing law or a change in the manner in which an existing law is or will be interpreted or applied; or

(b) contrary to, or inconsistent with, a regulation;

for the Notifying Lender to maintain or give effect to any of its obligations under this Agreement in the manner contemplated by this Agreement.

23.2 Notification of illegality. The Agent shall promptly notify the Borrower, the Security Parties, the Security Trustee and the other Lenders of the notice under Clause 23.1 which the Agent receives from the Notifying Lender.

23.3 Prepayment; termination of Commitment. On the Agent notifying the Borrower under Clause 23.2, the Notifying Lender's Commitment shall terminate; and thereupon or, if later, on the date specified in the Notifying Lender's notice under Clause 23.1 as the date

on which the notified event would become effective the Borrower shall prepay the Notifying Lender's Contribution in accordance with Clause 8 (other than Clause 8.6).

24 INCREASED COSTS

24.1 Increased costs. This Clause 24 applies if a Lender (the " **Notifying Lender** ") notifies the Agent that the Notifying Lender considers that as a result of:

(a) the introduction or alteration after the date of this Agreement of a law, or a regulation or an alteration after the date of this Agreement in the manner in which a law or regulation is interpreted or applied (disregarding any effect which relates to the application to payments under this Agreement of a tax on the Notifying Lender's overall net income); or

(b) the effect of complying with any law or regulation (including any which relates to capital adequacy or liquidity controls or which affects the manner in which the Notifying Lender allocates capital resources to its obligations under this Agreement) which is introduced, or altered, or the interpretation or application of which is altered, after the date of this Agreement; or

(c) the implementation or application of or compliance with the "International Convergence of Capital Measurement and Capital Standards, a Revised Framework" published by the Basel Committee on Banking Supervision in June 2004 in the form existing on the date of this Agreement (the " **Basel II Accord** ") or any other law or regulation implementing the Basel II Accord or any of the approaches provided for and allowed to be used by banks under or in connection with the Basel II Accord in each case as from time to time implemented by any Lender,

the Notifying Lender (or a parent company of it) has incurred or will incur an " **increased cost** ", that is to say:

(i) an additional or increased cost incurred as a result of, or in connection with, the Notifying Lender having entered into, or being a party to, this Agreement or a Transfer Certificate, of funding or maintaining its Commitment or its Contribution or performing its obligations under this Agreement, or of having outstanding all or any part of its Contribution or other unpaid sums;

(ii) a reduction in the amount of any payment to the Notifying Lender under this Agreement or in the effective return which such a payment represents to the Notifying Lender or on its capital;

(iii) an additional or increased cost of funding or maintaining all or any of the advances comprised in a class of advances formed by or including the Notifying Lender's Contribution or (as the case may require) the proportion of that cost attributable to the Contribution; or

(iv) a liability to make a payment, or a return foregone, which is calculated by reference to any amounts received or receivable by the Notifying Lender under this Agreement;

but not an item attributable to a change in the rate of tax on the overall net income of the Notifying Lender (or a parent company of it) or an item covered by the indemnity for tax in Clause 21.1 or by Clause 22.

For the purposes of this Clause 24.1 the Notifying Lender may in good faith allocate or spread costs and/or losses among its assets and liabilities (or any class thereof) on such basis as it considers appropriate.

24.2 **Notification to Borrower of claim for increased costs.** The Agent shall promptly notify the Borrower and the Security Parties of the notice which the Agent received from the Notifying Lender under Clause 24.1.

24.3 **Payment of increased costs.** The Borrower shall pay to the Agent, on the Agent's demand, for the account of the Notifying Lender the amounts which the Agent from time to time notifies the Borrower that the Notifying Lender has specified to be necessary to compensate the Notifying Lender for the increased cost.

24.4 **Notice of prepayment.** If the Borrower is not willing to continue to compensate the Notifying Lender for the increased cost under Clause 24.3, the Borrower may give the Agent not less than 3 Business Days' notice of its intention to prepay the Notifying Lender's Contribution.

24.5 **Prepayment; termination of Commitment.** A notice under Clause 24.4 shall be irrevocable; the Agent shall promptly notify the Notifying Lender of the Borrower's notice of intended prepayment; and:

(a) on the date on which the Agent serves that notice, the Commitment of the Notifying Lender shall be cancelled; and

(b) on the date specified in its notice of intended prepayment, the Borrower shall prepay (without premium or penalty) the Notifying Lender's Contribution, together with accrued interest thereon at the applicable rate plus the Margin (but subject to Clause 21.1).

24.6 **Application of prepayment.** Clause 8 shall apply in relation to the prepayment.

25 SET-OFF

25.1 **Application of credit balances.** Each Creditor Party may without prior notice but following the occurrence of an Event of Default which is continuing:

(a) apply any balance (whether or not then due) which at any time stands to the credit of any account in the name of the Borrower at any office in any country of that Creditor Party in or towards satisfaction of any sum then due from the Borrower to that Creditor Party under any of the Finance Documents; and

(b) for that purpose:

(i) break, or alter the maturity of, all or any part of a deposit of the Borrower;

(ii) convert or translate all or any part of a deposit or other credit balance into Dollars; and/or

(iii) enter into any other transaction or make any entry with regard to the credit balance which the Creditor Party concerned considers appropriate.

25.2 **Existing rights unaffected.** No Creditor Party shall be obliged to exercise any of its rights under Clause 25.1; and those rights shall be without prejudice and in addition to any right of set-off, combination of accounts, charge, lien or other right or remedy to which a Creditor Party is entitled (whether under the general law or any document).

25.3 **Sums deemed due to a Lender.** For the purposes of this Clause 25, a sum payable by the Borrower to the Agent or the Security Trustee for distribution to, or for the account of, a Lender shall be treated as a sum due to that Lender; and each Lender's proportion of a sum so payable for distribution to, or for the account of, the Lenders shall be treated as a sum due to such Lender.

26 TRANSFERS AND CHANGES IN LENDING OFFICES

26.1 Transfer by Borrower. The Borrower may not, without the prior consent of the Agent, given with the authorisation of all the Lenders:

(a) transfer any of its rights or obligations under any Finance Document; or

(b) enter into any merger, de-merger or other reorganisation, or carry out any other act, as a result of which any of its rights or liabilities would vest in, or pass to, another person.

26.2 Transfer by a Lender. Subject to Clause 26.4, a Lender (the " **Transferor Lender** ") may cause:

(a) its rights in respect of all or part of its Contribution; and

(b) an equal proportion of its obligations in respect of all or part of its Commitment,

to be (in the case of its rights) transferred to, or (in the case of its obligations) assumed by, another bank or financial institution or special purpose vehicle established by any Lender (a " **Transferee Lender** ") by delivering to the Agent a completed certificate in the form set out in Schedule 5 with any modifications approved or required by the Agent (a " **Transfer Certificate** ") executed by the Transferor Lender and the Transferee Lender.

Any rights and obligations of the Transferor Lender in its capacity as Agent, the Agent or Security Trustee will have to be dealt with separately in accordance with the Agency and Trust Agreement.

A transfer pursuant to this Clause 26.2 shall:

(i) require the prior written the consent of the Agent;

(ii) be effected without the consent of, but with notice to, the Borrower:

(A) following the occurrence of an Event of Default;

(B) if such transfer is to a subsidiary or any other company or financial institution which is in the same ownership or control as the Transferor Lender; and

(iii) require the consent of the Borrower (such consent not to be unreasonably withheld or delayed) in all other circumstances.

26.3 Transfer Certificate, delivery and notification. As soon as reasonably practicable after a Transfer Certificate is delivered to the Agent, it shall (unless it has reason to believe that the Transfer Certificate may be defective):

(a) sign the Transfer Certificate on behalf of itself, the Borrower, the Security Parties, the Security Trustee, each of the other Lenders and the other Swap Banks;

(b) on behalf of the Transferee Lender, send to the Borrower and each Security Party letters or faxes notifying them of the Transfer Certificate and attaching a copy of it; and

(c) send to the Transferee Lender copies of the letters or faxes sent under paragraph (b).

26.4 Effective Date of Transfer Certificate. A Transfer Certificate becomes effective on the date, if any, specified in the Transfer Certificate as its effective date **Provided that** it is signed by the Agent under Clause 26.3 on or before that date.

26.5 No transfer without Transfer Certificate. No assignment or transfer of any right or obligation of a Lender under any Finance Document is binding on, or effective in relation to, the Borrower, any Security Party, the Agent or the Security Trustee unless it is effected, evidenced or perfected by a Transfer Certificate.

26.6 Lender re-organisation; waiver of Transfer Certificate. If a Lender enters into any merger, de-merger or other reorganisation as a result of which all its rights or obligations vest in a successor, the successor shall automatically and without any further act being necessary become a Lender with the same Commitment and Contribution as were held by the predecessor Lender.

26.7 Effect of Transfer Certificate. A Transfer Certificate takes effect in accordance with English law as follows:

(a) to the extent specified in the Transfer Certificate, all rights and interests (present, future or contingent) which the Transferor Lender has under or by virtue of the Finance Documents are assigned to the Transferee Lender absolutely;

(b) the Transferor Lender's Commitment is discharged to the extent specified in the Transfer Certificate;

(c) the Transferee Lender becomes a Lender with a Contribution and a Commitment of an amount specified in the Transfer Certificate;

(d) the Transferee Lender becomes bound by all the provisions of the Finance Documents which are applicable to the Lenders generally, including those about pro-rata sharing and the exclusion of liability on the part of, and the indemnification of, the Agent and the Security Trustee and, to the extent that the Transferee Lender becomes bound by those provisions (other than those relating to exclusion of liability), the Transferor Lender ceases to be bound by them;

(e) any part of the Loan which the Transferee Lender advances after the Transfer Certificate's effective date ranks in point of priority and security in the same way as it would have ranked had it been advanced by the Transferor Lender;

(f) the Transferee Lender becomes entitled to all the rights under the Finance Documents which are applicable to the Lenders generally, including but not limited to those relating to the Majority Lenders and those under Clause 5.7 and Clause 20, and to the extent that the Transferee Lender becomes entitled to such rights, the Transferor Lender ceases to be entitled to them; and

(g) in respect of any breach of a warranty, undertaking, condition or other provision of a Finance Document or any misrepresentation made in or in connection with a Finance Document, the Transferee Lender shall be entitled to recover damages by reference to the loss incurred by it as a result of the breach or misrepresentation, irrespective of whether the original Lender would have incurred a loss of that kind or amount.

The rights and equities of the Borrower or any Security Party referred to above include, but are not limited to, any right of set off and any other kind of cross-claim.

26.8 Maintenance of register of Lenders. During the Security Period the Agent shall maintain a register in which it shall record the name, Commitment, Contribution and administrative details (including the lending office) from time to time of each Lender and the effective date (in accordance with Clause 26.4) of each Transfer Certificate; and the Agent shall make the register available for inspection by any Lender, the Security Trustee and the Borrower during normal banking hours, subject to receiving at least 3 Business Days prior notice.

26.9 **Reliance on register of Lenders.** The entries on that register shall, in the absence of manifest error, be conclusive in determining the identities of the Lenders and the amounts of their Commitments and Contributions and the effective dates of Transfer Certificates and may be relied upon by the Agent and the other parties to the Finance Documents for all purposes relating to the Finance Documents.

26.10 **Authorisation of Agent to sign Transfer Certificates.** The Borrower, the Security Trustee and each Lender irrevocably authorises the Agent to sign Transfer Certificates on its behalf.

26.11 **Registration fee.** In respect of any Transfer Certificate, the Agent shall, following its request and at its option, be entitled to recover a registration fee of $2,500 from the Transferor Lender or (at the Agent's option) the Transferee Lender.

26.12 **Sub-participation; subrogation assignment.** A Lender may sub-participate all or any part of its rights and/or obligations under or in connection with the Finance Documents without the consent of, or any notice to, the Borrower, any Security Party, the Agent or the Security Trustee; and the Lenders may assign, in any manner and terms agreed by the Majority Lenders, the Agent and the Security Trustee, all or any part of those rights to an insurer or surety who has become subrogated to them.

26.13 **Disclosure of information.** A Lender may provide or disclose to an actual or potential Transferee Lender, any assignee or sub-participant or any person who may otherwise enter into contractual relations with that Lender in connection with this Agreement, a copy of this Agreement, copies of all information provided by the Borrower or any of the Security Parties under or in connection with each Finance Document, details of drawings made by the Borrower under this Agreement and information regarding the performance by the Borrower and the Security Parties of their obligations under this Agreement and the other Finance Documents.

26.14 **Change of lending office.** A Lender may change its lending office and may change its booking office by giving notice to the Agent and the change shall become effective on the later of:

(a) the date on which the Agent receives the notice; and

(b) the date, if any, specified in the notice as the date on which the change will come into effect.

26.15 **Notification.** On receiving a notice pursuant to Clause 26.14, the Agent shall notify the Borrower and the Security Trustee; and, until the Agent receives such a notice, it shall be entitled to assume that a Lender is acting through the lending office or is acting through the booking office of which the Agent last had notice.

27 VARIATIONS AND WAIVERS

27.1 **Variations, waivers etc. by Majority Lenders.** Subject to Clause 27.2, a document shall be effective to vary, waive, suspend or limit any provision of a Finance Document, or any Creditor Party's rights or remedies under such a provision or the general law, only if the document is signed, or specifically agreed to by fax, by the Borrower, by the Agent on behalf and with the consent of the Majority Lenders, by the Agent and the Security Trustee in their own rights, and, if the document relates to a Finance Document to which a Security Party is party, by that Security Party.

27.2 **Variations, waivers etc. requiring agreement of all Lenders.** However, as regards the following, Clause 27.1 applies as if the words "by the Agent on behalf and with the consent of the Majority Lenders" were replaced by the words "by or on behalf and with the consent of every Lender":

(a) a change in the definition of the Margin or in the definition of LIBOR;

(b) a change to the date for, or the amount of, any payment of principal, interest, fees, or other sum payable under this Agreement;

(c) a change to any Lender's Commitment;

(d) an extension of the Availability Period;

(e) a change to the definition of "Majority Lenders" or "Finance Documents";

(f) a change to the preamble or to Clause 2, 3, 4, 5.1, 8.2, 11, 12.4, 15.1, 17, 18, 19 or 30;

(g) a change to this Clause 27;

(h) any release of, or material variation to, a Security Interest, guarantee, indemnity or subordination arrangement set out in a Finance Document; and

(i) any other change or matter as regards which this Agreement or another Finance Document expressly provides that each Lender's consent is required.

27.3 Exclusion of other or implied variations. Except for a document which satisfies the requirements of Clauses 27.1 and 27.2, no document, and no act, course of conduct, failure or neglect to act, delay or acquiescence on the part of the Creditor Parties or any of them (or any person acting on behalf of any of them) shall result in the Creditor Parties or any of them (or any person acting on behalf of any of them) being taken to have varied, waived, suspended or limited, or being precluded (permanently or temporarily) from enforcing, relying on or exercising:

(a) a provision of this Agreement or another Finance Document; or

(b) an Event of Default; or

(c) a breach by the Borrower or a Security Party of an obligation under a Finance Document or the general law; or

(d) any right or remedy conferred by any Finance Document or by the general law;

(e) and there shall not be implied into any Finance Document any term or condition requiring any such provision to be enforced, or such right or remedy to be exercised, within a certain or reasonable time.

28 NOTICES

28.1 General. Unless otherwise specifically provided, any notice under or in connection with any Finance Document shall be given by letter or fax; and references in the Finance Documents to written notices, notices in writing and notices signed by particular persons shall be construed accordingly.

28.2 Addresses for communications. A notice shall be sent:

(a) to the Borrower:

c/o Approved Manager
Akti Kondyli 14
185 45 Piraeus
Greece
Fax No: +30 210 422 0853

(b)	to a Lender:	At the address below its name in Schedule 1, Part A or (as the case may require) in the relevant Transfer Certificate
(c)	to the Agent and Security Trustee:	Domshof 17 D-28195 Bremen Germany Fax No: +49 421 360 9329 Attention: Achim Boehme
(d)	to a Swap Bank:	At the address below its name in Schedule 1, Part B

or to such other address as the relevant party may notify the other.

28.3 Effective date of notices. Subject to Clauses 28.4 and 28.5:

(a) a notice which is delivered personally or posted shall be deemed to be served, and shall take effect, at the time when it is delivered; and

(b) a notice which is sent by fax shall be deemed to be served, and shall take effect, 2 hours after its transmission is completed.

28.4 Service outside business hours. However, if under Clause 28.3 a notice would be deemed to be served:

(a) on a day which is not a business day in the place of receipt; or

(b) on such a business day, but after 5 p.m. local time,

the notice shall (subject to Clause 28.5) be deemed to be served, and shall take effect, at 9 a.m. on the next day which is such a business day.

28.5 Illegible notices. Clauses 28.3 and 28.4 do not apply if the recipient of a notice notifies the sender within one hour after the time at which the notice would otherwise be deemed to be served that the notice has been received in a form which is illegible in a material respect.

28.6 Valid notices. A notice under or in connection with a Finance Document shall not be invalid by reason that its contents or the manner of serving it does not comply with the requirements of this Agreement or, where appropriate, any other Finance Document under which it is served if the failure to serve it in accordance with the requirements of this Agreement or other Finance Document, as the case may be, has not caused any party to suffer any significant loss or prejudice.

28.7 English language. Any notice under or in connection with a Finance Document shall be in English.

28.8 Meaning of "notice". In this Clause "notice" includes any demand, consent, authorisation, approval, instruction, waiver or other communication.

29 SUPPLEMENTAL

29.1 Rights cumulative, non-exclusive. The rights and remedies which the Finance Documents give to each Creditor Party are:

(a) cumulative;

(b) may be exercised as often as appears expedient; and

(c) shall not, unless a Finance Document explicitly and specifically states so, be taken to exclude or limit any right or remedy conferred by any law.

29.2 Severability of provisions. If any provision of a Finance Document is or subsequently becomes void, unenforceable or illegal, that shall not affect the validity, enforceability or legality of the other provisions of that Finance Document or of the provisions of any other Finance Document.

29.3 Counterparts. A Finance Document may be executed in any number of counterparts.

29.4 Benefit and binding effect . The terms of this Agreement shall be binding upon, and shall enure to the benefit of, the parties hereto and their respective (including subsequent) successors and permitted assigns and transferees.

29.5 Third party rights. A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

30 LAW AND JURISDICTION

30.1 English law. This Agreement and any non contractual obligations arising out of or in connection with it shall be governed by, and construed in accordance with, English law.

30.2 Exclusive English jurisdiction. Subject to Clause 30.3, the courts of England shall have exclusive jurisdiction to settle any Dispute.

30.3 Choice of forum for the exclusive benefit of the Creditor Parties. Clause 30.2 is for the exclusive benefit of the Creditor Parties, each of which reserves the right:

(a) to commence proceedings in relation to any Dispute in the courts of any country other than England and which have or claim jurisdiction to that matter; and

(b) to commence such proceedings in the courts of any such country or countries concurrently with or in addition to proceedings in England or without commencing proceedings in England.

The Borrower shall not commence any proceedings in any country other than England in relation to a Dispute.

30.4 Process agent. The Borrower irrevocably appoints Danaos Management Consultants at their office for the time being, presently at 4 Staple Inn, Holborrn, London WC1V 7QU, England to act as its process agent to receive and accept on its behalf any process or other document relating to any proceedings in the English courts which are connected with a Dispute.

30.5 Creditor Party rights unaffected. Nothing in this Clause 30 shall exclude or limit any right which any Creditor Party may have (whether under the law of any country, an international convention or otherwise) with regard to the bringing of proceedings, the service of process, the recognition or enforcement of a judgment or any similar or related matter in any jurisdiction.

30.6 Meaning of "proceedings". In this Clause 30, " **proceedings** " means proceedings of any kind, including an application for a provisional or protective measure and a " **Dispute** " means any dispute arising out of or in connection with this Agreement (including a

dispute relating to the existence, validity or termination of this Agreement) or any non-contractual obligation arising out of or in connection with this Agreement.

THIS AGREEMENT has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1

PART A

LENDERS AND COMMITMENTS

Lender and Lending Office	Commitment (US Dollars)
Deutsche Schiffsbank Aktiengesellschaft Domshof 17, D-28195 Bremen Federal Republic of Germany	125,000,000
Credit Suisse St. Alban-Graben 103 P.O. Box CH-4002, Basel Switzerland	125,000,000
Emporiki Bank of Greece S.A. 114 Kolokotroni Street 185 35 Piraeus Greece	49,000,000

PART B

SWAP BANKS

Deutsche Schiffsbank Aktiengesellschaft
Domshof 17, D-28195 Bremen
Federal Republic of Germany

Credit Suisse
St. Alban-Graben
103 P.O. Box
CH-4002, Basel Switzerland

Emporiki Bank of Greece S.A.
114 Kolokotroni Street
185 35 Piraeus
Greece

SCHEDULE 2

DRAWDOWN NOTICE

To: Deutsche Schiffsbank Aktiengesellschaft
Domshof 17, D-28195 Bremen
Federal Republic of Germany

2009

DRAWDOWN NOTICE

1 We refer to the loan agreement (the " **Loan Agreement** ") dated 2009 and made between us, the Borrower, the Lenders and the Swap Banks referred to therein, yourselves as Agent and Security Trustee, in connection with a term loan facility of up to US$299,000,000. Terms defined in the Loan Agreement have their defined meanings when used in this Drawdown Notice.

2 We request to borrow the [ ] Advance of Tranche [ ] as follows:

(a) Amount: US$[ ];

(b) Drawdown Date: [ ];

(c) Duration of the first Interest Period shall be [ ] months;

(d) Payment instructions : account of [ ] and numbered [ ] with [ ] of [ ].

3 We represent and warrant that:

(a) the representations and warranties in Clause 10 of the Loan Agreement would remain true and not misleading if repeated on the date of this notice with reference to the circumstances now existing; and

(b) no Event of Default or Potential Event of Default has occurred or will result from the borrowing of the Loan.

4 This notice cannot be revoked without your prior consent.

5 We authorise you to deduct any fees including the arrangement fee and any accrued commitment fee referred to in Clause 20 from the amount of the Advance.

Attorney-in-Fact
for and on behalf of
DANAOS CORPORATION

SCHEDULE 3

CONDITION PRECEDENT DOCUMENTS

In this Schedule 3 " **Relevant Ship** " means, in relation to an Advance of a Tranche to be made available on a Drawdown Date, the Ship which is to be part-financed by that Tranche.

PART A

The following are the documents referred to in Clause 9.1(a).

1 A duly executed original of each Guarantee, the Master Agreements, the Agency and Trust Agreement, the Master Agreement Assignments and the Danaos Earnings Account Pledge.

2 Certified copies of the certificate of incorporation and constitutional documents of the Borrower and each Owner.

3 Copies of resolutions of the shareholders and directors of each Owner authorising the execution of each of the Finance Documents to which that Owner is a party and, in the case of each Owner ratifying the execution of the Shipbuilding Contracts to which it is a party.

4 Evidence that the Danaos Earnings Account has been duly opened with the Account Bank by the Borrower.

5 The original of any power of attorney under which any Finance Document is executed on behalf of the Borrower or each Owner.

6 Copies of all consents which the Borrower or any Security Party requires to enter into, or make any payment under, any Finance Document or any Shipbuilding Contract.

7 Originals of the Refund Guarantees and certified true copies of the Shipbuilding Contracts duly executed by the parties thereto.

8 Documentary evidence that the agent for service of process named in Clause 30 has accepted its appointment.

9 Favourable legal opinions from lawyers appointed by the Agent on such matters concerning the laws of the Marshall Islands, Liberia, Korea and China and such other relevant jurisdictions as the Majority Lenders may require.

10 Copies of each Initial Charterparty duly executed by the parties thereto.

11 If the Lenders so requires, in respect of any of the documents referred to above, a certified English translation prepared by a translator approved by the Agent.

PART B

The following are the documents referred to in Clause 9.1(b).

1 A duly executed original of the Predelivery Security Assignment and the Charterparty Assignment in respect of the Initial Charterparty for the Relevant Ship (and of each document required to be delivered pursuant thereto) and, if the Relevant Ship is Ship C, the Bareboat Charter Security Agreement in respect of the Initial Charterparty for Ship C (and of each document to be delivered thereunder).

2 Evidence that the first instalment payable pursuant to the relevant Shipbuilding Contract has been duly paid by the relevant Owner to the relevant Builder.

3 Such documentary evidence as the Agent and its legal advisers may require in relation to the due authorisation and execution of the Refund Guarantee applicable to the Shipbuilding Contract for the Relevant Ship and, in the case of the First Refund Guarantee D, evidence that it has been duly registered with the State Administration for Foreign Exchange (SAFE) in China.

PART C

The following are the documents referred to in Clause 9.1(c).

1 A duly issued invoice from the relevant Builder notifying the relevant Owner that the steel-cutting of the Relevant Ship has been carried out and showing all sums due and payable to that Builder pursuant to the relevant Article of the Shipbuilding Contracts for the Relevant Ship upon steel-cutting of that Ship together with evidence that all amounts payable thereunder have been duly paid.

2 Evidence satisfactory to the Agent that the funds referred to in Clause 4.2(d) applicable to the steel-cutting instalment of the Relevant Ship have been paid by the relevant Owner to the relevant Builder or will be paid at the same time as the remittance of the relevant Advance to that Builder.

PART D

The following are the documents referred to in Clause 9.1(d).

1 A duly issued invoice from the relevant Builder notifying the relevant Owner that the keel-laying of the Relevant Ship has been carried out and showing all sums due and payable to that Builder pursuant to the relevant Article of the Shipbuilding Contract for the Relevant Ship upon keel-laying of that Ship.

2 Evidence satisfactory to the Agent that the funds referred to in Clause 4.2(d) applicable to the keel-laying instalment of the Relevant Ship have been paid by the relevant Owner to the relevant Builder or will be paid at the same time as the remittance of the relevant Advance to that Builder.

3 Written confirmation from the Owner of the Relevant Ship and the Approved Manager that they have irrevocably accepted and approved the building works which have been completed on the Relevant Ship up to the date of her keel-laying.

4 If the Relevant Ship is Ship D, the original Refund Guarantee (or a copy of the SWIFT message pursuant to which that Refund Guarantee has been issued) for the third instalment payable pursuant to Shipbuilding Contract D together with such documentary evidence as the Agent and its legal advisers may require in relation to the due authorisation and execution of the Refund Guarantee and evidence that it has been duly registered with the State Administration for Foreign Exchange (SAFE) in China.

PART E

The following are the documents referred to in Clause 9.1(e).

1 A duly issued invoice from the relevant Builder notifying the relevant Owner that the launching of the Relevant Ship has been carried out and showing all sums due and

payable to that Builder pursuant to the relevant Article of the Shipbuilding Contract for the Relevant Ship upon launching of that Ship.

2 Evidence satisfactory to the Agent that the funds referred to in Clause 4.2(d) applicable to the launching instalment of the Relevant Ship have been paid by the relevant Owner to the relevant Builder or will be paid at the same time as the remittance of the relevant Advance to that Builder.

3 Written confirmation from the relevant Owner and the Approved Manager that they have irrevocably accepted and approved the building works which have been completed on the Relevant Ship up to the date of launching.

4 If the Relevant Ship is Ship D, the original Refund Guarantee for the fourth instalment (or a copy of the SWIFT message pursuant to which that Refund Guarantee has been issued) payable pursuant to Shipbuilding Contract D together with such documentary evidence as the Agent and its legal advisers may require in relation to the due authorisation and execution of the Refund Guarantee and evidence that it has been registered with the State Administration for Foreign Exchange (SAFE) in China.

PART F

The following are the documents referred to in Clause 9.1(f).

1 Evidence, satisfactory to the Agent, that arrangements have been made with the Builder (and the Builder's bank) to protect the Agent's right to repayment of the relevant Advance between the Drawdown Date for that Advance and the Delivery Date of the Relevant Ship under the relevant Shipbuilding Contract with the Advance only being released to the Builder by an attorney-in-fact appoint by the Agent.

2 A duly executed original of the Mortgage, the Deed of Covenant (if applicable), the General Assignment (and of each document to be delivered under each of them) in respect of the Relevant Ship.

3 Documentary evidence that:

(a) the Relevant Ship has been unconditionally delivered by the relevant Builder to, and accepted by, the relevant Owner under the relevant Shipbuilding Contract, and the full purchase price payable under that Shipbuilding Contract (in addition to the part being financed by the relevant Tranche) has been duly paid;

(b) the Relevant Ship is definitively and permanently registered in the name of the relevant Owner under an Approved Flag;

(c) the Relevant Ship is in the absolute and unencumbered ownership of the relevant Owner save as contemplated by the Finance Documents;

(d) the Relevant Ship maintains the highest available class with a classification society which is a member of the International Association of Classification Societies and which his acceptable to the Agent free of all overdue recommendations affecting the class;

(e) the Mortgage and (if applicable) the Deed of Covenant in respect of the Relevant Ship have been duly registered against the Relevant Ship as a valid first preferred or priority ship mortgage and (if applicable) collateral deed of covenant in accordance with the laws of the applicable Approved Flag State;

(f) the Relevant Ship has been unconditionally delivered by its Owner to, and accepted by, its Charterer for operation under the Initial Charterparty relative to that Ship after the

Mortgage and (if applicable) the Deed of Covenant have been duly registered against that Ship in accordance with the laws of the applicable Approved Flag State; and

(g) the Relevant Ship is insured in accordance with the provisions of this Agreement and all requirements therein in respect of insurances have been complied with.

4 Documents establishing that the Relevant Ship will, as from its Delivery Date, be managed by the Approved Manager on terms acceptable to the Agent, together with:

(a) the Approved Manager's Undertaking in respect of the Relevant Ship; and

(b) copies of the document of compliance (DOC), and the safety management certificate (SMC) pursuant to the ISM Code and International Ship Security Certificate issued pursuant to the ISPS Code in relation to the Ship, the relevant Owner, the Approved Manager and/or if the Relevant Ship is Ship D, Yang Ming.

5 A valuation of the Relevant Ship addressed to the Agent and dated no earlier than 30 days prior to the relevant Delivery Date, stated to be for the purposes of this Agreement and prepared in accordance with Clause 15 which shows the value of the Relevant Ship in an amount acceptable to the Agent

6 A favourable opinion (at the cost of the Borrower) from an independent insurance consultant acceptable to the Agent on such matters relating to the insurances for the Relevant Ship as the Agent may require.

7 A written statement, satisfactory to the Agent, evidencing the calculation of the Delivered Cost of the Relevant Ship (with a detailed breakdown of the Extra Pre-Delivery Costs for that Ship) signed by the chief financial officer or, in his absence, any other officer of the Borrower.

8 Favourable legal opinions from lawyers appointed by the Agent on such matters concerning the laws of the applicable Approved Flag State and such other relevant jurisdictions as the Majority Lenders may require.

Every copy document delivered under this Schedule shall be certified as a true and up to date copy by a director or the secretary (or equivalent officer) of the relevant Owner.

SCHEDULE 4

AMOUNT OF ADVANCES

Ship A

Stage of Construction	Amount due to Yard under Shipbuilding Contract ($)	Maximum amount of Advance ($)
First Instalment	12,760,000	10,208,000
Steel-cutting	6,380,000	5,104,000
Keel-laying	6,380,000	5,104,000
Delivery	38,280,000	28,584,000*
Total	**63,800,000**	**49,000,000**

Ship B

Stage of Construction	Amount due to Yard under Shipbuilding Contract ($)	Maximum amount of Advance ($)
First Instalment	16,764,000	13,411,200
Steel-cutting	5,588,000	4,470,400
Keel-laying	5,588,000	4,470,400
Delivery	27,940,000	22,348,000*
Total	**55,880,000**	**44,700,000**

Ship C

Stage of Construction	Amount due to Yard under Shipbuilding Contract ($)	Maximum amount of Advance ($)
First Instalment	19,800,000	15,840,000
Steel-cutting	9,900,000	7,920,000
Keel-laying	9,900,000	7,920,000
Launching	9,900,000	7,920,000
Delivery	49,500,000	34,000,000*
Total	**99,000,000**	**73,600,000**

Ship D

Stage of Construction	Amount due to Yard under Shipbuilding Contract ($)	Maximum amount of Advance ($)
First Instalment	22,600,000	18,080,000
Steel-cutting	16,950,000	13,560,000
Keel-laying	16,950,000	13,560,000
Launching	22,600,000	18,080,000
Delivery	33,900,000	23,720,000*
Total	**113,000,000**	**87,000,000**

Ship E

Stage of Construction	Amount due to Yard under Shipbuilding Contract ($)	Maximum amount of Advance ($)
First Instalment	16,764,000	13,411,200
Steel-cutting	5,588,000	4,470,400
Keel-laying	5,588,000	4,470,400
Delivery	27,940,000	22,348,000*
Total	**55,880,000**	**44,700,000**

* All the Advances to be made available to finance part of the delivery instalments shall also be used to part-finance the Extra Pre-Delivery Costs of each Ship and the maximum amount of each such Advance takes into account the Extra Pre-Delivery Costs of the relevant Ship which are to be part-financed.

SCHEDULE 5

TRANSFER CERTIFICATE

The Transferor and the Transferee accept exclusive responsibility for ensuring that this Certificate and the transaction to which it relates comply with all legal and regulatory requirements applicable to them respectively.

To: **DEUTSCHE SCHIFFSBANK AKTIENGESELLSCHAFT** for itself and for and on behalf of the Borrower, each Security Party, the Security Trustee, and each Lender and each Swap Bank as each such term is defined in the Loan Agreement referred to below.

[ ], 20[ ]

1 This Certificate relates to a Loan Agreement dated February 2009 (the " **Agreement** ") and made between (1) Danaos Corporation (the " **Borrower** "), (2) the banks and financial institutions listed in Schedule 1, Part A as Lenders, (3) the banks and financial institutions listed in Schedule 1, Part B as Swap Banks and (4) Deutsche Schiffsbank Aktiengesellschäft as Agent and Security Trustee for a term loan facility of up to $299,000,000 in aggregate.

2 In this Certificate, terms defined in the Agreement shall, unless the contrary intention appears, have the same meanings when used in this Certificate and in addition:

" **Relevant Parties** " means the Agent, the Borrower, each Security Party, the Security Trustee, each Lender and each Swap Bank;

" **Transferor** " means [full name] of [lending office];

" **Transferee** " means [full name] of [lending office].

3 The effective date of this Certificate is [•], **provided that** this Certificate shall not come into effect unless it is signed by the Agent on or before that date.

4 The Transferor assigns to the Transferee absolutely and without recourse all rights and interests (present, future or contingent) which the Transferor has as Lender under or by virtue of the Agreement and every other Finance Document in relation to [•] per cent. of its Contribution, which amounts to $[•].

5 By virtue of this Certificate and Clause 26 of the Agreement, the Transferor is discharged [entirely from its Commitment which amounts to $[•]] [from [•] per cent. of its Commitment which percentage represents $[•]].

6 The Transferee undertakes with the Transferor and each of the Relevant Parties that the Transferee will observe and perform all the obligations under the Finance Documents which Clause 26 of the Agreement provides will become binding on it upon this Certificate taking effect.

7 The Agent, at the request of the Transferee (which request is hereby made) accepts, for the Agent itself and for and on behalf of every other Relevant Party, this Certificate as a Transfer Certificate taking effect in accordance with Clause 26 of the Agreement.

8 The Transferor:

(a) warrants to the Transferee and each Relevant Party:

(i) that the Transferor has full capacity to enter into this transaction and has taken all corporate action and obtained all consents which it needs in connection with this transaction; and

(ii) that this Certificate is valid and binding as regards the Transferor;

(b) warrants to the Transferee that the Transferor is absolutely entitled, free of encumbrances, to all the rights and interests covered by the assignment in paragraph 4 above; and

(c) undertakes with the Transferee that the Transferor will, at its own expense, execute any documents which the Transferee reasonably requests for perfecting in any relevant jurisdiction the Transferee's title under this Certificate or for a similar purpose.

9 The Transferee:

(a) confirms that it has received a copy of the Agreement and of each other Finance Document;

(b) agrees that it will have no rights of recourse on any ground against either the Transferor, the Agent, the Security Trustee, any of the Arrangers or any Lender in the event that:

(1) any Finance Document proves to be invalid or ineffective;

(2) the Borrower or any Security Party fails to observe or perform its obligations, or to discharge its liabilities, under any Finance Document; or

(3) it proves impossible to realise any asset covered by a Security Interest created by a Finance Document or the proceeds of such assets are insufficient to discharge the liabilities of the Borrower or any Security Party under the Finance Documents;

(c) agrees that it will have no rights of recourse on any ground against the Agent, the Security Trustee, the Arrangers or any Lender in the event that this Certificate proves to be invalid or ineffective;

(d) warrants to the Transferor and each Relevant Party:

(1) that it has full capacity to enter into this transaction and has taken all corporate action and obtained all consents which it needs to take or obtain in connection with this transaction; and

(2) that this Certificate is valid and binding as regards the Transferee; and

(e) confirms the accuracy of the administrative details set out below regarding the Transferee.

10 The Transferor and the Transferee each undertake with the Agent and the Security Trustee severally, on demand, fully to indemnify the Agent and/or the Security Trustee in respect of any claim, proceeding, liability or expense (including all legal expenses) which they or either of them may incur in connection with this Certificate or any matter arising out of it, except such as are shown to have been mainly and directly caused by the gross

and culpable negligence or dishonesty of the Agent's or the Security Trustee's own officers or employees.

11 The Transferee shall repay to the Transferor on demand so much of any sum paid by the Transferor under paragraph 10 above as exceeds one-half of the amount demanded by the Agent or the Security Trustee in respect of a claim, proceeding, liability or expense which was not reasonably foreseeable at the date of this Certificate; but nothing in this paragraph shall affect the liability of each of the Transferor and the Transferee to the Agent or the Security Trustee for the full amount demanded by it.

12 This Certificate shall be governed by, and construed in accordance with, English law.

[Name of Transferor]

By:

Date:

[Name of Transferee]

By:

Date:

Agent

Signed for itself and for and on behalf of itself
as Agent and for every other Relevant Party

[Name of Agent]

By:

Date:

Administrative Details of Transferee

Name of Transferee:

Lending Office:

Contact Person
(Loan Administration Department):

Telephone:

Telex:

Fax:

Contact Person
(Credit Administration Department):

Telephone:

Telex:

Fax:

Account for payments:

NOTE : THIS TRANSFER CERTIFICATE ALONE MAY NOT BE SUFFICIENT TO TRANSFER A PROPORTIONATE SHARE OF THE TRANSFEROR'S INTEREST IN THE SECURITY CONSTITUTED BY THE FINANCE DOCUMENTS IN THE TRANSFEROR'S OR TRANSFEREE'S JURISDICTION OR IN THE JURISDICTION OF THE LAW WHICH GOVERNS A PARTICULAR SECURITY INTEREST. IT IS THE RESPONSIBILITY OF EACH LENDER TO ASCERTAIN WHETHER ANY OTHER DOCUMENTS ARE REQUIRED FOR THIS PURPOSE.

SCHEDULE 6

FORM OF COMPLIANCE CERTIFICATE

To: Deutsche Schiffsbank Aktiengesellschaft
Domshof 17
D-28195 Bremen
Federal Republic of Germany

[•] 200[•]

Dear Sirs,

We refer to a loan agreement [•] 2009 (the " **Loan Agreement** ") made between (amongst others) yourselves and ourselves in relation to a secured term loan facility of up to $299,000,000 in aggregate.

Words and expressions defined in the Loan Agreement shall have the same meaning when used in this compliance certificate.

We enclose with this certificate a copy of the [audited]/[unaudited] consolidated accounts for the Borrower's Group for the [Financial Year] [3-month period] [6-month period] ended [•]. The accounts (i) have been prepared in accordance with all applicable laws and USGAAP all consistently applied, (ii) give a true and fair view of the state of affairs of the Borrower's Group at the date of the accounts and of its profit for the period to which the accounts relate and (iii) fully disclose or provide for all significant liabilities of the Borrower's Group.

We also enclose copies of the valuations of all the Fleet Vessels which were used in calculating the Market Value Adjusted Total Assets of the Borrower's Group as at [•].

The Borrower represents that no Event of Default or Potential Event of Default has occurred as at the date of this certificate [except for the following matter or event [*set out all material details of matter or event*]]. In addition as of [•], the Borrower confirms compliance with the financial covenants set out in Clause 12.5 of the Loan Agreement for the [3] [6] months ending as of the date to which the enclosed accounts are prepared.

We now certify that, as at [•]:

(a) the ratio of Total Liabilities (after deducting all Cash and Cash Equivalents) to Market Value Adjusted Total Assets (after deducting all Cash and Cash Equivalents) is [•]:[•];

(b) the aggregate of all Cash and Cash Equivalents is $[•];

(c) the Interest Coverage Ratio is [•]:[•];

(d) the Market Value Adjusted Net Worth of the Borrower's Group is $[•];

(e) the Book Net Worth of the Borrower's Group is [•]; and

(f) the Market Value Adjusted Net Worth of the Borrower's Group is [•] per cent. of the Market Value Adjusted Total Assets.

This certificate shall be governed by, and construed in accordance with, English law.

[●]
Chief Financial Officer of
Danaos Corporation

SCHEDULE 7

MANDATORY COST FORMULA

1 The Mandatory Cost is an addition to the interest rate to compensate Lenders for the cost of compliance with (a) the requirements of the Financial Services Authority (or any other authority which replaces all or any of its functions) or (b) the requirements of the European Central Bank.

2 On the first day of each Interest Period (or as soon as possible thereafter) the Agent shall calculate, as a percentage rate, a rate (the **"Additional Cost Rate"**) for each Lender, in accordance with the paragraphs set out below. The Mandatory Cost will be calculated by the Agent as a weighted average of the Lenders' Additional Cost Rates (weighted in proportion to the percentage participation of each Lender in the Loan) and will be expressed as a percentage rate per annum.

3 The Additional Cost Rate for any Lender lending from a lending office in a Participating Member State will be the percentage notified by that Lender to the Agent. This percentage will be certified by that Lender in its notice to the Agent to be its reasonable determination of the cost (expressed as a percentage of that Lender's participation in the Loan) of complying with the minimum reserve requirements of the European Central Bank in respect of loans made from that lending office.

4 The Additional Cost Rate for any Lender lending from a lending office in the United Kingdom will be calculated by the Agent as follows:

$$\frac{E \times 0.01}{300} \text{ per cent. per annum}$$

Where:

E is designed to compensate Lenders for amounts payable under the Fees Rules and is calculated by the Agent as being the average of the most recent rates of charge supplied by the Lenders to the Agent pursuant to paragraph 6 below and expressed in pounds per £1,000,000.

5 For the purposes of this Schedule:

(a) " **Special Deposits** " has the meaning given to it from time to time under or pursuant to the Bank of England Act 1998 or (as may be appropriate) by the Bank of England;

(b) " **Fees Rules** " means the rules on periodic fees contained in the FSA Supervision Manual or such other law or regulation as may be in force from time to time in respect of the payment of fees for the acceptance of deposits;

(g) " **Fee Tariffs** " means the fee tariffs specified in the Fees Rules under the activity group A.1 Deposit acceptors (ignoring any minimum fee or zero rated fee required pursuant to the Fees Rules but taking into account any applicable discount rate);

(h) " **Participating Member State** " means any member state of the European Union that adopts or has adopted the euro as its lawful currency in accordance with legislation of the European Union relating to European Monetary Union; and

(i) " **Tariff Base** " has the meaning given to it in, and will be calculated in accordance with, the Fees Rules.

6 If requested by the Agent, each Lender lending from a lending office in the United Kingdom shall, as soon as practicable after publication by the Financial Services Authority, supply to the Agent, the rate of charge payable by that Lender to the Financial Services Authority pursuant to the Fees Rules in respect of the relevant financial year of the Financial Services Authority (calculated for this purpose by that Lender as being the average of the Fee Tariffs applicable to that Lender for that financial year) and expressed in pounds per £1,000,000 of the Tariff Base of that Lender.

7 Each Lender shall supply any information required by the Agent for the purpose of calculating its Additional Cost Rate. In particular, but without limitation, each Lender shall supply the following information in writing on or prior to the date on which it becomes a Lender:

(a) the jurisdiction of its lending office; and

(c) any other information that the Agent may reasonably require for such purpose.

Each Lender shall promptly notify the Agent in writing of any change to the information provided by it pursuant to this paragraph.

8 The rates of charge of each Lender lending from a lending office in the United Kingdom for the purpose of calculating E shall be determined by the Agent based upon the information supplied to it pursuant to paragraph 6 above and on the assumption that, unless a Lender notifies the Agent to the contrary, each Lender's obligations in relation to cash ratio deposits and Special Deposits are the same as those of a typical bank from its jurisdiction of incorporation with a lending office in the same jurisdiction as its lending office.

9 The Agent shall have no liability to any person if such determination results in an Additional Cost Rate which over or under compensates any Lender and shall be entitled to assume that the information provided by any Lender pursuant to paragraphs 3, 6 and 7 above is true and correct in all respects.

10 The Agent shall distribute the additional amounts received as a result of the Mandatory Cost to the Lenders on the basis of the Additional Cost Rate for each Lender based on the information provided by each Lender pursuant to paragraphs 3, 6 and 7 above.

11 Any determination by the Agent pursuant to this Schedule in relation to a formula, the Mandatory Cost, an Additional Cost Rate or any amount payable to a Lender shall, in the absence of manifest error, be conclusive and binding on all parties.

The Agent may from time to time, after consultation with the Borrower and the Lenders, determine and notify to all parties any amendments which are required to be made to this Schedule in order to comply with any change in law, regulation or any requirements from time to time imposed by the Financial Services Authority or the European Central Bank (or, in any case, any other authority which replaces all or any of its functions) and any such determination shall, in the absence of manifest error, be conclusive and binding on all parties

SCHEDULE 8

DESIGNATION NOTICE

To: Deutsche Schiffsbank Aktiengesellschaft
Domshof 17, D-28195 Bremen
Federal Republic of Germany

[date]

Dear Sirs

Loan Agreement dated 2009 made between (i) ourselves as Borrower (ii) the Banks and Financial Institutions listed as Lenders and Swap Banks therein and (iii) yourselves as Agent and Security Trustee

We refer to:

1 the Loan Agreement;

2 the Master Agreement made between the Borrower and [•] as Swap Bank; and

3 a Confirmation delivered pursuant to the said Master Agreement dated [•].

In accordance with the terms of the Loan Agreement, we hereby give you notice of the said Confirmation and hereby confirm that the Transaction evidenced by it will be designated as a "Designated Transaction" for the purposes of the Loan Agreement and the Finance Documents.

Yours faithfully,

_____

for and on behalf of
DANAOS CORPORATION

EXECUTION PAGE

BORROWER

SIGNED by Mr. Iraklis Prokopakis	)	
for and on behalf of	)	/s/ Iraklis Prokopakis
DANAOS CORPORATION	)	

LENDERS

SIGNED by Vassiliki Georgopoulos	)	
for and on behalf of	)	/s/ Vassiliki Georgopoulos
DEUTSCHE SCHIFFSBANK	)	
AKTIENGESELLSCHÄFT	)	

SIGNED by Vassiliki Georgopoulos	)	
for and on behalf of	)	/s/ Vassiliki Georgopoulos
CREDIT SUISSE	)	

SIGNED by Christina Margelou & Chryssa Vallgan	)	
for and on behalf of	)	/s/ Christina Margelou
EMPORIKI BANK OF GREECE S.A.	)	/s/ Chryssa Vallgan

SWAP BANKS

SIGNED by Vassiliki Georgopoulos	)	
for and on behalf of	)	
DEUTSCHE SCHIFFSBANK	)	/s/ Vassiliki Georgopoulos
AKTIENGESELLSCHÄFT	)	

SIGNED by Vassiliki Georgopoulos	)	
for and on behalf of	)	/s/ Vassiliki Georgopoulos
CREDIT SUISSE	)	

SIGNED by Christina Margelou & Chryssa Vallgan	)	
for and on behalf of	)	/s/ Christina Margelou
EMPORIKI BANK OF GREECE S.A.	)	/s/ Chryssa Vallgan

AGENT

SIGNED by Vassiliki Georgopoulos	)	
for and on behalf of	)	/s/ Vassiliki Georgopoulos
DEUTSCHE SCHIFFSBANK	)	
AKTIENGESELLSCHÄFT	)	

SECURITY TRUSTEE

SIGNED by Vassiliki Georgopoulos	)	
for and on behalf of	)	
DEUTSCHE SCHIFFSBANK	)	/s/ Vassiliki Georgopoulos
AKTIENGESELLSCHÄFT	)	

Witness to all the	)	
above signatures	)	/s/ Evangelia Hatziefstratiou

Name: Evangelia Hatziefstratiou
Address: Watson, Farely & Williams
2, Defteras Merarchia
Piraeus 185 – 36 — Greece

Exhibit 4.18

SUPPLEMENTAL LETTER

To: Danaos Corporation
Trust Company Complex
Ajeltake Road
Ajeltake Island
Majuro
Marshall Islands MH 96960

June 26, 2009

Loan Agreement dated 20 February 2007 (as amended and supplemented, the "Loan Agreement") made between (i) Danaos Corporation (the "Borrower"), (ii) the banks and financial institutions listed in Schedule 1 thereto as lenders and (iii) The Royal Bank of Scotland plc as swap bank, issuing bank, agent and security trustee in respect of a revolving credit facility of up to US$700,000,000.

We refer to the Loan Agreement. Words and expressions defined in the Loan Agreement shall have the same meaning when used in this letter.

1 **Requests and Lenders' agreement** . We further refer to our recent discussions regarding your requests that we consent to:

(a) the release of the Guarantees given by each of Megacarrier (No.1) Corp. and Megacarrier (No.2) Corp. and of all other Finance Documents entered into by such companies;

(b) the re-allocation of the Pre-Delivery Advances of $79,760,000 in aggregate currently allocated to Hyundai Hull S456 and Hyundai Hull S457 (each of which has been ordered by Megacarrier (No. 1) Corp. and Megacarrier (No. 2) Corp. respectively) in the manner described in the New Schedule 8 to the Loan Agreement (the text of which is set out in Clause 2(n) below);

(c) provide pre and post-delivery financing in the aggregate amount of $95,000,000 in order to assist with the acquisition of a 8,563 TEU container carrier newbuilding currently under construction at Shanghai Jiangnan Changxing Heavy Industries having Hull number H1022A; and

(d) that we agree to the novation of SPD trades 3102 & 3103 under the Stand-alone ISDA Agreement dated 15 June 2007 into the swap facility under the Master Agreement dated 20 February 2007.

Our approval of your requests is subject to the satisfaction of the conditions referred to in Clause 2 below.

2 **Amendments to Loan Agreement and Finance Documents** . The arrangements in this letter necessitate certain amendments to the Loan Agreement and we confirm that the Loan Agreement shall be amended (with effect from the date on which the Borrower and the other Security Parties sign the acknowledgement to this letter) as follows:

(a) by construing all references in the Loan Agreement to "this Agreement" and all references in the Finance Documents (other than the Loan Agreement) to the "Loan Agreement" as references to the Loan Agreement as amended and supplemented by this letter;

(b) by adding the following definitions in Clause 1.1 thereof:

"Additional Approved Shipbuilding Contract A" means the shipbuilding contract dated 19 September 2007 and made between Jiangnan and CSTC as seller and Teucarrier as buyer, for the construction by Jiangnan of Hull No. H1022A and its purchase by Teucarrier, as supplemented from time to time;

"Additional Approved Shipbuilding Contract B" means the shipbuilding contract dated 16 March 2007 and made between Hanjin and Expresscarrier for the construction by Hanjin of Hull No. N-218 and its purchase by Expresscarrier, as supplemented from time to time;

"Additional Approved Shipbuilding Contract C" means the shipbuilding dated 9 November 2007 and made between Hyundai and Cellcontainer for the construction by Hyundai of Hull No. S461 and its purchase by Cellcontainer, as supplemented from time to time;

" **Additional Approved Ship Availability Period** " means, in respect of any Advance which is to be used in financing, or is to be allocated to, an Additional Approved Ship:

(a) in the case of any Advance in respect of:

(i) Additional Approved Ship A, 30 November 2011;

(ii) Additional Approved Ship B, 31 December 2010; and

(iii) Additional Approved Ship C, 28 February 2011; or

(b) in any of the above cases, such later date as the Agent may, with the authorisation of all the Lenders, agree with the Borrower;

" **Additional Approved Ship Tranche** " means, in respect of each Additional Approved Ship, the aggregate of all Advances which have been used to part-finance the acquisition of that Additional Approved Ship;

"Additional Approved Ships" means each of:

(a) the 8,530 TEU container carrier newbuilding currently being constructed by Jiangnan and having Hull No. H1022A to be purchased by Teucarrier pursuant to the Additional Approved Shipbuilding Contract A (" **Additional Approved Ship A** ");

(b) the 6,500 TEU container carrier newbuilding currently being constructed by Hanjin and having Hull No. N-218 to be purchased by Expresscarrier pursuant to the Additional Approved Shipbuilding Contract B (" **Additional Approved Ship B** "); and

(c) the 10,100 TEU container carrier newbuilding currently being constructed by Hyundai and having Hull No. S461 to be purchased by Cellcontainer pursuant to the Additional Approved Shipbuilding Contract C (" **Additional Approved Ship C** "),

and in the singular means any of them;

"Amendment Mortgage " means, in relation to "ZIM MONACO", an addendum to the first priority Maltese ship mortgage executed or to be executed by Continent Marine Inc. in favour of the Security Trustee in such form as the Agent may approve or require;

"Cellcontainer" means Cellcontainer (No.6) Corp., a corporation existing under the laws of Liberia whose registered office is at 80 Broad Street, Monrovia, Liberia;

"CSTC" means China Shipbuilding Trading Company Limited, a company organised and existing under the laws of the Republic of China, having its registered office at Faugyan

Mansion, 56 (Yi) Zhongguancum Nan Dajie, Beijing 100044, The People's Republic of China;

"Expresscarrier" means Expresscarrier (No.5) Corp., a corporation existing under the laws of Liberia whose registered office is at 80 Broad Street, Monrovia, Liberia;

" **H1022A Equity Payments** " means an aggregate amount of $37,750,000 applied or to be applied in satisfying the equity payments to be paid by Teucarrier to Jiangnan (being the amount by which the aggregate of the second, third, fourth and fifth instalments payable pursuant to the Additional Approved Shipbuilding Contract A exceeds the maximum amount of the H1022A Predelivery Advances for the same instalments);

" **H1022A Predelivery Advances** " means an aggregate amount of $75,050,000 made or to be made available to finance or allocated or to be allocated towards the pre-delivery stage payments payable pursuant to the Additional Approved Shipbuilding Contract A;

" **H1022A Tranche"** means the aggregate of the H1022A Predelivery Advances and all other amounts or Advances allocated to such Tranche as referred to in Clause 4.12 (in an aggregate amount of $95,000,000), made or to be made available to assist Teucarrier with the acquisition of Additional Approved Ship A;

"Hanjin" means Hanjin Heavy Industries Co. Ltd., a company organised and existing under the laws of the Republic of Korea, with its principal office at 29, 5-Ga, Bongnae-Dong, Youngdo-Gu, Busan (606-796), Korea;

" **Hull S456** " means the container vessel with Hull Number S456 of approximately 12,600 TEU currently under construction by Hyundai pursuant to a shipbuilding contract dated 28 September 2007 and executed between Megacarrier (No. 1) and Hyundai;

"Hull S457" means the container vessel of approximately 12,600 TEU currently under construction by Hyundai and having Hull Number S457 pursuant to a shipbuilding contract dated 28 September 2007 and executed between Megacarrier (No. 2) and Hyundai;

"Hull S458" means the container vessel of approximately 12,600 TEU currently under construction by Hyundai and having Hull Number S458 pursuant to a shipbuilding contract dated 28 September 2007 and executed between Megacarrier (No. 3) and Hyundai;

"Hull S459" means the container vessel of approximately 12,600 TEU currently under construction by Hyundai and having Hull Number S459 pursuant to a shipbuilding contract dated 28 September 2007 and executed between Megacarrier (No. 4) and Hyundai;

"Hull S460" means the container vessel of approximately 12,600 TEU currently under construction by Hyundai and having Hull Number S460 pursuant to a shipbuilding contract dated 28 September 2007 and executed between Megacarrier (No. 5) and Hyundai;

"Hyundai" means Hyundai Samho Heavy Industries Co. Ltd., a company organised and existing under the laws of the Republic of Korea whose registered office is 1700, Yongdang-Ri, Samho-Eup, Youngam-Gun, Chollanam-Do, Korea;

"Jiangnan" means Shanghai Jiangnan Changxing Heavy Industry Company Limited, a company organised and existing under the laws of the People's Republic of China whose registered office is Marine Tower, No. 1 Pudong Da Dao, Shanghai 200120, The People's Republic of China;

"Megacarrier (No. 1)" means Megacarrier (No. 1) Corp., a corporation existing under the laws of Liberia whose registered office is at 80 Broad Street, Monrovia, Liberia;

"Megacarrier (No. 2)" means Megacarrier (No. 2) Corp., a corporation existing under the laws of Liberia whose registered office is at 80 Broad Street, Monrovia, Liberia;

"Megacarrier (No. 3)" means Megacarrier (No. 3) Corp., a corporation existing under the laws of Liberia whose registered office is at 80 Broad Street, Monrovia, Liberia;

"Megacarrier (No. 4)" means Megacarrier (No. 4) Corp., a corporation existing under the laws of Liberia whose registered office is at 80 Broad Street, Monrovia, Liberia;

"Megacarrier (No. 5)" means Megacarrier (No. 5) Corp., a corporation existing under the laws of Liberia whose registered office is at 80 Broad Street, Monrovia, Liberia;

" **Minimum Liquidity Amount** " has the meaning given in Clause 12.24;

" **Mortgage Addendum** " means, in respect of "HYUNDAI BRIDGE", "HYUNDAI HIGHWAY" and "HYUNDAI PROGRESS" the second addendum thereto, executed or to be executed by the relevant Owner in favour of the Security Trustee in such form as the Agent may approve or require and, in the plural, means all of them;

" **Outgoing Hulls"** means Hull S456 and Hull S457, and in the singular means either of them;

"RCF & Swaps Cash Deposit Account" means an account in the name of the Borrower with the Agent in Piraeus designated "RBS/Danaos Corporation RCF & Swaps" (having account number 577411) or any other account (with that or another office of the Agent) which is designated by the Agent as the Swaps Cash Deposit Account for the purposes of the Stand-alone ISDA Agreement or the Loan Agreement;

"RCF & Swaps Cash Deposit Account Pledge" means the deed containing, inter alia, a charge in respect of the Swaps Cash Deposit Account executed or to be executed by the Borrower in favour of the Security Trustee in such form as the Lenders may approve or require;

"Stand-alone ISDA Agreement" means the ISDA Agreement and collateral schedule each dated 15 June 2007 (on the 1992 ISDA (Multicurrency-Crossborder) form) made between the Borrower and The Royal Bank of Scotland plc;

"Teucarrier" means Teucarrier (No.5) Corp., a corporation existing under the laws of Liberia whose registered office is at 80 Broad Street, Monrovia, Liberia;

"Waiver Period" means the period commencing on 31 December 2008 (inclusive) and ending on 31 January 2010 (inclusive);

(c) by adding the words "or an Additional Approved Ship" after the words "an Alternative Ship" in the definitions of "Approved Purchase Contract", "Approved Seller", "Delivery Date", "Pre-Delivery Security Assignment" and "Refund Guarantee" in Clause 1.1 thereof and in the second line of Clause 12.20 thereof;

(d) by adding a new paragraph (d) in the definition of "Designated Transaction" in Clause 1.1 thereof as follows:

"(d) it is entered into by the Borrower pursuant to the Stand-alone ISDA Agremeent";

(e) by deleting the definition of "Margin" in Clause 1.1 thereof and replacing it with the following:

"" **Margin** " means, with effect from 22 May 2009, 2.25 per cent. per annum;";

(f) by adding in the third line of the definition of "Pre-Delivery Advance" in Clause 1.1 thereof after the words "an Alternative Ship" the words "or an Additional Approved Ship";

(g) by adding in the definition of "Ships" in Clause 1.1 thereof after the words "the Alternative Ships" the words " and the Additional Approved Ships";

(h) by adding in the definition of "Tranche B" in Clause 1.1 thereof after the words "(or subject to the other terms of this Agreement, an Advance which has been redrawn following the repayment or prepayment of any of the above-mentioned Alternative Advances)" the words "and each Additional Approved Ship Tranche";

(i) by adding in Clause 4.2(g) thereof after the figure "$272,000,000" the following:

"(or, as from the date on which the re-allocation of the Pre-Delivery Advances takes effect pursuant to Clause 4.11, $198,000,000)";

(j) by adding a new Clause 4.2(m) in the Loan Agreement as follows:

"(m) in the case of the H1022A Tranche, the aggregate of the H1022A Predelivery Advances shall not exceed:

(i) in the case of the first Advance, an amount of $18,800,000 which has been made available to finance 80 per cent. of the first instalment payable pursuant to the Additional Approved Shipbuilding Contract A;

(ii) in the case of the second Advance, an amount up to the lesser of (aa) $18,800,000 and (bb) 80 per cent. of the second instalment payable pursuant to the Additional Approved Shipbuilding Contract A;

(iii) in the case of the third Advance, an amount up to the lesser of (aa) $18,800,000 and (bb) 80 per cent. of the third (keel-laying) instalment payable pursuant to Additional Approved Shipbuilding Contract A; and

(iv) in the case of the fourth Advance, an amount up to the lesser of (aa) $18,650,000 and (bb) 79.4 per cent. of the fourth (launching) instalment payable pursuant to Additional Approved Shipbuilding Contract A;

(k) by adding new Clauses 4.11, 4.12 and 4.13 in the Loan Agreement as follows:

" **4.11 Re-allocation of Pre-Delivery Advances.** On the date on which the Finance Documents relating to the Outgoing Hulls are released and/or discharged, the Pre-Delivery Advances shall be re-allocated in the manner set out in Schedule 8.

4.12 Constitution of H1022A Tranche . Subject to Clause 4.11, the H1022A Tranche will be constituted as follows:

(a) an amount of $18,800,000 which has been drawn down by way of a Pre-Delivery Advance to finance 80 per cent. of the first instalment paid pursuant to Additional Approved Shipbuilding Contract A;

(b) an amount of $35,250,000 (which is currently constituted by a Guarantee issued by the Issuing Bank to Jiangnan), representing the whole of the second and 50 per cent. of the third (keel-laying) instalments payable pursuant to Additional Shipbuilding Contract A;

(c) the aggregate undrawn amount of the Tranche A Limit and the Tranche B Limit, in the amount of $21,000,800; and

(d) an amount of $19,950,000 representing part of the Pre-Delivery Advances allocated to Hull S457 (prior to the re-allocation which will be effected pursuant to Clause 4.11).

4.13 " Further re-allocation of the Pre-Delivery Advances.

Notwithstanding the other provisions of this Agreement, the Pre-Delivery Advances may be allocated to the Additional Approved Ships subject to the following conditions:

(a) the aggregate of the Advances to be allocated to the Additional Approved Ships shall not exceed $293,000,000 in aggregate (constituted by the aggregate amount of the Pre-Delivery Advances on 26 June 2009, being $271,999,200 and the undrawn balance of the Tranche A Limit and the Tranche B Limit on the same date, being $21,000,800) which shall be divided between each Additional Approved Ship as follows:

(i) up to $95,000,000 in respect of Additional Approved Ship A represented by the H1022A Tranche;

(ii) up to $80,000,000 in respect of Additional Approved Ship B; and

(iii) up to $118,000,000 in respect of Additional Approved Ship C;

(b) each Advance (other than an Advance under the H1022A Tranche to which the provisions of Clause 4.2(m) will apply) allocated to each of Additional Approved Ship B and Additional Approved Ship C in respect of a pre-delivery stage payment payable pursuant to either Additional Approved Shipbuilding Contract B or Additional Approved Shipbuilding Contract C will not exceed 80 per cent. of that pre-delivery stage payment;

(c) on or prior to each date (a " **Payment Date** ") on which a payment (a " **Payment** ") needs to be made pursuant to either Additional Approved Shipbuilding Contract B or Additional Approved Shipbuilding Contract C, the Borrower shall ensure that it has deposited in the RCF & Swaps Cash Deposit Account an amount (which when aggregated with any other freely available amounts standing to the credit of that account (which shall exclude, without limitation, the Minimum Liquidity Amount) equal to such Payment and on the Payment Date the following shall take place:

(i) the Agent shall remit the relevant Payment to Hanjin or, as the case may be, Hyundai; and

(ii) the Agent shall re-allocate an amount equal to 80 per cent. of the Payment then allocated as a Pre-Delivery Advance in respect of any of Hull S458, Hull S459 or Hull S460 as an Advance (in an equal amount) in respect of either Additional Approved Ship B or Additional Approved Ship C subject to the value of all security maintained by the Agent at the relevant time in respect of all Advances for Additional Approved Ship B and Additional Approved Ship C and all other Pre-delivery Advances then outstanding being at least equal to the aggregate of (1) 125 per cent. of any Refund Guarantees which have been assigned to the Security Trustee by means of a Pre-Delivery Security Assignment (with the value of such Refund Guarantees being, on each Payment Date, an amount equal in aggregate to all instalments secured by that Refund Guarantee which have been paid on or before the Payment Date) and (2) 100 per cent. of any cash security maintained with any Creditor Party in respect of the Advances; and

(iii) following any re-allocation of an Advance pursuant to this Clause 4.13(c), the Agent shall send the Borrower a table substantially in the form set out in Schedule 8 giving details of the manner in which the

Advances are allocated between the various Ships subject to those Advances and the security for the Advances;

(d) the Borrower shall ensure that the Agent receives a notice by no later than 11.00 a.m. (Greek time) 3 Business Days prior to a Payment Date notifying the Agent of the Payment to be made on that Payment Date and the Payment Date shall be a Business Day falling within the Availability Period for the relevant Advance;

(e) on or before the date on which an Advance is re-allocated, the Borrower shall ensure that it has complied with the applicable conditions precedent referred to in Clause 10.1 (with all references in such Clause to an "Approved Ship" being construed as references to an "Additional Approved Ship");"

(f) each Advance in respect of, or allocated to, an Additional Approved Ship will be treated as an Advance under Tranche B;

(g) on or before the Delivery Date in respect of Additional Approved Ship A, the Borrower shall provide the Agent and its legal advisers with satisfactory evidence that Additional Approved Ship A will, as from the Delivery Date, be subject to a 12-year charter with CMA CGM at a rate of $43,000 per day until September 2023;

(h) on or before the Delivery Date in respect of Additional Approved Ship B, the Borrower shall provide the Agent and its legal advisers with satisfactory evidence that Additional Approved Ship B will, as from the Delivery Date, subject to a 15-year charter with Yang Ming at a rate of $34,325 per day until July 2022; and

(i) on or before the Delivery Date in respect of Additional Approved Ship C, the Borrower shall provide the Agent and its legal advisers receive satisfactory evidence that Additional Approved Ship C will, as from the Delivery Date, be subject to a 12-year charter with Hanjin Shipping at a rate of $54,000 per day until December 2025;";

(l) by adding new Clauses 9.15 and 9.16 in the Loan Agreement as follows:

" **9.15 Repayment of Additional Approved Ship Tranches.** Subject to Clause 9.16, each Additional Approved Ship Tranche shall be repaid in accordance with Clause 9.1.

9.16 Review of repayment of Additional Approved Tranches . The Agent (acting upon the instructions of all the Lenders) will, by no later than 31 January 2010, review, in consultation with the Borrower, the repayment of each Additional Approved Ship Tranche by reference to then prevailing conditions in the shipping and finance markets. Any amendments to the manner of repayment will take effect as from 31 January 2010 subject to the Agent having served a written notice on the Borrower with the new repayment schedule at least (3) Business Days in advance.";

(m) by adding in the second line of Clause 10.1(b) and 10.1(c) thereof after the words "Approved Ship", the words "or Additional Approved Ship";

(n) by adding a new Clause 12.24 in the Loan Agreement as follows:

" **12.24 Minimum Liquidity.** The Borrower shall maintain throughout the Security Period in the RCF & Swaps Cash Deposit Account an amount in aggregate of not less than $53,793,000 (the " **Minimum Liquidity Amount** ") which may be applied in the following manner (in the sole discretion of the Agent (acting upon the instructions of the Majority Lenders)):

(a) first, as security for any out of the market position in respect of any Transactions entered into pursuant to the Stand-alone ISDA Agreement for amounts exceeding in aggregate $15,000,000;

(b) secondly, in satisfaction of any obligation of the Borrower to provide additional security pursuant to Clause 16.1(i) or (ii); and

(c) thirdly, any balance (in an amount not exceeding $37,750,000 in aggregate) shall be used in funding the Hull 1022A Equity Payments in the following manner subject to no Event of Default or Potential Event of Default being in existence at the relevant time:

(i) an amount of up to the lesser of (aa) $4,700,000 and (bb) 20 per cent. of the second instalment payable pursuant to the Additional Approved Shipbuilding Contract A may be used in paying part of the second instalment;

(ii) an amount of up to the lesser of (aa) $4,700,000 and (bb) 20 per cent. of the third (keel laying) instalment payable pursuant to the Additional Approved Shipbuilding Contract A may be used in paying part of the third instalment;

(iii) an amount of up to the lesser of (aa) $4,850,000 and (bb) 20.6 per cent. of the fourth (launching) instalment payable pursuant to the Additional Approved Shipbuilding Contract A may be used in paying part of the fourth instalment; and

(iv) an amount of up to the lesser of (aa) $23,500,000 and (bb) 100 per cent. of the fifth (delivery) instalment payable pursuant to the Additional Approved Shipbuilding Contract A may be used in paying the whole of the fifth instalment";

(o) by adding a new Clause 12.25 in the Loan Agreement as follows:

" **12.25 Additional Security.** The Borrower will:

(a) provide, or ensure that a third party provides, additional security acceptable to the Lenders if at any time the Minimum Liquidity Amount is insufficient to secure the out of the market position in respect of any Transactions entered into pursuant to the Stand-alone ISDA Agreement;

(b) ensure, that if the circumstances referred to in paragraph (a) above or in Clause 16.1(i) apply at any time, the Security Trustee (or, as the case may be, the Lenders) receive, in priority to other banks or financial institutions, Security Interests over ships to be nominated by the Borrower to, and accepted by, the Agent (acting on the instructions of the Majority Lenders) which, in the opinion of the Majority Lenders, are sufficient to meet any shortfall under Clause 16.1 or in respect of the out of the market position for any Transactions entered into pursuant to the Stand-alone ISDA Agreement (with such Security Interests being documented in such terms as the Agent may, with authorisation from the Majority Lenders, approve or require);

(p) by deleting in the first line of Clause 13.3(b) thereof the words "at any time" and replacing them with the following:

"(i) at any time during the Waiver Period and (ii) at any time thereafter (but subject to Clause 13.8)";

(q) by adding the words "(other than during the Waiver Period in the case of Clause 13.4(a) below)" after the words "at all times" in the first line of Clause 13.4 thereof;

(r) by adding a new Clause 13.8 as follows:

" **13.8 Dividends.** The Agent shall, with effect from the last day of the Waiver Period (the " **Dividends Review Date** "), review the restriction which is to apply to the payment of dividends and any other forms of distribution pursuant to Clause 13.3(b) in order to determine the level of dividends which may be paid or the distributions which may be made thereafter and shall consult with the Borrower in good faith regarding the same by no later than the date falling 15 days prior to the Dividends Review Date. The Agent shall notify the Borrower in writing by no later than 3 Business Days prior to the Dividends Review Date of the provisions which are to apply as from that date regarding the payment of dividends and any other forms of distribution and Clause 13.3(b)(ii) will, and from that date, be construed accordingly.";

(s) by deleting in its entirety Clause 16.1 thereof and replacing it with the following:

" **16.1 Provision of additional security cover; prepayment.** The Borrower undertakes with each Creditor Party that, if at any time the Agent notifies the Borrower that:

(a) the aggregate of the Market Values of the Mortgaged Ships (which expression shall include for the purposes of this Clause 16.1, all the Alternative Ships (with the Market Value of each Alternative Ship being calculated pursuant to Clause 16.5 on the assumption that, on the date of determination of its Market Value, that Alternative Ship had already been delivered to its

Owner);

(b) the aggregate equity contributions of the Borrower and/or the Owners towards the construction costs of the Additional Approved Ships (including, without limitation, the H1022A Equity Payments);

(c) any part of the Minimum Liquidity Amount which is standing to the credit of the Swaps Cash Deposit Account and/or any other account in the name of the Borrower with the Agent; plus

(d) the net realisable value of any additional security previously provided under this Clause 16,

is below the Relevant Percentage (as hereafter defined) of the aggregate of the Loan, the Swap Exposure and the Outstandings less the aggregate of all Pre-Delivery Advances,

the Borrower will, within 14 Business Days after the date on which the Agent's notice is served, either:

(i) provide, or ensure that a third party provides, additional security acceptable to the Lenders which, in the opinion of the Majority Lenders, has a net realisable value at least equal to the shortfall and which, if it consists of or includes a Security Interest, covers such asset or assets and is documented in such terms as the Agent may, with authorisation from the Majority Lenders, approve or require; or

(ii) prepay in accordance with Clause 9 such part (at least) of the Loan and/or procure cancellation of such part of the Outstandings as will eliminate the shortfall.

In this Clause 16.1, " **Relevant Percentage** " means:

(a) during the Waiver Period, 100 per cent.; and

(b) at all other times, 125 per cent. (subject to the review of the Security Cover requirement to be made by the Agent at the end of the Waiver Period pursuant to Clause 16.11);"; and

(t) by adding a new Clause 16.11 in the Loan Agreement as follows:

" **16.11 Security Cover requirement.** The Agent shall, with effect from the last day of the Waiver Period (the " **Security Cover Review Date** "), review the security cover requirement which is to apply pursuant to this Clause 16 in order to determine the level of the Relevant Percentage which is to apply thereafter and shall consult with the Borrower in good faith regarding the same by no later than the date falling 15 days prior to the Review Date. The Agent shall notify the Borrower in writing by no later than 3 Business Days prior to the Security Cover Review Date of the Relevant Percentage which is to apply as from that date and the definition of "Relevant Percentage" will, as from that date, be construed to mean the percentage referred to in the Agent's notice to the Borrower.";

(u) by adding a new Schedule 8 to the Loan Agreement as follows:

SCHEDULE 8

Existing allocation of Pre-Delivery Advances

Ship allocated to Advance	Exposure ($)	Refund Guarantees ($)	Cash ($)
HN S-461	18,550,000	58,096,000	
HN S-456	39,879,840	49,850,000	
HN S-457	39,879,840	49,850,000	
HN S-458	39,879,840	49,850,000	
HN S-459	39,879,840	49,850,000	
HN S-460	39,879,840	49,850,000	
HN H1022A	18,800,000	23,500,000	
HN H1022A (Performance Guarantee)	35,250,000		7,050,000
Total	**271,999,200**		

New allocation of Pre-Delivery Advances

Ship allocated to Advance	Exposure ($)	Refund Guarantees ($)	Cash ($)
HN S-461	46,477,000	58,096,000	
HN N-218	15,840,000	19,800,000	
HN S-458	39,879,840	49,850,000	
HN S-459	39,879,840	49,850,000	
HN S-460	39,879,840	49,850,000	
HN H1022A	**Transferred to H1022A Tranche**		
HN H1022A (Performance Guarantee)	**Transferred to H1022A Tranche**		
HN S461 & HN N218	16,043,000		16,043,000
Total	**197,999,520**		

2 **Conditions** . Our consent to your requests is subject to the condition that the Agent shall have received in form and substance satisfactory to it and its legal advisers:

(a) evidence that the persons executing this Supplemental Letter, the RCF & Swaps Cash Deposit Account Pledge, the Mortgage Addenda and the Amendment Mortgage on behalf of the Borrower and the Owners are duly authorised to execute the same;

(b) documents of the kind specified in paragraphs 2, 3 and 4 of Schedule 3, Part A to the Loan Agreement in relation to the relevant Owner in connection with their execution of the Mortgage Addenda and the Amendment Mortgage updated with appropriate modifications to refer to this Letter;

(c) an extract of the standing resolutions of the Borrower signed by the Secretary of the Borrower pursuant to which the persons who have executed this Supplemental Letter and the RCF & Swaps Cash Deposit Account Pledge have derived their authority to do so;

(d) evidence that there is an amount of not less than $53,793,000 in aggregate standing to the credit of the RCF & Swaps Cash Deposit Account and any other account held in the name of the Borrower with the Agent in Piraeus;

(e) evidence that the RCF & Swaps Cash Deposit Account has been opened and all mandate forms, documentation required by the Agent in relation to the Borrower and any Security Party pursuant to the Agent's "know your customer" requirements have been received;

(f) evidence that each of Teucarrier, Expresscarrier and Cellcontainer is a direct or indirect wholly-owned subsidiary of the Borrower;

(g) receipt of an original of each Mortgage Addendum and Amendment Mortgage duly signed by the relevant Owner and evidence satisfactory to the Agent and its lawyers that the same has been registered as a valid addendum, or amendment as the case may be, to the applicable Mortgage in accordance with the laws of Panama and Malta (as the case may be);

(h) such legal opinions as the Agent may require in respect of the matters contained in this Supplemental Letter, the RCF & Swaps Cash Deposit Account Pledge, the Mortgage Addenda, the Amendment Mortgage and any other Finance Document entered into pursuant to this Supplemental Letter;

(i) evidence that the agent referred to in clause 30.4 of the Loan Agreement has accepted its appointment as agent for service of process under this Supplemental Letter, the RCF & Swaps Cash Deposit Account Pledge and any other Finance Document entered into pursuant to this Supplemental Letter; and

(j) on or before the date of this Supplemental Letter we have received the fee payable pursuant to Clause 4(a) below.

3 **Representations and Warranties.** The Borrower represents and warrants to the Agent that:

(a) the representations and warranties in Clause 11 of the Loan Agreement, as amended and supplemented by this Supplemental Letter, remain true and not misleading if repeated on the date of this Supplemental Letter with reference to the circumstances now existing; and

(b) the representations and warranties in the Finance Documents (other than the Loan Agreement) to which it is a party, as amended and supplemented by this Supplemental Letter remain true and not misleading if repeated on the date of this Supplemental Letter with reference to the circumstances now existing.

4 **Fees and Expenses** . The Borrower will pay (or, in the case of paragraph (a) below, has paid) to the Agent:

(a) on the date of acceptance of the Agent's commitment letter dated 19 May 2009, a non-refundable fee of $100,000 (for the sole account of the Agent);

(b) on the Drawdown Date of the first H1022A Predelivery Advance to be drawn down following the date of this Supplemental Letter, a non-refundable fee of $166,250 (representing 0.175 per cent. of the maximum amount of the H1022A Tranche));

(c) on the Drawdown Date of the first Advance which will be used to finance the acquisition of Additional Approved Ship B, a non-refundable fee of $140,000 (representing 0.175 per cent. of the maximum amount of the Advances which may be used to finance the acquisition of Additional Approved Ship B, being $80,000,000); and

(d) on the Drawdown Date of the first Advance which will be used to finance the acquisition of Additional Approved Ship C, a non-refundable fee of $206,500 (representing 0.175 per cent. of the maximum amount of the Advances which may be used to finance the acquisition of Additional Approved Ship C, being $118,000,000).

5 **Notices.** The provisions of Clause 29 (Notices) of the Loan Agreement shall apply as if they were expressly incorporated herein.

6 **Governing law.** This letter shall be governed by and construed in accordance with English law and the provisions of Clause 35 (Law and Jurisdiction) of the Loan Agreement shall apply to this letter as if they were expressly incorporated herein.

Unless amended by the terms of this letter, the provisions of the Loan Agreement and the other Finance Documents shall remain in full force and effect.

Please confirm your acceptance to the foregoing terms and conditions by signing the acceptance and acknowledgement below.

Yours faithfully

/s/ Alex Rodopoulos

for and on behalf of
THE ROYAL BANK OF SCOTLAND plc

We hereby acknowledge receipt of the above letter, confirm our agreement to the terms of the same.

/s/ Iraklis Prokopakis

for and on behalf of
DANAOS CORPORATION

Date: June 26, 2009

We hereby confirm and acknowledge that we have read and understood the terms and conditions of the above letter and agree in all respects to the same and confirm that the Finance Documents to which we are a party shall remain in full force and effect and shall continue to stand as security for the obligations of the Borrower under the Loan Agreement.

/s/ Zoe Lappa
for and on behalf of
FEDERAL MARINE INC.

/s/ Zoe Lappa
for and on behalf of
AUCKLAND MARINE INC.

/s/ Zoe Lappa
for and on behalf of
SEACARRIERS SERVICES INC.

/s/ Zoe Lappa
for and on behalf of
WELLINGTON MARINE INC.

/s/ Zoe Lappa
for and on behalf of
MEGACARRIER (NO. 1) CORP

/s/ Zoe Lappa
for and on behalf of
TEUCARRIER (NO. 5) CORP.

/s/ Zoe Lappa
for and on behalf of
MEGACARRIER (NO. 3) CORP

/s/ Zoe Lappa
for and on behalf of
MEGACARRIER (NO. 2) CORP.

/s/ Zoe Lappa
for and on behalf of
MEGACARRIER (NO. 5) CORP

/s/ Zoe Lappa
for and on behalf of
MEGACARRIER (NO. 4) CORP.

/s/ Zoe Lappa
for and on behalf of
SEACARRIERS LINES INC.

/s/ Zoe Lappa
for and on behalf of
SPEEDCARRIER (NO. 7) CORP

/s/ Zoe Lappa
for and on behalf of
CELLCONTAINER (NO. 6) CORP.

/s/ Zoe Lappa
for and on behalf of
SPEEDCARRIER (NO. 6) CORP

/s/ Zoe Lappa
for and on behalf of
SPEEDCARRIER (NO. 8) CORP

Date: June 26, 2009

Exhibit 8

Subsidiaries

Company	Country of Incorporation
Alexandra Navigation Inc.	Liberia
Appleton Navigation S.A.	Liberia
Auckland Marine Inc.	Liberia
Baker International S.A.	Liberia
Balticsea Marine Inc.	Liberia
Bayard Maritime Ltd.	Liberia
Bayview Shipping Inc.	Liberia
Blacksea Marine Inc.	Liberia
Bounty Investment Inc.	Liberia
Boxcarrier (No. 1) Corp.	Liberia
Boxcarrier (No. 2) Corp.	Liberia
Boxcarrier (No. 3) Corp.	Liberia
Boxcarrier (No. 4) Corp.	Liberia
Boxcarrier (No. 5) Corp.	Liberia
Boxcarrier (No. 6) Corp.	Liberia
Boxcarrier (No. 7) Corp.	Liberia
Boxcarrier (No. 8) Corp.	Liberia
Cellcontainer (No. 1) Corp.	Liberia
Cellcontainer (No. 2) Corp.	Liberia
Cellcontainer (No. 3) Corp.	Liberia
Cellcontainer (No. 4) Corp.	Liberia
Cellcontainer (No. 5) Corp.	Liberia
Cellcontainer (No. 6) Corp.	Liberia
Cellcontainer (No. 7) Corp.	Liberia
Cellcontainer (No. 8) Corp.	Liberia
Channelview Marine Inc.	Liberia
Cobaltium Shipping Inc.	Liberia
Commodore Marine Inc.	Liberia
Constantia Maritime Inc.	Liberia
Containers Lines Inc.	Liberia
Containers Services Inc.	Liberia
Continent Marine Inc.	Liberia
Deleas Shipping Limited	Cyprus
Duke Marine Inc.	Liberia
Erato Navigation Inc.	Liberia
Expresscarrier (No. 1) Corp.	Liberia

Expresscarrier (No. 2) Corp.	Liberia
Expresscarrier (No. 3) Corp.	Liberia
Expresscarrier (No. 4) Corp.	Liberia
Expresscarrier (No. 5) Corp.	Liberia
Fastcarrier (No. 1) Corp.	Liberia
Fastcarrier (No. 2) Corp.	Liberia
Fastcarrier (No. 3) Corp.	Liberia
Fastcarrier (No. 4) Corp.	Liberia
Fastcarrier (No. 5) Corp.	Liberia
Fastcarrier (No. 6) Corp.	Liberia
Federal Marine Inc.	Liberia
Ferrous Shipping Inc.	Liberia
Geoffrey Shipholding Limited	Liberia
Globalspirit Shipping Limited	Cyprus
Helderberg Maritime Inc.	Liberia
Independence Navigation Inc.	Liberia
Karlita Shipping Company Limited	Cyprus
Lacey Navigation Inc.	Liberia
Lito Navigation Inc.	Liberia
Lydia Inc.	Liberia
Maria C Maritime Inc.	Liberia
Medsea Marine Inc.	Liberia
Medspirit Shipping Limited	Cyprus
Megacarrier (No. 1) Corp.	Liberia
Megacarrier (No. 2) Corp.	Liberia
Megacarrier (No. 3) Corp.	Liberia
Megacarrier (No. 4) Corp.	Liberia
Megacarrier (No. 5) Corp.	Liberia
Mercator Shipping Inc.	Liberia
Oceanew Shipping Limited	Cyprus
Oceanprize Navigation Limited	Cyprus
Orchid Navigation Corporation	Liberia
Ortelius Maritime Inc.	Liberia
Peninsula Maritime Inc.	Liberia
Ramona Marine Company Limited	Cyprus
Roberto C Maritime Inc.	Liberia
Sapfo Navigation Inc.	Liberia
Saratoga Trading S.A.	Liberia
Seacaravel Shipping Limited	Cyprus
Seacarriers Lines Inc.	Liberia
Seacarriers Services Inc.	Liberia

Seasenator Shipping Limited	Cyprus
Sederberg Maritime Inc.	Liberia
Speedcarrier (No. 1) Corp.	Liberia
Speedcarrier (No. 2) Corp.	Liberia
Speedcarrier (No. 3) Corp.	Liberia
Speedcarrier (No. 4) Corp.	Liberia
Speedcarrier (No. 5) Corp.	Liberia
Speedcarrier (No. 6) Corp.	Liberia
Speedcarrier (No. 7) Corp.	Liberia
Speedcarrier (No. 8) Corp.	Liberia
Strondium Shipping Inc.	Liberia
Teucarrier (No. 1) Corp.	Liberia
Teucarrier (No. 2) Corp.	Liberia
Teucarrier (No. 3) Corp.	Liberia
Teucarrier (No. 4) Corp.	Liberia
Teucarrier (No. 5) Corp.	Liberia
Titanium Holdings Inc.	Liberia
Tully Enterprises S.A.	Liberia
Tyron Enterprises S.A.	Liberia
Victory Shipholding Inc.	Liberia
Wellington Marine Inc.	Liberia
Westwood Marine S.A.	Liberia
Winterberg Maritime Inc.	Liberia

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Exhibit 12.1

CERTIFICATIONS

I, Dr. John Coustas, certify that:

1. I have reviewed this annual report on Form 20-F of Danaos Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this annual report;

4. The Company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15 (f) and 15d-15(f)) for the Company and have;

a.) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b.) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c.) evaluated the effectiveness of the Company's disclosure controls and procedures and resented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d.) disclosed in this annual report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent function):

a.) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

b.) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: July 13, 2009

/s/ DR. JOHN COUSTAS

Dr. John Coustas
President and Chief Executive Officer

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Exhibit 12.2

CERTIFICATIONS

I, Dimitri J. Andritsoyiannis, certify that:

1. I have reviewed this annual report on Form 20-F of Danaos Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this annual report;

4. The Company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15 (f) and 15d-15(f)) for the Company and have;

a.) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b.) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c.) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d.) disclosed in this annual report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent function):

a.) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

b.) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: July 13, 2009

/s/ DIMITRI J. ANDRITSOYIANNIS

Dimitri J. Andritsoyiannis
Vice President and Chief Financial Officer

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Exhibit 13.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 20-F of Danaos Corporation (the "Company") for the fiscal year ended December 31, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company hereby certifies to the undersigned's knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 13, 2009

/s/ DR. JOHN COUSTAS

Dr. John Coustas
President and Chief Executive Officer

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Exhibit 13.1

Exhibit 13.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 20-F of Danaos Corporation (the "Company") for the fiscal year ending December 31, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company hereby certifies to the undersigned's knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 13, 2009

/s/ DIMITRI J. ANDRITSOYIANNIS

Dimitri J. Andritsoyiannis
Vice President and Chief Financial Officer

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Exhibit 15

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Forms F-3 (No. 333-147099) and S-8 (No. 333-138449) of Danaos Corporation of our report dated July 13, 2009 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F. We also consent to the reference to us under the heading "Selected Financial Data" in this Form 20-F.

/s/ PricewaterhouseCoopers S.A.
Athens, Greece
July 13, 2009

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